

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,	
	2018	2019	2018	2019
Transportation and terminals revenue	\$ 472,248	\$ 506,405	\$ 904,185	\$ 967,197
Product sales revenue	166,797	189,989	408,389	352,984
Affiliate management fee revenue	5,046	5,305	10,296	10,453
Total revenue	<u>644,091</u>	<u>701,699</u>	<u>1,322,870</u>	<u>1,330,634</u>
Costs and expenses:				
Operating.....	159,845	168,929	303,141	314,954
Cost of product sales.....	153,679	152,876	353,271	321,970
Depreciation, amortization and impairment	53,619	62,530	105,498	124,401
General and administrative	53,290	52,383	99,846	98,378
Total costs and expenses.....	<u>420,433</u>	<u>436,718</u>	<u>861,756</u>	<u>859,703</u>
Other operating income (expense)	—	(5,024)	—	1,917
Earnings of non-controlled entities	42,510	40,785	77,048	72,040
Operating profit	<u>266,168</u>	<u>300,742</u>	<u>538,162</u>	<u>544,888</u>
Interest expense	56,750	51,406	113,402	111,572
Interest capitalized.....	(5,608)	(5,134)	(10,255)	(8,588)
Interest income	(380)	(338)	(959)	(1,998)
Gain on disposition of assets.....	—	(4,646)	—	(26,434)
Other (income) expense	(119)	4,570	8,605	6,620
Income before provision for income taxes.....	<u>215,525</u>	<u>254,884</u>	<u>427,369</u>	<u>463,716</u>
Provision for income taxes.....	1,116	1,181	2,050	2,350
Net income.....	<u>\$ 214,409</u>	<u>\$ 253,703</u>	<u>\$ 425,319</u>	<u>\$ 461,366</u>
Basic net income per limited partner unit	<u>\$ 0.94</u>	<u>\$ 1.11</u>	<u>\$ 1.86</u>	<u>\$ 2.02</u>
Diluted net income per limited partner unit	<u>\$ 0.94</u>	<u>\$ 1.11</u>	<u>\$ 1.86</u>	<u>\$ 2.02</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>228,387</u>	<u>228,647</u>	<u>228,354</u>	<u>228,603</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>228,425</u>	<u>228,688</u>	<u>228,393</u>	<u>228,623</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2019	2018	2019
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.503	\$ 1.606	\$ 1.485	\$ 1.590
Volume shipped (million barrels):				
Gasoline.....	78.0	70.8	145.6	132.9
Distillates.....	44.1	47.2	87.1	91.8
Aviation fuel.....	6.9	9.9	13.2	18.7
Liquefied petroleum gases.....	4.9	4.5	6.0	5.1
Total volume shipped.....	133.9	132.4	251.9	248.5
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped.....	\$ 1.492	\$ 0.977	\$ 1.360	\$ 0.961
Volume shipped (million barrels).....	49.9	80.5	105.6	159.9
Crude oil terminal average utilization (million barrels per month).....	16.6	20.5	16.1	20.2
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) ⁽¹⁾	35.2	38.8	63.5	76.5
Saddlehorn - volume shipped (million barrels) ⁽²⁾	6.0	13.4	11.8	22.4
Marine storage:				
Marine terminal average utilization (million barrels per month).....	22.6	23.8	22.6	23.8

(1) These volumes reflect the total shipments for the BridgeTex pipeline, which was owned 50% by Magellan through September 28, 2018 and 30% thereafter.

