Companhia Vale do Rio Doce
Form 6-K
January 22, 2009

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United States
Securities and Exchange Commission
Washington, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the
Securities Exchange Act of 1934
For the month of

January 2009
Companhia Vale do Rio Doce
Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

(Check One) Form 20-F þ Form 40-F o

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes o No þ

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(Check One) Yes o No þ

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

(Check One) Yes o No þ

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82- .)

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Vale 2008 Production Report

ADJUSTING TO THE GLOBAL DEMAND SHOCK

Rio de Janeiro, January 21, 2009 Companhia Vale do Rio Doce (Vale) is managing its production in accordance with the new global economic outlook emerging from the financial market stress, which has caused a strong recessionary impact on the real economy.

In response to the ensuing significant negative shock on the global demand for minerals and metals, Vale has acted proactively to cut back production. We have shut down the higher-cost lower-quality output mines in our operational universe alongside other measures to fine tune our activities to the assessment of the demand prospects in the short-term.

The numbers for iron ore production in 4Q08 showing a quarter-over-quarter decrease of 26.3% - illustrate the effort that is being made by Vale to adjust its operational activities to the current demand levels.

As a result of very good operational performance in previous quarters, Vale was able to achieve for the year eight annual production records: nickel (275,400 metric tons), bauxite (11.7 million metric tons), alumina (5.0 million metric tons), copper (311,600 metric tons), coal (4.1 million metric tons), cobalt (2,828 metric tons), palladium (231,000 oz troy) and gold (85,000 oz troy).

FERROUS MINERALS

Iron ore

000 metric tons	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
IRON ORE	**80,099**	**85,884**	**63,274**	**303,163**	**301,696**	**-26.3%**	**-21.0%**	**-0.5%**
Southeastern System	30,743	33,186	23,066	113,781	115,428	-30.5%	-25.0%	1.4%
Itabira	11,799	11,553	7,749	46,710	41,849	-32.9%	-34.3%	-10.4%
Mariana	9,507	10,501	7,653	33,135	36,150	-27.1%	-19.5%	9.1%
Minas Centrais	9,437	11,132	7,664	33,936	37,429	-31.2%	-18.8%	10.3%
Southern System	22,598	23,025	15,599	89,337	80,461	-32.3%	-31.0%	-9.9%
MBR	16,849	17,286	11,309	68,276	60,015	-34.6%	-32.9%	-12.1%
Minas do Oeste	5,749	5,739	4,290	21,061	20,446	-25.2%	-25.4%	-2.9%
Carajás	24,620	26,751	22,306	91,687	96,495	-16.6%	-9.4%	5.2%
Samarco[1]	1,870	2,633	2,060	7,231	8,322	-21.8%	10.1%	15.1%
Urucum	267	289	244	1,128	990	-15.7%	-8.7%	-12.2%

Vale s iron ore output reached 301.7 Mt in 2008, showing a slight decrease, 0.5%, relatively to 2007, when it reached 303.2 Mt [2,3]. This was the first reduction in Vale s annual production of iron ore production since 1999. From 2001 to 2007 it has grown at an annual average rate of 13.4%, as a consequence of productivity gains and large investments to increase capacity to meet a fast growing global demand.

1 Production attributable to Vale

2 Mt=million metric tons

3

Production in
2008 was 293.4
Mt under US
GAAP

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Given the unprecedented demand contraction across the globe resulting from a substantial cutback in steel production, our iron ore production in the last quarter of 2008 reached 63.3 Mt, decreasing by 26.3% relatively to 3Q08 and 21.0% against 4Q07.

The Southeastern and Southern Systems, which have been responsible for 2/3 of our iron ore production, were responsible for 77.6% of the output reduction of 22.6 Mt in comparison to the level reached in 3Q08. Due to lower iron contents relatively to Carajás and the utilization of a third-party railroad MRS to transport the production of the Southern System to two of our maritime terminals Guaíba Island and Itaguaí costs are higher than in the Northern System, home to the highest quality iron ore in the world.

The Southeastern System, which encompasses the Itabira, Mariana and Minas Centrais iron ore mines, was responsible in 2008 for a record production of 115.4 Mt, contributing with 38.3% of Vale s annual production. In 4Q08 its output of 23.1 Mt was 30.5 % below the 3Q08 level.

The Southern System MBR and Minas do Oeste produced 80.5 Mt in 2008, 9.9% lower than in 2007. The 4Q08 production decreased 32.3% relatively to 3Q08.

Carajás output reached 96.5 Mt in 2008, setting a new record, up 5.2% on the previous year s production. Given the stoppage during the year-end holidays, production was 22.3 Mt in 4Q08 versus 26.8 Mt in 3Q08.

Pellets

000 metric tons	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
PELLETS[1]	**11,662**	**12,748**	**9,572**	**44,825**	**44,762**	**-24.9%**	**-17.9%**	**-0.1%**
Tubarão I and II	1,681	1,666	1,143	6,369	6,096	-31.4%	-32.0%	-4.3%
Fabrica	1,117	1,091	965	4,148	4,165	-11.5%	-13.6%	0.4%
São Luís	1,852	1,876	1,790	7,053	6,960	-4.6%	-3.3%	-1.3%
Nibrasco[2]	2,347	2,559	1,918	8,966	8,775	-25.1%	-18.3%	-2.1%
Kobrasco	1,283	1,281	1,125	4,971	4,935	-12.2%	-12.3%	-0.7%
Hispanobras	466	581	210	2,173	1,938	-63.9%	-55.0%	-10.8%
Itabrasco	1,012	1,040	384	4,015	3,321	-63.1%	-62.0%	-17.3%
Samarco[3]	1,904	2,654	2,038	7,130	8,572	-23.2%	7.0%	20.2%

Vale s attributable production of pellets, in which volumes produced by our joint ventures Hispanobras and Samarco are computed in proportion to our stakes, reached 44.8 Mt in 2008, approximately the same level as 2007. Vale produced 30.6 Mt of blast furnace pellets in 2008 while direct reduction pellets output reached 14.2 Mt.

In order to deal with the global demand reduction and to avoid inventory build-up, during 4Q08 Vale shutdown five of the seven pellet plants located at the port of Tubarão, in the state of Espirito Santo, Brazil. In addition, two other pellet plants, São Luís, at the state of Maranhão, and Fabrica, at the state of Minas Gerais, were shutdown in January 2009. Therefore, only two of the nine pellet plants are currently operating.

By the same token, the start-up of operations of our new pellet plant, Itabiritos, was postponed and our joint venture Samarco is keeping two of its three pellet plants idled since the end of November 2008.

As a consequence of the slower pace of operational activity, our pellet production reached 9.6 Mt in 4Q08, down 24.9% compared with 3Q08.

