

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2021	2020	2021
Transportation and terminals revenue	\$ 438.1	\$ 466.6	\$ 1,743.3	\$ 1,798.9
Product sales revenue	114.4	337.4	557.5	913.0
Affiliate management fee revenue	5.3	5.3	21.2	21.2
Total revenue	<u>557.8</u>	<u>809.3</u>	<u>2,322.0</u>	<u>2,733.1</u>
Costs and expenses:				
Operating	141.8	146.8	587.8	569.7
Cost of product sales	103.2	291.4	468.2	780.0
Depreciation, amortization and impairment	59.9	59.5	243.1	227.9
General and administrative	55.7	57.7	171.2	206.3
Total costs and expenses	<u>360.6</u>	<u>555.4</u>	<u>1,470.3</u>	<u>1,783.9</u>
Other operating income (expense)	(0.4)	(1.3)	0.1	2.8
Earnings of non-controlled entities	36.8	38.3	153.3	154.4
Operating profit	<u>233.6</u>	<u>290.9</u>	<u>1,005.1</u>	<u>1,106.4</u>
Interest expense	54.7	57.1	234.1	228.1
Interest capitalized	(0.8)	(0.5)	(11.3)	(1.7)
Interest income	(0.1)	(0.1)	(1.0)	(0.5)
Gain on disposition of assets	—	(2.1)	(12.9)	(75.0)
Other (income) expense	1.5	2.8	5.2	20.9
Income from continuing operations before provision for income taxes	<u>178.3</u>	<u>233.7</u>	<u>791.0</u>	<u>934.6</u>
Provision for income taxes	0.8	0.3	2.9	2.3
Income from continuing operations	<u>177.5</u>	<u>233.4</u>	<u>788.1</u>	<u>932.3</u>
Income from discontinued operations	6.4	10.3	28.9	49.7
Net income	<u>\$ 183.9</u>	<u>\$ 243.7</u>	<u>\$ 817.0</u>	<u>\$ 982.0</u>
Earnings per common unit				
Basic:				
Continuing operations	\$ 0.79	\$ 1.09	\$ 3.49	\$ 4.24
Discontinued operations	0.03	0.05	0.13	0.23
Net income per common unit	<u>\$ 0.82</u>	<u>\$ 1.14</u>	<u>\$ 3.62</u>	<u>\$ 4.47</u>
Weighted average number of common units outstanding	<u>223.9</u>	<u>213.5</u>	<u>225.5</u>	<u>219.6</u>
Diluted:				
Continuing operations	\$ 0.79	\$ 1.09	\$ 3.49	\$ 4.24
Discontinued operations	0.03	0.05	0.13	0.23
Net income per common unit	<u>\$ 0.82</u>	<u>\$ 1.14</u>	<u>\$ 3.62</u>	<u>\$ 4.47</u>
Weighted average number of common units outstanding	<u>224.0</u>	<u>214.1</u>	<u>225.5</u>	<u>219.8</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2021	2020	2021
Refined products:				
Transportation revenue per barrel shipped	\$ 1.724	\$ 1.767	\$ 1.675	\$ 1.715
Volume shipped (million barrels):				
Gasoline	71.4	79.7	270.8	303.8
Distillates	47.9	53.2	175.5	205.6
Aviation fuel	4.8	8.8	21.6	30.5
Liquefied petroleum gases	0.4	0.3	0.9	0.9
Total volume shipped	124.5	142.0	468.8	540.8
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped	\$ 0.714	\$ 0.854	\$ 1.028	\$ 0.815
Volume shipped (million barrels) ⁽¹⁾	62.0	44.3	229.9	189.6
Terminal average utilization (million barrels per month)	26.6	24.3	25.2	24.9
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) ⁽²⁾	32.1	27.5	132.0	112.1
Saddlehorn - volume shipped (million barrels) ⁽³⁾	15.1	21.6	61.6	77.6

(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 millions)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2021	2020	2021
Refined products:				
Transportation and terminals revenue	\$ 314.0	\$ 353.6	\$ 1,190.4	\$ 1,338.5
Affiliate management fee revenue	1.6	1.6	6.3	6.4
Other operating income (expense)	1.0	0.6	3.2	6.9
Earnings of non-controlled entities	6.5	8.9	32.5	34.4
Less: Operating expense	95.5	102.5	411.8	416.7
Transportation and terminals margin	227.6	262.2	820.6	969.5
Product sales revenue	101.5	276.3	524.4	763.9
Less: Cost of product sales	91.4	235.8	425.8	630.1
Product margin	10.1	40.5	98.6	133.8
Operating margin	<u>\$ 237.7</u>	<u>\$ 302.7</u>	<u>\$ 919.2</u>	<u>\$ 1,103.3</u>
Crude oil:				
Transportation and terminals revenue	\$ 125.6	\$ 114.4	\$ 559.5	\$ 466.2
Affiliate management fee revenue	3.7	3.7	14.9	14.8
Other operating income (expense)	(1.4)	(1.9)	(3.1)	(4.1)
Earnings of non-controlled entities	30.3	29.4	120.8	120.0
Less: Operating expense	49.6	47.3	189.2	165.4
Transportation and terminals margin	108.6	98.3	502.9	431.5
Product sales revenue	12.9	61.1	33.1	149.1
Less: Cost of product sales	11.8	55.6	42.4	149.9
Product margin	1.1	5.5	(9.3)	(0.8)
Operating margin	<u>\$ 109.7</u>	<u>\$ 103.8</u>	<u>\$ 493.6</u>	<u>\$ 430.7</u>
Segment operating margin	\$ 347.4	\$ 406.5	\$ 1,412.8	\$ 1,534.0
Add: Allocated corporate depreciation costs	1.8	1.6	6.6	6.6
Total operating margin	349.2	408.1	1,419.4	1,540.6
Less:				
Depreciation, amortization and impairment expense	59.9	59.5	243.1	227.9
General and administrative expense	55.7	57.7	171.2	206.3
Total operating profit	<u>\$ 233.6</u>	<u>\$ 290.9</u>	<u>\$ 1,005.1</u>	<u>\$ 1,106.4</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 millions except per unit amounts)

