MAGELLAN MIDSTREAM PARTNERS LP
Form 424B3
May 17, 2004

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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Prospectus supplement

(To prospectus dated May 16, 2002)

$250,000,000
% Senior Notes due 2014

Interest payable and

Issue price: %

The notes will bear interest at the rate of % per year. Interest on the notes will accrue from , 2004. Interest on the notes is payable on and of each year, beginning , 2004. The notes will mature on , 2014.

We may redeem some or all of the notes at any time at a redemption price that includes a make-whole premium, as described under the caption "Description of notes Optional redemption."

Investing in the notes involves risk. See "Risk factors" beginning on page S-16 of this prospectus supplement and on page 2 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to public	Underwriting discounts	Proceeds to us before expenses
Per note	%	%	%

Total	$	$	$

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect to deliver the notes to investors in registered book-entry form only through the facilities of The Depository Trust Company on or about , 2004.

Joint Book-Running Managers

JPMorgan **Lehman Brothers**

Citigroup

Scotia Capital Markets

SunTrust Robinson Humphrey

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This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of notes. The second part is the accompanying prospectus, which gives more general information about the debt securities we may offer from time to time. Generally, when we refer to the prospectus, we are referring to both parts of this document combined, some of which may not apply to the notes.

If the information about the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

Summary

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. You should read "Risk factors" beginning on page S-16 of this prospectus supplement and page 2 of the accompanying prospectus for more information about important factors that you should consider before buying the notes in this offering. Unless we indicate otherwise, the information we present in this prospectus supplement assumes that we will consummate the common unit offering described below in " Overview of our refinancing plan." As used in this prospectus supplement and the accompanying prospectus, unless we indicate otherwise, the terms "our," "we," "us" and similar terms refer to Magellan Midstream Partners, L.P., together with our subsidiaries.

Magellan Midstream Partners, L.P.

We are a publicly traded Delaware limited partnership that owns and operates a diversified portfolio of complementary energy assets. We are principally engaged in the transportation, storage and distribution of refined petroleum products and ammonia. For the year ended December 31, 2003, we had revenues of $485.2 million, EBITDA of $161.6 million and net income of $88.2 million. For the three months ended March 31, 2004, we had revenues of $133.1 million, EBITDA of $44.1 million and net income of $25.8 million. For a reconciliation of EBITDA to net income and a discussion of EBITDA as a performance measure, please see " Summary selected financial and operating data."

We completed the initial public offering of our common units in February 2001 at an initial offering price of $21.50 per common unit. Since our initial public offering, we have increased our quarterly cash distribution for 12 consecutive quarters, resulting in an aggregate increase of approximately 62% from $0.525 per unit, or $2.10 per unit on an annualized basis, to $0.85 per unit, or $3.40 per unit on an annualized basis. Since February 2001, we have completed eight acquisitions for an aggregate purchase price of approximately $1.1 billion, and we intend to continue pursuing an asset acquisition strategy.

Our asset portfolio currently consists of:

- a 6,700-mile petroleum products pipeline system, including 39 petroleum products terminals, serving the mid-continent region of the United States;
- five petroleum products terminal facilities located along the Gulf Coast and near the New York harbor, referred to as "marine terminal facilities";
- 29 petroleum products terminals (three of which we partially own) located principally in the southeastern United States, referred to as "inland terminals"; and
- an 1,100-mile ammonia pipeline system, including six ammonia terminals, serving the mid-continent region of the United States.

Petroleum products pipeline system. Our petroleum products pipeline system is a common carrier pipeline that provides transportation, storage and distribution services for petroleum

products and liquefied petroleum gases, or LPGs, in 11 states from Oklahoma through the Midwest to North Dakota, Minnesota and Illinois. Our petroleum products pipeline system generates revenues from:

- tariffs charged on volumes shipped;
- leasing pipeline and storage tank capacity to shippers;
- providing product and other services such as ethanol loading and unloading, additive injection, laboratory testing and data services; and
- product sales.

For each of the year ended December 31, 2003 and the three months ended March 31, 2004, our petroleum products pipeline system generated approximately 80% of our total revenues.