1 Production attributable to Vale on a pro forma basis. In 2008, we entered into a

leasing contract for the Nibrasco, Kobrasco and Itabrasco pelletizing operations. As a consequence, their production is being consolidated 100% on a pro forma basis.

[2] Nibrasco has two pellet plants

[3] Samarco has three pellet plants

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The Samarco contribution to our total production was 8.6 Mt in 2008, against 7.1 Mt in 2007. In 4Q08, it decreased 23.2% relatively to 3Q08.

Manganese ore and ferroalloys

000 metric tons	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
MANGANESE ORE	**118**	**694**	**491**	**1,333**	**2,383**	**-29.2%**	**316.0%**	**78.7%**
Azul	47	561	392	945	2,003	-30.2%	739.9%	111.8%
Urucum	71	75	57	277	246	-23.3%	-19.8%	-11.3%
Other mines	0	58	42	111	135	-27.9%	n.m.	21.2%
FERROALLOY	**137**	**130**	**84**	**542**	**475**	**-35.5%**	**-38.6%**	**-12.4%**
Brazil	79	78	59	288	288	-24.7%	-25.7%	0.1%
Dunkerque	16	16	0	103	55	n.a.	n.a.	-46.6%
Mo I Rana	37	30	21	129	112	-29.4%	-42.1%	-13.1%
Urucum	5	5	4	22	20	-29.7%	-28.5%	-11.3%

Production of manganese ore totaled 2.4 Mt in 2008, up 78.7% compared with 2007. The Azul mine produced 2.0 Mt in 2008 versus 1.0 Mt in 2007, when its operations were temporarily suspended.

Our ferroalloy production in 2008 amounted to 475,000 t, lower than the level achieved in 2007, of 542,000 t. In 2008, ferroalloy production was comprised of 213,400 t of ferrosilicon manganese alloys (FeSiMn), 209,400 t of high-carbon manganese alloys (FeMnAc) and 51,900 t of medium-carbon manganese alloys (FeMnMC).

Our manganese ore mines and ferroalloy plants in Brazil were shut down in December 2008 and are expected to resume operations by February 2009. The ferroalloy plant in Mo I Rana, Norway, had its furnace maintenance extended until June 2009. Our ferroalloy operations in Dunkerque, France, stopped in August 2008 due to problems with the electric furnace and will be kept idle until April 2009.

Due to the announced cutbacks, manganese ore production in 4Q08 was 491,000 t, compared with 694,000 t in 3Q08 and 118,000 t in 4Q07. The production of ferroalloys was reduced by 35.5% against 3Q08, reaching only 84,000 metric tons.

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NON-FERROUS MINERALS

Nickel

000 metric tons	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
NICKEL[1]	**69.0**	**72.4**	**73.2**	**247.9**	**275.4**	**1.1%**	**6.1%**	**11.1%**
Sudbury	16.9	18.4	28.8	70.7	85.3	56.6%	71.1%	20.6%
Thompson	8.4	7.6	7.5	29.8	28.9	-1.5%	-10.4%	-3.2%
Voisey s Bay	20.5	21.9	19.2	58.9	77.5	-12.2%	-6.3%	31.6%
Sorowako	20.6	19.1	14.5	75.8	68.3	-23.9%	-29.2%	-9.9%
Others*	2.7	5.4	3.1	12.7	15.4	-43.2%	14.5%	21.0%

* External feed purchased from third parties and processed into finished nickel in our operations.

Our finished nickel production reached an all-time high in 2008, at 275,400 t, rising 11.1% relatively to 2007. This performance highlights the ongoing improvement in asset performance, a consequence of our efforts to upgrade existing facilities.

The volume produced in 4Q08 73,200 t increased 1.1% compared to 3Q08, as Sudbury showed a strong increase in production in 4Q08.

Finished nickel originated from Sudbury, located in the Canadian province of Ontario, was 85,300 t in 2008, 14,600 t higher than the level reached in 2007, as a result of strong operational performance at the mines, mill, smelter complex and refineries. The increase in Sudbury source output came simultaneously with a rising production of finished nickel pellets and powders from both the Copper Cliff Nickel Refinery, at Sudbury, and the Clydach Refinery [2], in Wales, UK, and decreased sinter production.

The higher proportion of pellet and powder production was also reflective of availability and high feed quality from matte processing, and excellent operating performance at both refineries, which was due largely to capital investment in new equipment.

Production at Thompson, in the province of Manitoba, was 28,900 t in 2008. In 4Q08, it decreased 1.5% over 4Q07.

Voisey s Bay nickel-in-concentrate production in 2008 was 77,500 t, which was 18,600 t higher than 2007. This is due to continuing above-plan ore grades and good asset performance. In 4Q08 its production was 19,200 t, being 2,700 t below 3Q08.

Nickel-in-matte output from our Indonesian operations at Sorowako amounted to 68,300 t in 2008, below the 75,800 t reached last year. The production of Sorowako was 14,500 t in 4Q08, 6,100 t below that of 4Q07 and 4,600 t below 3Q08. This was primarily due to the decision to reduce production to adjust to the lower demand for utility nickel arising from the sharp decrease in global stainless steel output. We have decided to shut down production fed by thermal power generation and rely solely on less expensive hydroelectric power generated by our Larona and Balambano plants. This is an important measure given the energy intensiveness of saprolitic nickel processing.

1 The figures shown for finished nickel

production do not include the quantities produced from nickel concentrates purchased from other companies and processed externally under tolling arrangements. These volumes were 14,200 t in 2007 and 7,500 t in 2008.

2 Clydach refines part of the Sudbury feed.

Figures for our operations at Sudbury and Thompson include only the production from feed originating from our own mines. It excludes any concentrates purchased from third parties, which are subsequently processed in our operations.

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Bauxite

000 metric tons	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
BAUXITE	**2,668**	**3,198**	**3,541**	**9,114**	**11,628**	**10.7%**	**32.7%**	**27.6%**
Trombetas[1]	1,850	1,883	1,980	7,223	7,225	5.2%	7.1%	0.0%
Paragominas	819	1,316	1,561	1,890	4,403	18.6%	90.6%	132.9%

In 2008, bauxite production hit an all-time high of 11.6 Mt, 27.6% above the previous record of 9.1 Mt.

In 4Q08 it reached a new record of 3.5 Mt, an increase of 32.7% compared with 2.7 Mt in 4Q07, primarily as a result of the Paragominas ramp up. Vale`s attributable production at Trombetas also set a new record, of 2.0 Mt.

The Paragominas bauxite mine, in the Brazilian state of Pará, produced 4.4 Mt in 2008, as its first expansion Paragominas II began ramping up in May 2008, adding 4.5 Mtpy to the total nominal capacity.

The Paragominas mine is linked to the Alunorte alumina refinery by the first bauxite pipeline in the world. Since the onset of the operations the bauxite produced has had smaller granules than planned, causing lower than expected performance. To eliminate this problem additional filters were ordered. This will allow us to run Paragominas at its capacity of 9.9 Mt from 1H10 onwards.

