

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,	
	2018	2019	2018	2019
Transportation and terminals revenue	\$ 486,028	\$ 497,001	\$ 1,878,988	\$ 1,970,630
Product sales revenue	374,428	238,301	927,220	736,092
Affiliate management fee revenue	5,227	5,380	20,365	21,190
Total revenue	865,683	740,682	2,826,573	2,727,912
Costs and expenses:				
Operating	174,180	149,740	649,436	634,081
Cost of product sales	230,532	188,552	704,313	619,279
Depreciation, amortization and impairment	103,351	65,106	265,077	246,134
General and administrative	47,048	47,116	194,283	196,650
Total costs and expenses	555,111	450,514	1,813,109	1,696,144
Other operating income (expense)	—	1,437	—	2,975
Earnings of non-controlled entities	50,274	46,732	181,117	168,961
Operating profit	360,846	338,337	1,194,581	1,203,704
Interest expense	52,444	55,801	220,979	221,123
Interest capitalized	(4,101)	(4,865)	(17,455)	(19,284)
Interest income	(1,550)	(639)	(3,010)	(3,285)
Gain on disposition of assets	—	—	(353,797)	(28,966)
Other (income) expense	3,569	2,608	13,868	11,830
Income before provision for income taxes	310,484	285,432	1,333,996	1,022,286
Provision for income taxes	(3,588)	(1,013)	71	1,437
Net income	<u>\$ 314,072</u>	<u>\$ 286,445</u>	<u>\$ 1,333,925</u>	<u>\$ 1,020,849</u>
Basic net income per limited partner unit	<u>\$ 1.38</u>	<u>\$ 1.25</u>	<u>\$ 5.84</u>	<u>\$ 4.46</u>
Diluted net income per limited partner unit	<u>\$ 1.37</u>	<u>\$ 1.25</u>	<u>\$ 5.84</u>	<u>\$ 4.46</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>228,403</u>	<u>228,705</u>	<u>228,377</u>	<u>228,658</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>229,052</u>	<u>229,358</u>	<u>228,573</u>	<u>228,842</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2019	2018	2019
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.652	\$ 1.664	\$ 1.556	\$ 1.616
Volume shipped (million barrels):				
Gasoline	67.9	73.1	286.9	280.5
Distillates	49.0	45.8	181.7	184.6
Aviation fuel	9.7	11.3	31.0	41.1
Liquefied petroleum gases.....	0.6	0.8	11.0	9.7
Total volume shipped.....	127.2	131.0	510.6	515.9
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped ⁽¹⁾	\$ 0.945	\$ 0.898	\$ 1.208	\$ 0.939
Volume shipped (million barrels) ⁽¹⁾	74.4	78.1	242.8	317.2
Crude oil terminal average utilization (million barrels per month).....	17.6	20.8	16.5	20.6
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) ⁽²⁾	38.2	39.0	138.2	156.3
Saddlehorn - volume shipped (million barrels) ⁽³⁾	8.9	16.7	27.4	56.1
Marine storage:				
Marine terminal average utilization (million barrels per month).....	23.2	22.9	22.7	23.6