Our petroleum products pipeline system is the largest common carrier pipeline of refined petroleum products and LPGs in the United States in terms of pipeline miles. The products we transport on our pipeline system are largely transportation fuels, and during 2003 volumes consisted of 58% gasoline, 33% distillates (which includes diesel fuels and heating oil) and 9% LPGs and aviation fuel.

Through direct refinery connections and interconnections with other pipelines, our petroleum products pipeline system can access approximately 41% of the refinery capacity in the United States and is well-positioned to adapt to shifts in product supply or demand. According to statistics provided by the Energy Information Administration, the demand for refined petroleum products in the Midwest market area served by our petroleum products pipeline system, known as Petroleum Administration for Defense District II, or PADD II, is expected to grow at an average rate of approximately 1.7% per year over the next ten years. The total production of refined petroleum products from refineries located in PADD II is currently insufficient to meet the demand for refined petroleum products in PADD II.

The excess PADD II demand has been and is expected to continue to be met largely by imports of refined petroleum products via pipelines from Gulf Coast refineries that are located in PADD III. Our petroleum products pipeline system is well connected to Gulf Coast refineries through interconnections with the Explorer, Shell, CITGO and Seaway/ConocoPhillips pipelines. These connections to Gulf Coast refineries, together with our pipeline's extensive network throughout PADD II and connections to PADD II refineries, should allow us to accommodate not only demand growth, but also major supply shifts that may occur.

For the year ended December 31, 2003, our petroleum products pipeline system generated $228.6 million of revenues from transportation tariffs on volumes shipped. These transportation tariffs vary depending upon where the product originates, where ultimate delivery occurs and any applicable discounts. All interstate transportation rates and discounts are in published tariffs filed with the Federal Energy Regulatory Commission, or FERC. Part of these tariffs include charges for terminalling and storage of products at our pipeline system's 39 terminals. In addition, we enter into supplemental agreements with shippers that commonly result in volume commitments, term commitments or both by shippers in exchange for reduced tariff rates or capital expansion commitments on our part. During 2003, approximately 53% of the volumes were subject to these supplemental agreements, which have terms ranging from one

to ten years. While many of these agreements do not represent guaranteed volumes, they do reflect a significant level of shipper commitment to our petroleum products pipeline system.

For the year ended December 31, 2003, our petroleum products pipeline system generated $52.8 million of revenues from leasing pipeline and storage tank capacity to shippers and from providing product and other services such as ethanol unloading and loading, additive injection, laboratory testing and data services to shippers. We perform product services such as ethanol unloading and loading, additive injection, custom blending and laboratory testing under a mix of "as needed" monthly and long-term agreements. In addition, we began operating the Rio Grande pipeline system in 2003 and on January 1, 2004 began serving as a subcontractor to an affiliate of The Williams Companies, Inc., or Williams, for the interim operations of Longhorn Partners Pipeline, L.P. until its anticipated start-up in the second quarter of 2004.

For the year ended December 31, 2003, we generated $112.3 million of product sales revenues, substantially all of which was attributable to our petroleum products pipeline system, resulting in $12.4 million of operating margin. For a reconciliation of operating margin to operating profit and a discussion of operating margin as a performance measure, please see " Summary selected financial and operating data" beginning on page S-12. We generate our product sales revenues from the sale of products that we produce from fractionating transmix, from overages on our pipeline system and from our petroleum products management operation. These activities involve the purchase of raw materials, such as butane, natural gasoline, and pipeline transmix, and as a result we hold title to the products that are sold. However, we limit our commodity price risk exposure related to these activities by utilizing hedging strategies, including entering into forward sales transactions.

Petroleum products terminals. We own and operate five marine terminal facilities, including four marine terminal facilities located along the Gulf Coast and one marine terminal facility located in Connecticut near the New York harbor. For each of the year ended December 31, 2003 and the three months ended March 31, 2004, our marine terminal facilities and inland terminals generated approximately 17% of our total revenues.

The marine terminal facilities have an aggregate storage capacity of approximately 16.6 million barrels. Our marine terminal facilities primarily receive petroleum products by ship and barge, short-haul pipeline connections from neighboring refineries and common carrier pipelines. We distribute petroleum products from our marine terminal facilities by all of those means as well as by truck and railcar. Once the product has reached the marine terminal facilities, we store the product for a period of time ranging from a few days to several months. Products that we store include petroleum products, blendstocks, heavy oils and feedstocks.

