

MARTIN MIDSTREAM PARTNERS LP

Form 8-K

March 02, 2011

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of report (date of earliest event reported): March 2, 2011

MARTIN MIDSTREAM PARTNERS L.P.

(Exact name of Registrant as specified in its charter)

DELAWARE

(State of incorporation  
or organization)

000-50056

(Commission file number)

05-0527861

(I.R.S. employer  
identification number)

4200 STONE ROAD

KILGORE, TEXAS

(Address of principal executive offices)

75662

(Zip code)

Registrant's telephone number, including area code: (903) 983-6200

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
  - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On March 2, 2011, Martin Midstream Partners L.P. (the “Partnership”) issued a press release reporting its financial results for the quarter and year ended December 31, 2010.

A copy of the press release is furnished as Exhibit 99.1 to this Current Report and will be published on the Partnership’s website at [www.martinmidstream.com](http://www.martinmidstream.com). In accordance with General Instruction B.2 of Form 8-K, the information set forth herein and in the press release is deemed to be “furnished” and shall not be deemed to be “filed” for purposes of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

As previously reported, on March 3, 2011, at 8:00 a.m. Central Time, the Partnership will hold an investors’ conference call to discuss the Partnership’s financial results for the fourth quarter and year ended December 31, 2010. The supplemental financial data, including certain non-generally accepted accounting principle financial measures, that will be discussed during the investors’ conference call is included in the above referenced press release.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

In accordance with General Instruction B.2 of Form 8-K, the information set forth in the attached Exhibit 99.1 is deemed to be “furnished” and shall not be deemed to be “filed” for purposes of the Exchange Act.

| Exhibit<br>Number | Description                        |
|-------------------|------------------------------------|
| 99.1              | Press release dated March 2, 2011. |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MARTIN MIDSTREAM PARTNERS L.P.

By: Martin Midstream GP LLC,  
Its General Partner

Date: March 2, 2011

By: /s/ Robert D. Bondurant  
Robert D. Bondurant,  
Executive Vice President and  
Chief Financial Officer

INDEX TO EXHIBITS

| Exhibit<br>Number | Description                        |
|-------------------|------------------------------------|
| 99.1              | Press release dated March 2, 2011. |

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MARTIN MIDSTREAM PARTNERS REPORTS  
2010 FOURTH QUARTER  
AND ANNUAL FINANCIAL RESULTS

KILGORE, Texas, March 2, 2011/GlobeNewswire/ -- Martin Midstream Partners L.P. (NASDAQ: MMLP) (the "Partnership") announced today its financial results for the fourth quarter and year ended December 31, 2010.

The Partnership reported net income for the fourth quarter of 2010 of \$6.5 million, or \$0.30 per limited partner unit. This compared to net income for the fourth quarter of 2009 of \$2.0 million, or \$.15 per limited partner unit. Revenues for the fourth quarter of 2010 were \$262.1 million compared to \$200.9 million for the fourth quarter of 2009. Fourth quarter 2010 net income was negatively impacted by a \$4.0 million, or \$0.23 per limited partner unit, non-cash derivatives loss from certain commodity and interest rate swaps that are not accounted for using hedge accounting. Fourth quarter 2009 net income was negatively impacted by a \$0.2 million, or \$0.01 per limited partner unit, non-cash derivatives loss from certain commodity and interest rate swaps that are not accounted for using hedge accounting.

The Partnership reported net income for the year ended December 31, 2010 of \$16.0 million, or \$0.63 per limited partner unit. This compared to net income for the year ended December 31, 2009 of \$22.2 million, or \$1.17 per limited partner unit. Revenues for the year ended December 31, 2010 were \$912.1 million, compared to revenues of \$662.3 million for the year ended December 31, 2009. Net income for the year ended December 31, 2010 was negatively impacted by \$4.2 million, or \$0.24 per limited partner unit, due to the payment of fees for the early extinguishment of interest rate swaps in the first quarter 2010 (\$3.8 million) and of non-cash derivatives losses from certain commodity and interest rate swaps that are not accounted for using hedge accounting (\$0.4 million). Net income for the year ended December 31, 2009 was negatively impacted by \$2.5 million, or \$0.15 per limited partner unit, of non-cash derivatives losses from certain commodity and interest rate swaps that are not accounted for using hedge accounting. Net income for the year ended December 31, 2009 was positively impacted by \$6.0 million, or \$0.41 per limited partner unit, of gains from the sale of property, plant and equipment (\$5.0 million) and on the involuntary conversion of property, plant and equipment (\$1.0 million) resulting from Hurricanes Gustav and Ike.

