

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,	
	2006	2007	2006	2007
Transportation and terminals revenues	\$ 138,555	\$ 150,070	\$ 268,746	\$ 293,221
Product sales revenues	172,806	177,902	321,702	326,565
Affiliate management fee revenue	172	183	345	356
Total revenues	311,533	328,155	590,793	620,142
Costs and expenses:				
Operating	55,045	60,027	108,430	121,002
Product purchases	154,857	156,588	288,452	290,568
Depreciation and amortization	15,356	15,695	30,557	31,135
Affiliate general and administrative	15,737	17,741	30,764	35,426
Total costs and expenses	240,995	250,051	458,203	478,131
Equity earnings	946	1,106	1,665	1,869
Operating profit	71,484	79,210	134,255	143,880
Interest expense	14,466	15,072	28,757	29,939
Interest income	(601)	(746)	(1,247)	(1,117)
Interest capitalized	(429)	(1,205)	(632)	(2,102)
Debt placement fee amortization	678	1,154	1,355	1,799
Debt prepayment premium	—	1,984	—	1,984
Other expense	—	699	339	699
Income before income taxes	57,370	62,252	105,683	112,678
Provision for income taxes	—	800	—	1,524
Net income	<u>\$ 57,370</u>	<u>\$ 61,452</u>	<u>\$ 105,683</u>	<u>\$ 111,154</u>
Allocation of net income:				
Limited partners' interest	\$ 41,143	\$ 43,790	\$ 77,828	\$ 80,641
General partner's interest	16,227	17,662	27,855	30,513
Net income	<u>\$ 57,370</u>	<u>\$ 61,452</u>	<u>\$ 105,683</u>	<u>\$ 111,154</u>
Basic net income per limited partner unit	<u>\$ 0.62</u>	<u>\$ 0.66</u>	<u>\$ 1.17</u>	<u>\$ 1.21</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>66,361</u>	<u>66,549</u>	<u>66,361</u>	<u>66,543</u>
Diluted net income per limited partner unit	<u>\$ 0.62</u>	<u>\$ 0.66</u>	<u>\$ 1.17</u>	<u>\$ 1.21</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>66,482</u>	<u>66,549</u>	<u>66,482</u>	<u>66,547</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Petroleum products pipeline system:				
Transportation revenue per barrel shipped	\$ 1.077	\$ 1.146	\$ 1.053	\$ 1.149
Volume shipped (million barrels).....	78.2	76.9	147.4	148.2
Petroleum products terminals:				
Marine terminal average storage utilized per month (million barrels)	20.4	21.3	20.5	21.5
Inland terminal throughput (million barrels).....	27.2	29.3	52.4	57.5
Ammonia pipeline system:				
Volume shipped (thousand tons).....	162	186	378	400