We have long-standing relationships with oil refiners, suppliers and traders at our marine terminal facilities, and most of our customers have consistently renewed their short-term contracts. For the year ended December 31, 2003, approximately 93% of our marine terminal capacity was utilized and approximately 59% of our usable storage capacity was under long-term contracts with remaining terms in excess of one year or that renew on an annual basis.

Our marine terminal facilities generate revenues primarily through providing long-term or spot demand storage services and inventory management for a variety of customers. We charge competitive rates for the services at our marine terminal facilities that are not subject to

regulation. In most cases, we do not take title to the products that are stored in or distributed from our facilities. Refiners and chemical companies will typically use our marine terminal facilities because their facilities are inadequate, either because of size constraints or the specialized handling requirements of the stored product. We also provide storage services and inventory management to various industrial end-users, marketers and traders that require access to large storage capacity.

Our inland terminals are part of a distribution network of 29 refined petroleum products terminals located throughout the southeastern United States used by retail suppliers, wholesalers and marketers to receive gasoline and other petroleum products from large, interstate pipelines and to transfer these products to trucks, railcars or barges for delivery to their final destination. Our inland terminal facilities typically consist of multiple storage tanks that are connected to a third-party pipeline system and have a combined storage capacity of 5.4 million barrels. We load and unload products through an automated system that allows products to move directly from the common carrier pipeline to our storage tanks and directly from the storage tanks to a truck or railcar loading rack.

The majority of our inland terminals connect to the Colonial, Explorer, Plantation or TEPPCO pipelines and some terminals have multiple pipeline connections. In addition, our Dallas terminal connects to Dallas Love Field airport. For the year ended December 31, 2003, gasoline represented approximately 56% of the product volume distributed through our inland terminals, with the remaining 44% consisting of distillates, including diesel fuel, kerosene and heating oil.

We generate revenues by charging our customers a fee based on the amount of product that we deliver through the inland terminals. In addition to throughput fees, we generate revenues by charging our customers a fee for injecting additives into gasoline, diesel and jet fuel, and for filtering jet fuel.

Ammonia pipeline system. We own an 1,100-mile ammonia pipeline system with a maximum annual delivery capacity of approximately 900,000 tons that transports and distributes ammonia from production facilities in Texas and Oklahoma to terminals in the Midwest for ultimate distribution to end-users in Iowa, Kansas, Minnesota, Missouri, Nebraska, Oklahoma and South Dakota. For each of the year ended December 31, 2003 and the three months ended March 31, 2004, our ammonia pipeline system generated approximately 3% of our total revenues.

The ammonia pipeline system originates at production facilities in Borger, Texas, Verdigris, Oklahoma and Enid, Oklahoma and terminates in Mankato, Minnesota. The ammonia we transport is primarily used as a nitrogen fertilizer. It is also the primary feedstock for the production of upgraded nitrogen fertilizers and chemicals. We transport ammonia to 13 delivery points along the ammonia pipeline system, including six facilities that we own.

We generate revenues on our ammonia pipeline system from transportation tariffs for the use of the pipeline capacity and throughput fees at our six ammonia terminals. We do not produce or trade ammonia, and we do not take title to the ammonia we transport. For the year ended December 31, 2003, we generated approximately 93% of the revenues on our ammonia pipeline system through transportation tariffs. In addition to transportation tariffs, we also earn revenues by charging our customers for services at the six terminals we own, including

unloading ammonia from our customers' trucks to inject it into the pipeline for shipment and removing ammonia from the pipeline to load it into our customers' trucks.

Business strategies

Our primary business strategies are to:

- grow through strategic acquisitions and expansion projects that increase per unit cash flow;
- generate stable cash flows to make quarterly cash distributions; and
- conduct safe and efficient operations.

Competitive strengths

We believe we are well-positioned to execute our business strategies successfully because of the following competitive strengths:

- our assets are strategically located in areas with high demand for our services;
- we have little direct commodity price exposure;
- we have long-term relationships with many of our customers that utilize our pipeline and terminal assets;
- we have a strong financial position with additional borrowing capacity and cash reserves available for making acquisitions and completing expansion projects; and
- our senior management has extensive industry experience.

