Martin Midstream Partners Reports 2011 Fourth Quarter and Annual Financial Results

KILGORE, Texas, Feb. 29, 2012 (GLOBE NEWSWIRE) -- Martin Midstream Partners L.P. (Nasdaq:MMLP) (the "Partnership") announced today its financial results for the fourth quarter and year ended December 31, 2011.

The Partnership reported net income for the fourth quarter of 2011 of $2.9 million, or $0.06 per limited partner unit. This compared to net income for the fourth quarter of 2010 of $6.5 million, or $0.30 per limited partner unit. Revenues for the fourth quarter of 2011 were $345.5 million compared to $262.1 million for the fourth quarter of 2010. Fourth quarter 2011 net income was positively impacted by a $0.1 million, or $0.00 per limited partner unit, non-cash derivative gain from certain commodity and interest rate swaps that are not accounted for using hedge accounting. Fourth quarter 2010 net income was negatively impacted by a $4.0 million, or $0.23 per limited partner unit, non-cash derivative 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, 2011 of $24.3 million, or $0.92 per limited partner unit. This compared to net income for the year ended December 31, 2010 of $16.0 million, or $0.63 per limited partner unit. Revenues for the year ended December 31, 2011 were $1.2 billion, compared to revenues of $912.1 million for the year ended December 31, 2010. Net income for the year ended December 31, 2011 was positively impacted by a $3.3 million, or $0.17 per limited partner unit, non cash derivative gain from certain commodity and interest rate swaps that are not accounted for using hedge accounting. Net income for the year ended December 31, 2011 was positively impacted by $2.8 million, or $0.14 per limited partner unit, due to payments received in the third quarter for the early extinguishment of interest rate swaps. 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 non-cash derivative losses from certain commodity and interest rate swaps that are not accounted for using hedge accounting ($0.4 million).

The Partnership's distributable cash flow for the three months ended December 31, 2011 was $16.1 million and for the year ended December 31, 2011 was $62.7 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 MMGP, the general partner of the Partnership, said, "The fourth quarter 2011 demonstrated again the effectiveness of our diverse operations. For the quarter we finished with a distribution coverage ratio of 0.98 times. For the year ended December 31, 2011 our distribution coverage was 0.97 times. While these levels are not where we need to be long-term, we have invested and will continue to invest heavily in future growth. Much of this growth is organic and requires long lead times. Accordingly, we are incurring indebtedness that impacts our coverage during the construction periods of our projects. Since the beginning of the fourth quarter, we have spent approximately $50 million of growth capital yet to realize full cash flow potential. These include previously announced projects such as our Corpus Christi crude oil terminal, the Cross vacuum tower and the Waskom rail rack and capacity expansion. We expect these projects will enhance the cash flow of the Partnership for 2012.

"During the fourth quarter we saw one very strong segment; two segments performed at or near plan and one segment fell short of expectations. As we have seen over time, the portfolio effect of having such a diverse set of operations serves our unit holders well.

"Our Sulfur Services segment was strong during the fourth quarter. Margins were strong in both molten sulfur handling and in our fertilizer division. Sulfur based fertilizer had its best year for the Partnership during 2011. We saw strong demand for our products that continued well beyond the normal seasonal trough we see outside of the growing season.

"Our Terminalling and Storage segments performed close to plan during the quarter. Terminalling and Storage, as our largest and most stable segment, is itself also diverse. For most of 2011, throughput volumes at our shore-based terminals remained challenged by lower overall offshore Gulf of Mexico activity. We believe we are well positioned as drilling permits and rig count slowly begin to gain traction. For the year ended 2011, our specialty terminals division provided a stable offset to the shore-based terminal weakness. Contracts for storage of hard-to-handle products tend to be longer-term in nature providing for more stable, fee-based cash flow. This includes our naphthenic lube oil processing facility that performed well during 2011.

"Our Marine Transportation segment was stable for the quarter and performed near expectations. We saw continued high utilization of our inland fleet, partially offset by slightly weaker conditions for our offshore assets throughout 2011. We expect our inland marine assets to be nearly fully utilized in 2012. Further, we believe liquids off-take from the shale plays like the Eagle Ford will ultimately result in increased demand and stability for offshore tows like ours which have been historically more volatile working in the spot market.

