

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

| | Three Months Ended | |
|---|---------------------------|-------------------|
| | March 31, | |
| | 2019 | 2020 |
| Transportation and terminals revenue | \$ 460,792 | \$ 458,395 |
| Product sales revenue | 162,995 | 319,120 |
| Affiliate management fee revenue | 5,148 | 5,291 |
| Total revenue | <u>628,935</u> | <u>782,806</u> |
| Costs and expenses: | | |
| Operating | 146,025 | 149,508 |
| Cost of product sales | 169,094 | 249,236 |
| Depreciation, amortization and impairment | 61,871 | 63,534 |
| General and administrative | 45,995 | 36,908 |
| Total costs and expenses | <u>422,985</u> | <u>499,186</u> |
| Other operating income (expense) | 6,941 | (511) |
| Earnings of non-controlled entities | 31,255 | 43,660 |
| Operating profit | <u>244,146</u> | <u>326,769</u> |
| Interest expense | 60,166 | 55,900 |
| Interest capitalized | (3,454) | (4,951) |
| Interest income | (1,660) | (420) |
| Gain on disposition of assets | (21,788) | (12,887) |
| Other (income) expense | 2,050 | 807 |
| Income before provision for income taxes | <u>208,832</u> | <u>288,320</u> |
| Provision for income taxes | 1,169 | 756 |
| Net income | <u>\$ 207,663</u> | <u>\$ 287,564</u> |
| | | |
| Basic net income per common unit | <u>\$ 0.91</u> | <u>\$ 1.26</u> |
| | | |
| Diluted net income per common unit | <u>\$ 0.91</u> | <u>\$ 1.26</u> |
| | | |
| Weighted average number of common units outstanding used for basic net income per unit calculation | <u>228,558</u> | <u>227,571</u> |
| | | |
| Weighted average number of common units outstanding used for diluted net income per unit calculation | <u>228,558</u> | <u>227,571</u> |

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

| | Three Months Ended | |
|--|---------------------------|-------------|
| | March 31, | |
| | 2019 | 2020 |
| Refined products: | | |
| Transportation revenue per barrel shipped..... | \$ 1.572 | \$ 1.582 |
| Volume shipped (million barrels): | | |
| Gasoline..... | 62.1 | 66.2 |
| Distillates..... | 44.6 | 43.8 |
| Aviation fuel..... | 8.8 | 9.4 |
| Liquefied petroleum gases..... | 0.6 | 0.4 |
| Total volume shipped..... | 116.1 | 119.8 |
| Crude oil: | | |
| Magellan 100%-owned assets: | | |
| Transportation revenue per barrel shipped ⁽¹⁾ | \$ 0.945 | \$ 0.918 |
| Volume shipped (million barrels) ⁽¹⁾ | 79.4 | 75.1 |
| Terminal average utilization (million barrels per month)..... | 22.2 | 22.7 |
| Select joint venture pipelines: | | |
| BridgeTex - volume shipped (million barrels) ⁽²⁾ | 37.7 | 37.1 |
| Saddlehorn - volume shipped (million barrels) ⁽³⁾ | 9.0 | 16.3 |

