

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2020	2019	2020
Transportation and terminals revenue.....	\$ 506,405	\$ 411,815	\$ 967,197	\$ 870,210
Product sales revenue.....	189,989	43,277	352,984	362,397
Affiliate management fee revenue.....	5,305	5,316	10,453	10,607
Total revenue.....	<u>701,699</u>	<u>460,408</u>	<u>1,330,634</u>	<u>1,243,214</u>
Costs and expenses:				
Operating.....	168,929	146,107	314,954	295,615
Cost of product sales.....	152,876	50,509	321,970	299,745
Depreciation, amortization and impairment.....	62,530	58,540	124,401	122,074
General and administrative.....	52,383	42,168	98,378	79,076
Total costs and expenses.....	<u>436,718</u>	<u>297,324</u>	<u>859,703</u>	<u>796,510</u>
Other operating income (expense).....	(5,024)	3,913	1,917	3,402
Earnings of non-controlled entities.....	<u>40,785</u>	<u>33,689</u>	<u>72,040</u>	<u>77,349</u>
Operating profit.....	300,742	200,686	544,888	527,455
Interest expense.....	51,406	69,259	111,572	125,159
Interest capitalized.....	(5,134)	(4,228)	(8,588)	(9,179)
Interest income.....	(338)	(223)	(1,998)	(643)
Gain on disposition of assets.....	(4,646)	—	(26,434)	(12,887)
Other (income) expense.....	<u>4,570</u>	<u>1,446</u>	<u>6,620</u>	<u>2,253</u>
Income before provision for income taxes.....	254,884	134,432	463,716	422,752
Provision for income taxes.....	1,181	589	2,350	1,345
Net income.....	<u>\$ 253,703</u>	<u>\$ 133,843</u>	<u>\$ 461,366</u>	<u>\$ 421,407</u>
Basic net income per common unit.....	<u>\$ 1.11</u>	<u>\$ 0.59</u>	<u>\$ 2.02</u>	<u>\$ 1.86</u>
Diluted net income per common unit.....	<u>\$ 1.11</u>	<u>\$ 0.59</u>	<u>\$ 2.02</u>	<u>\$ 1.86</u>
Weighted average number of common units outstanding used for basic net income per unit calculation.....	<u>228,647</u>	<u>225,351</u>	<u>228,603</u>	<u>226,461</u>
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	<u>228,688</u>	<u>225,351</u>	<u>228,623</u>	<u>226,461</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2020	2019	2020
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.606	\$ 1.675	\$ 1.590	\$ 1.626
Volume shipped (million barrels):				
Gasoline.....	70.8	61.3	132.9	127.5
Distillates.....	47.2	41.3	91.8	85.1
Aviation fuel.....	9.9	2.7	18.7	12.1
Liquefied petroleum gases.....	4.5	—	5.1	0.4
Total volume shipped.....	132.4	105.3	248.5	225.1
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped ⁽¹⁾	\$ 0.977	\$ 1.048	\$ 0.961	\$ 0.970
Volume shipped (million barrels) ⁽¹⁾⁽²⁾	80.5	47.7	159.9	122.8
Terminal average utilization (million barrels per month).....	22.9	25.5	22.6	24.1
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) ⁽³⁾	38.8	32.2	76.5	69.3
Saddlehorn - volume shipped (million barrels) ⁽⁴⁾	13.4	15.1	22.4	31.4

- (1) Volume shipped includes shipments related to the partnership's crude oil marketing activities. Revenues from those activities are reflected as product sales revenue in its consolidated financial statements. Transportation revenue per barrel shipped reflects average rates on third-party volumes only.
- (2) Volume shipped in 2020 reflects a change in the way the partnership's customers contract for its services pursuant to which customers are able to utilize crude oil storage capacity at East Houston and dock access at Seabrook. Subsequent to this change, the services the partnership provides no longer include a transportation element. Therefore, revenues related to these services are reflected entirely as terminalling revenues and the related volumes are no longer reflected in the partnership's calculation of transportation volumes.
- (3) These volumes reflect the total shipments for the BridgeTex pipeline, which is owned 30% by Magellan.
- (4) These volumes reflect the total shipments for the Saddlehorn pipeline, which was owned 40% by Magellan through January 31, 2020 and 30% thereafter.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2020	2019	2020
Refined products:				
Transportation and terminals revenue.....	\$ 347,630	\$ 279,759	\$ 657,201	\$ 594,078
Affiliate management fee revenue.....	1,659	1,513	3,321	3,097
Other operating income (expense).....	1,031	138	6,399	2,030
Earnings (loss) of non-controlled entities.....	(2,950)	4,592	(3,997)	18,812
Less: Operating expenses.....	132,850	103,405	235,542	209,287
Transportation and terminals margin.....	214,520	182,597	427,382	408,730
Product sales revenue.....	184,695	34,463	341,977	347,449
Less: Cost of product sales.....	148,166	45,616	310,596	278,958
Product margin.....	36,529	(11,153)	31,381	68,491
Operating margin.....	<u>\$ 251,049</u>	<u>\$ 171,444</u>	<u>\$ 458,763</u>	<u>\$ 477,221</u>
Crude oil:				
Transportation and terminals revenue.....	\$ 160,116	\$ 133,637	\$ 312,275	\$ 279,295
Affiliate management fee revenue.....	3,646	3,803	7,132	7,510
Other operating income (expense).....	(6,055)	3,775	(4,482)	1,372
Earnings of non-controlled entities.....	43,735	29,097	76,037	58,537
Less: Operating expenses.....	38,764	45,917	84,470	92,689
Transportation and terminals margin.....	162,678	124,395	306,492	254,025
Product sales revenue.....	5,294	8,814	11,007	14,948
Less: Cost of product sales.....	4,710	4,893	11,374	20,787
Product margin.....	584	3,921	(367)	(5,839)
Operating margin.....	<u>\$ 163,262</u>	<u>\$ 128,316</u>	<u>\$ 306,125</u>	<u>\$ 248,186</u>
Segment operating margin.....	\$ 414,311	\$ 299,760	\$ 764,888	\$ 725,407
Add: Allocated corporate depreciation costs.....	1,344	1,634	2,779	3,198
Total operating margin.....	415,655	301,394	767,667	728,605
Less:				
Depreciation, amortization and impairment expense.....	62,530	58,540	124,401	122,074
General and administrative expense.....	52,383	42,168	98,378	79,076
Total operating profit.....	<u>\$ 300,742</u>	<u>\$ 200,686</u>	<u>\$ 544,888</u>	<u>\$ 527,455</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 thousands except per unit amounts)