"Our Natural Gas Services segment experienced the most head wind in the fourth quarter. Like others, we are not immune to the current market conditions seen in natural gas. Continued low natural gas prices and migration of producers' capital spending to liquids-rich plays have resulted in underperformance within this segment. In addition, we recently lost a key producer whose volume was dedicated to our Waskom facility. This resulted in our processing levels at Waskom coming in below plan. In this pricing environment, we continue to believe producers will seek liquids-rich production areas which are central to our gathering systems and the Waskom facility."

Included with this press release are the Partnership's consolidated financial statements as of and for the quarter and year ended December 31, 2011 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 5, 2012.

Investors' Conference Call

An investors' conference call to review the fourth quarter and fiscal year results will be held on Thursday, March 1, 2012 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 (855) 859-2056 from 11:00 a.m. Central Time on March 1, 2012 through 10:59 p.m. Central Time on March 15, 2012. The access code for the conference call and the audio replay is Conference ID No. 47532709. The audio replay of the conference call will also be archived on Martin Midstream Partners' website at 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.

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 to be filed with the SEC on March 5, 2012), 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 to be filed with the SEC on March 5, 2012), 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, 2011, the Partnership's distributions from unconsolidated entities, return of investments from unconsolidated entities and distributions in-kind from equity investments were $0.0 million, $1.2 million and $3.7 million, respectively. For the year ended December 31, 2011, the Partnership's distributions from unconsolidated entities, return of investments from unconsolidated entities and distributions in-kind from equity investments were $0.0 million, $2.9 million and $12.7 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 Report on Form 10-K to be filed with the SEC on March 5, 2012). For the quarter ended December 31, 2011, the Partnership's distributions from (contributions to) unconsolidated entities for operations and capital expenditures in unconsolidated entities were $(9.4) million and $9.0 million, respectively. For the year ended December 31, 2011, the Partnership's distributions from (contributions to) unconsolidated entities for operations and capital expenditures in unconsolidated entities were $(19.0) million and $18.8 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,	
	2011	**2010**
	(Dollars in thousands)	
Assets		
Cash	$ 266	$ 11,380
Accounts and other receivables, less allowance for doubtful accounts of $3,021 and $2,528, respectively	126,461	95,276
Product exchange receivables	17,646	9,099
Inventories	78,163	52,616
Due from affiliates	5,968	6,437
Fair value of derivatives	622	2,142
Other current assets	1,978	2,784
Total current assets	231,104	179,734
Property, plant and equipment, at cost	711,052	632,456
Accumulated depreciation	(233,710)	(200,276)
Property, plant and equipment, net	477,342	432,180
Goodwill	37,268	37,268

Investment in unconsolidated entities	170,497	98,217
Debt issuance costs, net	13,330	13,497
Other assets	19,568	24,582
	$ 949,109	$ 785,478

Liabilities and Partners' Capital

Current installments of long-term debt and capital lease obligations	$ 1,261	$ 1,121
Trade and other accounts payable	125,970	82,837
Product exchange payables	37,313	22,353
Due to affiliates	18,485	6,957
Income taxes payable	893	811
Fair value of derivatives	362	282
Other accrued liabilities	11,022	10,034
Total current liabilities	195,306	124,395
Long-term debt and capital leases, less current maturities	458,941	372,862
Deferred income taxes	7,657	8,213
Fair value of derivatives	—	4,100
Other long-term obligations	1,589	1,102
Total liabilities	663,493	510,672
Partners' capital	284,990	273,387
Accumulated other comprehensive loss	626	1,419
Total partners' capital	285,616	274,806
Commitments and contingencies		
	$ 949,109	$ 785,478

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 5, 2012.

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2011	2010	2009[1]
	(Dollars in thousands, except per unit amounts)		
Revenues:			
Terminalling and storage *	$ 77,283	$ 67,117	$ 69,710
Marine transportation *	76,936	77,642	68,480
Sulfur services *	11,400	—	—
Product sales: *			
Natural gas services	733,087	554,482	408,982
Sulfur services	263,644	165,078	79,629
Terminalling and storage	74,723	47,799	35,584
	1,071,454	767,359	524,195
Total revenues	1,237,073	912,118	662,385
Costs and expenses:			
Cost of products sold: (excluding depreciation and amortization)			

