

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2021	2020	2021
Transportation and terminals revenue	\$ 399,766	\$ 455,276	\$ 845,277	\$ 867,361
Product sales revenue	34,370	193,073	331,907	406,760
Affiliate management fee revenue	5,316	5,294	10,607	10,596
Total revenue	<u>439,452</u>	<u>653,643</u>	<u>1,187,791</u>	<u>1,284,717</u>
Costs and expenses:				
Operating	139,687	149,116	288,386	276,351
Cost of product sales	43,974	171,798	275,541	342,759
Depreciation, amortization and impairment	54,984	52,258	114,787	106,903
General and administrative	41,647	56,089	77,983	102,039
Total costs and expenses	<u>280,292</u>	<u>429,261</u>	<u>756,697</u>	<u>828,052</u>
Other operating income (expense)	3,913	1,904	3,402	1,442
Earnings of non-controlled entities	33,689	40,589	77,349	79,641
Operating profit	<u>196,762</u>	<u>266,875</u>	<u>511,845</u>	<u>537,748</u>
Interest expense	69,259	56,981	125,159	113,960
Interest capitalized	(4,228)	(417)	(9,179)	(925)
Interest income	(223)	(148)	(643)	(301)
Gain on disposition of assets	—	(69,702)	(12,887)	(69,702)
Other (income) expense	1,446	14,828	2,253	15,887
Income from continuing operations before provision for income taxes	<u>130,508</u>	<u>265,333</u>	<u>407,142</u>	<u>478,829</u>
Provision for income taxes	589	434	1,345	1,223
Income from continuing operations	<u>129,919</u>	<u>264,899</u>	<u>405,797</u>	<u>477,606</u>
Income from discontinued operations	3,924	15,518	15,610	24,129
Net income	<u>\$ 133,843</u>	<u>\$ 280,417</u>	<u>\$ 421,407</u>	<u>\$ 501,735</u>
Basic and diluted income from continuing operations per common unit	<u>\$ 0.57</u>	<u>\$ 1.19</u>	<u>\$ 1.79</u>	<u>\$ 2.14</u>
Basic and diluted income from discontinued operations per common unit	<u>\$ 0.02</u>	<u>\$ 0.07</u>	<u>\$ 0.07</u>	<u>\$ 0.11</u>
Basic and diluted net income per common unit	<u>\$ 0.59</u>	<u>\$ 1.26</u>	<u>\$ 1.86</u>	<u>\$ 2.25</u>
Weighted average number of common units outstanding used for basic net income per unit calculation	<u>225,351</u>	<u>222,735</u>	<u>226,461</u>	<u>223,162</u>
Weighted average number of common units outstanding used for diluted net income per unit calculation	<u>225,351</u>	<u>222,863</u>	<u>226,461</u>	<u>223,226</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2021	2020	2021
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.675	\$ 1.690	\$ 1.626	\$ 1.682
Volume shipped (million barrels):				
Gasoline.....	61.3	78.8	127.5	143.8
Distillates.....	41.3	52.9	85.1	99.4
Aviation fuel.....	2.7	7.2	12.1	13.3
Liquefied petroleum gases.....	—	—	0.4	0.5
Total volume shipped.....	105.3	138.9	225.1	257.0
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped.....	\$ 1.048	\$ 0.816	\$ 0.970	\$ 0.803
Volume shipped (million barrels) ⁽¹⁾	47.7	49.6	122.8	96.1
Terminal average utilization (million barrels per month).....	25.5	25.0	24.1	25.3
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) ⁽²⁾	32.2	28.6	69.3	55.5
Saddlehorn - volume shipped (million barrels) ⁽³⁾	15.1	20.0	31.4	36.1

