

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

	Three Months Ended	
	March 31,	
	2022	2023
Transportation and terminals revenue	\$ 422.9	\$ 454.1
Product sales revenue	246.1	410.1
Affiliate management fee revenue	5.7	5.5
Total revenue	674.7	869.7
Costs and expenses:		
Operating	124.2	133.9
Cost of product sales	243.4	320.1
Depreciation, amortization and impairment	57.7	55.8
General and administrative	62.8	60.4
Total costs and expenses	488.1	570.2
Other operating income (expense)	(2.0)	5.8
Earnings of non-controlled entities	35.4	26.2
Operating profit	220.0	331.5
Interest expense	57.3	57.7
Interest capitalized	(0.4)	(0.6)
Interest income	(0.1)	(1.0)
Gain on disposition of assets	(0.2)	—
Other (income) expense	0.6	0.6
Income from continuing operations before provision for income taxes	162.8	274.8
Provision for income taxes	0.8	0.9
Income from continuing operations	162.0	273.9
Income from discontinued operations	3.5	—
Net income	\$ 165.5	\$ 273.9
Earnings per common unit		
Basic and diluted:		
Continuing operations	\$ 0.76	\$ 1.34
Discontinued operations	0.02	—
Net income per common unit	\$ 0.78	\$ 1.34
Weighted average number of common units outstanding	212.9	204.0

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended	
	March 31,	
	2022	2023
Refined products:		
Transportation revenue per barrel shipped	\$ 1.635	\$ 1.864
Volume shipped (million barrels):		
Gasoline	75.6	68.5
Distillates	47.6	46.9
Aviation fuel	7.4	8.8
Liquefied petroleum gases	0.6	—
Total volume shipped	131.2	124.2
Crude oil:		
Magellan 100%-owned assets:		
Transportation revenue per barrel shipped ⁽¹⁾	\$ 0.843	\$ 0.604
Volume shipped (million barrels) ⁽¹⁾	41.9	64.1
Terminal average utilization (million barrels per month)	25.2	23.4
Select joint venture pipelines:		
BridgeTex - volume shipped (million barrels) ⁽²⁾	25.5	12.8
Saddlehorn - volume shipped (million barrels) ⁽²⁾	20.0	21.8

(1) Includes shipments related to our crude oil marketing activities.

(2) These volumes reflect the total shipments for these joint venture pipelines, which are owned 30% by us.

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

	Three Months Ended	
	March 31,	
	2022	2023
Refined products:		
Transportation and terminals revenue	\$ 309.5	\$ 332.0
Affiliate management fee revenue	1.8	1.6
Other operating income (expense)	0.1	5.8
Earnings of non-controlled entities	3.7	13.6
Less: Operating expenses	88.2	95.6
Transportation and terminals margin	226.9	257.4
Product sales revenue	241.6	386.5
Less: Cost of product sales	233.1	307.1
Product margin	8.5	79.4
Operating margin	<u>\$ 235.4</u>	<u>\$ 336.8</u>
Crude oil:		
Transportation and terminals revenue	\$ 114.7	\$ 124.3
Affiliate management fee revenue	3.9	3.9
Other operating income (expense)	(2.1)	—
Earnings of non-controlled entities	31.7	12.6
Less: Operating expenses	38.8	42.1
Transportation and terminals margin	109.4	98.7
Product sales revenue	4.5	23.6
Less: Cost of product sales	10.3	13.0
Product margin	(5.8)	10.6
Operating margin	<u>\$ 103.6</u>	<u>\$ 109.3</u>
Segment operating margin	\$ 339.0	\$ 446.1
Add: Allocated corporate depreciation costs	1.5	1.6
Total operating margin	340.5	447.7
Less:		
Depreciation, amortization and impairment expense	57.7	55.8
General and administrative expense	62.8	60.4
Total operating profit	<u>\$ 220.0</u>	<u>\$ 331.5</u>
Interest expense (net of interest income and interest capitalized)	56.8	56.1
Gain on disposition of assets	(0.2)	—
Other (income) expense	0.6	0.6
Income from continuing operations before provision for income taxes	<u>\$ 162.8</u>	<u>\$ 274.8</u>

Note: Amounts may not sum to figures shown on the consolidated statements of income due to intersegment eliminations and allocated corporate depreciation costs.

MAGELLAN MIDSTREAM PARTNERS, L.P.
RECONCILIATION OF NET INCOME AND NET INCOME PER COMMON UNIT
EXCLUDING COMMODITY-RELATED ADJUSTMENTS TO GAAP MEASURES
(Unaudited, in millions except per unit amounts)

	Three Months Ended		
	March 31, 2023		
	Net Income	Basic Net Income Per Common Unit	Diluted Net Income Per Common Unit
As reported	\$ 273.9	\$ 1.34	\$ 1.34
Commodity-related adjustments associated with future transactions ⁽¹⁾	(4.7)		
Excluding commodity-related adjustments.....	\$ 269.2	\$ 1.32	\$ 1.32
Weighted average number of common units outstanding.....		204.0	204.0

(1) Includes our net share of commodity-related adjustments for our non-controlled entities. Please see Distributable Cash Flow and Free Cash Flow Reconciliation to Net Income for further descriptions of commodity-related adjustments.