Natural gas services *	704,073	527,232	382,542
Sulfur services *	219,697	122,121	43,386
Terminalling and storage	67,134	44,549	31,331
	990,904	693,902	457,259
Expenses:			
Operating expenses *	140,197	116,402	117,438
Selling, general and administrative *	22,665	21,118	19,775
Depreciation and amortization	44,957	40,656	39,506
Total costs and expenses	1,198,723	872,078	633,978
Other operating income	1,326	136	6,013
Operating income	39,676	40,176	34,420
Other income (expense):			
Equity in earnings of unconsolidated entities	9,536	9,792	7,044
Interest expense	(24,518)	(33,716)	(18,995)
Other, net	233	287	326
Total other income (expense)	(14,749)	(23,637)	(11,625)
Net income before taxes	24,927	16,539	22,795
Income tax benefit (expense)	(585)	(517)	(592)
Net income	$ 24,342	$ 16,022	$ 22,203
General partner's interest in net income	$ 5,289	$ 3,869	$ 3,249
Limited partners' interest in net income	$ 17,945	$ 11,045	$ 17,179
Net income per limited partner unit - basic and diluted	$ 0.92	$ 0.63	$ 1.17
Weighted average limited partner units - basic	19,545,427	17,525,089	14,680,807
Weighted average limited partner units - diluted	19,546,705	17,525,989	14,684,775

[1] 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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*Related Party Transactions Included Above			
Revenues:			
Terminalling and storage	$ 54,211	$ 46,823	$ 19,998
Marine transportation	23,478	28,194	19,370
Product Sales	15,561	14,998	5,838
Costs and expenses:			
Cost of products sold: (excluding depreciation and amortization)			
Natural gas services	106,312	79,321	56,914
Sulfur services	18,314	16,061	12,583
Expenses:			
Operating expenses	59,134	49,286	37,284
Selling, general and administrative	12,852	10,918	7,162

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

	Year Ended December 31, 2011	2010	2009
	(Dollars in thousands)		
Net income	$ 24,342	$ 16,022	$ 22,203
Changes in fair values of commodity cash flow hedges	1,011	143	14
Commodity cash flow hedging (gains) losses reclassified to earnings	(1,822)	(617)	(2,646)
Changes in fair value of interest rate cash flow hedges	—	(241)	(1,854)
Interest rate cash flow hedging losses reclassified to earnings	18	4,210	7,345
Comprehensive income	$ 23,549	$ 19,517	$ 25,062

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MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL
For the years ended December 31, 2011, 2010 and 2009

	Partners' Capital							
	Parent Net	Common		Subordinated		General Partner	Accumulated Comprehensive Income	
	Investment	Units	Amount	Units	Amount	Amount	Amount	Total
	(Dollars in thousands)							
Balances — December 31, 2008	$ 11,665	13,688,152	$ 239,333	850,674	$ (3,688)	$ 4,004	$ (4,935)	$ 246,379
Net Income	1,664	—	16,310	—	980	3,249	—	22,203
General partner contribution	—	—	—	—	—	1,324	—	1,324
Units issued in connection with Cross acquisition		804,721	16,523	889,444	16,434	—	—	32,957
Recognition of beneficial conversion feature	—	—	(111)	—	111	—	—	—
Issuance of common 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 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 derivatives	—	—	—	—	—	—	2,859	2,859
Balances — December 31, 2009	$ —	16,057,832	$ 245,683	889,444	$ 16,613	$ 4,731	$ (2,076)	$ 264,951
Net Income	—	—	12,153	—	—	3,869	—	16,022
Recognition of beneficial 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
Excess purchase price over carrying value of acquired assets	—	—	(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 derivatives	—	—	—	—	—	—	3,495	3,495
Balances — December 31, 2010	$ —	17,707,832	$ 250,787	889,444	$ 17,721	$ 4,879	$ 1,419	$ 274,806
Net income	—	—	19,053	—	—	5,289	—	24,342
Recognition of beneficial conversion feature	—	—	(1,108)	—	1,108	—	—	—
Follow-on public offering	—	1,874,500	70,330	—	—	—	—	70,330
General partner contribution	—	—	—	—	—	1,505	—	1,505
Conversion of subordinated units to common units	—	889,444	18,829	(889,444)	(18,829)	—	—	—
Cash distributions ($3.05 per unit)	—	—	(58,252)	—	—	(6,245)	—	(64,497)

Excess purchase price over carrying value of acquired assets	—	—	(19,685)	—	—	—	—	(19,685)
Unit-based compensation	—	14,850	190	—	—	—	—	190
Purchase of treasury units	—	(14,850)	(582)	—	—	—	—	(582)
Adjustment in fair value of derivatives	—	—	—	—	—	—	(793)	(793)
Balances — December 31, 2011	$ —	20,471,776	$ 279,562	—	$ —	$ 5,428	$ 626	$ 285,616