The Partnership's distributable cash flow for the three months ended December 31, 2010 was \$22.2 million and for the year ended December 31, 2010 was \$65.5 million. Distributable cash flow is a non-GAAP financial measure which is explained in greater detail below under "Use of Non-GAAP Financial Information." The Partnership has also included below a table entitled "Distributable Cash Flow" in order to show the components of this non-GAAP financial measure and its reconciliation to the most comparable GAAP measurement.

Ruben Martin, President and Chief Executive Officer of Martin Midstream GP LLC, the general partner of the Partnership, said "I am pleased with the Partnership's fourth quarter and year end 2010 performance. The fourth quarter 2010 was our best quarter during the year in terms of cash flow generation as we achieved a strong distribution coverage ratio of 1.53 times. That put us in a position to increase our most recent distribution to unitholders for the first time in nine quarters. Further, for the year ended 2010, all four of our operating segments met or exceeded planned performance giving us a solid distribution coverage ratio of 1.16 times.

During the fourth quarter, our sulfur services segment rebounded from the seasonal weakness we typically see in the third quarter. We saw sulfur experience a solid pricing recovery based on high demand across agricultural markets both foreign and domestic. We expect this demand for our sulfur and sulfur-based fertilizer products to remain strong into 2011. Our Marine Transportation segment was also strong during the fourth quarter. Our inland fleet continues to operate near full utilization; and day rate pricing for certain products we move has recently increased. Given the current condition of the oil refining business we feel good about our inland fleet for 2011. On the offshore side, our

work on the Macondo disaster recovery is now complete and thus we have two offshore vessels that will seek opportunities in the spot market.

Looking forward, several organic growth initiatives combined with some additional contracting have us well positioned for 2011. Specifically, we expect that planned growth in our Natural Gas Services and our Sulfur Services segments will increase distributable cash flow this year. Also, we recently added incremental fee-based contracts for our prilling capacity within our Sulfur Services segment and renegotiated a contract with a significant sulfur buyer to reduce our exposure to price fluctuation as we continue to achieve our long-stated goal of becoming a more fee-based Partnership. Finally, as previously disclosed, low cost multiple growth projects are underway at our Cross lubricant processing facility that will be completed during calendar 2012.”

Due to FASB ASC 850, the Partnership is required to account for the Cross Oil asset contribution as a transfer of net assets between entities under common control. As such, the revenues, earnings and distributable cash flow data for periods prior to the November 2009 contribution date as set forth above and elsewhere herein require adjustment to be viewed on a comparable year over year basis. Before giving effect to the Cross transaction, revenue for the year ended December 31, 2009 would have been \$633.8 million, compared to revenues of \$1.2 billion for the year ended December 31, 2008. Additionally, net income for the year ended December 31, 2009 would have been \$20.5 million compared to net income of \$42.8 million for the year ended December 31, 2008. Finally, distributable cash flow for the year ended December 31, 2009 would have been \$49.4 million. For a more detailed reconciliation of the Cross asset acquisition, please refer to Item 6. Selected Financial Data in our Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 2, 2011.

Included with this press release are the Partnership’s consolidated financial statements as of and for the quarter and year ended December 31, 2010 and certain prior periods. These financial statements should be read in conjunction with the information contained in the Partnership’s Annual Report on Form 10-K, filed with the SEC on March 2, 2011.

#### Investors’ Conference Call

An investor’s conference call to review the fourth quarter and year end results will be held on Thursday, March 3, 2011, at 8:00 a.m. Central Time. The conference call can be accessed by calling (877) 878-2695. An audio replay of the conference call will be available by calling (800) 642-1687 from 11:00 a.m. Central Time on March 3, 2011 through 10:59 p.m. Central Time on March 17, 2011. The access codes for the conference call and the audio replay are as follows: Conference ID No. 39490604. The audio replay of the conference call will also be archived on the Partnership’s website at [www.martinmidstream.com](http://www.martinmidstream.com).

#### About Martin Midstream Partners LP

Martin Midstream Partners LP is a publicly traded limited partnership with a diverse set of operations focused primarily in the United States Gulf Coast region. The Partnership’s primary business lines include: terminalling and storage services for petroleum products and by-products; natural gas gathering, processing and NGL distribution; sulfur and sulfur-based products processing, manufacturing, and distribution; and marine transportation services for petroleum products and by-products.

Additional information concerning the Partnership is available on the Partnership’s website at [www.martinmidstream.com](http://www.martinmidstream.com).