(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		Six Months Ended	
	June 30,		June 30,	
	2020	2021	2020	2021
Refined products:				
Transportation and terminals revenue	\$ 267,710	\$ 337,782	\$ 569,145	\$ 635,465
Affiliate management fee revenue	1,513	1,609	3,097	3,159
Other operating income (expense)	138	3,167	2,030	3,406
Earnings of non-controlled entities	4,592	8,197	18,812	17,368
Less: Operating expense	96,985	108,145	202,058	199,629
Transportation and terminals margin	176,968	242,610	391,026	459,769
Product sales revenue	25,556	149,682	316,959	334,199
Less: Cost of product sales	39,081	125,108	254,754	265,944
Product margin	(13,525)	24,574	62,205	68,255
Operating margin	<u>\$ 163,443</u>	<u>\$ 267,184</u>	<u>\$ 453,231</u>	<u>\$ 528,024</u>
Crude oil:				
Transportation and terminals revenue	\$ 133,637	\$ 118,683	\$ 279,295	\$ 234,897
Affiliate management fee revenue	3,803	3,685	7,510	7,437
Other operating income (expense)	3,775	(1,263)	1,372	(1,964)
Earnings of non-controlled entities	29,097	32,392	58,537	62,273
Less: Operating expense	45,917	43,828	92,689	83,030
Transportation and terminals margin	124,395	109,669	254,025	219,613
Product sales revenue	8,814	43,391	14,948	72,561
Less: Cost of product sales	4,893	46,690	20,787	76,815
Product margin	3,921	(3,299)	(5,839)	(4,254)
Operating margin	<u>\$ 128,316</u>	<u>\$ 106,370</u>	<u>\$ 248,186</u>	<u>\$ 215,359</u>
Segment operating margin	\$ 291,759	\$ 373,554	\$ 701,417	\$ 743,383
Add: Allocated corporate depreciation costs	1,634	1,668	3,198	3,307
Total operating margin	293,393	375,222	704,615	746,690
Less:				
Depreciation, amortization and impairment expense	54,984	52,258	114,787	106,903
General and administrative expense	41,647	56,089	77,983	102,039
Total operating profit	<u>\$ 196,762</u>	<u>\$ 266,875</u>	<u>\$ 511,845</u>	<u>\$ 537,748</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		
	June 30, 2021		
	Net Income	Basic Net Income Per Common Unit	Diluted Net Income Per Common Unit
As reported	\$ 280,417	\$ 1.26	\$ 1.26
Commodity-related adjustments associated with future transactions ⁽¹⁾	26,140		
Excluding commodity-related adjustments.....	\$ 306,557	\$ 1.38	\$ 1.38
Weighted average number of common units outstanding used for basic net income per unit calculation.....	222,735		
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	222,863		

(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		Six Months Ended		2021 Guidance
	June 30,		June 30,		
	2020	2021	2020	2021	
Net income	\$ 133,843	\$ 280,417	\$ 421,407	\$ 501,735	\$ 945,000
Interest expense, net.....	64,808	56,416	115,337	112,734	225,000
Depreciation, amortization and impairment ⁽¹⁾	58,500	59,077	121,586	118,292	238,000
Equity-based incentive compensation ⁽²⁾	4,256	5,381	(10,289)	3,909	14,000
Gain on disposition of assets ⁽³⁾	—	(68,435)	(10,511)	(68,435)	(68,000)
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	9,982	20,737	(4,938)	23,496	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	47,593	(21,805)	(15,964)	(29,545)	
Inventory valuation adjustments ⁽⁵⁾	(43,899)	2,041	27,831	3,398	
Total commodity-related adjustments.....	13,676	973	6,929	(2,651)	(32,000)
Distributions from operations of non-controlled entities in excess of (less than) earnings.....	14,267	2,428	25,350	14,810	55,000
Adjusted EBITDA	289,350	336,257	669,809	680,394	1,377,000
Interest expense, net, excluding debt issuance cost amortization ⁽⁶⁾	(50,827)	(55,642)	(100,459)	(111,184)	(222,000)
Maintenance capital ⁽⁷⁾	(28,982)	(12,592)	(53,302)	(24,676)	(85,000)
Distributable cash flow	209,541	268,023	516,048	544,534	1,070,000
Expansion capital ⁽⁸⁾	(86,487)	(31,559)	(241,532)	(42,063)	(75,000)
Proceeds from asset sales.....	83	269,920	332,872	270,576	271,000
Free cash flow	123,137	506,384	607,388	773,047	1,266,000
Distributions paid.....	(231,245)	(228,962)	(466,019)	(458,385)	(914,000)
Free cash flow after distributions	<u>\$ (108,108)</u>	<u>\$ 277,422</u>	<u>\$ 141,369</u>	<u>\$ 314,662</u>	<u>\$ 352,000</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 \$12.9 million in the three and six months ended June 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.
- (8) 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		Six Months Ended	
	June 30,		June 30,	
	2020	2021	2020	2021
Net cash provided by operating activities	\$ 178,632	\$ 352,716	\$ 563,253	\$ 592,955
Changes in operating assets and liabilities.....	44,770	(79,565)	10,596	(21,557)
Net cash provided (used) in investing activities.....	(150,596)	228,997	(18,803)	197,836
Payments associated with settlement of equity-based incentive compensation.....	—	—	(14,700)	(6,151)
Settlement gain, amortization of prior service credit and actuarial loss.....	(1,413)	(2,818)	(2,526)	(4,464)
Changes in accrued capital items.....	36,266	(1,879)	56,645	7,350
Commodity-related adjustments ⁽¹⁾	13,676	973	6,929	(2,651)
Other.....	1,802	7,960	5,994	9,729
Free cash flow	<u>\$ 123,137</u>	<u>\$ 506,384</u>	<u>\$ 607,388</u>	<u>\$ 773,047</u>
Distributions paid.....	(231,245)	(228,962)	(466,019)	(458,385)
Free cash flow after distributions	<u><u>\$ (108,108)</u></u>	<u><u>\$ 277,422</u></u>	<u><u>\$ 141,369</u></u>	<u><u>\$ 314,662</u></u>

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