Overview of our refinancing plan

This offering is one component of a refinancing plan that we are undertaking in an effort to improve our credit profile and increase our financial flexibility by removing all of the secured debt from our capital structure. We will fund this refinancing plan through:

- the issuance of $250.0 million of senior notes; and
- our proposed offering of 1.0 million common units with expected net proceeds of approximately $48.7 million (based upon the last reported sales price of our common units on the New York Stock Exchange on May 14, 2004 of $50.03 per common unit), including our general partner's related capital contribution.

The combined net proceeds to us from our senior notes and proposed common unit offerings are expected to be approximately $296.2 million (after deducting underwriting discounts and estimated offering expenses), and we will use them principally to:

- repay $178.0 million of Series A notes of our Magellan Pipeline Company, LLC subsidiary, plus the related prepayment premium; and

repay the $90.0 million outstanding principal balance of the term loan under our existing credit facility.

Concurrently with the repayment of the Series A notes and the term loan, we will:

- replace our existing $85.0 million secured revolving credit facility with a new five year, $125.0 million unsecured revolving credit facility; and

- amend the terms of the Series B notes of Magellan Pipeline Company to release the collateral securing those notes.

Our senior notes offering is not conditioned upon the consummation of our proposed common unit offering. If we do not consummate our proposed common unit offering, we may elect to increase the principal amount of our senior notes offering or borrow funds under our new revolving credit facility in order to complete our refinancing plan. For more information about our refinancing plan, please read "Use of proceeds," "Capitalization" and "Our refinancing plan" on pages S-20, S-21 and S-22, respectively.

Although not part of our refinancing plan, Magellan Midstream Holdings, L.P. proposes to sell 2.0 million common units together with our proposed offering of 1.0 million common units. We will not receive any proceeds from Magellan Midstream Holdings' sale of common units.

Recent developments

Distribution increase. On April 22, 2004, the board of directors of our general partner declared a quarterly cash distribution of $0.85 per common and subordinated unit for the period of January 1 through March 31, 2004. This first quarter distribution represents a 13% increase over the first quarter of 2003 distribution of $0.75 per unit and an approximate 62% increase since our initial public offering in February 2001. We paid this cash distribution on May 14, 2004 to unitholders of record at the close of business on May 3, 2004.

Acquisition of 50% interest in Osage pipeline. On March 2, 2004, we acquired a 50% ownership interest in Osage Pipe Line Company, LLC for $25.0 million from National Cooperative Refinery Association, or NCRA. Osage Pipe Line Company, which owns the Osage pipeline, is in the process of obtaining record title to the Osage pipeline assets. The 135-mile Osage pipeline is regulated by FERC and transports crude oil from Cushing, Oklahoma to El Dorado, Kansas and has connections to the NCRA refinery in McPherson, Kansas and the Frontier refinery in El Dorado, Kansas. The remaining 50% interest in Osage Pipe Line Company continues to be owned by NCRA. We operate the Osage pipeline.

Conversion of subordinated units. On February 7, 2004, pursuant to our partnership agreement, 1,419,923 of the 5,679,694 subordinated units held by Magellan Midstream Holdings, L.P. converted into an equal number of common units.

Acquisition of petroleum terminals. On January 29, 2004, we acquired ownership interests in 14 inland terminals located in the southeastern United States for $24.8 million and the assumption of $3.8 million of environmental liabilities. We previously owned an approximate 79% interest in eight of these terminals and acquired the remaining 21% ownership interest in these eight terminals from Murphy Oil USA, Inc. In addition, we acquired sole ownership of six terminals that were previously jointly owned by Murphy Oil USA, Inc. and Colonial Pipeline Company.

Partnership structure and management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. Upon the consummation of the common unit offering described above:

- There will be 20,775,000 publicly held common units outstanding, representing a 71.7% limited partner interest in us;

- Magellan Midstream Holdings will own 3,355,541 common units and 4,259,771 subordinated units, representing an aggregate 26.3% limited partner interest in us; and

- Magellan GP, LLC, our general partner, will continue to own a 2.0% general partner interest in us and all of the incentive distribution rights.