Alumina

000 metric tons	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
ALUMINA	**1,158**	**1,309**	**1,597**	**4,253**	**5,028**	**22.0%**	**38.0%**	**18.2%**
Alunorte	1,158	1,309	1,597	4,253	5,028	22.0%	38.0%	18.2%

Vale produced 5.0 Mt of alumina in 2008, up 18.2% against 2007, setting a new record figure.

Stages 6 and 7 of the Barcarena refinery started ramping up in June and July 2008, respectively, augmenting its nominal capacity to 6.26 million metric tons per year.

The volume produced in 4Q08 reached 1.6 Mt as against 1.2 Mt in 4Q07 and 1.3 Mt in 3Q08.

Aluminum

000 metric tons	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
ALUMINUM	**139**	**140**	**135**	**551**	**543**	**-3.2%**	**-2.5%**	**-1.5%**
Albras	114	115	115	455	455	-0.2%	0.8%	0.0%
Valesul	25	25	20	95	87	-17.1%	-17.5%	-8.5%

Our production of aluminum was 543,000 t in 2008 versus 551,000 t in 2007, due to an 8,000 t shortfall at the Valesul smelter.

[1] Production attributable to Vale

In 4Q08, production reached 135,000 t against 140,000 t in the previous quarter. The production of Albras remained constant at 115,000 t while it was reduced by 5,000 t at Valesul.

In line with our strategic decision to implement larger production cutbacks at higher cost units, Valesul production will be temporarily limited to 40% of its nominal annual capacity of 95,000 t, to comply with contractual obligations.

Copper

000 metric tons	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
COPPER	**74.3**	**80.2**	**81.6**	**284.4**	**311.6**	**1.8%**	**9.9%**	**9.6%**
Sossego	32.0	32.8	32.6	118.0	125.9	-0.7%	1.9%	6.7%
Sudbury	29.2	30.8	28.0	113.2	115.3	-8.9%	-4.1%	1.9%
Thompson	0.3	0.3	0.3	1.3	1.4	-14.0%	-16.0%	7.1%
Voisey s Bay	10.5	13.2	16.1	42.3	55.4	21.9%	53.8%	31.1%
Others	2.0	3.0	4.6	9.4	13.5	51.7%	135.6%	43.7%

Vale s copper production totaled 311,600 t in 2008 setting a new record and increasing by 9.6% relatively to 2007.

Copper-in-concentrate production at Sossego, Carajás, was 125,900 t in 2008, increasing 6.7% against 118,000 t in 2007 when there was a maintenance stoppage at the processing plant in 3Q07.

The Canadian operations, where copper is produced as a by-product of nickel, were responsible for 172,100 t, equal to 55.2% of our total production in 2008. This meant an increase of 15,300 t over 2007, primarily driven by higher copper grades at Voisey s Bay.

Production in 4Q08 reached 81,600 t, with a 1.8% increase over 3Q08.

Nickel by-products

	4Q07	3Q08	4Q08	2007	2008	% change 4Q08/3Q08	% change 4Q08/4Q07	% change 2008/2007
COBALT (metric tons)	**680**	**750**	**792**	**2,524**	**2,828**	**5.6%**	**16.4%**	**12.1%**
Sudbury	127	210	294	727	804	40.1%	132.0%	10.6%
Thompson	47	44	22	179	168	-49.5%	-52.7%	-6.4%
Voisey s Bay	430	447	469	1,239	1,695	4.9%	8.9%	36.8%
Others	77	50	8	379	161	-84.7%	-90.0%	-57.5%
PLATINUM (000 oz troy)	**29**	**44**	**43**	**140**	**166**	**-2.1%**	**49.0%**	**19.1%**
Sudbury	29	44	43	140	166	-2.1%	49.0%	19.1%
PALLADIUM (000 oz troy)	**40**	**66**	**62**	**191**	**231**	**-6.1%**	**57.8%**	**20.8%**
Sudbury	40	66	62	191	231	-6.1%	57.8%	20.8%
GOLD (000 oz troy)	**14**	**24**	**21**	**75**	**85**	**-13.7%**	**43.8%**	**13.7%**
Sudbury	14	24	21	75	85	-13.7%	43.8%	13.7%
SILVER (000 oz troy)	**522**	**650**	**574**	**2,199**	**2,308**	**-11.6%**	**9.9%**	**5.0%**
Sudbury	522	650	574	2,199				

Interest expense	
	2,320
	2,026
Income before income tax expense	
	13,368
	11,300
Income tax expense	

680

Net income

12,688

$

11,300

Less:

General partner s interest in net income		254
Limited partners interest in net income	$	12,434
Net income per limited partner unit, basic and diluted(1)	$	0.85

Weighted average limited partners units outstanding, basic and diluted	11,285

(1) See Note 3 for net income per limited partner unit calculation.

The accompanying notes are an integral part of these financial statements.

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GLOBAL PARTNERS LP

CONSOLIDATED/COMBINED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Successor	Predecessor
	Three Months Ended March 31,	
	2006 Consolidated	2005 Combined
Operating activities		
Net income	$ 12,688	$ 11,300
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	966	958
Amortization of deferred financing fees	106	163
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	57,435	(14,039)
Accounts receivable affiliate	(175)	414
Inventories	110,161	31,144
Loss on sale of property and equipment	11	2
Prepaid expenses, all other current assets and other assets	5,780	3,219
Accounts payable	(129,008)	(6,253)
Accrued expenses and all other current liabilities	(1,375)	14,464
Other long-term liabilities		(597)
Net cash provided by operating activities	56,589	40,775
Investing activities		
Proceeds from sale of property and equipment	19	5
Purchases of property and equipment	(848)	(165)
Net cash used in investing activities	(829)	(160)
Financing activities		
Payments on revolving line of credit, net	(51,900)	(41,900)
Payments on note payable, other	(73)	(68)
Distributions to partners	(4,733)	
Net cash used in financing activities	(56,706)	(41,968)
Decrease in cash and cash equivalents	(946)	(1,353)
Cash and cash equivalents at beginning of period	1,769	3,306
Cash and cash equivalents at end of period	$ 823	$ 1,953
Supplemental information		
Cash paid during the period for interest	$ 2,332	$ 2,050

The accompanying notes are an integral part of these financial statements.

GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF PARTNERS EQUITY

(In thousands)

(Unaudited)

	Common Unitholders	Subordinated Unitholders	General Partner Interest	Total Partners Equity
Balance at December 31, 2005	$ 97,512	$ (20,372)	$ (832)	$ 76,308
Distribution to partners	(2,319)	(2,319)	(95)	(4,733)
Net income	6,217	6,217	254	12,688
Balance at March 31, 2006	$ 101,410	$ (16,474)	$ (673)	$ 84,263

The accompanying notes are an integral part of these financial statements.

