

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2020	2019	2020
Transportation and terminals revenue.....	\$ 506,432	\$ 473,531	\$ 1,473,629	\$ 1,343,741
Product sales revenue.....	144,807	119,445	497,791	481,842
Affiliate management fee revenue.....	5,357	5,288	15,810	15,895
Total revenue.....	<u>656,596</u>	<u>598,264</u>	<u>1,987,230</u>	<u>1,841,478</u>
Costs and expenses:				
Operating.....	169,387	161,982	484,341	457,597
Cost of product sales.....	108,757	96,119	430,727	395,864
Depreciation, amortization and impairment.....	56,627	71,822	181,028	193,896
General and administrative.....	51,156	38,016	149,534	117,092
Total costs and expenses.....	<u>385,927</u>	<u>367,939</u>	<u>1,245,630</u>	<u>1,164,449</u>
Other operating income (expense).....	(379)	(2,863)	1,538	539
Earnings of non-controlled entities.....	<u>50,189</u>	<u>39,135</u>	<u>122,229</u>	<u>116,484</u>
Operating profit.....	320,479	266,597	865,367	794,052
Interest expense.....	53,750	54,212	165,322	179,371
Interest capitalized.....	(5,831)	(1,272)	(14,419)	(10,451)
Interest income.....	(648)	(260)	(2,646)	(903)
Gain on disposition of assets.....	(2,532)	—	(28,966)	(12,887)
Other (income) expense.....	2,602	1,455	9,222	3,708
Income before provision for income taxes.....	<u>273,138</u>	<u>212,462</u>	<u>736,854</u>	<u>635,214</u>
Provision for income taxes.....	100	824	2,450	2,169
Net income.....	<u>\$ 273,038</u>	<u>\$ 211,638</u>	<u>\$ 734,404</u>	<u>\$ 633,045</u>
Basic net income per common unit.....	<u>\$ 1.19</u>	<u>\$ 0.94</u>	<u>\$ 3.21</u>	<u>\$ 2.80</u>
Diluted net income per common unit.....	<u>\$ 1.19</u>	<u>\$ 0.94</u>	<u>\$ 3.21</u>	<u>\$ 2.80</u>
Weighted average number of common units outstanding used for basic net income per unit calculation.....	<u>228,720</u>	<u>225,222</u>	<u>228,642</u>	<u>226,045</u>
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	<u>228,754</u>	<u>225,222</u>	<u>228,667</u>	<u>226,045</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2020	2019	2020
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.618	\$ 1.719	\$ 1.600	\$ 1.658
Volume shipped (million barrels):				
Gasoline.....	74.5	71.9	207.4	199.4
Distillates.....	47.0	42.5	138.8	127.6
Aviation fuel.....	11.1	4.7	29.8	16.8
Liquefied petroleum gases.....	3.8	0.1	8.9	0.5
Total volume shipped.....	136.4	119.2	384.9	344.3
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped.....	\$ 0.935	\$ 1.401	\$ 0.952	\$ 1.145
Volume shipped (million barrels) ⁽¹⁾	79.2	45.1	239.1	167.9
Terminal average utilization (million barrels per month).....	22.9	25.9	22.7	24.7
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) ⁽²⁾	40.8	30.6	117.3	99.9
Saddlehorn - volume shipped (million barrels) ⁽³⁾	17.0	15.1	39.4	46.5