#### Forward-Looking Statements

Statements about the Partnership’s outlook and all other statements in this release other than historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These

forward-looking statements and all references to financial estimates rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside its control, which could cause actual results to differ materially from such statements. While the Partnership believes that the assumptions concerning future events are reasonable, it cautions that there are inherent difficulties in anticipating or predicting certain important factors. A discussion of these factors, including risks and uncertainties, is set forth in the Partnership's annual and quarterly reports filed from time to time with the SEC. The Partnership disclaims any intention or obligation to revise any forward-looking statements, including financial estimates, whether as a result of new information, future events, or otherwise.

#### Use of Non-GAAP Financial Information

The Partnership reports its financial results in accordance with United States generally accepted accounting principles (GAAP). However, from time to time, the Partnership uses certain non-GAAP financial measures such as distributable cash flow because the Partnership's management believes that this measure may provide users of this financial information with meaningful comparisons between current results and prior reported results and a meaningful measure of the Partnership's cash available to pay distributions. Distributable cash flow should not be considered an alternative to cash flow from operating activities or any other measure of financial performance in accordance with GAAP. Distributable cash flow is not intended to represent cash flows for the period, nor is it presented as an alternative to income from continuing operations. Furthermore, it should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. This information may constitute non-GAAP financial measures within the meaning of Regulation G adopted by the SEC. Accordingly, the Partnership has presented herein, and will present in other information it publishes that contains this non-GAAP financial measure, a reconciliation of this measure to the most directly comparable GAAP financial measure.

The Partnership has included below a table entitled "Distributable Cash Flow" in order to show the components of this non-GAAP financial measure and its reconciliation to the most comparable GAAP measure. The Partnership calculates distributable cash flow as follows: net income (as reported in statements of operations), plus depreciation and amortization, amortization of debt discount, and amortization of deferred debt issue costs (as reported in statements of cash flows), plus (less) deferred income taxes (as reported in statements of cash flows), plus costs related to the early extinguishment of interest rate swaps (as reported under the caption "Long-Term Debt and Capital Leases" in the Partnership's Annual Report on Form 10-K filed with the SEC on March 2, 2011), plus distribution equivalents from unconsolidated entities (as described below), plus (less) invested cash in unconsolidated entities (as described below), less equity in earnings of unconsolidated entities (as reported in statements of operations), plus non-cash mark-to-market on derivatives (as reported in statements of cash flows), less maintenance capital expenditures (as reported under the caption "Liquidity and Capital Resources" in the Partnership's Annual Report on Form 10-K filed with the SEC on March 2, 2011), plus (less) gain/(loss) on disposition or sale of property, plant and equipment (as reported in statements of cash flows), less payments for plant turn around costs (as reported in statements of cash flows), plus unit-based compensation (as reported in statements of changes in capital).

The Partnership's distribution equivalents from unconsolidated entities is calculated as distributions from unconsolidated entities (as reported in statements of cash flows), plus return of investments from unconsolidated entities (as reported in statements of cash flows), plus distributions in-kind from unconsolidated entities (as reported in statements of cash flows). For the quarter ended December 31, 2010, the Partnership's distributions from unconsolidated entities, return of investments from unconsolidated entities and distributions in-kind from equity investments were \$0.0 million, \$0.1 million and \$3.0 million, respectively. For the year ended December 31, 2010, the Partnership's distributions from unconsolidated entities, return of investments from unconsolidated entities and distributions in-kind from equity investments were \$0.0 million, \$2.5 million and \$10.5 million, respectively.

The Partnership's invested cash in unconsolidated entities is calculated as distributions from (contributions to) unconsolidated entities for operations (as reported in statements of cash flows), plus expansion capital expenditures in unconsolidated entities (as reported under the caption "Liquidity and Capital Resources" in the Partnership's Annual



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Report on Form 10-K filed with the SEC on March 2, 2011). For the quarter ended December 31, 2010, the Partnership's distributions from (contributions to) unconsolidated entities for operations and capital expenditures in unconsolidated entities were \$(1.4) million and \$1.2 million, respectively. For the year ended December 31, 2010, the Partnership's distributions from (contributions to) unconsolidated entities for operations and capital expenditures in unconsolidated entities were \$(0.7) million and \$3.2 million, respectively.

Contact: Robert D. Bondurant, Executive Vice President and Chief Financial Officer of Martin Midstream GP LLC, the Partnership's general partner at (903) 983-6200.

MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED BALANCE SHEETS

|   | December 31,           |            |
|---|------------------------|------------|
|   | 2010                   | 2009       |
|   | (Dollars in thousands) |            |
| Assets  |                        |            |
| Cash  | \$11,380               | \$5,956    |
| Accounts and other receivables, less allowance for doubtful accounts of \$2,528 and \$481, respectively | 95,276                 | 77,413     |
| Product exchange receivables  | 9,099                  | 4,132      |
| Inventories   | 52,616                 | 35,510     |
| Due from affiliates   | 6,437                  | 3,051      |
| Fair value of derivatives   | 2,142                  | 1,872      |
| Other current assets  | 2,784                  | 1,340      |
| Total current assets  | 179,734                | 129,274    |
| Property, plant and equipment, at cost  | 632,456                | 584,036    |
| Accumulated depreciation  | (200,276 )             | (162,121 ) |
| Property, plant and equipment, net  | 432,180                | 421,915    |
| Goodwill  | 37,268                 | 37,268     |
| Investment in unconsolidated entities   | 98,217                 | 80,582     |
| Debt issuance costs, net  | 13,497                 | 10,780     |
| Other assets  | 24,582                 | 6,120      |
|   | \$785,478              | \$685,939  |
| Liabilities and Partners' Capital   |                        |            |
| Current installments of long-term debt and capital lease obligations                                    | \$1,121                | \$111      |
| Trade and other accounts payable  | 82,837                 | 71,911     |
| Product exchange payables   | 22,353                 | 7,986      |
| Due to affiliates   | 6,957                  | 13,810     |
| Income taxes payable  | 811                    | 454        |
| Fair value of derivatives   | 282                    | 7,227      |
| Other accrued liabilities   | 10,034                 | 5,000      |
| Total current liabilities   | 124,395                | 106,499    |

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|  |           |           |
|--|-----------|-----------|
| Long-term debt and capital leases, less current maturities | 372,862   | 304,372   |
| Deferred income taxes                                      | 8,213     | 8,628     |
| Fair value of derivatives                                  | 4,100     | —         |
| Other long-term obligations                                | 1,102     | 1,489     |
| Total liabilities  | 510,672   | 420,988   |
| Partners' capital  | 273,387   | 267,027   |
| Accumulated other comprehensive loss                       | 1,419     | (2,076 )  |
| Total partners' capital                                    | 274,806   | 264,951   |
| Commitments and contingencies                              |           |           |
|  | \$785,478 | \$685,939 |

These financial statements should be read in conjunction with the financial statements and the accompanying notes and other information included in the Partnership's Annual Report on Form 10-K filed with the SEC on March 2, 2011.

MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF OPERATIONS

|  | Year Ended December 31,                         |            |            |
|--|---|------------|------------|
|  | 2010  | 2009       | 2008       |
|  | (Dollars in thousands, except per unit amounts) |            |            |
| Revenues:  |   |            |            |
| Terminalling and storage *                                       | \$67,117  | \$69,710   | \$68,552   |
| Marine transportation *  | 77,642  | 68,480     | 76,349     |
| Product sales: *   |   |            |            |
| Natural gas services   | 554,482   | 408,982    | 679,375    |
| Sulfur services  | 165,078   | 79,629     | 371,949    |
| Terminalling and storage   | 47,799  | 35,584     | 50,219     |
|  | 767,359   | 524,195    | 1,101,543  |
| Total revenues   | 912,118   | 662,385    | 1,246,444  |
| Costs and expenses:  |   |            |            |
| Cost of products sold: (excluding depreciation and amortization) |   |            |            |
| Natural gas services *   | 527,232   | 382,542    | 657,662    |
| Sulfur services *  | 122,121   | 43,386     | 313,143    |
| Terminalling and storage   | 44,549  | 31,331     | 42,721     |
|  | 693,902   | 457,259    | 1,013,526  |
| Expenses:  |   |            |            |
| Operating expenses *   | 116,402   | 117,438    | 126,808    |
| Selling, general and administrative *                            | 21,118  | 19,775     | 19,062     |
| Depreciation and amortization                                    | 40,656  | 39,506     | 34,893     |
| Total costs and expenses   | 872,078   | 633,978    | 1,194,289  |
| Other operating income   | 136   | 6,013      | 209        |
| Operating income   | 40,176  | 34,420     | 52,364     |
| Other income (expense):  |   |            |            |
| Equity in earnings of unconsolidated entities                    | 9,792   | 7,044      | 13,224     |
| Interest expense   | (33,716 )                                       | (18,995 )  | (21,433 )  |
| Other, net   | 287   | 326        | 801        |
| Total other income (expense)                                     | (23,637 )                                       | (11,625 )  | (7,408 )   |
| Net income before taxes  | 16,539  | 22,795     | 44,956     |
| Income tax benefit (expense)                                     | (517 )  | (592 )     | (1,398 )   |
| Net income   | \$16,022  | \$22,203   | \$43,558   |
| General partner's interest in net income <sup>1</sup>            | \$3,869   | \$3,249    | \$3,301    |
| Limited partners' interest in net income <sup>1</sup>            | \$11,045  | \$17,179   | \$39,509   |
| Net income per limited partner unit - basic and diluted          | \$0.63  | \$1.17     | \$2.72     |
| Weighted average limited partner units - basic                   | 17,525,089                                      | 14,680,807 | 14,529,826 |
| Weighted average limited partner units - diluted                 | 17,525,989                                      | 14,684,775 | 14,534,722 |