GLOBAL PARTNERS LP

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Basis of Presentation

Organization

Global Partners LP (the Partnership) is a publicly held master limited partnership that engages in the wholesale and commercial distribution of refined petroleum products, natural gas and ancillary services to companies domestically and, on a limited basis, internationally. The Partnership commenced operations on October 4, 2005 upon the completion of its initial public offering of common units (the IPO). (See the Partnership s Annual Report on Form 10-K for the year ended December 31, 2005 for more information regarding the IPO.)

The Partnership has four operating subsidiaries: Global Companies LLC, its subsidiary, Glen Hes Corp., Global Montello Group Corp. and Chelsea Sandwich LLC (the four operating subsidiaries, collectively, the Companies). The Companies are wholly owned by Global Operating LLC, a wholly owned subsidiary of the Partnership.

The Partnership s 2% general partner interest is held by Global GP LLC (the General Partner). The General Partner, which is owned by affiliates of the Slifka family, manages the Partnership s operations and activities and employs its officers and substantially all of its personnel. Affiliates of the General Partner, including its directors and executive officers, own 87,724 common units and 5,642,424 subordinated units, representing a combined 49.8% limited partner interest.

References to Global Partners LP or the Partnership or the General Partner as it relates to the combined financial statements and these accompanying notes with respect to the three months ended March 31, 2005 refer to the business of Global Companies LLC and its affiliates, Glen Hes Corp., Global Montello Group LLC and Chelsea Sandwich LLC (collectively, the Predecessor).

Immediately after becoming a master limited partnership, the Partnership converted Global Montello Group LLC (the predecessor to Global Montello Group Corp.) into a taxable corporation. References to the Companies in the Partnership s combined financial statements and these accompanying notes include Global Montello Group LLC with respect to the three months ended March 31, 2005 and Global Montello Group Corp. with respect to the three months ended March 31, 2006.

Basis of Presentation

Interim Financial Statements

The accompanying consolidated financial statements as of March 31, 2006 and December 31, 2005 and for the three months ended March 31, 2006 reflect the accounts of the Partnership. The accompanying combined financial statements for the three months ended March 31, 2005 reflect the accounts of the Predecessor. All intercompany balances and transactions have been eliminated.

The accompanying unaudited consolidated/combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial condition and operating results for the interim periods. The interim financial information, which has been prepared pursuant to the rules and regulation of the Securities and Exchange Commission (SEC), should be read in conjunction with the consolidated/combined financial statements for the year ended December 31, 2005 and notes thereto contained in the Partnership s Annual Report on Form 10-K. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results of operations that will be realized for the entire year ending December 31, 2006.

The balance sheet at December 31, 2005 has been derived from the audited financial statements and footnotes thereto included in the Partnership s Annual Report on Form 10-K for the year ended December 31, 2005.

As demand for some of the Partnership s refined petroleum products, especially home heating oil and residual oil for space heating purposes, is generally greater during the winter months, sales are expected be higher during the first and fourth quarters of the calendar year which may result in significant fluctuations in the Partnership s quarterly operating results.

Note 2. Reclassification

Certain prior year amounts in the consolidated/combined financial statements and accompanying notes have been reclassified to conform to the current year presentation.

Note 3. Net Income Per Limited Partner Unit

The computation of net income per limited partner unit is based on the weighted average number of common and subordinated units outstanding during the year. Basic and diluted net income per limited partner unit are determined by dividing net income after deducting the amount allocated to the general partner interest (including its incentive distribution in excess of its 2% interest) by the weighted average number of outstanding limited partner units during the period in accordance with Emerging Issues Task Force (EITF) 03-06, Participating Securities and the Two-Class Method under FASB Statement No. 128 (EITF 03-06). EITF 03-06 addresses the computation of earnings per share (in the Partnership s case, net income per limited partner unit) by an entity that has issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the entity when, and if, it declares dividends on its common stock (in the Partnership s case, distributions on its units). Essentially, EITF 03-06 provides that in any accounting period where the Partnership s aggregate net income exceeds its aggregate distribution for such period, the Partnership is required to present net income per limited partner unit as if all of the earnings for the periods were distributed, regardless of whether those earnings would actually be distributed during a particular period from an economic or practical perspective. EITF 03-06 does not impact the Partnership s overall net income or other financial results; however, for periods in which the Partnership s aggregate net income exceeds its aggregate distributions for such period, it will have the impact of reducing the earnings per limited partner unit. This result occurs as a larger portion of the Partnership s aggregate earnings is allocated to the incentive distribution rights held by the General Partner, as if distributed, even though the Partnership makes cash distributions on the basis of cash available for distributions, not earnings, in any given accounting period. In accounting periods where aggregate net income does not exceed aggregate distributions for such period, EITF 03-06 does not have any impact on the Partnership s net income per limited partner unit calculation.

The following sets forth the net income allocation using this method for the three months ended March 31, 2006 (in thousands, except per unit data):

		Per Limited Partner Unit
Net income	$ 12,688	
Less:		
General partner s incentive distribution paid		
Subtotal	12,688	

General partner 2% ownership		(254)		
Net income available to limited partners		12,434	$	1.10
Dilutive impact of theoretical distribution of earnings		(2,872)		(0.25)
Net income available to limited partners under EITF 03-06	$	9,562	$	0.85
Weighted average limited partners units outstanding		11,285		

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The Partnership did not and was not required to declare cash distributions during the period January 1, 2006 through March 31, 2006 which would result in an incentive distribution to the General Partner as indicated above.

Note 4. Inventories

Inventories, which are valued at the lower of cost or market based on the first-in, first-out method, consisted of the following (in thousands):

	March 31, 2006	December 31, 2005
Distillates: light oil, diesel and kerosene	$ 95,194	$ 195,171
Gasoline	19,509	19,311
Blend stock	10,948	6,782
Residual oil	24,902	39,450
Total	$ 150,553	$ 260,714

The decrease of $110.2 million was primarily due to lower distillates inventory on hand as the Partnership approached the end of its heating season.

The Partnership hedges substantially all of its inventory purchases through futures, options and swap agreements. In addition to its own inventory, the Partnership has exchange agreements with unrelated third-party suppliers, whereby it may draw inventory from these other suppliers. Positive exchange balances are accounted for as accounts receivable. Negative exchange balances are accounted for as accounts payable. Exchange transactions are valued using current quoted market prices. The impact of exchange agreements was not material to the Partnership s financial statements at March 31, 2006 and December 31, 2005.

