

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,	
	2003	2004	2003	2004
Transportation and terminals revenues:				
Third party	\$ 90,845	\$ 103,699	\$ 170,308	\$ 192,629
Affiliate	4,871	-	13,122	-
Product sales revenues:				
Third party	11,472	38,521	43,420	82,735
Affiliate	737	-	790	-
Total revenues	<u>107,925</u>	<u>142,220</u>	<u>227,640</u>	<u>275,364</u>
Costs and expenses:				
Operating	42,350	42,911	75,709	79,911
Environmental	154	18,123	1,951	42,328
Environmental reimbursements	(72)	(17,909)	(1,258)	(41,324)
Product purchases	12,033	32,382	39,851	70,881
Depreciation and amortization	8,883	9,822	18,262	19,344
Affiliate general and administrative	16,485	13,507	26,923	26,394
Total costs and expenses	<u>79,833</u>	<u>98,836</u>	<u>161,438</u>	<u>197,534</u>
Equity earnings	-	148	-	268
Operating profit	28,092	43,532	66,202	78,098
Interest expense	8,499	8,704	17,530	17,219
Interest income	(28)	(1,000)	(554)	(1,446)
Debt prepayment premium	-	12,666	-	12,666
Write-off of unamortized debt placement costs	-	5,002	-	5,002
Debt placement fee amortization	762	656	1,309	1,338
Gain on derivative	-	(953)	-	(953)
Net income	<u>\$ 18,859</u>	<u>\$ 18,457</u>	<u>\$ 47,917</u>	<u>\$ 44,272</u>
Allocation of net income:				
Limited partners' interest	\$ 20,498	\$ 17,465	\$ 47,506	\$ 41,339
General partner's interest	(1,639)	992	411	2,933
Net income	<u>\$ 18,859</u>	<u>\$ 18,457</u>	<u>\$ 47,917</u>	<u>\$ 44,272</u>
Basic net income per limited partner unit	<u>\$ 0.75</u>	<u>\$ 0.63</u>	<u>\$ 1.75</u>	<u>\$ 1.50</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>27,190</u>	<u>27,797</u>	<u>27,190</u>	<u>27,595</u>
Diluted net income per limited partner unit	<u>\$ 0.75</u>	<u>\$ 0.63</u>	<u>\$ 1.74</u>	<u>\$ 1.50</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>27,190</u>	<u>27,860</u>	<u>27,254</u>	<u>27,649</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Petroleum products pipeline system:				
Transportation revenue per barrel shipped (cents per barrel)	99.7	100.2	98.9	99.1
Transportation barrels shipped (million barrels)	59.0	63.2	111.7	115.4
Barrel miles (billions)	17.5	17.2	33.3	32.1
Petroleum products terminals:				
Marine terminal average storage capacity utilized per month (million barrels)	15.6	15.6	15.7	15.6
Marine terminal throughput (million barrels)	5.4	5.7	10.4	11.2
Inland terminal throughput (million barrels)	15.6	26.1	28.3	46.6
Ammonia pipeline system:				
Volume shipped (thousand tons)	189	162	236	381

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING MARGINS
(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Petroleum products pipeline system:				
Transportation and terminals revenues ⁽¹⁾	\$ 72,339	\$ 77,889	\$ 137,066	\$ 142,525
Less: Operating expenses ⁽²⁾	(32,120)	(33,557)	(56,662)	(62,013)
Environmental expenses	(13)	(14,549)	(1,810)	(38,437)
Add: Environmental expense reimbursement	-	14,469	1,099	37,573
Transportation and terminals margin	<u>40,206</u>	<u>44,252</u>	<u>79,693</u>	<u>79,648</u>
Product sales revenues	11,763	36,068	40,904	78,253
Less: Product purchases	<u>(11,588)</u>	<u>(31,083)</u>	<u>(39,014)</u>	<u>(68,458)</u>
Product margin	175	4,985	1,890	9,795
Add: Equity earnings	-	148	-	268
Operating margin	<u>\$ 40,381</u>	<u>\$ 49,385</u>	<u>\$ 81,583</u>	<u>\$ 89,711</u>
Petroleum products terminals:				
Transportation and terminals revenues ⁽¹⁾	\$ 19,903	\$ 22,978	\$ 41,279	\$ 43,813
Less: Operating expenses ⁽²⁾	(9,151)	(8,996)	(16,828)	(17,355)
Environmental expenses	102	(2,689)	102	(2,839)
Add: Environmental expense reimbursement	<u>(132)</u>	<u>2,689</u>	<u>(132)</u>	<u>2,839</u>
Transportation and terminals margin	10,722	13,982	24,421	26,458
Product sales revenues	446	2,453	3,306	4,482
Less: Product purchases	<u>(445)</u>	<u>(1,299)</u>	<u>(837)</u>	<u>(2,423)</u>
Product margin	1	1,154	2,469	2,059
Operating margin	<u>\$ 10,723</u>	<u>\$ 15,136</u>	<u>\$ 26,890</u>	<u>\$ 28,517</u>
Ammonia pipeline system:				
Total revenues ⁽¹⁾	\$ 3,474	\$ 2,985	\$ 5,085	\$ 6,585
Less: Operating expenses ⁽²⁾	(1,079)	(1,304)	(2,219)	(2,285)
Environmental expenses	(243)	(885)	(243)	(1,052)
Add: Environmental expense reimbursement	<u>204</u>	<u>751</u>	<u>291</u>	<u>912</u>
Operating margin	<u>\$ 2,356</u>	<u>\$ 1,547</u>	<u>\$ 2,914</u>	<u>\$ 4,160</u>
Segment operating margin	\$ 53,460	\$ 66,068	\$ 111,387	\$ 122,388
Add: Allocated corporate depreciation costs	<u>-</u>	<u>793</u>	<u>-</u>	<u>1,448</u>
Total operating margin	53,460	66,861	111,387	123,836
Less: Depreciation and amortization	(8,883)	(9,822)	(18,262)	(19,344)
Affiliate general and administrative	<u>(16,485)</u>	<u>(13,507)</u>	<u>(26,923)</u>	<u>(26,394)</u>
Total operating profit	<u>\$ 28,092</u>	<u>\$ 43,532</u>	<u>\$ 66,202</u>	<u>\$ 78,098</u>

