

MAGELLAN MIDSTREAM PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per unit amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2004	2003	2004
Transportation and terminals revenues:				
Third party	\$ 97,785	\$ 104,001	\$ 268,093	\$ 296,630
Affiliate	-	-	13,122	-
Product sales revenues:				
Third party	24,391	54,499	67,811	137,234
Affiliate	-	-	790	-
Total revenues	<u>122,176</u>	<u>158,500</u>	<u>349,816</u>	<u>433,864</u>
Costs and expenses:				
Operating	46,535	46,792	122,244	126,703
Environmental	7,186	176	9,137	42,504
Environmental reimbursements	(7,358)	-	(8,616)	(41,324)
Product purchases	21,170	49,617	61,021	120,498
Depreciation and amortization	8,994	9,564	27,256	28,908
Affiliate general and administrative	<u>13,802</u>	<u>13,837</u>	<u>40,725</u>	<u>40,231</u>
Total costs and expenses	<u>90,329</u>	<u>119,986</u>	<u>251,767</u>	<u>317,520</u>
Equity earnings	-	713	-	981
Operating profit	31,847	39,227	98,049	117,325
Interest expense	9,734	8,029	27,264	25,248
Interest income	(996)	(291)	(1,550)	(1,737)
Debt prepayment premium	-	-	-	12,666
Write-off of unamortized debt placement costs	-	-	-	5,002
Debt placement fee amortization	838	886	2,147	2,224
Gain on derivative	-	-	-	(953)
Net income	<u>\$ 22,271</u>	<u>\$ 30,603</u>	<u>\$ 70,188</u>	<u>\$ 74,875</u>
Allocation of net income:				
Limited partners' interest	\$ 22,705	\$ 28,286	\$ 70,211	\$ 69,625
General partner's interest	(434)	2,317	(23)	5,250
Net income	<u>\$ 22,271</u>	<u>\$ 30,603</u>	<u>\$ 70,188</u>	<u>\$ 74,875</u>
Basic net income per limited partner unit	<u>\$ 0.84</u>	<u>\$ 0.97</u>	<u>\$ 2.58</u>	<u>\$ 2.47</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>27,190</u>	<u>29,271</u>	<u>27,190</u>	<u>28,157</u>
Diluted net income per limited partner unit	<u>\$ 0.84</u>	<u>\$ 0.96</u>	<u>\$ 2.58</u>	<u>\$ 2.47</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>27,190</u>	<u>29,341</u>	<u>27,233</u>	<u>28,216</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2004	2003	2004
Petroleum products pipeline system:				
Transportation revenue per barrel shipped (cents per barrel)	97.9	94.5	98.6	97.4
Transportation barrels shipped (million barrels)	63.6	66.7	175.3	182.1
Barrel miles (billions)	19.8	18.2	53.1	50.3
Petroleum products terminals:				
Marine terminal average storage capacity utilized per month (million barrels)	14.7	15.8	15.3	15.7
Marine terminal throughput (million barrels)	6.0	5.8	16.4	17.0
Inland terminal throughput (million barrels)	16.9	27.5	45.2	74.1
Ammonia pipeline system:				
Volume shipped (thousand tons)	173	171	409	552

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING MARGIN RECONCILIATION TO OPERATING PROFIT
(Unaudited, in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2004	2003	2004
Petroleum products pipeline system:				
Transportation and terminals revenues	\$ 75,675	\$ 77,759	\$ 212,741	\$ 220,284
Less: Operating expenses	(36,811)	(38,096)	(93,473)	(100,109)
Environmental expenses	(6,494)	(44)	(8,304)	(38,481)
Add: Environmental expense reimbursement	6,666	-	7,765	37,573
Transportation and terminals margin	<u>39,036</u>	<u>39,619</u>	<u>118,729</u>	<u>119,267</u>
Product sales revenues	23,869	51,723	64,773	129,976
Less: Product purchases	<u>(20,734)</u>	<u>(48,002)</u>	<u>(59,748)</u>	<u>(116,460)</u>
Product margin	3,135	3,721	5,025	13,516
Add: Equity earnings	-	713	-	981
Operating margin	<u>\$ 42,171</u>	<u>\$ 44,053</u>	<u>\$ 123,754</u>	<u>\$ 133,764</u>
Petroleum products terminals:				
Transportation and terminals revenues	\$ 18,825	\$ 23,086	\$ 60,104	\$ 66,899
Less: Operating expenses	(9,227)	(9,323)	(26,055)	(26,678)
Environmental expenses	(491)	-	(389)	(2,839)
Add: Environmental expense reimbursement	491	-	359	2,839
Transportation and terminals margin	<u>9,598</u>	<u>13,763</u>	<u>34,019</u>	<u>40,221</u>
Product sales revenues	522	2,776	3,828	7,258
Less: Product purchases	<u>(436)</u>	<u>(1,615)</u>	<u>(1,273)</u>	<u>(4,038)</u>
Product margin	86	1,161	2,555	3,220
Operating margin	<u>\$ 9,684</u>	<u>\$ 14,924</u>	<u>\$ 36,574</u>	<u>\$ 43,441</u>
Ammonia pipeline system:				
Total revenues	\$ 3,285	\$ 3,298	\$ 8,370	\$ 9,883
Less: Operating expenses	(930)	(295)	(3,149)	(2,580)
Environmental expenses	(201)	(132)	(444)	(1,184)
Add: Environmental expense reimbursement	201	-	492	912
Operating margin	<u>\$ 2,355</u>	<u>\$ 2,871</u>	<u>\$ 5,269</u>	<u>\$ 7,031</u>
Segment operating margin	\$ 54,210	\$ 61,848	\$ 165,597	\$ 184,236
Add: Allocated corporate depreciation costs	<u>433</u>	<u>780</u>	<u>433</u>	<u>2,228</u>
Total operating margin	54,643	62,628	166,030	186,464
Less: Depreciation and amortization	(8,994)	(9,564)	(27,256)	(28,908)
Affiliate general and administrative	<u>(13,802)</u>	<u>(13,837)</u>	<u>(40,725)</u>	<u>(40,231)</u>
Total operating profit	<u>\$ 31,847</u>	<u>\$ 39,227</u>	<u>\$ 98,049</u>	<u>\$ 117,325</u>

Note: Consolidated transportation and terminals revenues do not agree to the sum of the corresponding segment amounts due to intercompany eliminations of \$142 and \$436 for the three and nine months ended September 30, 2004, respectively. Consolidated operating expenses do not agree to the sum of the corresponding segment amounts due to intercompany eliminations of \$142 and \$436 for the three and nine months ended September 30, 2004, respectively, and allocated corporate depreciation costs of \$780 and \$2,228 for the three and nine months ended September 30, 2004, respectively, and \$433 for the three and nine months ended September 30, 2003.

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING PROFIT RECONCILIATION
EXCLUDING TRANSITION COSTS AND REIMBURSABLE G&A
(Unaudited, in millions)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Operating Profit Reconciliation:				
Operating profit, as reported	\$ 31.8	\$ 39.2	\$ 98.0	\$ 117.3
Items impacting earnings per unit:				
Transition costs:				
Operating expenses:				
Paid-time-off benefits:				
Petroleum products pipeline system	-	-	2.5	-
Petroleum products terminals	(0.1)	-	0.9	-
Total operating transition costs	(0.1)	-	3.4	-
General and administrative (G&A):				
Incentive compensation early vesting	(0.6)	-	2.3	-
Separation from Williams	0.8	-	1.4	-
Total G&A transition costs	0.2	-	3.7	-
Total items impacting earnings per unit	0.1	-	7.1	-
Items not impacting earnings per unit:				
G&A transition costs	-	-	-	0.8
G&A paid-time-off benefits	0.3	-	1.7	-
Reimbursable G&A	2.7	2.2	2.9	5.8
Total items not impacting earnings per unit	3.0	2.2	4.6	6.6
Operating profit excluding transition costs and reimbursable G&A	<u>\$ 34.9</u>	<u>\$ 41.4</u>	<u>\$ 109.7</u>	<u>\$ 123.9</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
NET INCOME AND DILUTED EARNINGS PER UNIT RECONCILIATION
EXCLUDING TRANSITION COSTS, REIMBURSABLE G&A AND REFINANCING COSTS
(In millions, except per unit amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Net Income Reconciliation:				
Net income, as reported	\$ 22.3	\$ 30.6	\$ 70.2	\$ 74.9
Diluted earnings per unit, as reported	\$ 0.84	\$ 0.96	\$ 2.58	\$ 2.47
Items impacting earnings per unit:				
Transition costs:				
Operating expenses:				
Paid-time-off benefits:				
Petroleum products pipeline system	-	-	2.5	-
Petroleum products terminals	(0.1)	-	0.9	-
Total operating transition costs	(0.1)	-	3.4	-
G&A expenses:				
Incentive compensation early vesting	(0.6)	-	2.3	-
Separation from Williams	0.8	-	1.4	-
Total G&A transition costs	0.2	-	3.7	-
Total transition costs impacting earnings per unit	0.1	-	7.1	-
Refinancing costs:				
Debt prepayment premium	-	-	-	12.7
Write-off of unamortized debt placement				
Costs	-	-	-	5.0
Gain on derivative	-	-	-	(1.0)
Total refinancing costs	-	-	-	16.7
Total items impacting earnings per unit	0.1	-	7.1	16.7
Items not impacting earnings per unit:				
G&A transition costs	-	-	-	0.8
G&A paid-time-off benefits	0.3	-	1.7	-
Reimbursable G&A	2.7	2.2	2.9	5.8
Total items not impacting earnings per unit	3.0	2.2	4.6	6.6
Net income excluding transition costs, reimbursable G&A and refinancing costs	\$ 25.4	\$ 32.8	\$ 81.9	\$ 98.2
Diluted earnings per unit excluding transition and refinancing costs	\$ 0.84	\$ 0.96	\$ 2.82	\$ 2.97