Note 5. Derivative Financial Instruments

The Partnership recognizes all changes in the fair value of derivatives currently in earnings. The fair value of derivatives is determined through the use of independent markets and is based upon the prevailing market prices of such instruments at the date of valuation. The Partnership enters into futures contracts for the receipt or delivery of refined petroleum products in future periods. The contracts are entered into in the normal course of business to reduce risk of loss of inventory on hand, which could result through fluctuations in market prices. Changes in the fair value of these contracts as well as the offsetting gain or loss on the hedged inventory item are recognized currently in earnings as either an increase or decrease in cost of sales. Ineffectiveness related to these hedging activities was immaterial at March 31, 2006.

The Partnership also uses futures contracts and swaps to hedge exposure under forward purchase and sale commitments. These agreements are intended to hedge the cost component of virtually all of the Partnership s forward commitments. Changes in the fair value of these contracts are recognized currently in earnings as an increase or decrease in cost of sales.

The Partnership also markets and sells natural gas. The Partnership conducts business by entering into forward purchase commitments for natural gas only when it simultaneously enters into arrangements for the sale of product for physical delivery to third-party users. Through these transactions, which establish an immediate margin, the Partnership seeks to maintain a position that is substantially balanced between firm forward purchase and sales commitments. Natural gas is generally purchased and sold at fixed prices and quantities. Current price quotes from actively traded markets are used in all cases to determine the contracts fair value. Changes in the fair value of these contracts are recognized currently in earnings as an increase or decrease in cost of sales.

The composition and (obligations on) fair value of derivative instruments consisted of the following (in thousands):

	March 31, 2006	December 31, 2005
Forward contracts	$ (2,641)	$ 4,587
Swaps, options and other, net	(2,612)	(5,625)
	$ (5,253)	$ (1,038)

The Partnership formally documents all relationships between hedging instruments and hedged items, after its risk management objectives and strategy for undertaking the hedge are determined. The Partnership calculates hedge effectiveness on a quarterly basis. This process includes specific identification of the hedging instrument and the hedged transaction, the nature of the risk being hedged and how the hedging instrument s effectiveness will be assessed. Both at the inception of the hedge and on an ongoing basis, the Partnership assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value of hedged items. The derivative instruments that qualify for hedge accounting are fair value hedges.

The Partnership has a daily margin requirement with its broker, based on the prior day s market results on open futures contracts. The required brokerage margin balance was $4.8 million and $9.2 million at March 31, 2006 and December 31, 2005, respectively.

The Partnership is exposed to credit loss in the event of nonperformance by counterparties of forward contracts, options and swap agreements, but the Partnership has no current reason to expect any material nonperformance by any of these counterparties. Futures contracts, the primary derivative instrument utilized by the Partnership, are traded on regulated exchanges, greatly reducing potential credit risks. Exposure on swap and certain option agreements is limited to the amount of the recorded fair value as of the balance sheet dates. The Partnership utilizes primarily one broker for all derivative transactions and the right of offset exists. Accordingly, the fair value of all derivative instruments is displayed on a net basis on the balance sheets.

Note 6. Debt

In connection with the closing of its IPO, the Partnership entered into a four-year senior secured credit agreement (the Credit Agreement) in an aggregate principal amount of up to $400.0 million. In November 2005, the Credit Agreement was amended to increase total available commitments from $400.0 million to $500.0 million. The working capital revolving credit facility was increased by $100.0 million, comprising a $50.0 million increase in the permanent working capital revolving credit facility commitment and a new seasonal overline facility of $50.0 million (which is available each year only during the period between September 1st and June 30th).

The credit facilities are available to fund working capital, make acquisitions and provide payment for general partnership purposes. There are three facilities under the Credit Agreement:

a working capital revolving credit facility to be used for working capital purposes and letters of credit in the principal amount equal to the lesser of our borrowing base and $450.0 million, of which two $50.0 million seasonal overline facilities are available each year only during the period between September 1st and June 30th;

a $35.0 million acquisition facility to be used for funding acquisitions similar to our business line that have a purchase price of $25.0 million or less or $35.0 million or less in the aggregate in any 12-month period; and

a $15.0 million revolving credit facility to be used for general purposes, including payment of distributions to our unitholders.

Borrowings under the Partnership s working capital revolving credit, acquisition credit and revolving credit facilities currently bear interest at the Partnership s option at (1) the Eurodollar rate, plus 1%, 13/4% or 11/2%, respectively, (2) the cost of funds rate, plus 1%, 13/4% or 11/2%, respectively, or (3) the bank s base rate, at the Partnership s option. The Partnership incurs a letter of credit fee of 1% per annum for each letter of credit issued. In addition, the Partnership incurs a commitment fee on the unused portion of the three facilities under the Credit Agreement (including the unused portion of either of the seasonal overline facilities exercised by the Partnership) at a rate of 25 basis points per annum, a facility fee of 10 basis points per annum on any unexercised seasonal overline facility during the period between September 1st and June 30th and a seasonal overline fee of $30,000 each time the Partnership elects to exercise either of the seasonal overline facilities.

The Credit Agreement will mature in October 2009. Accordingly, the Credit Agreement has been classified as long term in the accompanying balance sheets. At March 31, 2006, availability under the Credit Agreement was reduced by the outstanding balance under the working capital revolving credit facility of approximately $129.7 million and by letters of credit totaling approximately $55.0 million. The total remaining availability for borrowings and letters of credit at March 31, 2006 was approximately $315.3 million. The average interest rate for the period from January 1, 2006 through March 31, 2006 was 5.5%.

The Credit Agreement is secured by substantially all of the assets of the Partnership and each of the Companies and is guaranteed by the General Partner. The Credit Agreement imposes certain requirements including, for example, a prohibition against distributions if any potential default or event of default as defined in the Credit Agreement, as amended, would occur, and limitations on the Partnership s ability to grant liens, make certain loans or investments, incur additional indebtedness or guarantee other indebtedness, make any material change to the nature of the Partnership s business or undergo a fundamental change, make any material dispositions, acquire another company, enter into a merger, consolidation, sale leaseback transaction or purchase of assets, or make capital expenditures in excess of specified levels. The Credit Agreement also imposes covenants that require the Partnership to maintain certain minimum working capital amounts, a minimum EBITDA ratio, a minimum interest coverage ratio and a maximum leverage ratio. The Partnership was in compliance with these covenants at March 31, 2006.

The Credit Agreement limits distributions by the Partnership to its unitholders to the amount of the Partnership s available cash and permits borrowings to fund such distributions only under the revolving credit facility. The revolving credit facility is subject to an annual clean-down period, requiring the Partnership to reduce the amount outstanding under the revolving credit facility to $0 for 30 consecutive calendar days in each calendar year.