- (1) Volume shipped includes shipments related to the partnership's crude oil marketing activities. Revenues from those activities are reflected as product sales revenue in its consolidated financial statements. Transportation revenue per barrel shipped reflects average rates on third-party volumes only.
- (2) These volumes reflect the total shipments for the BridgeTex pipeline, which was owned 50% by Magellan through September 28, 2018 and 30% thereafter.
- (3) 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		Year Ended	
	December 31,		December 31,	
	2018	2019	2018	2019
Refined products:				
Transportation and terminals revenue	\$ 300,488	\$ 303,264	\$ 1,151,980	\$ 1,186,966
Affiliate management fee revenue.....	512	433	1,512	1,747
Other operating income (expense).....	—	157	—	2,555
Earnings of non-controlled entities	10,425	6,415	16,039	4,140
Less: Operating expenses	105,181	94,521	424,851	411,849
Transportation and terminals margin	206,244	215,748	744,680	783,559
Product sales revenue	358,510	226,644	872,144	699,766
Less: Cost of product sales	215,439	177,457	650,071	582,271
Product margin.....	143,071	49,187	222,073	117,495
Operating margin.....	<u>\$ 349,315</u>	<u>\$ 264,935</u>	<u>\$ 966,753</u>	<u>\$ 901,054</u>
Crude oil:				
Transportation and terminals revenue	\$ 140,520	\$ 147,942	\$ 549,849	\$ 602,045
Affiliate management fee revenue.....	3,504	3,747	14,832	14,471
Other operating income (expense).....	—	899	—	(7,213)
Earnings of non-controlled entities	39,354	38,807	162,233	160,891
Less: Operating expenses	56,250	40,667	166,213	164,236
Transportation and terminals margin	127,128	150,728	560,701	605,958
Product sales revenue	14,380	8,929	46,767	28,280
Less: Cost of product sales	11,727	8,336	44,128	28,051
Product margin.....	2,653	593	2,639	229
Operating margin.....	<u>\$ 129,781</u>	<u>\$ 151,321</u>	<u>\$ 563,340</u>	<u>\$ 606,187</u>
Marine storage:				
Transportation and terminals revenue	\$ 45,958	\$ 47,377	\$ 180,850	\$ 187,036
Affiliate management fee revenue.....	1,211	1,200	4,021	4,972
Other operating income (expense).....	—	381	—	7,633
Earnings of non-controlled entities	495	1,510	2,845	3,930
Less: Operating expenses	15,175	17,515	68,010	68,919
Transportation and terminals margin	32,489	32,953	119,706	134,652
Product sales revenue	1,538	2,728	8,309	8,046
Less: Cost of product sales	3,366	2,759	10,114	8,957
Product margin.....	(1,828)	(31)	(1,805)	(911)
Operating margin.....	<u>\$ 30,661</u>	<u>\$ 32,922</u>	<u>\$ 117,901</u>	<u>\$ 133,741</u>
Segment operating margin.....	\$ 509,757	\$ 449,178	\$ 1,647,994	\$ 1,640,982
Add: Allocated corporate depreciation costs.....	1,488	1,381	5,947	5,506
Total operating margin.....	511,245	450,559	1,653,941	1,646,488
Less:				
Depreciation, amortization and impairment expense.....	103,351	65,106	265,077	246,134
General and administrative expense.....	47,048	47,116	194,283	196,650
Total operating profit.....	<u>\$ 360,846</u>	<u>\$ 338,337</u>	<u>\$ 1,194,581</u>	<u>\$ 1,203,704</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 December 31, 2019		
	Net Income	Basic Net Income Per Limited Partner Unit	Diluted Net Income Per Limited Partner Unit
As reported	\$ 286,445	\$ 1.25	\$ 1.25
Unrealized derivative (gains) losses associated with future transactions ⁽¹⁾	15,713		
Inventory valuation adjustments associated with future transactions.....	(1,335)		
Excluding commodity-related adjustments ⁽²⁾	\$ 300,823	\$ 1.32	\$ 1.31
Weighted average number of limited partner units outstanding used for basic net income per unit calculation.....	228,705		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation.....	229,358		

(1) Includes the partnership's 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		Year Ended		2020 Guidance
	December 31,		December 31,		
	2018	2019	2018	2019	
Net income	\$ 314,072	\$ 286,445	\$ 1,333,925	\$ 1,020,849	\$ 985,000
Interest expense, net	46,793	50,297	200,514	198,554	208,000
Depreciation, amortization and impairment ⁽¹⁾	104,540	63,979	272,522	240,874	250,000
Equity-based incentive compensation ⁽²⁾	7,441	1,434	22,768	14,247	7,000
Gain on disposition of assets ⁽³⁾	—	—	(351,215)	(16,280)	—
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	(81,930)	16,022	(71,548)	29,690	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(24,315)	(1)	(39,646)	71,214	
Inventory valuation adjustments ⁽⁵⁾	9,011	(3,054)	9,207	(12,681)	
Total commodity-related adjustments	(97,234)	12,967	(101,987)	88,223	5,000
Distributions from operations of non-controlled entities in excess of (less than) earnings	(1,523)	18,719	15,584	34,641	45,000
Other ⁽⁶⁾	—	—	3,644	—	—
Adjusted EBITDA	374,089	433,841	1,395,755	1,581,108	1,500,000
Interest expense, net, excluding debt issuance cost amortization ⁽⁷⁾ ..	(46,019)	(49,442)	(197,274)	(186,942)	(205,000)
Maintenance capital ⁽⁸⁾	(25,633)	(26,566)	(88,736)	(96,702)	(95,000)
Distributable cash flow	<u>\$ 302,437</u>	<u>\$ 357,833</u>	<u>\$ 1,109,745</u>	<u>\$ 1,297,464</u>	<u>\$ 1,200,000</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 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. The 2019 amounts above are net of gains on the disposition of residual assets from expansion projects, which are considered ongoing in nature, and as such are included in DCF.
- (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.