	Three Months Ended		
	December 31, 2021		
	Net Income	Basic Net Income Per Common Unit	Diluted Net Income Per Common Unit
As reported	\$ 243.7	\$ 1.14	\$ 1.14
Commodity-related adjustments associated with future transactions ⁽¹⁾	21.9		
Excluding commodity-related adjustments.....	\$ 265.6	\$ 1.24	\$ 1.24
Weighted average number of common units outstanding used for basic net income per unit calculation.....	213.5		
Weighted average number of common units outstanding used for diluted net income per unit calculation.....	214.1		

(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 millions)

	Three Months Ended		Year Ended		2022 Guidance
	December 31,		December 31,		
	2020	2021	2020	2021	
Net income	\$ 183.9	\$ 243.7	\$ 817.0	\$ 982.0	\$ 893.0
Interest expense, net	53.8	56.6	221.8	225.9	226.0
Depreciation, amortization and impairment ⁽¹⁾	61.2	59.5	254.6	233.9	229.0
Equity-based incentive compensation ⁽²⁾	6.4	6.1	(2.7)	15.6	14.0
Gain on disposition of assets ⁽³⁾	—	(2.1)	(10.5)	(70.6)	—
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future transactions ⁽⁴⁾	25.5	15.5	29.3	27.7	
Derivative gains (losses) recognized in previous periods associated with transactions completed in the period ⁽⁴⁾	(5.0)	(13.4)	(20.9)	(36.8)	
Inventory valuation adjustments ⁽⁵⁾	(3.7)	(0.3)	5.8	2.1	
Total commodity-related adjustments	16.8	1.8	14.2	(7.0)	(34.0)
Distributions from operations of non-controlled entities in excess of earnings	18.1	14.4	54.2	38.9	50.0
Adjusted EBITDA	340.2	380.0	1,348.6	1,418.7	1,378.0
Interest expense, net, excluding debt issuance cost amortization ⁽⁶⁾	(53.0)	(55.8)	(205.4)	(222.8)	(223.0)
Maintenance capital ⁽⁷⁾	(17.5)	(27.4)	(98.7)	(77.6)	(80.0)
Distributable cash flow	269.7	296.8	1,044.5	1,118.3	1,075.0
Expansion capital ⁽⁸⁾	(44.4)	(5.4)	(354.4)	(73.0)	(50.0)
Proceeds from asset sales	0.3	—	334.9	270.7	435.0
Free cash flow	225.6	291.4	1,025.0	1,316.0	1,460.0
Distributions paid	(229.8)	(221.4)	(927.1)	(906.4)	(885.0)
Free cash flow after distributions	<u>\$ (4.2)</u>	<u>\$ 70.0</u>	<u>\$ 97.9</u>	<u>\$ 409.6</u>	<u>\$ 575.0</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 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 millions)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2021	2020	2021
Net cash provided by operating activities	\$ 267.4	\$ 317.1	\$ 1,107.5	\$ 1,196.2
Changes in operating assets and liabilities	6.7	9.1	37.1	9.7
Net cash provided (used) in investing activities	(89.1)	(42.0)	(199.4)	118.1
Payments associated with settlement of equity-based incentive compensation	—	—	(14.7)	(6.2)
Settlement gain, amortization of prior service credit and actuarial loss	(2.7)	(1.2)	(6.7)	(8.4)
Changes in accrued capital items	26.9	11.9	79.7	7.8
Commodity-related adjustments ⁽¹⁾	16.8	1.8	14.2	(7.0)
Other	(0.4)	(5.3)	7.3	5.8
Free cash flow	<u>\$ 225.6</u>	<u>\$ 291.4</u>	<u>\$ 1,025.0</u>	<u>\$ 1,316.0</u>
Distributions paid	(229.8)	(221.4)	(927.1)	(906.4)
Free cash flow after distributions	<u>\$ (4.2)</u>	<u>\$ 70.0</u>	<u>\$ 97.9</u>	<u>\$ 409.6</u>

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