In June 2003, Williams sold its membership interest in our general partner and the common and subordinated units it owned to a new entity owned by affiliates of Madison Dearborn Partners, LLC and Carlyle/Riverstone Global Energy and Power Fund II, L.P. In September 2003, we changed our name to Magellan Midstream Partners, L.P. from Williams Energy Partners L.P.

Our general partner has sole responsibility for conducting our business and managing our operations. Our general partner does not receive any management fee or other compensation in connection with its management of our business, but it is reimbursed for direct and indirect expenses incurred on our behalf.

The chart on the following page depicts our organizational and ownership structure after giving effect to our refinancing plan and the proposed offering of 2.0 million common units by Magellan Midstream Holdings. The percentages reflected in the organizational chart represent the approximate ownership interests in us and our operating subsidiaries.

The offering

The issuer	Magellan Midstream Partners, L.P.
Securities offered by us	$250.0 million principal amount of % Senior Notes due 2014. The notes will be issued in denominations of $1,000 and integral multiples of $1,000.
Interest payment dates	and of each year, beginning , 2004.
Maturity date	, 2014.
Use of proceeds	We will use the net proceeds from this offering, together with the net proceeds from our proposed common unit offering and our general partner's related capital contribution, to:
	repay all of the outstanding $178.0 million principal amount of Series A senior notes issued by Magellan Pipeline Company and pay the related prepayment premium of approximately $12.7 million;
	repay the $90.0 million outstanding principal balance of the term loan under our existing credit facility;
	pay $1.9 million to Magellan Pipeline Company's Series B noteholders to release the collateral held by them;
	replenish cash used to fund our recent acquisitions; and
	pay various fees and expenses in connection with our refinancing plan.
Ratings	We have obtained the following ratings on the notes: BBB by Standard & Poor's Ratings Services and Ba1 by Moody's Investors Service, Inc.
	A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold the notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if the rating agency decides that the circumstances warrant a revision.

Ranking	The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future senior indebtedness, including indebtedness under our new revolving credit facility.
	We conduct substantially all of our business through our subsidiaries. The notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of any of our subsidiaries. As of March 31, 2004, our subsidiaries had approximately $480.0 million of outstanding debt to unaffiliated third parties and $22.8 million of outstanding trade payables. We will use a portion of the proceeds of this offering to repay $178.0 million of this debt. See "Description of notes Ranking."
Subsidiary guarantees	We will cause any of our existing and future subsidiaries that guarantees or becomes a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes.
Certain covenants and events of default	We will issue the notes under an indenture with SunTrust Bank, as trustee. The indenture does not limit the amount of unsecured debt we may incur. The indenture will contain limitations on, among other things, our ability to:
	incur indebtedness secured by certain liens;
	engage in certain sale-leaseback transactions; and
	consolidate, merge or dispose of all or substantially all of our assets.
	The indenture will provide for certain events of default, including default on certain other indebtedness.
Optional redemption	We may redeem some or all of the notes at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date, as described in "Description of notes" beginning on page S-50 of this prospectus supplement.

Risk factors	See "Risk factors" beginning on page S-16 and on page 2 of the accompanying prospectus and "Management's discussion and analysis of financial condition and results of operations" beginning on page S-24 of this prospectus supplement for a discussion of factors you should carefully consider before investing in the notes.

Summary selected financial and operating data

We have derived the summary selected historical financial data as of and for the years ended December 31, 2001, 2002 and 2003 from our audited consolidated financial statements and related notes. We have derived the summary selected historical financial data as of and for the three months ended March 31, 2003 and 2004 from our unaudited financial statements, which, in the opinion of our management, include all adjustments necessary for a fair presentation of the data. This financial data is an integral part of, and should be read in conjunction with, the consolidated financial statements and notes thereto, which are incorporated by reference and have been filed with the Securities and Exchange Commission, or SEC. You should read these notes for additional information regarding the acquisition of our general partner and certain of our common, Class B common and subordinated units in June 2003. All other amounts have been prepared from our financial records. Information concerning significant trends in the financial condition and results of operations is contained in "Management's discussion and analysis of financial condition and results of operations" beginning on page S-24 of this prospectus supplement.