- (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) These volumes reflect the total shipments for the BridgeTex pipeline, which is owned 30% by Magellan.
- (3) 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 | |
|--|---------------------------|-------------------|
| | March 31, | |
| | 2019 | 2020 |
| Refined products: | | |
| Transportation and terminals revenue | \$ 309,571 | \$ 314,319 |
| Affiliate management fee revenue..... | 1,662 | 1,584 |
| Other operating income (expense)..... | 5,368 | 1,892 |
| Earnings (loss) of non-controlled entities..... | (1,047) | 14,220 |
| Less: Operating expenses | 102,692 | 105,882 |
| Transportation and terminals margin | 212,862 | 226,133 |
| Product sales revenue | 157,282 | 312,986 |
| Less: Cost of product sales | 162,430 | 233,342 |
| Product margin..... | (5,148) | 79,644 |
| Operating margin..... | <u>\$ 207,714</u> | <u>\$ 305,777</u> |
| Crude oil: | | |
| Transportation and terminals revenue | \$ 152,159 | \$ 145,658 |
| Affiliate management fee revenue..... | 3,486 | 3,707 |
| Other operating income (expense)..... | 1,573 | (2,403) |
| Earnings of non-controlled entities | 32,302 | 29,440 |
| Less: Operating expenses | 45,706 | 46,772 |
| Transportation and terminals margin | 143,814 | 129,630 |
| Product sales revenue | 5,713 | 6,134 |
| Less: Cost of product sales | 6,664 | 15,894 |
| Product margin..... | (951) | (9,760) |
| Operating margin..... | <u>\$ 142,863</u> | <u>\$ 119,870</u> |
| Segment operating margin..... | \$ 350,577 | \$ 425,647 |
| Add: Allocated corporate depreciation costs..... | 1,435 | 1,564 |
| Total operating margin..... | 352,012 | 427,211 |
| Less: | | |
| Depreciation, amortization and impairment expense..... | 61,871 | 63,534 |
| General and administrative expense..... | 45,995 | 36,908 |
| Total operating profit..... | <u>\$ 244,146</u> | <u>\$ 326,769</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 LIMITED PARTNER UNIT
EXCLUDING COMMODITY-RELATED ADJUSTMENTS TO GAAP MEASURES
(Unaudited, in thousands except per unit amounts)

| | Three Months Ended | | |
|--|---------------------------|--|--|
| | March 31, 2020 | | |
| | Net Income | Basic Net Income Per Limited Partner Unit | Diluted Net Income Per Limited Partner Unit |
| As reported | \$ 287,564 | \$ 1.26 | \$ 1.26 |
| Unrealized derivative (gains) losses associated with future transactions ⁽¹⁾ | (66,481) | | |
| Inventory valuation adjustments associated with future transactions..... | 70,969 | | |
| Excluding commodity-related adjustments ⁽²⁾ | \$ 292,052 | \$ 1.28 | \$ 1.28 |
| | | | |
| Weighted average number of common units outstanding used for basic net income per unit calculation | 227,571 | | |
| | | | |
| Weighted average number of common units outstanding used for diluted net income per unit calculation | 227,571 | | |

(1) Includes the partnership's net share of unrealized derivative gains and losses from the partnership's non-controlled entities.

(2) 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 | | 2020 Annual Forecast Range | |
|--|--------------------|-------------------|-------------------------------|---------------------|
| | March 31, | | | |
| | 2019 | 2020 | | |
| Net income | \$ 207,663 | \$ 287,564 | \$ 757,000 | \$ 835,000 |
| Interest expense, net | 55,052 | 50,529 | 211,000 | 211,000 |
| Depreciation, amortization and impairment ⁽¹⁾ | 58,957 | 63,086 | 262,000 | 262,000 |
| Equity-based incentive compensation ⁽²⁾ | (4,850) | (14,545) | — | — |
| Gain on disposition of assets ⁽³⁾ | (11,000) | (10,511) | (11,000) | (11,000) |
| Commodity-related adjustments: | | | | |
| Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾ | 25,036 | (66,740) | | |
| Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾ | 51,318 | (11,737) | | |
| Inventory valuation adjustments ⁽⁵⁾ | (7,626) | 71,730 | | |
| Total commodity-related adjustments | 68,728 | (6,747) | 38,000 | 35,000 |
| Distributions from operations of non-controlled entities in excess of (less than) earnings | 11,822 | 11,083 | 41,000 | 41,000 |
| Adjusted EBITDA | <u>386,372</u> | <u>380,459</u> | <u>1,298,000</u> | <u>1,373,000</u> |
| Interest expense, net, excluding debt issuance cost amortization ⁽⁶⁾ .. | (45,875) | (49,632) | (208,000) | (208,000) |
| Maintenance capital ⁽⁷⁾ | (22,498) | (24,320) | (90,000) | (90,000) |
| Distributable cash flow | <u>\$ 317,999</u> | <u>\$ 306,507</u> | <u>\$ 1,000,000</u> | <u>\$ 1,075,000</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 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 in 2019 includes \$8.3 million of debt prepayment premiums which are excluded from DCF as they are financing activities and are 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.