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Note 7. Employee Benefit Plans with Related Party

The Partnership s net periodic benefit cost for its defined benefit pension plan consisted of the following components (in thousands):

	Successor	Predecessor
	Three Months Ended March 31,	
	2006 Consolidated	2005 Combined
Service cost	$ 191	$ 170
Interest cost	150	131
Expected return on plan assets	(145)	(135)
Net periodic benefit cost	$ 196	$ 166

Note 8. Related Party Transactions

In connection with the Partnership s IPO, the Partnership entered into a Second Amended and Restated Terminal Storage Rental and Throughput Agreement which, among other things, extended the term of the then current non-cancelable terminal facility agreement with Global Petroleum Corp. (GPC) through December 2013. The agreement is accounted for as an operating lease. The expense under this agreement (or the applicable predecessor agreement with GPC, as the case may be) was $2.0 million and $1.9 million for the three months ended March 31, 2006 and 2005, respectively.

GPC provides certain terminal operating management services to the Partnership and uses certain administrative, accounting and information processing services of the Partnership. The expense from these services was approximately $17,000 for each of the periods ended March 31, 2006 and 2005. These affiliate charges have been recorded in selling, general and administrative expenses in the accompanying statements of income. In connection with the IPO, the Partnership entered into an Amended and Restated Services Agreement with GPC which, among other things, extended the term of the agreement through December 31, 2007.

The Partnership also provides certain administrative, accounting and information processing services, and the use of certain facilities, to Alliance Energy Corp. (Alliance), an affiliate of the Partnership that is 90% owned by members of the Slifka family. The income from these services was approximately $80,000 for each of the periods ended March 31, 2006 and 2005. These fees have been recorded as an offset to selling, general and administrative expenses in the statements of income. In connection with the IPO, the Partnership entered into an Amended and Restated Services Agreement with Alliance which, among other things, extended the term of the agreement through December 31, 2007.

The Partnership sells refined petroleum products to Alliance at arm s length and at prevailing market prices at the time of delivery. Sales to Alliance were $5.0 million and $3.8 million for the three months ended March 31, 2006 and 2005, respectively.

The table below presents receivables incurred in connection with the Amended and Restated Services Agreement (or the applicable predecessor agreement, as the case may be) between Alliance and the Partnership, and receivables (payable) incurred in connection with other transactions with affiliates (in thousands):

	March 31, 2006	December 31, 2005
Receivables from Alliance	$ 2,207	$ 1,748
(Payable) receivables from GPC	(36)	56
Receivables from Global GP LLC	39	202

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Effective October 4, 2005, the General Partner employs substantially all of the Partnership s employees and charges the Partnership for their services. The amount charged for the three months ended March 31, 2006 was approximately $9.0 million including payroll taxes. The Partnership also reimburses the General Partner for its contributions under the General Partner s 401(k) Savings and Profit Sharing Plan and the General Partner s Pension Plan.

Note 9. Cash Distributions

The Partnership intends to consider regular cash distributions to unitholders on a quarterly basis, although there is no assurance as to the future cash distributions since they are dependent upon future earnings, cash flows, capital requirements, financial condition and other factors. The Credit Agreement prohibits the Partnerhip from making cash distributions if any potential default or event of default, as defined in the Credit Agreement, occurs or would result from the cash distribution.

Within 45 days after the end of each quarter, the Partnership will distribute all of its available cash (as defined in its partnership agreement) to unitholders of record on the applicable record date. The amount of available cash is all cash on hand at the end of the quarter; plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter; less the amount of cash reserves established by the General Partner to provide for the proper conduct of the Partnership s business, to comply with applicable law, any of the Partnership s debt instruments, or other agreements or to provide funds for distributions to unitholders and to the General Partner for any one or more of the next four quarters. Working capital borrowings are generally borrowings that are made under the Credit Agreement and in all cases are used solely for working capital purposes or to pay distributions to partners.

The Partnership will make distributions of available cash from operating surplus for any quarter during any subordination period as defined in the partnership agreement in the following manner: firstly, 98% to the common unitholders, pro rata, and 2% to the General Partner, until the Partnership distributes for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter; secondly, 98% to the common unitholders, pro rata, and 2% to the General Partner, until the Partnership distributes for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period; thirdly, 98% to the subordinated unitholders, pro rata, and 2% to the General Partner, until the Partnership distributes for each subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and thereafter, cash in excess of the minimum quarterly distributions is distributed to the unitholders and the General Partner based on the percentages as provided in the partnership agreement.

On January 24, 2006, the board of directors of the General Partner declared a distribution on all common, subordinated, and general partner units for the fourth quarter of 2005, and increased the amount of said distribution by 3% over the minimum quarterly distribution, from $0.4125 per unit to $0.425 per unit. On February 14, 2006, the fourth quarter 2005 distribution was paid on a pro rata basis to cover the period from the closing of the Partnership s IPO on October 4, 2005 through December 31, 2005. The aggregate amount of the distribution was approximately $4.7 million.

On April 24, 2006, the Partnership s board of directors declared a quarterly cash distribution of $0.425 per unit for the period from January 1, 2006 through March 31, 2006 ($1.70 per unit on an annualized basis). On May 15, 2006, the Partnership will pay a cash distribution to its common and subordinated unitholders of record as of the close of business on May 4, 2006.

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Note 10. Segment Reporting

The Partnership is a wholesale and commercial distributor of distillates, gasoline, residual oil and bunker fuel whose business is organized within two operating segments (Wholesale and Commercial), based on the way the chief operating decision maker (CEO) manages the business and on the similarity of customers and expected long-term financial performance of each segment. The accounting policies of the segments are the same as those described in Note 2, Summary of Significant Accounting Policies, in the Partnership s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

In the Wholesale segment, the Partnership sells home heating oil, diesel, kerosene, unbranded gasoline and residual oil to wholesalers, retailers and commercial customers. Generally, customers use their own vehicles or contract carriers to take delivery of the product at bulk terminals and inland storage facilities that the Partnership owns or controls or with which it has throughput arrangements.

The Commercial segment includes (i) sales of home heating oil, diesel, kerosene, unbranded gasoline and residual oil to customers in the public sector through competitive bidding and to large commercial and industrial customers, (ii) custom blended residual oil and distillates delivered by bunker barges or from a terminal dock and (iii) customers including federal and state agencies, municipalities, large industrial companies, many autonomous authorities such as transportation authorities and water resource authorities, colleges and universities and a limited group of small utilities. Unlike the Wholesale segment, in the Commercial segment, the Partnership generally arranges the delivery of the product to the customer s designated location, typically hiring third-party common carriers to deliver the product.

The Partnership evaluates segment performance based on net product margins before allocations of corporate and indirect operating costs, depreciation, amortization (including non-cash charges) and interest. Based on the way the CEO manages the business, it is not reasonably possible for the Partnership to allocate the components of operating costs and expenses between the reportable segments. Additionally, due to the commingled nature and uses of the Partnership s assets, it is not reasonably possible for the Partnership to allocate assets between the two segments. There were no intersegment sales for the periods presented below.