<sup>1</sup> General and limited partner's interest in net income includes net income attributable to the Cross assets since the date of the acquisition noted above.

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These financial statements should be read in conjunction with the financial statements and the accompanying notes and other information included in the Partnership's Annual Report on Form 10-K filed with the SEC on March 2, 2011.

\*Related Party Transactions Included Above

|  |          |          |          |
|--|----------|----------|----------|
| Revenues:  |          |          |          |
| Terminalling and storage   | \$46,823 | \$19,998 | \$18,362 |
| Marine transportation  | 28,194   | 19,370   | 24,956   |
| Product Sales  | 14,998   | 5,838    | 26,704   |
| Costs and expenses:  |          |          |          |
| Cost of products sold: (excluding depreciation and amortization) |          |          |          |
| Natural gas services   | 79,321   | 56,914   | 92,322   |
| Sulfur services  | 16,061   | 12,583   | 13,282   |
| Expenses:  |          |          |          |
| Operating expenses   | 49,286   | 37,284   | 37,661   |
| Selling, general and administrative                              | 10,918   | 7,162    | 6,284    |

MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL  
For the years ended December 31, 2010, 2009 and 2008

Partners' Capital

|  | Parent<br>Net<br>Investment | Common<br>Units | Common<br>Amount | Subordinated |           | General<br>Partner<br>Amount | Accumulated<br>Comprehensive<br>Income<br>Amount | Total     |
|--|-----------------------------|-----------------|------------------|--------------|-----------|------------------------------|--|-----------|
|  |                             |                 |                  | Units        | Amount    |                              |  |           |
| (Dollars in thousands)                           |                             |                 |                  |              |           |                              |  |           |
| Balances – December 31, 2007                     | \$10,917                    | 12,837,480      | \$244,520        | 1,701,346    | \$(6,022) | \$4,112                      | \$(6,762)  | \$246,766 |
| Net Income                                       | 748                         | —               | 34,978           | —            | 4,531     | 3,301                        | —  | 43,558    |
| Cash distributions (\$2.91 per unit)             | —                           | —               | (37,357)         | —            | (4,951)   | (3,409)                      | —  | (45,717)  |
| Conversion of subordinated units to common units | —                           | 850,672         | (2,754)          | (850,672)    | 2,754     | —                            | —  | —         |
| Unit-based compensation                          | —                           | 3,000           | 39               | —            | —         | —                            | —  | 39        |
| Purchase of treasury units                       | —                           | (3,000)         | (93)             | —            | —         | —                            | —  | (93)      |
| Adjustment in fair value of derivatives          | —                           | —               | —                | —            | —         | —                            | 1,827  | 1,827     |
| Balances – December 31, 2008                     | \$11,665                    | 13,688,152      | \$239,333        | 850,674      | \$(3,688) | \$4,004                      | \$(4,935)  | \$246,371 |
| Net Income                                       | 1,664                       | —               | 16,310           | —            | 980       | 3,249                        | —  | 22,203    |

