

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2020	2019	2020
Transportation and terminals revenue.....	\$ 497,001	\$ 451,113	\$ 1,970,630	\$ 1,794,854
Product sales revenue.....	238,301	129,877	736,092	611,719
Affiliate management fee revenue.....	5,380	5,334	21,190	21,229
Total revenue.....	<u>740,682</u>	<u>586,324</u>	<u>2,727,912</u>	<u>2,427,802</u>
Costs and expenses:				
Operating.....	149,740	143,762	634,081	601,359
Cost of product sales.....	188,552	117,851	619,279	513,715
Depreciation, amortization and impairment.....	65,106	64,780	246,134	258,676
General and administrative.....	47,116	56,386	196,650	173,478
Total costs and expenses.....	<u>450,514</u>	<u>382,779</u>	<u>1,696,144</u>	<u>1,547,228</u>
Other operating income (expense).....	1,437	(438)	2,975	101
Earnings of non-controlled entities.....	46,732	36,843	168,961	153,327
Operating profit.....	<u>338,337</u>	<u>239,950</u>	<u>1,203,704</u>	<u>1,034,002</u>
Interest expense.....	55,801	54,762	221,123	234,133
Interest capitalized.....	(4,865)	(819)	(19,284)	(11,270)
Interest income.....	(639)	(134)	(3,285)	(1,037)
Gain on disposition of assets.....	—	—	(28,966)	(12,887)
Other (income) expense.....	2,608	1,456	11,830	5,164
Income before provision for income taxes.....	<u>285,432</u>	<u>184,685</u>	<u>1,022,286</u>	<u>819,899</u>
Provision for income taxes.....	(1,013)	765	1,437	2,934
Net income.....	<u>\$ 286,445</u>	<u>\$ 183,920</u>	<u>\$ 1,020,849</u>	<u>\$ 816,965</u>
Basic net income per common unit.....	<u>\$ 1.25</u>	<u>\$ 0.82</u>	<u>\$ 4.46</u>	<u>\$ 3.62</u>
Diluted net income per common unit.....	<u>\$ 1.25</u>	<u>\$ 0.82</u>	<u>\$ 4.46</u>	<u>\$ 3.62</u>
Weighted average number of common units outstanding used for basic net income per unit calculation.....	<u>228,705</u>	<u>223,889</u>	<u>228,658</u>	<u>225,503</u>
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	<u>229,358</u>	<u>224,000</u>	<u>228,842</u>	<u>225,531</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2020	2019	2020
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.664	\$ 1.724	\$ 1.616	\$ 1.675
Volume shipped (million barrels):				
Gasoline.....	73.1	71.4	280.5	270.8
Distillates.....	45.8	47.9	184.6	175.5
Aviation fuel.....	11.3	4.8	41.1	21.6
Liquefied petroleum gases.....	0.8	0.4	9.7	0.9
Total volume shipped.....	131.0	124.5	515.9	468.8
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped.....	\$ 0.898	\$ 0.714	\$ 0.939	\$ 1.028
Volume shipped (million barrels) ⁽¹⁾	78.1	62.0	317.2	229.9
Terminal average utilization (million barrels per month).....	23.2	26.6	23.0	25.2
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) ⁽²⁾	39.0	32.1	156.3	132.0
Saddlehorn - volume shipped (million barrels) ⁽³⁾	16.7	15.1	56.1	61.6

(1) Volume shipped includes shipments related to the partnership's crude oil marketing activities. 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.