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

	Three Months Ended		
	March 31,		2023
	2022	2023	Guidance
Net income	\$ 165.5	\$ 273.9	\$ 1,000.0
Interest expense, net	56.8	56.1	225.0
Depreciation, amortization and impairment ⁽¹⁾	57.7	56.4	232.0
Equity-based incentive compensation ⁽²⁾	5.5	(3.5)	15.0
Gain on disposition of assets ⁽³⁾	(0.2)	—	—
Commodity-related adjustments:			
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	56.7	(0.6)	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(11.2)	(5.8)	
Inventory valuation adjustments ⁽⁵⁾	2.8	(6.4)	
Total commodity-related adjustments	48.3	(12.8)	(5.0)
Distributions from operations of non-controlled entities in excess of earnings	3.0	11.9	64.0
Adjusted EBITDA	336.6	382.0	1,531.0
Interest expense, net, excluding debt issuance cost amortization	(56.0)	(55.2)	(221.0)
Maintenance capital ⁽⁶⁾	(15.2)	(14.2)	(90.0)
Distributable cash flow	\$ 265.4	\$ 312.6	\$ 1,220.0
Expansion capital ⁽⁷⁾	(26.1)	(32.0)	(120.0)
Proceeds from disposition of assets ⁽³⁾	0.2	—	—
Free cash flow	\$ 239.5	\$ 280.6	\$ 1,100.0
Distributions paid ⁽⁸⁾	(220.6)	(213.0)	(850.0)
Free cash flow after distributions	\$ 18.9	\$ 67.6	\$ 250.0

- (1) Depreciation, amortization and impairment expense is excluded from DCF to the extent it represents a non-cash expense.
- (2) Because we intend to satisfy vesting of unit awards under our equity-based long-term incentive compensation plan with the issuance of common units, expenses related to this plan generally are deemed non-cash and excluded for DCF purposes. The amounts above have been reduced by cash payments associated with the plan, which are primarily related to tax withholdings.
- (3) Gains on disposition of assets are excluded from DCF to the extent they are not related to our ongoing operations, while proceeds from disposition of assets exclude the related gains to the extent they are already included in our calculation of DCF.
- (4) Certain derivatives have not been designated as hedges for accounting purposes and the mark-to-market changes of these derivatives are recognized currently in net income. We exclude the net impact of these derivatives from our determination of DCF until the transactions are settled and, where applicable, the related products are sold.
- (5) We adjust DCF for lower of average cost or net realizable value adjustments related to inventory and firm purchase commitments as well as market valuation of short positions recognized each period as these are non-cash items. In subsequent periods when we sell or purchase the related products, we recognize these valuation adjustments in DCF.
- (6) Maintenance capital expenditures maintain our existing assets and do not generate incremental DCF (i.e. incremental returns to our unitholders). For this reason, we deduct maintenance capital expenditures to determine DCF.
- (7) Includes additions to property, plant and equipment (excluding maintenance capital and capital-related changes in current liabilities), acquisitions and investments in non-controlled entities, net of distributions from returns of investments in non-controlled entities and deposits from undivided joint interest third parties.
- (8) We paid cash distributions of \$1.0375 and \$1.0475 per unit during first quarter 2022 and 2023, respectively. Distributions paid declined between years because of lower units outstanding as a result of our equity repurchase program, with 212.6 million and 203.3 million units eligible for distributions during the respective periods.

MAGELLAN MIDSTREAM PARTNERS, L.P.
FREE CASH FLOW RECONCILIATION TO NET CASH PROVIDED
BY OPERATING ACTIVITIES
(Unaudited, in millions)

	Three Months Ended	
	March 31,	
	2022	2023
Net cash provided by operating activities	\$ 100.4	\$ 351.5
Changes in operating assets and liabilities	145.5	(2.5)
Net cash provided (used) by investing activities	(46.6)	(44.0)
Payments associated with settlement of equity-based incentive compensation	(8.9)	(9.9)
Settlement cost, amortization of prior service credit and actuarial loss	(1.2)	(0.4)
Changes in accrued capital items	5.5	(2.2)
Commodity-related adjustments ⁽¹⁾	48.3	(12.8)
Other	(3.5)	0.9
Free cash flow	<u>\$ 239.5</u>	<u>\$ 280.6</u>
Distributions paid	(220.6)	(213.0)
Free cash flow after distributions	<u>\$ 18.9</u>	<u>\$ 67.6</u>

(1) Please refer to the preceding table for a description of these commodity-related adjustments.