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Petroleum products pipeline system:				
Transportation and terminals revenues.....	\$ 107,321	\$ 114,385	\$ 199,174	\$ 221,696
Less: Operating expenses.....	41,544	42,314	82,573	85,256
Transportation and terminals margin.....	65,777	72,071	116,601	136,440
Product sales revenues.....	169,975	174,471	315,439	318,736
Less: Product purchases.....	153,863	154,933	285,439	286,359
Product margin.....	16,112	19,538	30,000	32,377
Add: Affiliate management fee revenue.....	172	183	345	356
Equity earnings.....	946	1,106	1,665	1,869
Operating margin.....	<u>\$ 83,007</u>	<u>\$ 92,898</u>	<u>\$ 148,611</u>	<u>\$ 171,042</u>
Petroleum products terminals:				
Transportation and terminals revenues.....	\$ 28,771	\$ 32,014	\$ 63,142	\$ 63,763
Less: Operating expenses.....	12,244	13,145	23,859	27,106
Transportation and terminals margin.....	16,527	18,869	39,283	36,657
Product sales revenues.....	2,831	3,431	6,263	7,829
Less: Product purchases.....	1,124	1,786	3,270	4,468
Product margin.....	1,707	1,645	2,993	3,361
Operating margin.....	<u>\$ 18,234</u>	<u>\$ 20,514</u>	<u>\$ 42,276</u>	<u>\$ 40,018</u>
Ammonia pipeline system:				
Transportation and terminals revenues.....	\$ 3,428	\$ 4,498	\$ 8,149	\$ 9,413
Less: Operating expenses.....	2,986	5,981	5,233	11,520
Operating margin.....	<u>\$ 442</u>	<u>\$ (1,483)</u>	<u>\$ 2,916</u>	<u>\$ (2,107)</u>
Segment operating margin.....	\$ 101,683	\$ 111,929	\$ 193,803	\$ 208,953
Add: Allocated corporate depreciation costs.....	894	717	1,773	1,488
Total operating margin.....	102,577	112,646	195,576	210,441
Less: Depreciation and amortization.....	15,356	15,695	30,557	31,135
Affiliate general and administrative.....	15,737	17,741	30,764	35,426
Total operating profit.....	<u>\$ 71,484</u>	<u>\$ 79,210</u>	<u>\$ 134,255</u>	<u>\$ 143,880</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 June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Net income	\$ 57,370	\$ 61,452	\$ 105,683	\$ 111,154
Direct charges to the general partner:				
Reimbursable general and administrative costs ^(a)	553	1,604	965	1,880
Previously indemnified environmental charges.....	(542)	622	58	2,872
Total direct charges to general partner.....	11	2,226	1,023	4,752
Income before direct charges to general partner	57,381	63,678	106,706	115,906
General partner's share of income ^(b)	28.30%	31.23%	27.06%	30.43%
General partner's allocated share of net income before direct charges	16,238	19,888	28,878	35,265
Direct charges to general partner	11	2,226	1,023	4,752
Net income allocated to general partner	<u>\$ 16,227</u>	<u>\$ 17,662</u>	<u>\$ 27,855</u>	<u>\$ 30,513</u>
Net income	\$ 57,370	\$ 61,452	\$ 105,683	\$ 111,154
Less: net income allocated to general partner	16,227	17,662	27,855	30,513
Net income allocated to limited partners	<u>\$ 41,143</u>	<u>\$ 43,790</u>	<u>\$ 77,828</u>	<u>\$ 80,641</u>

- (a) Reimbursable G&A costs for the current quarter include a \$1.3 million unusual non-cash expense related to a payment by MGG Midstream Holdings, L.P., an affiliate indirectly owning a portion of the partnership's general partner. This item does not impact cash available for the partnership to pay cash distributions.
- (b) Under the "two class" method of computing earnings per unit, 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. Therefore, 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 and for periods when net income exceeds the cash distributions paid, the general partner's percentage share of income is its proportion of theoretical cash distributions that equal net income. For the second quarter of 2006 and 2007, a per unit theoretical cash distribution of \$0.612 and \$0.658, respectively, would have resulted in total distributions equal to net income for each period. At these distribution levels, the general partner's share of distributions would have been 28.30% and 31.23% for the second quarter of 2006 and 2007, respectively. The general partner's share of net income for the six months ended June 30, 2006 and 2007 is based on its share of actual distributions paid for the first quarter of each respective year and the theoretical distributions for the second quarter of each respective year.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Net income	\$ 57.4	\$ 61.5	\$ 105.7	\$ 111.2
Add: Depreciation and amortization ⁽¹⁾	16.0	16.8	31.9	32.9
Equity-based incentive compensation	2.3	2.2	3.8	5.9
Direct charges to general partner	—	2.2	1.0	4.7
Asset retirements and impairments	4.2	3.5	4.6	4.4
Less: Maintenance capital (net of indemnified spending).....	7.8	8.6	10.7	13.9
Other	1.3	0.4	2.2	1.9
Distributable cash flow ⁽²⁾	<u>\$ 70.8</u>	<u>\$ 77.2</u>	<u>\$ 134.1</u>	<u>\$ 143.3</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. Through June 30, 2007, the partnership has either paid or accrued liabilities totaling \$82.5 million that are covered by an indemnification settlement for which the partnership has received the full amount of \$117.5 million.