

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,	
	2018	2019	2018	2019
Transportation and terminals revenue	\$ 488,775	\$ 506,432	\$ 1,392,960	\$ 1,473,629
Product sales revenue	144,403	144,807	552,792	497,791
Affiliate management fee revenue	4,842	5,357	15,138	15,810
Total revenue	<u>638,020</u>	<u>656,596</u>	<u>1,960,890</u>	<u>1,987,230</u>
Costs and expenses:				
Operating.....	172,115	169,387	475,256	484,341
Cost of product sales.....	120,510	108,757	473,781	430,727
Depreciation, amortization and impairment	56,228	56,627	161,726	181,028
General and administrative	47,389	51,156	147,235	149,534
Total costs and expenses.....	<u>396,242</u>	<u>385,927</u>	<u>1,257,998</u>	<u>1,245,630</u>
Other operating income (expense)	—	(379)	—	1,538
Earnings of non-controlled entities	53,795	50,189	130,843	122,229
Operating profit	<u>295,573</u>	<u>320,479</u>	<u>833,735</u>	<u>865,367</u>
Interest expense	55,133	53,750	168,535	165,322
Interest capitalized.....	(3,099)	(5,831)	(13,354)	(14,419)
Interest income	(501)	(648)	(1,460)	(2,646)
Gain on disposition of assets.....	(353,797)	(2,532)	(353,797)	(28,966)
Other (income) expense	1,694	2,602	10,299	9,222
Income before provision for income taxes.....	<u>596,143</u>	<u>273,138</u>	<u>1,023,512</u>	<u>736,854</u>
Provision for income taxes.....	1,609	100	3,659	2,450
Net income.....	<u>\$ 594,534</u>	<u>\$ 273,038</u>	<u>\$ 1,019,853</u>	<u>\$ 734,404</u>
Basic net income per limited partner unit	<u>\$ 2.60</u>	<u>\$ 1.19</u>	<u>\$ 4.47</u>	<u>\$ 3.21</u>
Diluted net income per limited partner unit	<u>\$ 2.60</u>	<u>\$ 1.19</u>	<u>\$ 4.46</u>	<u>\$ 3.21</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>228,397</u>	<u>228,720</u>	<u>228,368</u>	<u>228,642</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>228,449</u>	<u>228,754</u>	<u>228,412</u>	<u>228,667</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2019	2018	2019
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.600	\$ 1.618	\$ 1.524	\$ 1.600
Volume shipped (million barrels):				
Gasoline	73.4	74.5	219.0	207.4
Distillates	45.6	47.0	132.7	138.8
Aviation fuel	8.1	11.1	21.3	29.8
Liquefied petroleum gases.....	4.4	3.8	10.4	8.9
Total volume shipped.....	131.5	136.4	383.4	384.9
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped.....	\$ 1.266	\$ 0.935	\$ 1.325	\$ 0.952
Volume shipped (million barrels).....	62.8	79.2	168.4	239.1
Crude oil terminal average utilization (million barrels per month).....	16.0	20.5	16.1	20.3
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) ⁽¹⁾	36.5	40.8	100.0	117.3
Saddlehorn - volume shipped (million barrels) ⁽²⁾	6.7	17.0	18.5	39.4
Marine storage:				
Marine terminal average utilization (million barrels per month).....	22.6	23.6	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		Nine Months Ended	
	September 30,		September 30,	
	2018	2019	2018	2019
Refined products:				
Transportation and terminals revenue	\$ 300,034	\$ 310,482	\$ 851,492	\$ 883,702
Affiliate management fee revenue.....	351	432	1,000	1,314
Other operating income (expense).....	—	1,046	—	2,398
Earnings (losses) of non-controlled entities	3,393	3,373	5,614	(2,275)
Less: Operating expenses	112,279	111,839	319,670	317,328
Transportation and terminals margin	191,499	203,494	538,436	567,811
Product sales revenue	129,926	134,755	513,634	473,122
Less: Cost of product sales	106,756	98,144	434,632	404,814
Product margin.....	23,170	36,611	79,002	68,308
Operating margin.....	<u>\$ 214,669</u>	<u>\$ 240,105</u>	<u>\$ 617,438</u>	<u>\$ 636,119</u>
Crude oil:				
Transportation and terminals revenue	\$ 145,118	\$ 150,926	\$ 409,329	\$ 454,103
Affiliate management fee revenue.....	3,463	3,592	11,328	10,724
Other operating income (expense).....	—	(3,629)	—	(8,112)
Earnings of non-controlled entities	49,420	46,047	122,879	122,084
Less: Operating expenses	45,195	42,529	109,963	123,569
Transportation and terminals margin	152,806	154,407	433,573	455,230
Product sales revenue	12,666	8,343	32,387	19,351
Less: Cost of product sales	11,590	8,341	32,401	19,715
Product margin.....	1,076	2	(14)	(364)
Operating margin.....	<u>\$ 153,882</u>	<u>\$ 154,409</u>	<u>\$ 433,559</u>	<u>\$ 454,866</u>
Marine storage:				
Transportation and terminals revenue	\$ 44,546	\$ 46,580	\$ 134,892	\$ 139,659
Affiliate management fee revenue.....	1,028	1,333	2,810	3,772
Other operating income (expense).....	—	2,204	—	7,252
Earnings of non-controlled entities	982	769	2,350	2,420
Less: Operating expenses	17,178	17,921	52,835	51,404
Transportation and terminals margin	29,378	32,965	87,217	101,699
Product sales revenue	1,811	1,709	6,771	5,318
Less: Cost of product sales	2,164	2,272	6,748	6,198
Product margin.....	(353)	(563)	23	(880)
Operating margin.....	<u>\$ 29,025</u>	<u>\$ 32,402</u>	<u>\$ 87,240</u>	<u>\$ 100,819</u>
Segment operating margin.....	\$ 397,576	\$ 426,916	\$ 1,138,237	\$ 1,191,804
Add: Allocated corporate depreciation costs.....	1,614	1,346	4,459	4,125
Total operating margin.....	399,190	428,262	1,142,696	1,195,929
Less:				
Depreciation, amortization and impairment expense.....	56,228	56,627	161,726	181,028
General and administrative expense.....	47,389	51,156	147,235	149,534
Total operating profit.....	<u>\$ 295,573</u>	<u>\$ 320,479</u>	<u>\$ 833,735</u>	<u>\$ 865,367</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		
	September 30, 2019		
	Net Income	Basic Net Income Per Limited Partner Unit	Diluted Net Income Per Limited Partner Unit
As reported	\$ 273,038	\$ 1.19	\$ 1.19
Unrealized derivative (gains) losses associated with future transactions ⁽¹⁾	(2,333)		
Inventory valuation adjustments associated with future transactions.....	1,310		
Excluding commodity-related adjustments ⁽²⁾	\$ 272,015	\$ 1.19	\$ 1.19
Weighted average number of limited partner units outstanding used for basic net income per unit calculation.....	228,720		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation.....	228,754		