Summarized financial information for the Partnership s reportable segments is presented below (in thousands):

	Successor Three Months Ended March 31, 2006 Consolidated		Predecessor 2005 Combined	
Wholesale Segment:				
Sales	$	1,196,979	$	1,027,162
Net product margin*				
Distillates	$	19,597	$	14,805
Gasoline		3,236		2,605
Residual oil		4,654		6,583
Total	$	27,487	$	23,993
Commercial Segment:				
Sales	$	154,044	$	124,917
Net product margin*	$	5,136	$	4,801
Combined sales and net product margin:				
Sales	$	1,351,023	$	1,152,079

Net product margin*	$	32,623	$	28,794
Depreciation allocated to cost of sales		406		406
Combined gross profit	$	32,217	$	28,388

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*   Net product margin is a supplemental non-GAAP financial measure used by management and external users of the Partnership s financial statements to assess product costs associated with the Partnership s business. The table above reconciles net product margin on a combined basis to gross profit, a directly comparable GAAP measure.

A reconciliation of the totals reported for the reportable segments to the applicable line items in the consolidated/combined financial statements is as follows (in thousands):

	Successor		Predecessor	
	Three Months Ended March 31,			
	2006 Consolidated		2005 Combined	
Combined gross profit	$	32,217	$	28,388
Operating costs and expenses not allocated to reportable segments:				
Selling, general and administrative expenses		10,572		9,590
Operating expenses		5,551		5,066
Amortization expenses		406		406
Operating income		15,688		13,326
Interest expense		2,320		2,026
Income tax expense		680		
Net income	$	12,688	$	11,300

There were no foreign sales for the quarters ended March 31, 2006 and 2005. The Partnership has no foreign assets.

Note 11. Recently Issued Accounting Standards

SFAS No. 123 (revised) Share-Based Payment

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised), Share-Based Payment (SFAS 123 (revised)). This revision prescribes the accounting for a wide range of equity-based compensation arrangements, including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans, and generally requires the fair value of equity-based awards to be expensed on the income statement. SFAS 123 (revised) allows for either modified prospective recognition of compensation expense or modified retrospective recognition. The Partnership adopted SFAS 123 (revised) on January 1, 2006, and the adoption of this standard did not have a material effect on its financial condition, results of operations or cash flows as there currently are no awards outstanding.

EITF Issue No. 04-13 Accounting for Purchases and Sales of Inventory with the Same Counterparty

In September 2005, the EITF issued Issue No. 04-13, Accounting for Purchases and Sales of Inventory with the Same Counterparty (EITF 04-13). The EITF concluded that inventory purchases and sales transactions with the same counterparty should be combined for accounting purposes if entered into in contemplation of each other. The EITF provided indicators to be considered for purposes of determining whether such transactions are entered into in contemplation of each other. Guidance was also provided on the circumstances under which nonmonetary exchanges of inventory within the same line of business should be recognized at fair value. EITF 04-13 is effective in reporting periods beginning after March 13, 2006. The Partnership believes the adoption of EITF 04-13 will not have a material impact to its financial condition, results of operations or cash flows as the Partnership already records exchange transactions on a combined basis.

Note 12. Subsequent Event

As previously announced, on May 8, 2006, the Partnership completed its acquisition of a refined petroleum products terminal in Bridgeport, Connecticut from Connecticut Petroleum Wholesalers and one of its affiliates. The terminal has storage capacity for approximately 109,000 barrels of refined products, including #2 fuel oil and low sulfur diesel, and additional products.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations of Global Partners LP should be read in conjunction with the historical consolidated financial statements of Global Partners LP and the notes thereto included elsewhere in this quarterly report on Form 10-Q.

Forward-Looking Statements

This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are identified as any statements that do not relate strictly to historical or current facts and can generally be identified by the use of forward-looking terminology including may, believe, expect, anticipate, estimate, continue or other similar words. Such sta may discuss future expectations for or contain projections of results of operations, financial condition or our ability to make distributions to unitholders or state other forward-looking information. Forward-looking statements are not guarantees of performance. Although we believe these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks, many of which are beyond our control, which may cause future results to be materially different from the results stated or implied in this document. These risks and uncertainties include, among other things:

We may not have sufficient cash from operations to enable us to pay the minimum quarterly distribution following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.

Warmer weather conditions could adversely affect our results of operations and cash available for distribution to our unitholders.

Our risk management policies cannot eliminate all commodity risk. In addition, any non-compliance with our risk management policies could result in significant financial losses.

We are exposed to trade credit risk in the ordinary course of our business activities.

Due to our lack of asset and geographic diversification, adverse developments in the terminals that we use or in our operating areas could reduce our ability to make distributions to our unitholders.

We are exposed to performance risk in our supply chain.

Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which may permit them to favor their own interests to the detriment of unitholders.

Unitholders have limited voting rights and are not entitled to elect our general partner or its directors or initially to remove our general partner without its consent, which could lower the trading price of our common units.

Unitholders may be required to pay taxes on their share of our income even if they do not receive any cash distributions from us.

Additional information about risks and uncertainties that could cause actual results to differ materially from forward-looking statements is contained in Part II, Item 1A, Risk Factors.

All forward-looking statements included in this Form 10-Q and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made, other than as required by law, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

General

We own, control or have access to one of the largest terminal networks of refined petroleum products in New England. We are one of the largest wholesale distributors of distillates (such as home heating oil, diesel and kerosene), gasoline, and residual oil and bunker fuel to wholesalers, retailers and commercial customers in New England. We are also one of the largest wholesale marketers of home heating oil in New England.

We purchase our refined petroleum products primarily from domestic and foreign refiners, traders and producers and sell these products in two segments, Wholesale and Commercial. Like most independent marketers of refined petroleum products, we base our pricing on spot physical prices and routinely use the New York Mercantile Exchange (NYMEX) or derivatives to hedge our commodity risk inherent in buying and selling energy commodities. Through the use of regulated exchanges or derivatives, we maintain a position that is substantially balanced between purchased volumes and sales volumes or future delivery obligations. We earn a margin by selling the product for physical delivery to third parties.

On October 4, 2005, we closed our initial public offering of 5,635,000 common units (including 735,000 common units issued pursuant to the underwriters exercise of their over-allotment option) representing a 48.9% limited partner interest in us. In connection with the closing of this offering, (1) Global Companies LLC distributed $45.3 million in cash to those affiliates of the Slifka family holding 100% of the ownership interests in Global Companies LLC and (2) Global Petroleum Corp., Montello Oil Corporation, Larea Holdings, LLC, Larea Holdings II, LLC, Chelsea Terminal Limited Partnership and Sandwich Terminal, L.L.C. contributed all of their ownership interests in Global Companies LLC and its affiliates, Glen Hes Corp., Global Montello Group LLC and Chelsea Sandwich LLC, to us.

