

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

	Three Months Ended	
	March 31,	
	2018	2019
Transportation and terminals revenue	\$ 431,937	\$ 460,792
Product sales revenue	241,592	162,995
Affiliate management fee revenue	5,250	5,148
Total revenue	<u>678,779</u>	<u>628,935</u>
Costs and expenses:		
Operating	143,296	146,025
Cost of product sales	199,592	169,094
Depreciation, amortization and impairment	51,879	61,871
General and administrative	46,556	45,995
Total costs and expenses	<u>441,323</u>	<u>422,985</u>
Other income	—	6,941
Earnings of non-controlled entities	34,538	31,255
Operating profit	<u>271,994</u>	<u>244,146</u>
Interest expense	56,652	60,166
Interest capitalized	(4,647)	(3,454)
Interest income	(579)	(1,660)
Gain on disposition of assets	—	(21,788)
Other expense	8,724	2,050
Income before provision for income taxes	<u>211,844</u>	<u>208,832</u>
Provision for income taxes	934	1,169
Net income	<u>\$ 210,910</u>	<u>\$ 207,663</u>
Basic net income per limited partner unit	<u>\$ 0.92</u>	<u>\$ 0.91</u>
Diluted net income per limited partner unit	<u>\$ 0.92</u>	<u>\$ 0.91</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>228,320</u>	<u>228,558</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>228,360</u>	<u>228,558</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended	
	March 31,	
	2018	2019
Refined products:		
Transportation revenue per barrel shipped.....	\$ 1.464	\$ 1.572
Volume shipped (million barrels):		
Gasoline.....	67.6	62.1
Distillates.....	43.0	44.6
Aviation fuel.....	6.3	8.8
Liquefied petroleum gases.....	1.1	0.6
Total volume shipped.....	118.0	116.1
Crude oil:		
Magellan 100%-owned assets:		
Transportation revenue per barrel shipped.....	\$ 1.241	\$ 0.945
Volume shipped (million barrels).....	55.7	79.4
Crude oil terminal average utilization (million barrels per month).....	16.0	19.8
Select joint venture pipelines:		
BridgeTex - volume shipped (million barrels) ⁽¹⁾	28.3	37.7
Saddlehorn - volume shipped (million barrels) ⁽²⁾	5.8	9.0
Marine storage:		
Marine terminal average utilization (million barrels per month).....	22.6	23.9

(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	
	March 31,	
	2018	2019
Refined products:		
Transportation and terminals revenue	\$ 260,394	\$ 267,005
Affiliate management fee revenue.....	297	412
Other income	—	614
Earnings (losses) of non-controlled entities	2,318	(1,430)
Less: Operating expenses	94,049	89,678
Transportation and terminals margin	168,960	176,923
Product sales revenue	232,774	155,156
Less: Cost of product sales	190,333	160,154
Product margin.....	42,441	(4,998)
Operating margin.....	<u>\$ 211,401</u>	<u>\$ 171,925</u>
Crude oil:		
Transportation and terminals revenue	\$ 126,258	\$ 147,608
Affiliate management fee revenue.....	4,016	3,486
Other income	—	1,573
Earnings of non-controlled entities	31,608	32,302
Less: Operating expenses	33,591	43,823
Transportation and terminals margin	128,291	141,146
Product sales revenue	6,439	5,713
Less: Cost of product sales	7,050	6,664
Product margin.....	(611)	(951)
Operating margin.....	<u>\$ 127,680</u>	<u>\$ 140,195</u>
Marine storage:		
Transportation and terminals revenue	\$ 46,200	\$ 47,117
Affiliate management fee revenue.....	937	1,250
Other income	—	4,754
Earnings of non-controlled entities	612	383
Less: Operating expenses	17,964	14,897
Transportation and terminals margin	29,785	38,607
Product sales revenue	2,379	2,126
Less: Cost of product sales	2,209	2,276
Product margin.....	170	(150)
Operating margin.....	<u>\$ 29,955</u>	<u>\$ 38,457</u>
Segment operating margin.....	\$ 369,036	\$ 350,577
Add: Allocated corporate depreciation costs.....	1,393	1,435
Total operating margin.....	370,429	352,012
Less:		
Depreciation, amortization and impairment expense.....	51,879	61,871
General and administrative expense.....	46,556	45,995
Total operating profit.....	<u>\$ 271,994</u>	<u>\$ 244,146</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, 2019		
	Net Income	Basic Net Income Per Limited Partner Unit	Diluted Net Income Per Limited Partner Unit
As reported	\$ 207,663	\$ 0.91	\$ 0.91
Unrealized derivative (gains) losses associated with future physical product sales ⁽¹⁾	28,833		
Inventory valuation adjustments associated with future physical product transactions	4,753		
Excluding commodity-related adjustments ⁽²⁾	\$ 241,249	\$ 1.06	\$ 1.06
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	228,558		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	228,558		

(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		2019 Guidance
	March 31,		
	2018	2019	
Net income	\$ 210,910	\$ 207,663	\$ 925,000
Interest expense, net	51,426	55,052	205,000
Depreciation, amortization and impairment ⁽¹⁾	53,876	58,957	235,000
Equity-based incentive compensation ⁽²⁾	(2,653)	(4,850)	15,000
Gain on disposition of assets ⁽³⁾	—	(11,000)	(11,000)
Commodity-related adjustments:			
Derivative (gains) losses recognized in the period associated with future product transactions ⁽⁴⁾	11,479	25,036	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period ⁽⁴⁾	(20,412)	51,318	
Inventory valuation adjustments ⁽⁵⁾	(1,098)	(7,626)	
Total commodity-related adjustments	(10,031)	68,728	60,000
Distributions from operations of non-controlled entities in excess of earnings	17,216	11,822	38,000
Other ⁽⁶⁾	3,644	—	—
Adjusted EBITDA	324,388	386,372	1,467,000
Interest expense, net, excluding debt issuance cost amortization ⁽⁷⁾ ..	(50,586)	(45,875)	(192,000)
Maintenance capital ⁽⁸⁾	(14,860)	(22,498)	(95,000)
Distributable cash flow	<u>\$ 258,942</u>	<u>\$ 317,999</u>	<u>\$ 1,180,000</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 \$10.8 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 used by the partnership as economic hedges 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 hedges from its determination of DCF until the related products are physically sold. In the period in which these hedged products are physically sold, the net impact of the associated hedges is included in its determination of 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.