The non-generally accepted accounting principle financial measures of EBITDA and operating margin are presented in the summary selected historical financial data. We have presented these financial measures because we believe that investors benefit from having access to the same financial measures utilized by management.

EBITDA is defined as net income plus provision for income taxes, debt placement fees amortization, interest expense (net of interest income) and depreciation and amortization. EBITDA should not be considered an alternative to net income, operating income, cash flow from operations or any other measure of financial performance presented in accordance with generally accepted accounting principles, or GAAP. EBITDA is not intended to represent cash flow. Because EBITDA excludes some but not all items that affect net income and these measures may vary among other companies, the EBITDA data presented may not be comparable to similarly titled measures of other companies. Our management uses EBITDA as a performance measure to assess the viability of projects and to determine overall rates of return on alternative investment opportunities. We believe investors can use EBITDA as a simplified means of measuring cash generated by operations before maintenance capital and fluctuations in working capital. The reconciliation of EBITDA to net income, which is its nearest comparable GAAP measure, is included under the heading "Other data" presented on page S-14.

The components of operating margin are computed by using amounts that are determined in accordance with GAAP. The reconciliation of operating margin to operating profit, which is its nearest comparable GAAP financial measure, is included under the heading "Income statement data" presented on the following page. Operating profit includes expense items that management does not consider when evaluating the core profitability of an operation such as depreciation and amortization and general and administrative expenses. Our management believes that operating margin is an important performance measure of the economic success of our core operations and individual asset locations. This measure forms the basis of our internal financial reporting and is used by management in deciding how to allocate capital resources between segments.

	Year ended December 31,			Three months ended March 31,	
($ in thousands, except per unit amounts)	**2001**	**2002**	**2003**	**2003**	**2004**
Income statement data:					
Transportation and terminals revenues	$ 339,412	$ 363,740	$ 372,848	$ 87,714	$ 88,930
Product sales revenues	108,169	70,527	112,312	32,001	44,214
Affiliate construction and management fee revenues	1,018	210			
Total revenues	448,599	434,477	485,160	119,715	133,144
Operating expenses including environmental expenses net of indemnifications	160,880	155,146	166,883	33,970	37,790
Product purchases	95,268	63,982	99,907	27,818	38,499
Equity earnings(a)					(120)
Operating margin	192,451	215,349	218,370	57,927	56,975
Depreciation and amortization	35,767	35,096	36,081	9,379	9,522
General and administrative	47,365	43,182	56,846	10,438	12,887
Operating profit	109,319	137,071	125,443	38,110	34,566
Interest expense, net	12,113	21,758	34,536	8,505	8,069
Debt placement fees amortization	253	9,950	2,830	547	682
Other income, net	(431)	(2,112)	(92)		
Income before income taxes	97,384	107,475	88,169	29,058	25,815
Provision for income taxes(b)	29,512	8,322			

Net income	$ 67,872	$ 99,153	$ 88,169	$ 29,058	$ 25,815
Basic net income per limited partner unit	$ 1.87	$ 3.68	$ 3.32	$ 0.99	$ 0.87
Diluted net income per limited partner unit	$ 1.87	$ 3.67	$ 3.31	$ 0.99	$ 0.87
Balance sheet data:					
Working capital (deficit)	$ (2,211)	$ 47,328	$ 77,438	$ (30,479)	$ 32,160
Total assets	1,104,559	1,120,359	1,194,930	1,132,549	1,209,433
Total debt	139,500	570,000	570,000	570,000	570,000
Affiliate long-term note payable(c)	138,172				
Partners' capital	589,682	451,757	498,149	464,040	497,778
Cash flow data:					
Cash distributions declared per unit(d)	$ 2.02	$ 2.71	$ 3.17	$ 0.75	$ 0.85

(continued on following page)

