

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2002	2003	2002	2003
Transportation and terminals revenues:				
Third party	\$ 89,605	\$ 91,633	\$ 330,545	\$ 359,726
Affiliate	8,229	-	33,195	13,122
Product sales revenues:				
Third party	15,398	43,711	45,339	111,522
Affiliate	1,097	-	25,188	790
Affiliate management fee revenues	-	-	210	-
Total revenues	<u>114,329</u>	<u>135,344</u>	<u>434,477</u>	<u>485,160</u>
Costs and expenses:				
Operating	41,504	42,368	152,832	164,612
Environmental	3,223	4,952	16,814	14,089
Environmental reimbursement	(2,448)	(3,202)	(14,500)	(11,818)
Product purchases	15,519	38,886	63,982	99,907
Depreciation and amortization	8,751	8,825	35,096	36,081
Affiliate general and administrative	10,451	16,121	43,182	56,846
Total costs and expenses	<u>77,000</u>	<u>107,950</u>	<u>297,406</u>	<u>359,717</u>
Operating profit	<u>37,329</u>	<u>27,394</u>	<u>137,071</u>	<u>125,443</u>
Interest expense:				
Affiliate interest expense	-	-	407	-
Other interest expense	8,310	9,333	22,500	36,597
Interest income	(212)	(511)	(1,149)	(2,061)
Debt placement fee amortization	2,729	683	9,950	2,830
Other income	(1,064)	(92)	(2,112)	(92)
Income before income taxes	<u>27,566</u>	<u>17,981</u>	<u>107,475</u>	<u>88,169</u>
Provision for income taxes	-	-	8,322	-
Net income	<u>\$ 27,566</u>	<u>\$ 17,981</u>	<u>\$ 99,153</u>	<u>\$ 88,169</u>
Allocation of net income:				
Portion applicable to period after April 11, 2002 as it related to the operations of the petroleum products pipeline system:				
Limited partners' interest	\$ 25,892	\$ 19,980	\$ 80,713	\$ 90,191
General partner's interest	<u>1,674</u>	<u>(1,999)</u>	<u>4,402</u>	<u>(2,022)</u>
Portion applicable to partners' interests	27,566	17,981	85,115	88,169
Portion applicable to non-partnership interests	-	-	14,038	-
Net income	<u>\$ 27,566</u>	<u>\$ 17,981</u>	<u>\$ 99,153</u>	<u>\$ 88,169</u>
Basic net income per limited partner unit	<u>\$ 0.95</u>	<u>\$ 0.73</u>	<u>\$ 3.68</u>	<u>\$ 3.32</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>27,190</u>	<u>27,208</u>	<u>21,911</u>	<u>27,195</u>
Diluted net income per limited partner unit	<u>\$ 0.95</u>	<u>\$ 0.73</u>	<u>\$ 3.67</u>	<u>\$ 3.31</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>27,307</u>	<u>27,244</u>	<u>21,968</u>	<u>27,235</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended December 31,		Year Ended December 31,	
	2002	2003	2002	2003
Petroleum products pipeline system:				
Transportation revenue per barrel shipped (cents per barrel)	96.4	90.2	94.9	96.4
Transportation barrels shipped (million barrels)	62.5	62.3	234.6	237.6
Barrel miles (billions)	18.9	17.4	71.0	70.5
Petroleum products terminals:				
Marine terminal average storage capacity utilized per month (million barrels)	15.9	14.7	16.2	15.2
Marine terminal throughput (million barrels)	4.8	5.8	20.5	22.2
Inland terminal throughput (million barrels)	13.6	16.0	57.3	61.2
Ammonia pipeline system:				
Volume shipped (thousand tons)	234	205	712	614

