

**2009 Third Quarter  
Results Conference Call  
November 5, 2009**

**Notice: This transcript contains references to non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and reconciliations to non-GAAP financial measures used in this presentation is available on our website at [genlp.com](http://genlp.com) and click on the non-GAAP Reconciliations icon at the Investor Relations page.**

Welcome to the 2009 Third Quarter Conference Call for Genesis Energy. Genesis has four business segments. The Pipeline Transportation Division is engaged in the pipeline transportation of crude oil and carbon dioxide. The Refinery Services Division primarily processes sour gas streams to remove sulfur at refining operations, principally located in Texas, Louisiana, and Arkansas. The Supply and Logistics Division is engaged in the transportation, blending, storage and supply of energy products, including crude oil and refined products. The Industrial Gases Division produces and supplies industrial gases such as carbon dioxide and syngas. Genesis' operations are primarily located in Texas, Louisiana, Arkansas, Mississippi, Alabama, and Florida.

During this conference call, management may be making forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. The law provides safe harbor protection to encourage companies to provide forward-looking information. Genesis intends to avail itself of those safe harbor provisions and directs you to its most recently filed and future filings with the Securities Exchange Commission. We also encourage you to visit our website at [genesisenergy.com](http://genesisenergy.com) where a copy of the press release we issued today is located. The press release also presents a reconciliation of such non-GAAP financial measures to the most comparable GAAP financial measures.

At this time, I would like to introduce Grant Sims, CEO of Genesis Energy, L.P.

Mr. Sims will be joined by Joe Blount, Chief Operating Officer, Bob Deere, Chief Financial Officer, Ross Benavides, General Counsel and Karen Pape, Chief Accounting Officer.

### **Introduction and Comments on Third Quarter 2009**

Thank you and welcome to everyone.

This morning we reported our financial results for the third quarter of 2009. As I mentioned in the press release, we continue to be pleased with financial results from our diversified and increasingly integrated businesses, none of which would be possible without the efforts of our dedicated employees. While Bob will go into a lot more detail, I'd like to make a couple of high level comments about our performance this quarter relative to the last couple of quarters.

You've heard us talk about the macroeconomic headwinds. What that means in our businesses is that it's all about volume/quantity/demand metrics. We have relatively fixed margins and very minimal commodity price exposure one way or the other. In the third quarter, across all of our segments we saw stabilization in volumes and importantly even signs of improvement, especially in our sales of NaHS, 3Q over 2Q 2009.

You've also heard us use the phrase increasingly integrated. As an example, our north Louisiana terminals, our trucks, our access to barge capacity through DG Marine, and now control of Gulf Coast storage at Sunshine Terminals, we are increasingly better

positioned to handle more volumes of heavy refined products and at a higher net margin because of our vertically integrated logistical capabilities.

As a result, we are encouraged and hope that we can continue to deliver growth absent a significant deterioration of macroeconomic conditions and without significant capital requirements, even though we have access to ample committed liquidity to operate our business and grow organically, or through acquisitions, if we see the right opportunities.

Because of our belief in the sustainability of our results, we are proud to have recently announced the seventeenth consecutive quarterly increase in the distribution rate to our unitholders.

With that, I'll turn it over to Bob Deere, our CFO, to review the specifics for the third quarter of 2009.

## **Results of Operations**

### **Comparison to Second Quarter**

Thank you, Grant

We will first focus on our improvement from the second quarter of 2009. I will discuss the key differences in our third quarter results from the second quarter of 2009 and then follow that with a comparison of the third quarter of 2009 to the 2008 third quarter. My discussion will focus on our segment margin, as fluctuations in our revenues

resulting from changes in the commodity price of crude oil and petroleum products do not have a corresponding impact on our earnings or available cash flow.

For the 2009 third quarter, we generated net income attributable to the partnership of \$4.3 million, or \$0.14 per unit. Second quarter 2009 net income attributable to the partnership was \$4.5 million, or \$0.13 per unit. The decline in net income is primarily attributable to non-cash expenses not affecting our payment of distributions to our unitholders. Our Available Cash before Reserves generated in the third quarter of 2009 improved to \$23.7 million from \$22.2 million in the second quarter of 2009.

Results from our pipeline transportation segment were flat at \$10.3 million when compared to the second quarter. A slight increase in pipeline operating costs due to equipment maintenance and a decline in pipeline loss allowance volumes were essentially offset by higher market prices for the pipeline loss allowance volumes and the annual increases in tariff rates of approximately 7.6% on our Jay and Mississippi systems. Average crude oil volumes per day experienced a slight decline of 749 barrels. Most of the volume decline occurred on the Mississippi System where the incremental tariff is only \$0.25 per barrel.