⁽¹⁾ Consolidated transportation and terminals revenues for the three months ended June 30, 2004 were \$103,699, which consisted of segment revenues of \$103,852 less intercompany eliminations of \$153. Consolidated transportation and terminals revenues for the six months ended June 30, 2004 were \$192,629, which consisted of segment revenues of \$192,923 less intercompany eliminations of \$294.

⁽²⁾ Consolidated operating expenses for the three months ended June 30, 2004 were \$42,911 and consist of segment operating expenses of \$43,857 less intercompany operating expense eliminations of \$153 and depreciation allocations of \$793. Consolidated operating expenses for the six months ended June 30, 2004 were \$79,911 and consist of segment operating expenses of \$81,653 less intercompany operating expense eliminations of \$294 and depreciation allocations of \$1,448.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Operating Profit Reconciliation:				
Operating profit, as reported	\$ 28.1	\$ 43.5	\$ 66.2	\$ 78.1
Items impacting earnings per unit:				
Transition costs:				
Operating expenses:				
Paid-time-off benefits:				
Petroleum products pipeline system	2.5	-	2.5	-
Petroleum products terminals	1.0	-	1.0	-
Total operating transition costs	<u>3.5</u>	<u>-</u>	<u>3.5</u>	<u>-</u>
General and administrative (G&A):				
Incentive compensation early vesting	2.9	-	2.9	-
Separation from Williams	0.6	-	0.6	-
Total G&A transition costs	<u>3.5</u>	<u>-</u>	<u>3.5</u>	<u>-</u>
Total items impacting earnings per unit	7.0	-	7.0	-
Items not impacting earnings per unit:				
G&A transition costs	-	0.2	-	0.8
G&A paid-time-off benefits	1.4	-	1.4	-
Reimbursable G&A	0.2	2.5	0.2	3.6
Total items not impacting earnings per unit	<u>1.6</u>	<u>2.7</u>	<u>1.6</u>	<u>4.4</u>
Operating profit excluding transition costs and reimbursable G&A	<u>\$ 36.7</u>	<u>\$ 46.2</u>	<u>\$ 74.8</u>	<u>\$ 82.5</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Net Income Reconciliation:				
Net income, as reported	\$ 18.9	\$ 18.5	\$ 47.9	\$ 44.3
Diluted earnings per unit, as reported	\$ 0.75	\$ 0.63	\$ 1.74	\$ 1.50
Items impacting earnings per unit:				
Transition costs:				
Operating expenses:				
Paid-time-off benefits:				
Petroleum products pipeline system	2.5	-	2.5	-
Petroleum products terminals	1.0	-	1.0	-
Total operating transition costs	3.5	-	3.5	-
G&A expenses:				
Incentive compensation early vesting	2.9	-	2.9	-
Separation from Williams	0.6	-	0.6	-
Total G&A transition costs	3.5	-	3.5	-
Total transition costs impacting earnings per unit	7.0	-	7.0	-
Refinancing costs:				
Debt prepayment premium	-	12.7	-	12.7
Write-off of unamortized debt placement				
Costs	-	5.0	-	5.0
Gain on derivative	-	(1.0)	-	(1.0)
Total refinancing costs	-	16.7	-	16.7
Total items impacting earnings per unit	7.0	16.7	7.0	16.7
Items not impacting earnings per unit:				
G&A transition costs	-	0.2	-	0.8
G&A paid-time-off benefits	1.4	-	1.4	-
Reimbursable G&A	0.2	2.5	0.2	3.6
Total items not impacting earnings per unit	1.6	2.7	1.6	4.4
Net income excluding refinancing costs, transition costs and reimbursable G&A	\$ 27.5	\$ 37.9	\$ 56.5	\$ 65.4
Diluted earnings per unit excluding refinancing costs, transition costs and reimbursable G&A	\$ 0.99	\$ 1.14	\$ 1.98	\$ 2.01