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

	Year Ended December 31,		
	2011	**2010**	**2009**
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 24,342	$ 16,022	$ 22,203
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	44,957	40,656	39,506
Amortization of deferred debt issue costs	3,755	4,814	1,689
Amortization of discount on notes payable	351	269	—
Deferred income taxes	(157)	(415)	294
(Gain) loss on disposition or sale of property, plant, and equipment	898	(136)	(4,996)
Gain on involuntary conversion of property, plant, and equipment	—	—	(1,017)
Equity in earnings of unconsolidated entities	(9,536)	(9,792)	(7,044)
Distributions from unconsolidated entities	—	—	650
Distribution in-kind from unconsolidated entities	12,704	10,545	5,826
Non-cash mark-to-market on derivatives	(3,293)	380	2,526
Other	190	113	98
Change in current assets and liabilities, excluding effects of acquisitions and dispositions:			
Accounts and other receivables	(28,781)	(17,863)	(10,471)
Product exchange receivables	(8,547)	(4,967)	2,792
Inventories	(25,547)	(17,106)	7,135
Due from affiliates	469	(3,386)	1,560
Other current assets	407	(1,444)	2,461
Trade and other accounts payable	43,599	10,918	(15,874)
Product exchange payables	14,961	14,366	(2,938)
Due to affiliates	11,528	(6,853)	4,133
Income taxes payable	82	357	569
Other accrued liabilities	988	5,382	871
Change in other non-current assets and liabilities	3,500	(4,342)	(2,381)
Net cash provided by operating activities	86,870	37,518	47,592

Cash flows from investing activities:			
Payments for property, plant, and equipment	(73,994)	(17,907)	(35,846)
Acquisitions, net of cash acquired	(16,815)	(41,762)	(327)
Payments for plant turnaround costs	(2,103)	(1,090)	—
Proceeds from sale of property, plant, and equipment	1,025	2,419	19,445
Insurance proceeds from involuntary conversion of property, plant and equipment	—	—	2,224
Investments in unconsolidated entities	(59,319)	(20,110)	—
Return of investments from unconsolidated entities	2,892	2,470	877
(Contributions to) unconsolidated entities for operations	(19,021)	(748)	(1,048)
Net cash used in investing activities	(167,335)	(76,728)	(14,675)
Cash flows from financing activities:			
Payments of long-term debt	(442,000)	(441,868)	(430,500)
Payments of notes payable and capital lease obligations	(1,132)	(111)	(1,482)
Proceeds from long-term debt	529,000	503,856	433,700
Net proceeds from follow on public offering	70,330	78,600	—
General partner contribution	1,505	1,089	1,324
Redemption of common units	—	(28,070)	—
Excess purchase price over carrying value of acquired assets	(19,685)	(4,590)	—
Purchase of treasury units	(582)	(108)	(78)
Proceeds from issuance of common units	—	—	20,000
Payments of debt issuance costs	(3,588)	(7,468)	(10,446)
Cash distributions paid	(64,497)	(56,696)	(47,462)
Net cash provided by (used in) financing activities	69,351	44,634	(34,944)
Net increase (decrease) in cash	(11,114)	5,424	(2,027)
Cash at beginning of period	11,380	5,956	7,983
Cash at end of period	$ 266	$ 11,380	$ 5,956
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	$ —

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MARTIN MIDSTREAM PARTNERS L.P.

SEGMENT OPERATING INCOME

Unaudited

(Dollars in thousands)

Terminalling and Storage Segment	**Years Ended December 31,**	
	2011	**2010**
Revenues:		
Services	$ 81,697	$ 71,471
Products	74,723	47,799
Total revenues	156,420	119,270

Cost of products sold	70,601	44,549
Operating expenses	52,041	41,857
Selling, general and administrative expenses	242	426
Depreciation and amortization	18,983	16,650
	14,553	15,788
Other operating income (loss)	(531)	244
Operating income	$ 14,022	$ 16,032

Natural Gas Services Segment	**Years Ended December 31,**	
	2011	**2010**
Revenues:		
NGLs	$ 688,407	$ 501,919
Natural gas	37,945	46,812
Non-cash mark-to-market adjustment of commodity derivatives	1,322	253
Gain on cash settlements of commodity derivatives	39	582
Other operating fees	5,374	4,916
Total revenues	733,087	554,482
Cost of products sold:		
NGLs	668,747	482,231
Natural gas	36,546	46,187
Total cost of products sold	705,293	528,418
Operating expenses	8,457	7,689
Selling, general and administrative expenses	7,111	8,588
Depreciation and amortization	6,090	5,023
	6,136	4,764
Other operating income (loss)	—	(112)
Operating income	$ 6,136	$ 4,652