Other data:					
Operating margin:					
Petroleum products pipeline system	$ 143,711	$ 163,233	$ 162,494	$ 41,202	$ 40,326
Petroleum products terminals	38,240	43,844	46,909	16,167	13,381
Ammonia pipeline system	10,500	8,272	8,094	558	2,613
Allocated partnership depreciation costs			873		655
Operating margin	$ 192,451	$ 215,349	$ 218,370	$ 57,927	$ 56,975
EBITDA:					
Net income	$ 67,872	$ 99,153	$ 88,169	$ 29,058	$ 25,815
Income taxes(b)	29,512	8,322			
Debt placement fees amortization	253	9,950	2,830	547	682
Interest expense, net	12,113	21,758	34,536	8,505	8,069
Depreciation and amortization	35,767	35,096	36,081	9,379	9,522
EBITDA(e)	$ 145,517	$ 174,279	$ 161,616	$ 47,489	$ 44,088
Operating statistics:					
Petroleum products pipeline system:					
Transportation revenues per barrel shipped (cents per barrel)	90.8	94.9	96.4	98.0	97.2
Transportation barrels shipped (millions)	236.1	234.6	237.6	52.7	52.8
Barrel miles (billions)	70.5	71.0	70.5	15.8	14.9
Petroleum products terminals:					
Marine terminal average storage capacity utilized per month (million barrels)	15.7	16.2	15.2	15.8	15.5
Marine terminal throughput (million barrels)(f)	11.5	20.5	22.2	5.3	5.5
Inland terminal throughput (million barrels)	56.7	57.3	61.2	12.6	20.5
Ammonia pipeline system:					
Volume shipped (thousand tons)	763	712	614	47	219

Footnotes continue on following page.

(a) Represents a partial quarter of equity earnings related to our 50% ownership interest in Osage Pipe Line Company.

(b) Prior to our initial public offering on February 9, 2001, our petroleum products terminals and ammonia pipeline system operations were subject to income taxes. Prior to our acquisition of Magellan Pipeline Company, which primarily comprises our "petroleum products pipeline system," on April 11, 2002, Magellan Pipeline Company was also subject to income taxes. Because we are a partnership, the petroleum products terminals and ammonia pipeline system were no longer subject to income taxes after our initial public offering, and Magellan Pipeline Company was no longer subject to income taxes following our acquisition of it.

(c) At the time of our initial public offering, the affiliate note payable associated with the petroleum products terminals operations was contributed to us as a capital contribution by an affiliate of Williams. At the closing of our acquisition of Magellan Pipeline Company, its affiliate note payable was contributed to us as a capital contribution by an affiliate of Williams.

(d) Represents cash distributions declared associated with each respective calendar year. Cash distributions were declared and paid within 45 days following the close of each quarter. Cash distributions declared for 2001 include a prorated distribution for the first quarter, which included the period from February 10, 2001 through March 31, 2001.

(e) Includes $5.9 million and $1.1 million of reimbursable general and administrative expenses and $10.8 million and $0.6 million of transition costs for the year ended December 31, 2003 and the three months ended March 31, 2004, respectively.

(f) For the year ended December 31, 2001, represents a full year of activity for the New Haven facility (9.3 million barrels) and two months of activity at the Gibson facility (2.2 million barrels), which was acquired in October 2001.

Risk factors

An investment in our notes involves various material risks. You should carefully read the risk factors set forth below, the risk factors included under the caption "Risk factors" beginning on page 2 of the accompanying prospectus, and those risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, which is incorporated by reference.

Restrictions related to the debt securities of Magellan Pipeline Company, LLC may limit our financial flexibility.

Magellan Pipeline Company is subject to restrictions with respect to its debt that may limit our flexibility in structuring or refinancing existing or future debt. These restrictions include the following:

- before October 7, 2007, we may repay Magellan Pipeline Company's senior notes only by paying the related prepayment premium; and

- in the note purchase agreement relating to the Magellan Pipeline Company's senior notes, we agreed to maintain a leverage ratio that limits our debt to EBITDA ratio, as defined in the note purchase agreement, to 4.5 to 1.0, thereby limiting our ability to incur additional debt.

Your ability to transfer the notes at a time or price you desire may be limited by the absence of an active trading market, which may not develop.

The notes are a new issue of securities for which there is no established public market. Although we have registered the notes under the Securities Act of 1933, we do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes in any automated dealer quotation system. In addition, although the underwriters have informed us that they intend to make a market in the notes, as permitted by applicable laws and regulations, they are not obliged to make a market in the notes, and they may discontinue their market-making activities at any time without notice. An active market for the notes may not develop or, if developed, may not continue. In the absence of an active trading market, you may not be able to transfer the notes within the time or at the price you desire.