(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		Nine Months Ended	
	September 30,		September 30,	
	2019	2020	2019	2020
Refined products:				
Transportation and terminals revenue	\$ 352,611	\$ 320,809	\$ 1,009,812	\$ 914,887
Affiliate management fee revenue	1,764	1,579	5,085	4,676
Other operating income (expense)	3,249	193	9,648	2,223
Earnings of non-controlled entities	4,142	7,134	145	25,946
Less: Operating expenses	127,328	118,579	362,870	327,866
Transportation and terminals margin	234,438	211,136	661,820	619,866
Product sales revenue	136,464	114,252	478,441	461,701
Less: Cost of product sales	100,416	86,356	411,012	365,314
Product margin	36,048	27,896	67,429	96,387
Operating margin	<u>\$ 270,486</u>	<u>\$ 239,032</u>	<u>\$ 729,249</u>	<u>\$ 716,253</u>
Crude oil:				
Transportation and terminals revenue	\$ 155,377	\$ 154,652	\$ 467,652	\$ 433,947
Affiliate management fee revenue	3,593	3,709	10,725	11,219
Other operating income (expense)	(3,628)	(3,056)	(8,110)	(1,684)
Earnings of non-controlled entities	46,047	32,001	122,084	90,538
Less: Operating expenses	44,961	46,956	129,431	139,645
Transportation and terminals margin	156,428	140,350	462,920	394,375
Product sales revenue	8,343	5,193	19,350	20,141
Less: Cost of product sales	8,341	9,763	19,715	30,550
Product margin	2	(4,570)	(365)	(10,409)
Operating margin	<u>\$ 156,430</u>	<u>\$ 135,780</u>	<u>\$ 462,555</u>	<u>\$ 383,966</u>
Segment operating margin	\$ 426,916	\$ 374,812	\$ 1,191,804	\$ 1,100,219
Add: Allocated corporate depreciation costs	1,346	1,623	4,125	4,821
Total operating margin	428,262	376,435	1,195,929	1,105,040
Less:				
Depreciation, amortization and impairment expense	56,627	71,822	181,028	193,896
General and administrative expense	51,156	38,016	149,534	117,092
Total operating profit	<u>\$ 320,479</u>	<u>\$ 266,597</u>	<u>\$ 865,367</u>	<u>\$ 794,052</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		
	September 30, 2020		
	Net Income	Basic Net Income Per Common Unit	Diluted Net Income Per Common Unit
As reported	\$ 211,638	\$ 0.94	\$ 0.94
Commodity-related adjustments associated with future transactions ⁽¹⁾	6,633		
Excluding commodity-related adjustments.....	\$ 218,271	\$ 0.97	\$ 0.97
Weighted average number of common units outstanding used for basic net income per unit calculation.....	225,222		
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	225,222		

(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		Nine Months Ended		2020 Guidance
	September 30,		September 30,		
	2019	2020	2019	2020	
Net income	\$ 273,038	\$ 211,638	\$ 734,404	\$ 633,045	\$ 810,000
Interest expense, net.....	47,271	52,680	148,257	168,017	221,000
Depreciation, amortization and impairment ⁽¹⁾	57,972	71,822	176,895	193,408	258,000
Equity-based incentive compensation ⁽²⁾	6,773	1,169	12,813	(9,120)	(5,000)
Gain on disposition of assets ⁽³⁾	—	—	(16,280)	(10,511)	(11,000)
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	(1,720)	5,839	13,669	6,741	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(5,454)	2,889	71,214	(18,915)	
Inventory valuation adjustments ⁽⁵⁾	(181)	(18,291)	(9,627)	9,540	
Total commodity-related adjustments.....	(7,355)	(9,563)	75,256	(2,634)	(9,000)
Distributions from operations of non-controlled entities in excess of (less than) earnings.....	4,893	10,811	15,922	36,161	61,000
Adjusted EBITDA	<u>382,592</u>	<u>338,557</u>	<u>1,147,267</u>	<u>1,008,366</u>	<u>1,325,000</u>
Interest expense, net, excluding debt issuance cost amortization ⁽⁶⁾	(46,441)	(51,933)	(137,500)	(152,392)	(205,000)
Maintenance capital ⁽⁷⁾	(29,313)	(27,858)	(70,136)	(81,160)	(95,000)
Distributable cash flow	<u>\$ 306,838</u>	<u>\$ 258,766</u>	<u>\$ 939,631</u>	<u>\$ 774,814</u>	<u>\$ 1,025,000</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 nine months ended September 30, 2019 and \$12.9 million in the nine months ended September 30, 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.