

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

	Three Months Ended	
	March 31,	
	2020	2021
Transportation and terminals revenue	\$ 458,395	\$ 425,170
Product sales revenue	319,120	230,601
Affiliate management fee revenue	5,291	5,302
Total revenue	<u>782,806</u>	<u>661,073</u>
Costs and expenses:		
Operating	149,508	130,604
Cost of product sales	249,236	184,867
Depreciation, amortization and impairment	63,534	58,128
General and administrative	36,908	46,580
Total costs and expenses	<u>499,186</u>	<u>420,179</u>
Other operating income (expense)	(511)	(462)
Earnings of non-controlled entities	43,660	39,052
Operating profit	<u>326,769</u>	<u>279,484</u>
Interest expense	55,900	56,979
Interest capitalized	(4,951)	(508)
Interest income	(420)	(153)
Gain on disposition of assets	(12,887)	—
Other (income) expense	807	1,059
Income before provision for income taxes	<u>288,320</u>	<u>222,107</u>
Provision for income taxes	756	789
Net income	<u>\$ 287,564</u>	<u>\$ 221,318</u>
Basic net income per common unit	<u>\$ 1.26</u>	<u>\$ 0.99</u>
Diluted net income per common unit	<u>\$ 1.26</u>	<u>\$ 0.99</u>
Weighted average number of common units outstanding used for basic net income per unit calculation	<u>227,571</u>	<u>223,593</u>
Weighted average number of common units outstanding used for diluted net income per unit calculation	<u>227,571</u>	<u>223,593</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended	
	March 31,	
	2020	2021
Refined products:		
Transportation revenue per barrel shipped.....	\$ 1.582	\$ 1.672
Volume shipped (million barrels):		
Gasoline.....	66.2	65.0
Distillates.....	43.8	46.5
Aviation fuel.....	9.4	6.1
Liquefied petroleum gases.....	0.4	0.5
Total volume shipped.....	119.8	118.1
Crude oil:		
Magellan 100%-owned assets:		
Transportation revenue per barrel shipped.....	\$ 0.918	\$ 0.789
Volume shipped (million barrels) ⁽¹⁾	75.1	46.5
Terminal average utilization (million barrels per month).....	22.7	25.5
Select joint venture pipelines:		
BridgeTex - volume shipped (million barrels) ⁽²⁾	37.1	26.9
Saddlehorn - volume shipped (million barrels) ⁽³⁾	16.3	16.1

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

(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,	
	2020	2021
Refined products:		
Transportation and terminals revenue	\$ 314,319	\$ 310,768
Affiliate management fee revenue	1,584	1,550
Other operating income (expense)	1,892	239
Earnings of non-controlled entities	14,220	9,171
Less: Operating expense	105,882	94,853
Transportation and terminals margin	226,133	226,875
Product sales revenue	312,986	201,431
Less: Cost of product sales	233,342	154,742
Product margin	79,644	46,689
Operating margin	<u>\$ 305,777</u>	<u>\$ 273,564</u>
Crude oil:		
Transportation and terminals revenue	\$ 145,658	\$ 116,214
Affiliate management fee revenue	3,707	3,752
Other operating income (expense)	(2,403)	(701)
Earnings of non-controlled entities	29,440	29,881
Less: Operating expense	46,772	39,202
Transportation and terminals margin	129,630	109,944
Product sales revenue	6,134	29,170
Less: Cost of product sales	15,894	30,125
Product margin	(9,760)	(955)
Operating margin	<u>\$ 119,870</u>	<u>\$ 108,989</u>
Segment operating margin	\$ 425,647	\$ 382,553
Add: Allocated corporate depreciation costs	1,564	1,639
Total operating margin	427,211	384,192
Less:		
Depreciation, amortization and impairment expense	63,534	58,128
General and administrative expense	36,908	46,580
Total operating profit	<u>\$ 326,769</u>	<u>\$ 279,484</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		
	March 31, 2021		
	Net Income	Basic Net Income Per Common Unit	Diluted Net Income Per Common Unit
As reported	\$ 221,318	\$ 0.99	\$ 0.99
Commodity-related adjustments associated with future transactions ⁽¹⁾	22,612		
Excluding commodity-related adjustments.....	\$ 243,930	\$ 1.09	\$ 1.09
Weighted average number of common units outstanding used for basic net income per unit calculation.....	223,593		
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	223,593		

(1) Includes the partnership's net share of commodity-related adjustments for its non-controlled entities. Please see Distributable Cash Flow ("DCF") and Free Cash Flow ("FCF") 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 thousands)

	Three Months Ended		
	March 31,		2021
	2020	2021	Guidance
Net income	\$ 287,564	\$ 221,318	\$ 940,000
Interest expense, net.....	50,529	56,318	225,000
Depreciation, amortization and impairment ⁽¹⁾	63,086	59,215	242,000
Equity-based incentive compensation ⁽²⁾	(14,545)	(1,472)	13,000
Gain on disposition of assets ⁽³⁾	(10,511)	—	(70,000)
Commodity-related adjustments:			
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	(66,740)	17,409	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(11,737)	(22,390)	
Inventory valuation adjustments ⁽⁵⁾	71,730	1,357	
Total commodity-related adjustments.....	(6,747)	(3,624)	(38,000)
Distributions from operations of non-controlled entities in excess of (less than) earnings.....	11,083	12,382	65,000
Adjusted EBITDA	380,459	344,137	1,377,000
Interest expense, net, excluding debt issuance cost amortization....	(49,632)	(55,542)	(222,000)
Maintenance capital ⁽⁶⁾	(24,320)	(12,084)	(85,000)
Distributable cash flow	306,507	276,511	1,070,000
Expansion capital ⁽⁷⁾	(155,045)	(10,504)	(75,000)
Proceeds from asset sales.....	332,789	656	272,000
Free cash flow	484,251	266,663	1,267,000
Distributions paid.....	(234,774)	(229,423)	(917,000)
Free cash flow after distributions	<u>\$ 249,477</u>	<u>\$ 37,240</u>	<u>\$ 350,000</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) 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.
- (7) Includes additions to property, plant and equipment (excluding maintenance capital and capital-related changes in accounts payable and other 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.

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

	Three Months Ended	
	March 31,	
	2020	2021
Net cash provided by operating activities	384,621	240,239
Changes in operating assets and liabilities.....	(34,174)	57,914
Net cash provided (used) in investing activities.....	131,793	(31,161)
Payments associated with settlement of equity-based incentive compensation.....	(14,700)	(6,151)
Settlement gain, amortization of prior service credit and actuarial loss.....	(1,113)	(1,646)
Changes in accrued capital items.....	20,379	9,229
Commodity-related adjustments ⁽¹⁾	(6,747)	(3,624)
Other.....	4,192	1,863
Free cash flow	<u>\$ 484,251</u>	<u>\$ 266,663</u>
Distributions paid.....	(234,774)	(229,423)
Free cash flow after distributions	<u><u>\$ 249,477</u></u>	<u><u>\$ 37,240</u></u>

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