During the third quarter of 2009, the refinery services segment contributed \$12.7 million, a decrease of \$0.5 million or 4 percent between periods. Volatility in caustic soda prices was the primary factor in the decrease in segment margin. Sales volumes of NaHS and caustic soda both increased from the second quarter. NaHS sales volumes increased by 7,299 dry short tons to 28,207 dry short tons while caustic soda volumes increased 7,135 dry short tons to 26,898 dry short tons. We are particularly pleased with the increase in NaHS volumes, primarily to our mining customers. The increase in

caustic sales coupled with continuing cost management activities allowed us to mitigate the impact of the volatile market prices for caustic soda.

Supply and logistics segment margins increased by \$2.8 million to \$9.4 million for the third quarter as compared to \$6.6 million for the 2009 second quarter. The availability of fuel oil volumes improved and we were able to acquire more petroleum products for blending and sale, utilizing the storage capacity we acquired in the second quarter of 2009 near Baton Rouge and Houston and our access to the barge transportation capabilities of our DG Marine joint venture. Overall, the volumes of product sold by our supply and logistics segment increased by more than 7%. Our crude oil gathering activities offset some of the improvement in petroleum products as volumes declined slightly with less sweet crude oil available in our areas of operations as production levels declined in response to the price decline late in 2008 and first quarter of 2009.

Our industrial gases segment margin was flat between the two quarters. While we experienced our seasonal increase in CO<sub>2</sub> marketing volumes from the second to third quarters of approximately 10,000 Mcf per day to 80,520 Mcf per day, the planned turnaround at the facility owned by our Syngas joint venture reduced its contribution to segment margin. The turnaround was completed in the third quarter of 2009.

As previously mentioned, the decrease in net income between the second and third quarters was primarily attributable to non-cash charges. Non-cash items such as the difference in equity income and distributions from our equity investees, decreased our net income by approximately \$1 million. Additionally, our limited partner unit price increased between the two quarters, resulting in an increase of \$0.6 million in the non-cash expense associated with our stock appreciation rights plan. General and

administrative expenses included an increase of \$0.7 million in the non-cash expense related to the compensation arrangements between our executives and our general partner. Our general partner will bear the cash cost of this arrangement.

### **Comparison to Third Quarter Last Year**

I will now discuss the principal differences between the third quarters of 2009 and 2008. Net income attributable to the partnership for the third quarter of 2009 decreased by \$6.5 million from a year ago.

Results from our pipeline transportation segment decreased \$1.2 million to \$10.3 million, or by 11 percent. Sales of pipeline loss allowance volumes declined \$1.4 million as a result of approximately 5,600 fewer loss allowance volumes combined with significantly lower crude oil prices in 2009. Throughput on the crude oil pipeline systems decreased by 11%, although approximately half of the volumetric decrease was on the Mississippi System, where the incremental tariff is only \$0.25 per barrel, and on the Texas System, where the tariff is only \$0.31 per barrel. The throughput decline was mitigated by increases in tariff rates of 7.6% on the Jay and Mississippi Systems effective July 1, 2009.

During the third quarter of 2009, our refinery services segment contributed \$12.7 million, an increase of \$1.2 million or 11 percent between periods. There were three significant components of this fluctuation. First - NaHS sales volumes declined by 26%. The demand for NaHS, primarily in mining and industrial activities, has been negatively impacted by macroeconomic conditions. As we have seen in the current quarter, we expect demand for NaHS to continue to increase as market prices and demand for copper and molybdenum improve. Similarly we expect improvements in industrial activities like

pulp and paper and tanning industries to increase NaHS demand. Second, an increase in caustic soda sales volumes of 46% offset some of the impact of the NaHS sales decline. A key component of our sulfur removal process is caustic soda, and our economies of scale and logistics capabilities allow us to effectively market caustic soda to third parties. The final component affecting our segment margin was our aggressive management of production and logistical costs. Raw materials and processing costs related to providing our refinery services and supplying caustic soda as a percentage of our segment revenues declined 33% between the periods, from 66% to 33% of revenue. We have managed our acquisition costs by managing the timing of our purchases and our logistics costs. We have also taken steps to reduce processing costs. The costs of delivering NaHS and caustic soda to our customers as a percentage of segment revenues was consistent between the two quarterly periods at approximately 13 to 14 %.

Supply and logistics segment margin was \$9.4 million in the third quarter of 2009 compared to \$9.8 million in the third quarter of 2008. Contango pricing in the crude oil market provided opportunities for us to hold more barrels in storage tanks to take advantage of higher oil prices for future deliveries. We hedge the future delivery price with the use of derivative contracts (principally NYMEX futures) and minimize price risk. During the third quarter of 2009, we averaged approximately 220,000 barrels of crude oil in inventory and recorded \$0.9 million of segment margin related to storing and hedging crude oil. The DG Marine barge operations we acquired in July 2008 added approximately \$1.7 million more to our segment margin in the third quarter of 2009 as compared to the 2008 third quarter. This increase occurred, despite the decline in average charter rates in the heavy oil barge transportation market, as a result of adding four

additional tows (each tow consisting of a pushboat and two barges) in the last quarter of 2008 and first half of 2009.