(2) These volumes reflect the total shipments for the Saddlehorn pipeline, which is owned 40% by Magellan.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2019	2018	2019
Refined products:				
Transportation and terminals revenue	\$ 291,064	\$ 306,215	\$ 551,458	\$ 573,220
Affiliate management fee revenue.....	352	470	649	882
Other operating income (expense).....	—	738	—	1,352
Earnings (losses) of non-controlled entities	(97)	(4,218)	2,221	(5,648)
Less: Operating expenses	113,342	115,811	207,391	205,489
Transportation and terminals margin	177,977	187,394	346,937	364,317
Product sales revenue	150,934	183,211	383,708	338,367
Less: Cost of product sales	137,543	146,516	327,876	306,670
Product margin.....	13,391	36,695	55,832	31,697
Operating margin.....	<u>\$ 191,368</u>	<u>\$ 224,089</u>	<u>\$ 402,769</u>	<u>\$ 396,014</u>
Crude oil:				
Transportation and terminals revenue	\$ 137,953	\$ 155,569	\$ 264,211	\$ 303,177
Affiliate management fee revenue.....	3,849	3,646	7,865	7,132
Other operating income (expense).....	—	(6,056)	—	(4,483)
Earnings of non-controlled entities	41,851	43,735	73,459	76,037
Less: Operating expenses	31,177	37,217	64,768	81,040
Transportation and terminals margin	152,476	159,677	280,767	300,823
Product sales revenue	13,282	5,295	19,721	11,008
Less: Cost of product sales	13,761	4,710	20,811	11,374
Product margin.....	(479)	585	(1,090)	(366)
Operating margin.....	<u>\$ 151,997</u>	<u>\$ 160,262</u>	<u>\$ 279,677</u>	<u>\$ 300,457</u>
Marine storage:				
Transportation and terminals revenue	\$ 44,146	\$ 45,962	\$ 90,346	\$ 93,079
Affiliate management fee revenue.....	845	1,189	1,782	2,439
Other operating income (expense).....	—	294	—	5,048
Earnings of non-controlled entities	756	1,268	1,368	1,651
Less: Operating expenses	17,693	18,586	35,657	33,483
Transportation and terminals margin	28,054	30,127	57,839	68,734
Product sales revenue	2,581	1,483	4,960	3,609
Less: Cost of product sales	2,375	1,650	4,584	3,926
Product margin.....	206	(167)	376	(317)
Operating margin.....	<u>\$ 28,260</u>	<u>\$ 29,960</u>	<u>\$ 58,215</u>	<u>\$ 68,417</u>
Segment operating margin.....	\$ 371,625	\$ 414,311	\$ 740,661	\$ 764,888
Add: Allocated corporate depreciation costs.....	1,452	1,344	2,845	2,779
Total operating margin.....	373,077	415,655	743,506	767,667
Less:				
Depreciation, amortization and impairment expense.....	53,619	62,530	105,498	124,401
General and administrative expense.....	53,290	52,383	99,846	98,378
Total operating profit.....	<u>\$ 266,168</u>	<u>\$ 300,742</u>	<u>\$ 538,162</u>	<u>\$ 544,888</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		
	June 30, 2019		
	Net Income	Basic Net Income Per Limited Partner Unit	Diluted Net Income Per Limited Partner Unit
As reported	\$ 253,703	\$ 1.11	\$ 1.11
Unrealized derivative (gains) losses associated with future transactions ⁽¹⁾	20,110		
Inventory valuation adjustments associated with future transactions.....	1,366		
Excluding commodity-related adjustments ⁽²⁾	\$ 275,179	\$ 1.20	\$ 1.20
Weighted average number of limited partner units outstanding used for basic net income per unit calculation.....	228,647		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation.....	228,688		

(1) Includes our 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		Six Months Ended		2019 Guidance
	June 30,		June 30,		
	2018	2019	2018	2019	
Net income	\$ 214,409	\$ 253,703	\$ 425,319	\$ 461,366	\$ 960,000
Interest expense, net	50,762	45,934	102,188	100,986	200,000
Depreciation, amortization and impairment ⁽¹⁾	56,208	59,966	110,084	118,923	238,000
Equity-based incentive compensation ⁽²⁾	10,047	10,890	7,394	6,040	19,000
Gain on disposition of assets ⁽³⁾	—	(5,280)	—	(16,280)	(16,000)
Commodity-related adjustments:					
Derivative losses recognized in the period associated with future transactions ⁽⁴⁾	29,318	17,627	35,828	20,843	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(23,358)	(1,924)	(38,801)	71,214	
Inventory valuation adjustments ⁽⁵⁾	838	(1,820)	(260)	(9,446)	
Total commodity-related adjustments	6,798	13,883	(3,233)	82,611	70,000
Distributions from operations of non-controlled entities in excess of (less than) earnings	397	(793)	17,613	11,029	34,000
Other ⁽⁶⁾	—	—	3,644	—	—
Adjusted EBITDA	338,621	378,303	663,009	764,675	1,505,000
Interest expense, net, excluding debt issuance cost amortization ⁽⁷⁾ ..	(49,928)	(45,184)	(100,514)	(91,059)	(190,000)
Maintenance capital ⁽⁸⁾	(22,100)	(18,325)	(36,960)	(40,823)	(95,000)
Distributable cash flow	<u>\$ 266,593</u>	<u>\$ 314,794</u>	<u>\$ 525,535</u>	<u>\$ 632,793</u>	<u>\$ 1,220,000</u>

- (1) Prior year amounts have been reclassified to conform with the current year's presentation. 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 limited partner units, expenses related to this plan generally are deemed non-cash and added back for DCF purposes. The amounts above have been reduced by \$9.3 million and \$9.8 million, respectively, for 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. The 2019 period includes a \$10.2 million gain on the sale of residual assets related to the development of expansion projects which are considered ongoing in nature, and as such are included in 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. 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) Other adjustments in 2018 include a \$3.6 million adjustment recorded to partners' capital as required by the partnership's adoption of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. The amount represents cash that the partnership had previously received for deficiency payments but did not yet recognize in net income under the previous revenue recognition standard.
- (7) 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.
- (8) 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.