Sulfur Services Segment	**Years Ended December 31,**	
	2011	**2010**
Revenues:		
Services	$ 11,400	$ —
Products	263,644	165,078
Total revenues	275,044	165,078
Cost of products sold	220,059	122,483
Operating expenses	19,328	17,013
Selling, general and administrative expenses	3,361	3,422
Depreciation and amortization	6,725	6,262
	25,571	15,898
Other operating income (loss)	2,080	(12)
Operating income	$ 27,651	$ 15,886

Marine Transportation Segment	**Years Ended December 31,**	
	2011	**2010**
	(In thousands)	

Revenues	$ 83,971	$ 82,635
Operating expenses	66,771	57,642
Selling, general and administrative expenses	3,087	2,296
Depreciation and amortization	13,159	12,721
	954	9,976
Other operating income (loss)	(223)	16
Operating income	$ 731	$ 9,992

MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS

	4th Quarter	4th Quarter
	2011	**2010**
	(Dollars in thousands) (except per unit amounts) (Unaudited)	
Revenues:		
Terminalling and storage	$ 20,452	$ 17,055
Marine transportation	19,388	20,184
Sulfur	2,850	20,184
Product sales:		
Natural gas services	218,217	156,627
Sulfur	65,334	51,133
Terminalling and storage	19,282	17,112
	302,833	224,872
Total revenues	345,523	262,111
Costs and expenses:		
Cost of products sold:		
Natural gas services	211,952	147,799
Sulfur	55,555	35,266
Terminalling and storage	17,503	15,778
	285,010	198,843
Expenses:		
Operating expenses	35,467	30,088
Selling, general and administrative	5,776	6,468
Depreciation and amortization	11,306	10,590
Total costs and expenses	337,559	245,989
Other operating income (loss)	(493)	(314)
Operating income	7,471	15,808
Other income (expense):		
Equity in earnings of unconsolidated entities	2,582	2,323
Interest expense	(7,416)	(11,468)
Other, net	107	170
Total other income (expense)	(4,727)	(8,975)
Income tax expense (benefit)	107	(293)

Net income	$ 2,851	$ 6,540
General partner's interest in net income	$ 1,297	$ 1,037
Limited partners' interest in net income	$ 1,277	$ 5,226
Net income per limited partner unit — basic and diluted	$ 0.06	$ 0.30
Weighted average limited partner units	20,273,788	17,701,094

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 5, 2012.

DISTRIBUTABLE CASH FLOW

(Dollars in thousands)

(Unaudited Non-GAAP Financial Measure)

	Three Months Ended December 31, 2011	Year Ended December 31, 2011
Net income	$ 2,852	$ 24,342
Adjustments to reconcile net income to distributable cash flow:		
Depreciation and amortization	11,306	44,957
Amortization of deferred debt issue costs	684	3,755
Amortization of discount on notes payable	88	351
Deferred income taxes	(159)	(155)
Non cash operating lease expense	(1)	69
Payments of installment notes payable & capital lease obligations	(300)	(1,132)
Distribution equivalents from unconsolidated entities[1]	4,917	15,595
Invested cash in unconsolidated entities[2]	(462)	(268)
Equity in earnings of unconsolidated entities	(2,583)	(9,535)
Non-cash mark-to-market on derivatives	68	(3,293)
Maintenance capital expenditures	(838)	(10,947)
Payments for plant turnaround costs	—	(2,103)
Gain on disposition or sale of property, plant and equipment	494	899
Unit based compensation	59	190
Distributable cash flow	$ 16,125	$ 62,725

	Three Months Ended December 31, 2011	Year Ended December 31, 2011
[1]Distribution equivalents from unconsolidated entities:		
Distributions from unconsolidated entities	$ —	$ —
Return of investments from unconsolidated entities	1,224	2,891
Distributions in-kind from unconsolidated entities	3,693	12,704
Distribution equivalents from unconsolidated entities	$ 4,917	$ 15,595
[2]Invested cash in unconsolidated entities:		
Distributions from (contributions to) unconsolidated entities for operations	$ (9,417)	$ (19,021)
Expansion capital expenditures in unconsolidated entities	8,955	18,753
Invested cash in unconsolidated entities	$ (462)	$ (268)

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Source: Martin Midstream Partners L.P.