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|  |          |              |           |            |          |         |           |           |
|--|----------|--------------|-----------|------------|----------|---------|-----------|-----------|
| General partner contribution                         | —        | —            | —         | —          | —        | 1,324   | —         | 1,324     |
| Units issued in connection with<br>Cross acquisition |          | 804,721      | 16,523    | 889,444    | 16,434   | —       | —         | 32,957    |
| Recognition of beneficial<br>conversion feature      | —        | —            | (111 )    | —          | 111      | —       | —         | —         |
| Issuance of common<br>units                          | —        | 714,285      | 20,000    | —          | —        | —       | —         | 20,000    |
| Cash distributions (\$3.00 per unit)                 | —        | —            | (41,064 ) | —          | (2,552 ) | (3,846) | —         | (47,462)  |
| Conversion of subordinated units to<br>common units  | —        | 850,674      | (5,328 )  | (850,674 ) | 5,328    | —       | —         | —         |
| Unit-based compensation                              | —        | 3,000        | 98        | —          | —        | —       | —         | 98        |
| Purchase of treasury units                           | —        | (3,000 )     | (78 )     | —          | —        | —       | —         | (78)      |
| Contributions to parent                              | (13,329) | —            | —         | —          | —        | —       | —         | (13,329)  |
| Adjustment in fair value of<br>derivatives           | —        | —            | —         | —          | —        | —       | 2,859     | 2,859     |
| Balances – December 31, 2009                         | \$—      | 16,057,832   | \$245,683 | 889,444    | \$16,613 | \$4,731 | \$(2,076) | \$264,950 |
| Net Income   | —        | —            | 12,151    | —          | —        | 3,871   | —         | 16,022    |
| Recognition of beneficial<br>conversion feature      | —        | —            | (1,108 )  | —          | 1,108    | —       | —         | —         |
| Follow-on public offerings                           | —        | 2,650,000    | 78,600    | —          | —        | —       | —         | 78,600    |
| Redemption of common units                           | —        | (1,000,000 ) | (28,070 ) | —          | —        | —       | —         | (28,070)  |
| General partner contribution                         | —        | —            | —         | —          | —        | 1,089   | —         | 1,089     |
| Distributions to parent                              | —        | —            | (4,590 )  | —          | —        | —       | —         | (4,590)   |
| Cash distributions (\$3.00 per unit)                 | —        | —            | (51,886 ) | —          | —        | (4,810) | —         | (56,696)  |
| Unit-based compensation                              | —        | 3,500        | 113       | —          | —        | —       | —         | 113       |
| Purchase of treasury units                           | —        | (3,500 )     | (108 )    | —          | —        | —       | —         | (108)     |
| Adjustment in fair value of<br>derivatives           | —        | —            | —         | —          | —        | —       | 3,495     | 3,495     |
| Balances – December 31, 2010                         | \$—      | 17,707,832   | \$250,785 | 889,444    | \$17,721 | \$4,881 | \$1,419   | \$274,800 |

These financial statements should be read in conjunction with the financial statements and the accompanying notes and other information included in the Partnership's Annual Report on Form 10-K filed with the SEC on March 2, 2011.

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MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Dollars in thousands)

|   | Year Ended December 31, |                        |           |
|---|-------------------------|------------------------|-----------|
|   | 2010                    | 2009                   | 2008      |
|   |                         | (Dollars in thousands) |           |
| Net income  | \$ 16,022               | \$ 22,203              | \$ 43,558 |
| Changes in fair values of commodity cash flow hedges                | 143                     | 14                     | 4,219     |
| Commodity cash flow hedging (gains) losses reclassified to earnings | (617 )                  | (2,646 )               | 3,043     |
| Changes in fair value of interest rate cash flow hedges             | (241 )                  | (1,854 )               | (5,435 )  |
| Interest rate cash flow hedging losses reclassified to earnings     | 4,210                   | 7,345                  | —         |
| Comprehensive income  | \$ 19,517               | \$ 25,062              | \$ 45,385 |

These financial statements should be read in conjunction with the financial statements and the accompanying notes and other information included in the Partnership's Annual Report on Form 10-K filed with the SEC on March 2, 2011.