(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		Year Ended	
	December 31,		December 31,	
	2019	2020	2019	2020
Refined products:				
Transportation and terminals revenue	\$ 345,870	\$ 326,959	\$ 1,355,682	\$ 1,241,846
Affiliate management fee revenue	1,634	1,594	6,719	6,270
Other operating income (expense)	537	1,024	10,185	3,247
Earnings of non-controlled entities	7,925	6,609	8,070	32,555
Less: Operating expenses	108,873	97,577	471,743	425,443
Transportation and terminals margin	247,093	238,609	908,913	858,475
Product sales revenue	229,371	116,929	707,812	578,630
Less: Cost of product sales	180,216	105,978	591,228	471,292
Product margin	49,155	10,951	116,584	107,338
Operating margin	<u>\$ 296,248</u>	<u>\$ 249,560</u>	<u>\$ 1,025,497</u>	<u>\$ 965,813</u>
Crude oil:				
Transportation and terminals revenue	\$ 152,713	\$ 125,623	\$ 620,365	\$ 559,570
Affiliate management fee revenue	3,746	3,740	14,471	14,959
Other operating income (expense)	900	(1,462)	(7,210)	(3,146)
Earnings of non-controlled entities	38,807	30,234	160,891	120,772
Less: Operating expenses	43,830	49,442	173,261	189,087
Transportation and terminals margin	152,336	108,693	615,256	503,068
Product sales revenue	8,930	12,948	28,280	33,089
Less: Cost of product sales	8,336	11,873	28,051	42,423
Product margin	594	1,075	229	(9,334)
Operating margin	<u>\$ 152,930</u>	<u>\$ 109,768</u>	<u>\$ 615,485</u>	<u>\$ 493,734</u>
Segment operating margin	\$ 449,178	\$ 359,328	\$ 1,640,982	\$ 1,459,547
Add: Allocated corporate depreciation costs	1,381	1,788	5,506	6,609
Total operating margin	450,559	361,116	1,646,488	1,466,156
Less:				
Depreciation, amortization and impairment expense	65,106	64,780	246,134	258,676
General and administrative expense	47,116	56,386	196,650	173,478
Total operating profit	<u>\$ 338,337</u>	<u>\$ 239,950</u>	<u>\$ 1,203,704</u>	<u>\$ 1,034,002</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		
	December 31, 2020		
	Net Income	Basic Net Income Per Common Unit	Diluted Net Income Per Common Unit
As reported	\$ 183,920	\$ 0.82	\$ 0.82
Commodity-related adjustments associated with future transactions ⁽¹⁾	27,024		
Excluding commodity-related adjustments.....	\$ 210,944	\$ 0.94	\$ 0.94
Weighted average number of common units outstanding used for basic net income per unit calculation.....	223,889		
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	224,000		

(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		Year Ended		2021 Guidance
	December 31,		December 31,		
	2019	2020	2019	2020	
Net income	\$ 286,445	\$ 183,920	\$ 1,020,849	\$ 816,965	\$ 793,000
Interest expense, net	50,297	53,809	198,554	221,826	226,000
Depreciation, amortization and impairment ⁽¹⁾	63,979	61,178	240,874	254,586	243,000
Equity-based incentive compensation ⁽²⁾	1,434	6,405	14,247	(2,715)	12,000
Gain on disposition of assets ⁽³⁾	—	—	(16,280)	(10,511)	—
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	16,022	25,541	29,690	29,275	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(1)	(4,992)	71,214	(20,900)	
Inventory valuation adjustments ⁽⁵⁾	(3,054)	(3,704)	(12,681)	5,836	
Total commodity-related adjustments.....	12,967	16,845	88,223	14,211	(18,000)
Distributions from operations of non-controlled entities in excess of (less than) earnings.....	18,719	18,112	34,641	54,273	72,000
Adjusted EBITDA	433,841	340,269	1,581,108	1,348,635	1,328,000
Interest expense, net, excluding debt issuance cost amortization ⁽⁶⁾	(49,442)	(53,054)	(186,942)	(205,446)	(223,000)
Maintenance capital ⁽⁷⁾	(26,566)	(17,558)	(96,702)	(98,718)	(85,000)
Distributable cash flow	<u>\$ 357,833</u>	<u>\$ 269,657</u>	<u>\$ 1,297,464</u>	<u>\$ 1,044,471</u>	<u>\$ 1,020,000</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 year ended December 31, 2019 and \$12.9 million in the year ended December 31, 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.