	Three Months Ended		
	June 30, 2020		
	Net Income	Basic Net Income Per Common Unit	Diluted Net Income Per Common Unit
As reported	\$ 133,843	\$ 0.59	\$ 0.59
Commodity-related adjustments associated with future transactions ⁽¹⁾	12,367		
Excluding commodity-related adjustments.....	\$ 146,210	\$ 0.65	\$ 0.65
Weighted average number of common units outstanding used for basic net income per unit calculation.....	225,351		
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	225,351		

(1) Includes the partnership's net share of commodity-related adjustments for its non-controlled entities. Please see Distributable Cash Flow ("DCF") Reconciliation to Net Income for further descriptions of commodity-related adjustments.

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

	Three Months Ended		Six Months Ended		2020 Annual	
	June 30,		June 30,		Forecast Range	
	2019	2020	2019	2020		
Net income	\$ 253,703	\$ 133,843	\$ 461,366	\$ 421,407	\$ 790,000	\$ 835,000
Interest expense, net.....	45,934	64,808	100,986	115,337	220,000	220,000
Depreciation, amortization and impairment ⁽¹⁾	59,966	58,500	118,923	121,586	251,000	251,000
Equity-based incentive compensation ⁽²⁾	10,890	4,256	6,040	(10,289)	(10,000)	(10,000)
Gain on disposition of assets ⁽³⁾	(5,280)	—	(16,280)	(10,511)	(11,000)	(11,000)
Commodity-related adjustments:						
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	17,627	9,982	20,843	(4,938)		
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(1,924)	47,593	71,214	(15,964)		
Inventory valuation adjustments ⁽⁵⁾	(1,820)	(43,899)	(9,446)	27,831		
Total commodity-related adjustments.....	13,883	13,676	82,611	6,929	(13,000)	(8,000)
Distributions from operations of non-controlled entities in excess of (less than) earnings.....	(793)	14,267	11,029	25,350	66,000	66,000
Adjusted EBITDA	<u>378,303</u>	<u>289,350</u>	<u>764,675</u>	<u>669,809</u>	<u>1,293,000</u>	<u>1,343,000</u>
Interest expense, net, excluding debt issuance cost amortization ⁽⁶⁾	(45,184)	(50,827)	(91,059)	(100,459)	(203,000)	(203,000)
Maintenance capital ⁽⁷⁾	(18,325)	(28,982)	(40,823)	(53,302)	(90,000)	(90,000)
Distributable cash flow	<u>\$ 314,794</u>	<u>\$ 209,541</u>	<u>\$ 632,793</u>	<u>\$ 516,048</u>	<u>\$ 1,000,000</u>	<u>\$ 1,050,000</u>

- (1) Depreciation, amortization and impairment expense is excluded from DCF to the extent it represents a non-cash expense.
- (2) Because the partnership intends to satisfy vesting of unit awards under its 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 the partnership's ongoing operations.
- (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. The partnership excludes the net impact of these derivatives from its determination of DCF until the transactions are settled and, where applicable, the related products are sold. In the period in which these transactions are settled and any related products are sold, the net impact of the derivatives is included in DCF.
- (5) The partnership adjusts 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 the partnership physically sells or purchases the related products, it adjusts DCF for the valuation adjustments previously recognized.
- (6) Interest expense includes debt prepayment costs of \$8.3 million in the six months ended June 20, 2019 and \$12.9 million in the three and six months ended June 30, 2020, which are excluded from DCF as they are financing activities and not related to the partnership's ongoing operations.
- (7) Maintenance capital expenditures maintain existing assets of the partnership and do not generate incremental DCF (i.e. incremental returns to the unitholders). For this reason, the partnership deducts maintenance capital expenditures to determine DCF.