Offsetting these improvements in supply and logistics segment margin was a decrease in the margins of our crude oil gathering and petroleum products marketing operations. In 2009, we experienced some reduction in crude oil gathering volumes as a result of choices made by crude oil producers' to reduce operating expenses or postpone development activities that could have enhanced or maintained existing production levels. Volatile price changes in the petroleum products markets and robust refinery utilization in the third quarter of 2008 created blending and sales opportunities with expanded margins in comparison to historical rates. Relatively flat petroleum prices and reduced refinery utilization in the third quarter of 2009 narrowed the economics of our blending opportunities and reduced sales margins to more historical rates. Somewhat offsetting these declines, were the additional opportunities to handle volumes from the heavy end of the refined barrel due to our access to the additional leased heavy products storage and to barge transportation capabilities through our DG Marine joint venture. However, the result of all of the above factors was that our crude oil and petroleum products marketing activities contributed \$2.9 million less to segment margin in 2009 than in the third quarter of 2008.

Segment margin from industrial gas activities in the 2009 third quarter decreased \$1.0 million from the prior year period to \$2.9 million. We sold on average 3,296 Mcf less per day to our CO<sub>2</sub> industrial customers than in the 2008 quarter. Our industrial customers sell the CO<sub>2</sub> to companies in the food and beverage industries and for use in tertiary oil recovery. The macroeconomic conditions have depressed the demand for

CO<sub>2</sub> in these areas. Additionally, due to a scheduled turnaround at our syngas joint venture, there was no contribution to our available cash by our joint ventures in the 2009 third quarter. The turnaround was completed and we expect our joint ventures to contribute to available cash in the fourth quarter of 2009.

Depreciation, amortization and impairment expense declined \$2.3 million between the third quarter periods as the decline in the amortization of intangible assets acquired in the Davison acquisition more than offset the additional depreciation from DG Marine and the Free State pipeline both acquired during 2008. Additionally, some of the assets acquired in the Davison acquisition reached the ends of their depreciable lives early in the third quarter of 2009.

Corporate general and administrative expenses increased by \$4.4 million between the periods. This increase was primarily the result of compensation-related increases, which included the \$3.1 million non-cash charge in the third quarter of 2009 related to the compensation arrangements between our executives and our general partner. As previously mentioned, our general partner will bear the cash cost of this arrangement.

Net interest costs decreased during the third quarter by \$1.1 million due to a decrease of 2.0% in market interest rates between the periods. Although our average outstanding debt levels were higher in the 2009 period, the rate difference was more than sufficient to offset the cost.

Income tax expense in the third quarter of 2009 increased as taxable income increased in relation to the tax deductions attributable to that income. As the majority of our operations are not taxable to us, income tax expense is not expected to be significant.

Our balance sheet as of September 30, consolidates the results of Genesis Energy and our joint venture DG Marine. The long-term debt balance of \$384.4 million reflects \$335 million outstanding under the Genesis credit facility and \$49.4 million outstanding under the DG Marine credit facility. During 2009, as refineries have reduced production capacity, demand for transportation services has weakened putting pressure on the rates DG Marine can charge for its services. On October 30, 2009, Genesis Energy loaned the remaining \$8 million available under the \$25 million Subordinated Loan Agreement to DG Marine. Additionally, DG Marine has successfully amended its credit agreement to allow for other forms of credit support should they be needed as a result of the current imbalance in capacity and demand in this segment of the barge market.

The Genesis Energy long term debt amount of \$335 million includes approximately \$12 million of working capital financing associated with storing crude oil volumes to take advantage of the contango pricing in the crude oil market. At September 30, the Genesis Energy borrowing base calculated upon 4.25 times our last four quarters of EBITDA was \$419 million. This level of available credit provides us with sufficient liquidity to run our current business. The Genesis bank credit agreement has provisions that allow us to increase our borrowing base for material acquisitions. Should we want to grow through acquisitions, we have additional committed capital available up to \$500 million in the form of a higher multiple of 4.75 times EBITDA and the inclusion of an agreed-upon amount of pro-forma EBITDA associated with any such acquisition.

Grant will now provide some concluding remarks to our prepared comments.

## Summary Remarks

Thanks, Bob.

Once again, I want to thank our employees for their efforts in delivering the financial results reported today. As we've tried to point out and think such results indicate, we believe we've seen a stabilization in our businesses, and arguably, a turnaround towards something. We're just not sure where that turnaround is headed, hence, the term "new normal", borrowed from some really smart Wall Street guys.

However, with the 1.5 times coverage of our increased distribution, our relatively conservative leverage ratio, our dedicated employees, and our increasingly integrated suite of service capabilities, we should be as well-positioned as anyone to take advantage of opportunities likely to arise as we hopefully put the depths of the recent challenging economic environment behind us.

That concludes our prepared remarks for this conference call. I'll turn it over to the moderator to take questions from the audience.

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