(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		Nine Months Ended		2019 Guidance
	September 30,		September 30,		
	2018	2019	2018	2019	
Net income	\$ 594,534	\$ 273,038	\$ 1,019,853	\$ 734,404	\$ 992,000
Interest expense, net	51,533	47,271	153,721	148,257	200,000
Depreciation, amortization and impairment ⁽¹⁾	57,898	57,972	167,982	176,895	238,000
Equity-based incentive compensation ⁽²⁾	7,933	6,773	15,327	12,813	19,000
Gain on disposition of assets ⁽³⁾	(351,215)	—	(351,215)	(16,280)	(16,000)
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	13,017	(1,720)	33,945	13,669	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(14,993)	(5,454)	(38,894)	71,214	
Inventory valuation adjustments ⁽⁵⁾	456	(181)	196	(9,627)	
Total commodity-related adjustments	(1,520)	(7,355)	(4,753)	75,256	80,000
Distributions from operations of non-controlled entities in excess of (less than) earnings	(506)	4,893	17,107	15,922	32,000
Other ⁽⁶⁾	—	—	3,644	—	—
Adjusted EBITDA	358,657	382,592	1,021,666	1,147,267	1,545,000
Interest expense, net, excluding debt issuance cost amortization ⁽⁷⁾ ..	(50,741)	(46,441)	(151,255)	(137,500)	(190,000)
Maintenance capital ⁽⁸⁾	(26,143)	(29,313)	(63,103)	(70,136)	(95,000)
Distributable cash flow	\$ 281,773	\$ 306,838	\$ 807,308	\$ 939,631	\$ 1,260,000

- (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 year-to-date amounts above have been reduced by \$9.3 million and \$9.8 million for 2018 and 2019, 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 \$12.7 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. The 2018 period includes the portion of the gain recognized from the sale of the partnership's interest in BridgeTex that is not related to its 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) 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.