

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

**Three Months Ended
March 31,**

	2007	2008
Transportation and terminals revenues	\$ 143,151	\$ 144,592
Product sales revenues	148,663	201,718
Affiliate management fee revenue	173	183
Total revenues	291,987	346,493
Costs and expenses:		
Operating	60,975	55,592
Product purchases	133,980	177,568
Depreciation and amortization	15,440	17,176
Affiliate general and administrative	17,685	17,780
Total costs and expenses	228,080	268,116
Gain on assignment of supply agreement	—	26,492
Equity earnings	763	405
Operating profit	64,670	105,274
Interest expense	14,867	12,936
Interest income	(371)	(293)
Interest capitalized	(897)	(1,302)
Debt placement fee amortization	645	168
Income before provision for income taxes	50,426	93,765
Provision for income taxes	724	443
Net income	\$ 49,702	\$ 93,322
Allocation of net income:		
Limited partners' interest	\$ 36,851	\$ 59,620
General partner's interest	12,851	33,702
Net income	\$ 49,702	\$ 93,322
Basic net income per limited partner unit	\$ 0.55	\$ 0.89
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	66,538	66,772
Diluted net income per limited partner unit	\$ 0.55	\$ 0.89
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	66,546	66,772

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended March 31,	
	2007	2008
Petroleum products pipeline system:		
Transportation revenue per barrel shipped	\$ 1.152	\$ 1.153
Volume shipped (million barrels).....	71.3	68.9
Petroleum products terminals:		
Marine terminal average storage utilized (million barrels per month)	21.7	22.6
Inland terminal throughput (million barrels).....	28.2	27.1
Ammonia pipeline system:		
Volume shipped (thousand tons).....	214	220

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

	Three Months Ended March 31,	
	2007	2008
Petroleum products pipeline system:		
Transportation and terminals revenues.....	\$ 107,311	\$ 106,323
Less: Operating expenses.....	42,942	42,260
Transportation and terminals margin.....	64,369	64,063
Product sales revenues.....	144,265	192,897
Less: Product purchases.....	131,426	174,621
Product margin.....	12,839	18,276
Add: Affiliate management fee revenue.....	173	183
Equity earnings.....	763	405
Gain on assignment of supply agreement.....	—	26,492
Operating margin.....	<u>\$ 78,144</u>	<u>\$ 109,419</u>
Petroleum products terminals:		
Transportation and terminals revenues.....	\$ 31,749	\$ 33,601
Less: Operating expenses.....	13,961	12,529
Transportation and terminals margin.....	17,788	21,072
Product sales revenues.....	4,398	8,821
Less: Product purchases.....	2,682	3,077
Product margin.....	1,716	5,744
Operating margin.....	<u>\$ 19,504</u>	<u>\$ 26,816</u>
Ammonia pipeline system:		
Transportation and terminals revenues.....	\$ 4,915	\$ 5,420
Less: Operating expenses.....	5,539	2,254
Operating margin (loss).....	<u>\$ (624)</u>	<u>\$ 3,166</u>
Segment operating margin.....	\$ 97,024	\$ 139,401
Add: Allocated corporate depreciation costs.....	771	829
Total operating margin.....	97,795	140,230
Less: Depreciation and amortization.....	15,440	17,176
Affiliate general and administrative.....	17,685	17,780
Total operating profit.....	<u>\$ 64,670</u>	<u>\$ 105,274</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)

	Three Months Ended March 31,	
	2007	2008
Net income	\$ 49,702	\$ 93,322
Direct charges to the general partner:		
Reimbursable general and administrative costs.....	276	408
Previously indemnified environmental charges.....	2,250	1,529
Total direct charges to general partner.....	2,526	1,937
Income before direct charges to general partner.....	52,228	95,259
General partner's share of income ^(a)	29.44%	37.41%
General partner's allocated share of net income before direct charges.....	15,377	35,639
Direct charges to general partner.....	2,526	1,937
Net income allocated to general partner	\$ 12,851	\$ 33,702
Net income	\$ 49,702	\$ 93,322
Less: net income allocated to general partner.....	12,851	33,702
Net income allocated to limited partners	\$ 36,851	\$ 59,620

- (a) For periods when the distributions the partnership pays exceed its net income, the general partner's percentage share of income is its proportion of cash distributions paid for the period. For periods when net income exceeds the cash distributions the partnership pays, the general partner's percentage share of income is its proportion of theoretical distributions that equal net income (before direct charges to general partner). The partnership's distributions for the three months ended March 31, 2007 exceeded net income for that period; therefore, the general partner's share of net income was based on its share of cash distributions paid for that period. The partnership's net income for the three months ended March 31, 2008 exceeded the cash distributions the partnership will pay for that period; therefore, the general partner's share of income was allocated based on a theoretical distribution of \$0.8933 per limited partner unit, at which rate the partnership's distributions would be equal to its net income (before direct charges to general partner).

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

	Three Months Ended	
	March 31,	
	2007	2008
Net income	\$ 49.7	\$ 93.3
Add: Depreciation and amortization ⁽¹⁾	16.1	17.3
Equity-based incentive compensation ⁽²⁾	(0.6)	(2.4)
Direct charges to general partner	2.5	1.9
Asset retirements	0.9	0.1
Less: Maintenance capital (net of indemnified spending) ⁽³⁾	5.3	7.4
Gain on assignment of supply agreement	—	26.5
Other	1.5	—
Distributable cash flow ⁽⁴⁾	<u>\$ 61.8</u>	<u>\$ 76.3</u>

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

⁽²⁾ During first quarter 2007 and 2008, the partnership paid tax withholdings of \$4.3 million and \$4.5 million, respectively, on equity-based incentive compensation units that vested on the previous year end. Total equity-based incentive compensation expense for first quarter 2007 and 2008 was \$3.7 million and \$2.1 million, respectively.

⁽³⁾ During first quarter 2007 and 2008, the partnership paid an additional \$1.0 million and \$0.3 million, respectively, for indemnified maintenance capital projects related to its indemnification settlement or expected to be reimbursed by insurance proceeds.

⁽⁴⁾ 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. Related to its indemnification settlement, during 2007 the partnership collected the last installment due on the \$117.5 million settlement amount and will receive no additional cash funds in 2008 or beyond. Through March 31, 2008, the partnership has either paid or accrued liabilities totaling \$90.2 million that are covered by this indemnification settlement.