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MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Year Ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2010                    | 2009      | 2008      |
|   | (Dollars in thousands)  |           |           |
| Cash flows from operating activities:   |                         |           |           |
| Net income  | \$ 16,022               | \$ 22,203 | \$ 43,558 |
| Adjustments to reconcile net income to net cash provided by operating activities:             |                         |           |           |
| Depreciation and amortization   | 40,656                  | 39,506    | 34,895    |
| Amortization of deferred debt issue costs   | 4,814                   | 1,689     | 1,120     |
| Amortization of discount on notes payable   | 269                     | —         | —         |
| Deferred income taxes   | (415)                   | 294       | 2,442     |
| Gain on disposition or sale of property, plant, and equipment                                 | (136)                   | (4,996)   | (131)     |
| Gain on involuntary conversion of property, plant, and equipment                              | —                       | (1,017)   | (65)      |
| Equity in earnings of unconsolidated entities   | (9,792)                 | (7,044)   | (13,224)  |
| Distributions from unconsolidated entities  | —                       | 650       | 500       |
| Distribution in-kind from unconsolidated entities   | 10,545                  | 5,826     | 9,725     |
| Non-cash mark-to-market on derivatives  | 380                     | 2,526     | (2,327)   |
| Other   | 113                     | 98        | 39        |
| Change in current assets and liabilities, excluding effects of acquisitions and dispositions: |                         |           |           |
| A c c o u n t s   a n d   o t h e r   |                         |           |           |
| receivables   | (17,863)                | (10,471)  | 19,753    |
| Product exchange receivables  | (4,967)                 | 2,792     | 3,988     |
| Inventories   | (17,106)                | 7,135     | 9,398     |
| Due from affiliates   | (3,386)                 | 1,560     | 1,770     |
| Other current assets  | (1,444)                 | 2,461     | (992)     |
| T r a d e   a n d   o t h e r   a c c o u n t s   |                         |           |           |
| payable   | 10,918                  | (15,874)  | (14,904)  |
| Product exchange payables   | 14,366                  | (2,938)   | (13,629)  |
| Due to affiliates   | (6,853)                 | 4,133     | 5,966     |
| Income taxes payable  | 357                     | 569       | (453)     |
| Other accrued liabilities   | 5,382                   | 871       | 101       |
| Change in other non-current assets and liabilities  | (4,342)                 | (2,381)   | (1,190)   |
| Net cash provided by operating activities   | 37,518                  | 47,592    | 86,340    |
| Cash flows from investing activities:   |                         |           |           |
| Payments for property, plant, and equipment   | (17,907)                | (35,846)  | (101,450) |
| Acquisitions, net of cash acquired  | (46,352)                | (327)     | (5,983)   |
| Payments for plant turnaround costs   | (1,090)                 | —         | —         |
| Proceeds from sale of property, plant, and equipment  | 2,419                   | 19,445    | 463       |
| Insurance proceeds from involuntary conversion of property, plant and equipment               | —                       | 2,224     | 1,503     |
| Investments in unconsolidated entities  | (20,110)                | —         | —         |
| Return of investments from unconsolidated entities  | 2,470                   | 877       | 1,225     |
| (Contributions to) unconsolidated entities for operations                                     | (748)                   | (1,048)   | (2,379)   |
| Net cash used in investing activities   | (81,318)                | (14,675)  | (106,621) |



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|  |            |            |            |
|--|------------|------------|------------|
| Cash flows from financing activities:  |            |            |            |
| Payments of long-term debt   | (441,979 ) | (431,982 ) | (257,191 ) |
| Proceeds from long-term debt   | 503,856    | 433,700    | 327,170    |
| Net proceeds from follow on public offering                                    | 78,600     | —          | —          |
| General partner contribution   | 1,089      | 1,324      | —          |
| Redemption of common units   | (28,070 )  | —          | —          |
| Contributions to parent  | —          | —          | —          |
| Purchase of treasury units   | (108 )     | (78 )      | (93 )      |
| Proceeds from issuance of common units   | —          | 20,000     | —          |
| Payments of debt issuance costs  | (7,468 )   | (10,446 )  | (18 )      |
| Cash distributions paid  | (56,696 )  | (47,462 )  | (45,717 )  |
| Net cash provided by (used in) financing activities                            | 49,224     | (34,944 )  | 24,151     |
| <br>   |            |            |            |
| Net increase(decrease) in cash   | 5,424      | (2,027 )   | 3,870      |
| Cash at beginning of period  | 5,956      | 7,983      | 4,113      |
| Cash at end of period  | \$11,380   | \$5,956    | \$7,983    |
| <br>   |            |            |            |
| Supplemental schedule of non-cash investing and financing activities:          |            |            |            |
| Purchase of assets under capital lease obligations                             | \$—        | \$7,764    | \$—        |
| Issuance of common and subordinated units in connection with Cross acquisition | \$—        | \$32,957   | \$—        |
| Purchase of assets under note payable  | \$7,354    | \$—        | \$—        |

These financial statements should be read in conjunction with the financial statements and the accompanying notes and other information included in the Partnership's Annual Report on Form 10-K filed with the SEC on March 2, 2011.

MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF OPERATIONS

|   | 4th Quarter<br>2010       | 4th Quarter<br>2009 |
|---|---------------------------|---------------------|
|   | (Dollars in thousands)    |                     |
|   | (except per unit amounts) |                     |
|   | (Unaudited)               |                     |
| Revenues:   |                           |                     |
| Terminalling and storage                                | \$17,055                  | \$16,039            |
| Marine transportation                                   | 20,184                    | 19,258              |
| Product sales:  |                           |                     |
| Natural gas services                                    | 156,627                   | 140,233             |
| Sulfur  | 51,133                    | 18,600              |
| Terminalling and storage                                | 17,112                    | 6,731               |
|   | 224,872                   | 165,564             |
| Total revenues  | 262,111                   | 200,861             |
| Costs and expenses:                                     |                           |                     |
| Cost of products sold:                                  |                           |                     |
| Natural gas services                                    | 147,799                   | 133,849             |
| Sulfur  | 35,266                    | 8,644               |
| Terminalling and storage                                | 15,778                    | 5,773               |
|   | 198,843                   | 148,266             |
| Expenses:   |                           |                     |
| Operating expenses                                      | 30,088                    | 32,790              |
| Selling, general and administrative                     | 6,468                     | 6,023               |
| Depreciation and amortization                           | 10,590                    | 10,250              |
| Total costs and expenses                                | 245,989                   | 197,329             |
| Other operating income (loss)                           | (314 )                    | 962                 |
| Operating income  | 15,808                    | 4,494               |
| Other income (expense):                                 |                           |                     |
| Equity in earnings of unconsolidated entities           | 2,323                     | 1,817               |
| Interest expense  | (11,468 )                 | (5,408 )            |
| Other, net  | 170                       | (19 )               |
| Total other income (expense)                            | (8,975 )                  | (3,610 )            |
| Income tax expense (benefit)                            | (293 )                    | (1,072 )            |
| Net income  | \$6,540                   | \$1,956             |
| General partner's interest in net income <sup>1</sup>   | \$1,037                   | \$774               |
| Limited partners' interest in net income <sup>1</sup>   | \$5,226                   | \$2,342             |
| Net income per limited partner unit — basic and diluted | \$0.30                    | \$0.15              |
| Weighted average limited partner units                  | 17,701,094                | 15,149,731          |

<sup>1</sup> General and limited partner's interest in net income includes net income of the Cross assets since the date of the acquisition.

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**DISTRIBUTABLE CASH FLOW**  
(Dollars in thousands)  
(Unaudited Non-GAAP Financial Measure)

|   | Three<br>Months<br>Ended<br>December<br>31, 2010 | Year Ended<br>December<br>31, 2010 |
|---|--|------------------------------------|
| Net income  | \$6,540  | \$16,022                           |
| Adjustments to reconcile net income to distributable cash flow:     |  |                                    |
| Depreciation and amortization                                       | 10,590   | 40,656                             |
| A m o r t i z a t i o n o f d e f e r r e d d e b t i s s u e       |  |                                    |
| costs   | 1,139  | 4,814                              |
| A m o r t i z a t i o n o f d i s c o u n t o n n o t e s           |  |                                    |
| payable   | 88   | 269                                |
| Deferred income taxes   | 59   | (415 )                             |
| E a r l y e x t i n g u i s h m e n t s o f i n t e r e s t r a t e |  |                                    |
| swaps   | —  | 3,850                              |
| Distribution equivalents from unconsolidated entities <sup>1</sup>  | 3,061  | 13,015                             |
| Invested cash in unconsolidated entities <sup>2</sup>               | (154 )   | 2,469                              |
| Equity in earnings of unconsolidated entities                       | (2,323 )   | (9,792 )                           |
| Non-cash mark-to-market on derivatives                              | 3,973  | 380                                |
| Maintenance capital expenditures                                    | (1,181 )   | (4,653 )                           |
| Payments for plant turnaround costs                                 | —  | (1,090 )                           |
| Gain on disposition or sale of property, plant and equipment        | 314  | (136 )                             |
| Unit based compensation   | 48   | 113                                |
| Distributable cash flow   | \$22,154   | \$65,502                           |

|  | Three<br>Months<br>Ended<br>December<br>31, 2010 | Year Ended<br>December<br>31, 2010 |
|--|--|------------------------------------|
| <sup>1</sup> Distribution equivalents from unconsolidated entities:          |  |                                    |
| Distributions from unconsolidated entities                                   | \$—  | \$—                                |
| Return of investments from unconsolidated entities                           | 40   | 2,470                              |
| Distributions in-kind from unconsolidated entities                           | 3,021  | 10,545                             |
| Distribution equivalents from unconsolidated entities                        | \$3,061  | \$13,015                           |
| <sup>2</sup> Invested cash in unconsolidated entities::                      |  |                                    |
| Distributions from (contributions to) unconsolidated entities for operations | \$(1,377 )                                       | \$(748 )                           |
| Expansion capital expenditures in unconsolidated entities                    | 1,223  | 3,217                              |
| Invested cash in unconsolidated entities                                     | \$(154 )   | \$2,469                            |