The notes will be senior unsecured obligations. As such, the notes will be effectively junior to any secured debt we may have, to the existing and future debt and other liabilities of our subsidiaries that do not guarantee the notes and to the existing and future secured debt of any subsidiaries that guarantee the notes.

The notes will be our senior unsecured debt and will rank equally in right of payment with all of our other existing and future unsubordinated debt. The notes will be effectively junior to all our future secured debt, to the existing and future debt of our subsidiaries that do not guarantee the notes and to the secured debt of any subsidiaries that guarantee the notes. As of March 31, 2004, our subsidiaries had $480.0 million of debt outstanding and $22.8 million of outstanding trade payables, of which $178.0 will be repaid from the proceeds of this offering. Initially, there will be no subsidiary guarantors, and there may be none in the future. Since Magellan Pipeline Company will not guarantee the notes offered by us in this prospectus supplement, the notes will be effectively subordinated to all debt of Magellan Pipeline Company. In addition, the terms of Magellan Pipeline Company's Series B senior notes due October 2007 would not permit it to guarantee the notes in the future until it has repaid those senior notes.

If we are involved in any dissolution, liquidation or reorganization, our secured debt holders would be paid before you receive any amounts due under the notes to the extent of the value of the assets securing their debt and creditors of our subsidiaries may also be paid before you receive any amounts due under the notes. In that event, you may not be able to recover any principal or interest you are due under the notes.

A guarantee could be voided if the guarantor fraudulently transferred the guarantee at the time it incurred the indebtedness, which could result in the noteholders being able to rely only on us to satisfy claims.

Initially, there will be no subsidiary guarantors. In the future, however, if our subsidiaries become guarantors or co-obligors of our funded debt, then these subsidiaries will guarantee our payment obligations under the notes. Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be voided, or claims under a guarantee may be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

- intended to hinder, delay or defraud any present or future creditor or received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

In addition, any payment by that guarantor under a guarantee could be voided and required to be returned to the guarantor or to a fund for the benefit of the creditors of the guarantor.

We do not have the same flexibility as other types of organizations to accumulate cash which may limit cash available to service the notes or to repay them at maturity.

Our partnership agreement requires us to distribute, on a quarterly basis, 100% of our available cash to our unitholders of record and our general partner, subject to reasonable reserves as described below. As a result, we do not have the same flexibility as corporations or other entities that do not pay dividends or have complete flexibility regarding the amounts they will distribute to their equity holders. Available cash is generally all of our cash receipts adjusted for cash distributions and net changes to reserves. The timing and amount of our distributions could significantly reduce the cash available to pay the principal, premium (if any) and interest on the notes. The board of directors of our general partner will determine the amount and timing of such distributions and has broad discretion to establish and make additions to our reserves or the reserves of our operating subsidiaries as it determines are necessary or appropriate.

Although our payment obligations to our unitholders are subordinate to our payment obligations to you, the value of our units will decrease in correlation with decreases in the amount we distribute per unit. Accordingly, if we experience a liquidity problem in the future, we may not be able to issue equity to recapitalize.

Our general partner and its affiliates may have conflicts with our partnership.

The directors and officers of our general partner and its affiliates have duties to manage the general partner in a manner that is beneficial to its members. At the same time, the general partner has duties to manage us in a manner that is beneficial to us. Therefore, the general partner's duties to us may conflict with the duties of its officers and directors to its members.

Such conflicts may include, among others, the following:

- decisions of our general partner regarding the amount and timing of cash expenditures, borrowings and issuances of additional limited partnership units or other securities can affect the amount of incentive distribution payments we make to our general partner;

- under our partnership agreement, we reimburse the general partner for the costs of managing and operating us; and

- under our partnership agreement, it is not a breach of our general partner's fiduciary duties for affiliates of our general partner to engage in activities that compete with us. For example, an affiliate of our general partner also owns the general partner of another publicly traded limited partnership that engages in businesses similar to ours and may compete with us in the future to acquire assets that we may also wish to acquire.

Ratio of earnings to fixed charges

The ratio of earnings to fixed charges for each of the periods indicated is as follows: