

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006
Transportation and terminals revenues	\$ 125,933	\$ 138,555	\$ 238,625	\$ 268,746
Product sales revenues	129,486	172,806	274,960	321,702
Affiliate management fee revenue	167	172	334	345
Total revenues	255,586	311,533	513,919	590,793
Costs and expenses:				
Operating	51,800	54,578	96,055	105,691
Environmental	1,772	467	2,972	2,739
Product purchases	122,348	154,857	253,659	288,452
Depreciation and amortization	13,931	15,356	26,901	30,557
Affiliate general and administrative	15,134	15,737	30,260	30,764
Total costs and expenses	204,985	240,995	409,847	458,203
Equity earnings	804	946	1,322	1,665
Operating profit	51,405	71,484	105,394	134,255
Interest expense	12,864	14,037	25,282	28,125
Interest income	(1,157)	(601)	(2,142)	(1,247)
Debt placement fee amortization	731	678	1,463	1,355
Other (income) / expense	(1)	—	(300)	339
Net income	<u>\$ 38,968</u>	<u>\$ 57,370</u>	<u>\$ 81,091</u>	<u>\$ 105,683</u>
Allocation of net income for purposes of calculating earnings per limited partner unit:				
Limited partners' interest	\$ 32,037	\$ 41,143	\$ 68,014	\$ 77,828
General partner's interest	6,931	16,227	13,077	27,855
Net income	<u>\$ 38,968</u>	<u>\$ 57,370</u>	<u>\$ 81,091</u>	<u>\$ 105,683</u>
Basic net income per limited partner unit	<u>\$ 0.48</u>	<u>\$ 0.62</u>	<u>\$ 1.02</u>	<u>\$ 1.17</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>66,361</u>	<u>66,361</u>	<u>66,361</u>	<u>66,361</u>
Diluted net income per limited partner unit	<u>\$ 0.48</u>	<u>\$ 0.62</u>	<u>\$ 1.02</u>	<u>\$ 1.17</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>66,604</u>	<u>66,482</u>	<u>66,536</u>	<u>66,482</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006
Petroleum products pipeline system:				
Transportation revenue per barrel shipped (dollars per barrel).....	\$ 1.029	\$ 1.078	\$ 1.025	\$ 1.054
Transportation barrels shipped (million barrels)	76.9	77.9	142.6	146.9
Petroleum products terminals:				
Marine terminal average storage capacity utilized per month (million barrels)	16.7	18.8	16.6	18.9
Marine terminal throughput (million barrels).....	13.5	12.1	25.9	23.0
Inland terminal throughput (million barrels).....	28.9	30.3	55.0	58.0
Ammonia pipeline system:				
Volume shipped (thousand tons).....	186	162	338	378

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006
Petroleum products pipeline system:				
Transportation and terminals revenues.....	\$ 97,828	\$ 105,825	\$ 183,099	\$ 196,574
Less: Operating expenses.....	41,745	40,940	76,874	79,718
Environmental expenses.....	1,688	6	2,530	1,914
Transportation and terminals margin.....	<u>54,395</u>	<u>64,879</u>	<u>103,695</u>	<u>114,942</u>
Product sales revenues.....	126,155	168,670	268,959	312,389
Less: Product purchases.....	<u>121,522</u>	<u>152,553</u>	<u>251,647</u>	<u>283,016</u>
Product margin.....	4,633	16,117	17,312	29,373
Add: Affiliate management fee revenue.....	167	172	334	345
Equity earnings.....	804	946	1,322	1,665
Operating margin.....	<u>\$ 59,999</u>	<u>\$ 82,114</u>	<u>\$ 122,663</u>	<u>\$ 146,325</u>
Petroleum products terminals:				
Transportation and terminals revenues.....	\$ 25,506	\$ 30,267	\$ 51,016	\$ 65,742
Less: Operating expenses.....	9,639	12,837	18,821	24,674
Environmental expenses.....	<u>52</u>	<u>5</u>	<u>90</u>	<u>126</u>
Transportation and terminals margin.....	15,815	17,425	32,105	40,942
Product sales revenues.....	3,741	4,136	6,411	9,313
Less: Product purchases.....	<u>1,364</u>	<u>2,434</u>	<u>2,675</u>	<u>5,693</u>
Product margin.....	2,377	1,702	3,736	3,620
Operating margin.....	<u>\$ 18,192</u>	<u>\$ 19,127</u>	<u>\$ 35,841</u>	<u>\$ 44,562</u>
Ammonia pipeline system:				
Total revenues.....	\$ 3,506	\$ 3,428	\$ 6,207	\$ 8,149
Less: Operating expenses.....	2,012	2,530	3,414	4,534
Environmental expenses.....	<u>32</u>	<u>456</u>	<u>352</u>	<u>699</u>
Operating margin.....	<u>\$ 1,462</u>	<u>\$ 442</u>	<u>\$ 2,441</u>	<u>\$ 2,916</u>
Segment operating margin.....	\$ 79,653	\$ 101,683	\$ 160,945	\$ 193,803
Add: Allocated corporate depreciation costs.....	<u>817</u>	<u>894</u>	<u>1,610</u>	<u>1,773</u>
Total operating margin.....	80,470	102,577	162,555	195,576
Less: Depreciation and amortization.....	13,931	15,356	26,901	30,557
Affiliate general and administrative.....	<u>15,134</u>	<u>15,737</u>	<u>30,260</u>	<u>30,764</u>
Total operating profit.....	<u>\$ 51,405</u>	<u>\$ 71,484</u>	<u>\$ 105,394</u>	<u>\$ 134,255</u>

Note: Amounts may not sum to figures shown on the consolidated statement of income due to intersegment eliminations and allocated corporate depreciation costs.

MAGELLAN MIDSTREAM PARTNERS, L.P.
ALLOCATION OF NET INCOME
(In thousands, unless otherwise noted)
(Unaudited)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Net income	\$ 38,968	\$ 57,370	\$ 81,091	\$ 105,683
Direct charges to the general partner:				
Reimbursable general and administrative costs.....	601	553	1,644	965
Previously indemnified environmental charges.....	171	(542)	637	58
Total direct charges to general partner.....	<u>772</u>	<u>11</u>	<u>2,281</u>	<u>1,023</u>
Income before direct charges to general partner.....	39,740	57,381	83,372	106,706
General partner's share of income ^(a)	19.39%	28.30%	18.42%	27.06%
General partner's allocated share of net income before direct charges	7,703	16,238	15,358	28,878
Direct charges to general partner.....	772	11	2,281	1,023
Net income allocated to general partner	<u>\$ 6,931</u>	<u>\$ 16,227</u>	<u>\$ 13,077</u>	<u>\$ 27,855</u>
Net income	\$ 38,968	\$ 57,370	\$ 81,091	\$ 105,683
Less: net income allocated to general partner.....	<u>6,931</u>	<u>16,227</u>	<u>13,077</u>	<u>27,855</u>
Net income allocated to limited partners	<u>\$ 32,037</u>	<u>\$ 41,143</u>	<u>\$ 68,014</u>	<u>\$ 77,828</u>

- (a) A distribution of \$0.5775 per unit was declared for the three months ended June 30, 2006, which will result in a total quarterly cash distribution payment of \$52.8 million. The partnership's general partner is entitled to 26.40% of this cash distribution. Except for those periods when net income exceeds distributions, net income is allocated between the general partner and limited partners based on the contractually-determined proportion of cash distributions received. Because second-quarter 2006 net income of \$57.4 million exceeded the corresponding quarterly cash distribution, under the "two class" method of computing earnings per share, as prescribed by Statement of Financial Accounting Standards No. 128, "Earnings Per Share", earnings are allocated to participating securities as if all of the earnings for the period had been distributed. A theoretical cash distribution of \$0.61178 per unit would result in a distribution of \$57.4 million, which equals net income for the three months ended June 30, 2006. At this distribution level, the general partner's share of distributions would be 28.30%.

For purposes of calculating earnings per limited partner unit, the general partner's share of distributions for the six months ended June 30, 2006 is equal to its share of actual first quarter 2006 distributions plus its share of theoretical distributions for second quarter 2006.

MAGELLAN MIDSTREAM PARTNERS, L.P.
DISTRIBUTABLE CASH FLOW
(Unaudited, in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006
Net income	\$ 39.0	\$ 57.4	\$ 81.1	\$ 105.7
Add: Depreciation and amortization ⁽¹⁾	14.7	16.0	28.4	31.9
Equity-based incentive compensation	2.4	2.3	4.4	3.8
Direct charges to general partner	0.8	—	2.3	1.0
Asset impairment expense	—	3.0	—	3.0
Less: Maintenance capital (net of indemnified spending)	5.4	7.8	7.5	10.7
Other	0.7	0.1	1.2	0.6
Distributable cash flow ⁽²⁾	<u>\$ 50.8</u>	<u>\$ 70.8</u>	<u>\$ 107.5</u>	<u>\$ 134.1</u>

⁽¹⁾ Depreciation and amortization includes debt placement fee amortization.

⁽²⁾ Distributable cash flow does not include fluctuations related to working capital or spending for which the partnership has received, or expects to receive, reimbursement through third party indemnifications.