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2002	2003	2002	2003
Petroleum products pipeline system:				
Transportation and terminals revenues	\$ 73,981	\$ 68,626	\$ 272,522	\$281,367
Less: Operating expenses	28,859	32,768	112,347	126,241
Environmental expenses	3,243	4,952	17,514	13,256
Environmental expenses reimbursement	(2,448)	(3,202)	(15,176)	(10,967)
Transportation and terminals margin	<u>44,327</u>	<u>34,108</u>	<u>157,837</u>	<u>152,837</u>
Product sales revenues	16,357	42,860	69,167	107,633
Less: Product purchases	<u>15,519</u>	<u>38,223</u>	<u>63,982</u>	<u>97,971</u>
Product margin	<u>838</u>	<u>4,637</u>	<u>5,185</u>	<u>9,662</u>
Management fee revenue	-	-	210	-
Operating margin	<u>\$ 45,165</u>	<u>\$ 38,745</u>	<u>\$ 163,232</u>	<u>\$ 162,499</u>
Petroleum products terminals:				
Transportation and terminals revenues	\$ 19,339	\$ 18,769	\$ 78,083	\$ 78,873
Less: Operating expenses	10,851	8,622	35,619	34,677
Environmental expenses	(20)	-	(788)	389
Environmental expenses reimbursement	-	-	768	(359)
Transportation and terminals margin	<u>8,508</u>	<u>10,147</u>	<u>42,484</u>	<u>44,166</u>
Product sales revenues	138	851	1,360	4,679
Less: Product purchases	<u>-</u>	<u>663</u>	<u>-</u>	<u>1,936</u>
Product margin	<u>138</u>	<u>188</u>	<u>1,360</u>	<u>2,743</u>
Operating margin	<u>\$ 8,646</u>	<u>\$ 10,335</u>	<u>\$ 43,844</u>	<u>\$ 46,909</u>
Ammonia pipeline system:				
Total revenues	\$ 4,514	\$ 4,238	\$ 13,135	\$ 12,608
Less: Operating expenses	1,794	1,413	4,866	4,562
Environmental expenses	-	-	88	444
Environmental expenses reimbursement	-	-	(92)	(492)
Operating margin	<u>\$ 2,720</u>	<u>\$ 2,825</u>	<u>\$ 8,273</u>	<u>\$ 8,094</u>
Segment operating margin	\$ 56,531	\$ 51,905	\$ 215,349	\$ 217,502
Add: Allocated corporate depreciation costs	<u>-</u>	<u>435</u>	<u>-</u>	<u>868</u>
Total operating margin	<u>56,531</u>	<u>52,340</u>	<u>215,349</u>	<u>218,370</u>
Less: Depreciation and amortization	8,751	8,825	35,096	36,081
General and administrative expense	<u>10,451</u>	<u>16,121</u>	<u>43,182</u>	<u>56,846</u>
Total operating profit	<u>\$ 37,329</u>	<u>\$ 27,394</u>	<u>\$ 137,071</u>	<u>\$ 125,443</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
RECONCILIATION OF EARNINGS EXCLUDING TRANSITION COSTS AND
REIMBURSABLE G&A
(In millions, except per unit amounts)
(Unaudited)

	Three Months Ended December 31, 2003	Year Ended December 31, 2003
Operating Profit Reconciliation:		
Operating Profit, as reported	\$ 27.4	\$ 125.4
Items impacting earnings per unit:		
Transition Costs:		
Operating expenses:		
Paid-time-off benefits:		
Petroleum products pipeline system	0.1	2.6
Petroleum products terminals	(0.1)	0.8
Total operating expense	-	3.4
General and administrative (G&A):		
Incentive compensation early vesting	(0.7)	1.6
Separation from Williams	1.1	2.5
Total G&A	0.4	4.1
Total items impacting earnings per unit	0.4	7.5
Items not impacting earnings per unit:		
G&A Transition Costs:		
Paid-time-off benefits	0.4	2.1
Separation from Williams	1.2	1.2
Reimbursable G&A	3.0	5.9
Total items not impacting earnings per unit	4.6	9.2
Operating profit excluding transition costs and reimbursable G&A	\$ 32.4	\$ 142.1
Net Income Reconciliation:		
Net Income, as reported	\$ 18.0	\$ 88.2
Diluted earnings per unit, as reported	\$ 0.73	\$ 3.31
Items impacting earnings per unit:		
Transition Costs:		
Operating expenses:		
Paid-time-off benefits:		
Petroleum products pipeline system	0.1	2.6
Petroleum products terminals	(0.1)	0.8
Total operating expense	-	3.4
G&A:		
Incentive compensation early vesting	(0.7)	1.6
Separation from Williams	1.1	2.5
Total G&A	0.4	4.1
Total items impacting earnings per unit	0.4	7.5
Items not impacting earnings per unit:		
G&A Transition Costs:		
Paid-time-off benefits	0.4	2.1
Separation from Williams	1.2	1.2
Reimbursable G&A	3.0	5.9
Total items not impacting earnings per unit	4.6	9.2
Net income excluding transition costs and reimbursable G&A	\$ 23.0	\$ 104.9
Diluted earnings per unit excluding transition costs and reimbursable G&A	\$ 0.75	\$ 3.56