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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2008	2007	2008
Transportation and terminals revenues	$ 160,132	$ 166,742	$ 607,845	$ 637,958
Product sales revenues	215,712	134,473	709,564	574,095
Affiliate management fee revenue	178	184	712	733
Total revenues	376,022	301,399	1,318,121	1,212,786
Costs and expenses:				
Operating	66,157	71,285	251,601	265,728
Product purchases	189,415	94,184	633,909	436,567
Depreciation and amortization	16,743	18,817	63,792	71,153
Affiliate general and administrative	19,942	17,050	72,587	70,435
Total costs and expenses	292,257	201,336	1,021,889	843,883
Gain on assignment of supply agreement	—	—	—	26,492
Equity earnings	1,067	563	4,027	4,067
Operating profit	84,832	100,626	300,259	399,462
Interest expense	13,627	16,034	57,264	56,751
Interest income	(318)	(531)	(1,767)	(1,478)
Interest capitalized	(1,259)	(1,069)	(4,452)	(4,803)
Debt placement fee amortization	171	219	2,144	767
Debt prepayment premium	—	—	1,984	—
Other (income) expense	—	(126)	728	(375)
Income before provision for income taxes	72,611	86,099	244,358	348,600
Provision for income taxes	419	518	1,568	1,987
Net income	$ 72,192	$ 85,581	$ 242,790	$ 346,613
Allocation of net income:				
Limited partners' interest	$ 49,640	$ 55,592	$ 173,330	$ 219,136
General partner's interest	22,552	29,989	69,460	127,477
Net income	$ 72,192	$ 85,581	$ 242,790	$ 346,613
Basic net income per limited partner unit	$ 0.75	$ 0.83	$ 2.60	$ 3.28
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	66,550	66,942	66,547	66,855
Diluted net income per limited partner unit	$ 0.74	$ 0.83	$ 2.60	$ 3.27
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	67,150	67,226	66,700	66,927

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2008	2007	2008
Petroleum products pipeline system:				
Transportation revenue per barrel shipped	$ 1.129	$ 1.183	$ 1.147	$ 1.193
Volume shipped (million barrels)	80.4	75.3	307.2	295.9
Petroleum products terminals:				
Marine terminal average storage utilized (million barrels per month)	22.3	23.7	21.8	23.3
Inland terminal throughput (million barrels)	28.9	26.5	117.3	108.1
Ammonia pipeline system:				
Volume shipped (thousand tons)	183	198	716	822

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	**2008**	**2007**	**2008**
Petroleum products pipeline system:				
Transportation and terminals revenues	$ 119,214	$ 124,596	$ 459,772	$ 477,621
Less: Operating expenses	47,738	51,934	179,426	198,356
Transportation and terminals margin	71,476	72,662	280,346	279,265
Product sales revenues	211,626	129,233	692,355	543,694
Less: Product purchases	187,646	92,927	626,194	429,294
Product margin	23,980	36,306	66,161	114,400
Add: Affiliate management fee revenue	178	184	712	733
Equity earnings	1,067	563	4,027	4,067
Gain on assignment of supply agreement	—	—	—	26,492
Operating margin	$ 96,701	$ 109,715	$ 351,246	$ 424,957
Petroleum products terminals:				
Transportation and terminals revenues	$ 36,144	$ 37,086	$ 132,693	$ 141,129
Less: Operating expenses	15,674	16,703	56,301	59,284
Transportation and terminals margin	20,470	20,383	76,392	81,845
Product sales revenues	4,086	5,240	17,209	30,401
Less: Product purchases	1,898	1,751	8,233	8,279
Product margin	2,188	3,489	8,976	22,122
Operating margin	$ 22,658	$ 23,872	$ 85,368	$ 103,967
Ammonia pipeline system:				
Transportation and terminals revenues	$ 5,202	$ 6,170	$ 18,287	$ 22,704
Less: Operating expenses	3,825	4,224	21,295	14,061
Operating margin (loss)	$ 1,377	$ 1,946	$ (3,008)	$ 8,643
Segment operating margin	$ 120,736	$ 135,533	$ 433,606	$ 537,567
Add: Allocated corporate depreciation costs	781	960	3,032	3,483
Total operating margin	121,517	136,493	436,638	541,050
Less: Depreciation and amortization	16,743	18,817	63,792	71,153
Affiliate general and administrative	19,942	17,050	72,587	70,435
Total operating profit	$ 84,832	$ 100,626	$ 300,259	$ 399,462

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 December 31,		Twelve Months Ended December 31,	
	2007	2008	2007	2008
Net income	$ 72,192	$ 85,581	$ 242,790	$ 346,613
Direct charges to the general partner:				
Reimbursable general and administrative costs [(a)]	2,442	848	6,191	2,072
Previously indemnified environmental charges (credits)	669	690	4,426	(6,416)
Total direct charges (credits) to general partner	3,111	1,538	10,617	(4,344)
Income before direct charges (credits) to general partner	75,303	87,119	253,407	342,269
General partner's share of income[(b)]	34.08%	36.19%	31.60%	35.98%
General partner's allocated share of net income before direct charges (credits)	25,663	31,527	80,077	123,133
Direct charges (credits) to general partner	3,111	1,538	10,617	(4,344)
Net income allocated to general partner	$ 22,552	$ 29,989	$ 69,460	$ 127,477
Net income	$ 72,192	$ 85,581	$ 242,790	$ 346,613
Less: net income allocated to general partner	22,552	29,989	69,460	127,477
Net income allocated to limited partners	$ 49,640	$ 55,592	$ 173,330	$ 219,136

(a) Reimbursable G&A costs included non-cash expenses related to payments made to one of the partnership's executive officers by MGG Midstream Holdings, L.P., an affiliate that, until December 2, 2008, indirectly owned a portion of the partnership's general partner. These payments, for the three and twelve months ended December 31, 2007 were $0.8 million and $2.1 million, respectively, and for both the three and twelve months ended December 31, 2008, were $0.4 million. These payments did not impact the partnership's cash available for distributions.

(b) For periods when the distributions the partnership pays exceed its net income (before direct charges to the general partner), 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 pro forma cash distributions that equal net income (before direct charges to the general partner). For the fourth quarters of 2007 and 2008 a per unit pro forma cash distribution of $0.7437 and $0.8303, respectively, would have resulted in total distributions equal to net income before direct charges to the general partner. The general partner's share of distributions at these levels was 34.08% and 36.19% for the fourth quarter 2007 and 2008, respectively. The general partner's share of net income for the twelve months ended December 31, 2007 is based on its share of actual distributions paid for the first quarter and pro forma distributions for the second, third and fourth quarters. The general partner's share of net income for the twelve months ended December 31, 2008 was based on its share of pro forma distributions for each quarter during the year.

MAGELLAN MIDSTREAM PARTNERS, L.P.
DISTRIBUTABLE CASH FLOW RECONCILIATION TO NET INCOME
(Unaudited, in millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	**2008**	**2007**	**2008**
Net income	$ 72.2	$ 85.6	$ 242.8	$ 346.6
Add: Depreciation and amortization (1)	16.9	19.0	65.9	71.9
Equity-based incentive compensation (2)	3.4	0.4	6.2	0.9
Direct charges (credits) to general partner	3.1	1.5	10.6	(4.4)
Asset retirements and impairments	2.5	3.4	8.3	7.2
Less: Maintenance capital (net of expected reimbursements and indemnified spending) (3)	10.3	17.8	31.2	43.2
Gain on assignment of supply agreement	—	—	—	26.5
Unrealized gain on NYMEX contracts (4)	—	1.6	—	13.8
Other	1.5	(1.3)	4.5	0.5
Distributable cash flow (5)	$ 86.3	$ 91.8	$ 298.1	$ 338.2

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

(2) Because the partnership intends to satisfy vesting of units under its equity-based incentive compensation program with the issuance of limited partner units, expenses related to this program generally are deemed non-cash and added back for distributable cash flow purposes. Total equity-based incentive compensation expense for the twelve months ended December 31, 2007 and 2008 was $10.5 million and $5.4 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings paid by the partnership during first quarter 2007 and 2008 of $4.3 million and $4.5 million, respectively, for equity-based incentive compensation units that vested on the previous year end.

(3) The partnership paid the following additional amounts for indemnified maintenance capital projects related to its indemnification settlement or for which it expects third-party reimbursement: for the three months ended December 31, 2007 and 2008, $3.8 million and ($0.6) million, respectively; and for the twelve months ended December 31, 2007 and 2008, $8.8 million and $3.6 million, respectively.

(4) Adjustment is shown net of a $6.4 million expense recorded in the fourth quarter of 2008 related to a lower-of-cost-or-market adjustment for inventory that was economically hedged using NYMEX sales contracts. The NYMEX sales contracts do not qualify for hedge accounting treatment.

(5) 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. Through December 31, 2007 and 2008, the partnership has either paid or accrued liabilities totaling $88.4 million and $84.5 million, respectively, which were covered by an indemnification settlement for which the partnership has received the full amount of $117.5 million.