Proceeds from the sale of common units in the initial public offering were used in part to repay $45.3 million of borrowings under our then-existing revolving credit facility and $51.0 million of outstanding indebtedness under a term loan of Global Petroleum Corp. and certain other Slifka family entities guaranteed by affiliates of Global Petroleum Corp., including Global Companies LLC and its Affiliates.

Products and Operational Structure

Our products include distillates, gasoline and residual oil and bunker fuel. The distillates we sell are used primarily for space heating of residential and commercial buildings and as fuel for trucks and off-road construction equipment. We sell unbranded gasoline, diesel and heating oil under agreements with major suppliers of refined petroleum products. We sell residual oil to major housing units, such as public housing authorities, colleges and hospitals and large industrial facilities that use processed steam in their manufacturing processes. We sell bunker fuel, which we can custom blend, to cruise ships, bulk carriers and fishing fleets.

Our business is divided into two segments:

Wholesale. This segment includes sales of distillates, unbranded gasoline and residual oil to home heating oil retailers, retail gasoline station operators and wholesale distributors.

Commercial. This segment includes sales and deliveries of distillates, unbranded gasoline, residual oil and small amounts of natural gas to customers in the public sector and to large commercial and industrial customers, either through a competitive bidding process or through contracts of various terms. This segment also purchases, custom blends, sells and delivers bunker fuel and diesel to cruise ships, bulk carriers and fishing fleets delivered by bunker barges.

Our business activities are substantially comprised of purchasing, terminalling, storing and selling refined petroleum products. We believe that the combination of our terminalling and storage activities, together with our marketing activities, provides a balance that has a stabilizing effect on our results of operations and cash flow. In a contango market (when product prices for future deliveries are higher than for current deliveries), we may use our storage capacity to improve our margins by storing products we have purchased at lower prices in the current month for delivery to customers at higher prices in future months. In a backwardated market (when product prices for future deliveries are lower than for current deliveries) because of our high turnover of inventory, we are able to minimize our inventories and commodity risk while attempting to maintain or increase net product margins.

Outlook

This section identifies certain risks and certain economic or industry-wide factors that may affect our financial performance and results of operations in the future, both in the short-term and in the long-term. Our primary short-term concerns and uncertainties are as follows:

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We became a public company on September 28, 2005. Prior to that, we had no history operating as a public company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission and the New York Stock Exchange, has required changes in corporate governance practices of public companies. We also expect these new rules and regulations to make it more difficult and more expensive for our general partner to obtain director and officer liability insurance, and we may have to reduce policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage as we have obtained historically. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

We commit substantial resources to pursuing acquisitions, though there is no certainty that we will successfully complete any acquisitions or receive the economic results we anticipate from completed acquisitions. Consistent with our business strategy, we are continuously engaged in discussions with potential sellers of terminalling, storage and/or marketing assets and related businesses. In an effort to prudently and economically leverage our asset base, knowledge base and skill sets, management has also expanded its efforts to pursue businesses that are closely related to or significantly intertwined with our existing lines of business. Growth in our cash flow per unit may depend on our ability to make accretive acquisitions. We may be unable to make such accretive acquisitions for a number of reasons, including, but not limited to, the following: (1) we are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them; (2) we are unable to raise financing for such acquisitions on economically acceptable terms; or (3) we are outbid by competitors. In addition, we may consummate acquisitions, which at the time of consummation we believe will be accretive, but which ultimately may not be accretive. If any of these events were to occur, our future growth would be limited. We can give no assurance that our current or future acquisition efforts will be successful or that any such acquisition will be completed on terms that are favorable to us. Our results of operations and financial condition, as well as those of our competitors, will depend in part upon certain economic or industry-wide factors, including the following:

Warmer weather conditions could adversely affect our results of operations and financial condition. Because we supply distributors whose customers depend on home heating oil and residual oil for space heating purposes during the winter, weather conditions have a significant impact on the demand for both home heating oil and residual oil. As a result, warmer-than-normal temperatures during the first and fourth calendar quarters in one or more regions in which we operate can decrease the total volume we sell and the gross profit realized on those sales and, consequently, could adversely affect our results of operations.

Our financial results are seasonal and generally better in the first and fourth quarters of the calendar year.

Demand for some of our refined petroleum products, specifically home heating oil and residual oil for space heating purposes, is generally higher during November through March than during April through October. We obtain a significant portion of our sales during these winter months. Therefore, our results of operations for the first and fourth calendar quarters are generally better than for the second and third quarters. With lower cash flow during the second and third calendar quarters, we may be required to borrow money in order to pay the minimum quarterly distribution to our unitholders.

Energy efficiency, new technology and alternative fuels, natural gas in particular, could reduce demand for our products. Increased conservation and technological advances have adversely affected the demand for home heating oil and residual oil. Consumption of residual oil has steadily declined over the last three decades. We could face additional competition from alternative energy sources as a result of future government-mandated controls or regulation further promoting the use of cleaner fuels. Due in part to support for conversion to natural gas on environmental grounds, some industrial residual oil users have switched to natural gas. Those end users who are dual-fuel users have the ability to switch between residual oil and natural gas. During a period of increasing residual oil prices relative to the prices of natural gas, dual-fuel customers may switch to natural gas, or over the long-term, may convert to natural gas. Such switching or conversion could have an adverse effect on our results of operations and financial condition.

New, stricter environmental laws and regulations could significantly increase our costs, which could adversely affect our results of operations and financial condition. Our operations are subject to federal, state and local laws and regulations regulating product quality specifications and other environmental matters. The trend in environmental regulation is towards more restrictions and limitations on activities that may affect the environment. Our business may be adversely affected by increased costs and liabilities resulting from such stricter laws and regulations. We try to anticipate future regulatory requirements that might be imposed and to plan accordingly to remain in compliance with changing environmental laws and regulations and to minimize the costs of such compliance. However, there can be no assurances as to the timing and type of such changes in existing laws or the promulgation of new laws or the amount of any required expenditures associated therewith.

Consolidation of the New England supply network. In recent years, major terminals have been acquired and their former owners have reduced or eliminated operations in the wholesale market. The largest terminals, which form the core of the region s supply network, are still operating but are owned by fewer companies.

Results of Operations

Evaluating Our Results of Operations

Our management uses a variety of financial and operational measurements to analyze our performance. These measurements include: (1) net product margin, (2) gross profit, (3) selling, general and administrative expenses (SG&A), (4) operating expenses, (5) heating degree days, (6) adjusted net income per diluted limited partner unit, (7) earnings before interest, taxes, depreciation and amortization (EBITDA) and (8) distributable cash flow.

Net Product Margin

We view net product margin as an important performance measure of the core profitability of our operations. We review net product margin monthly for consistency and trend analysis. We define net product margin as our sales minus product costs. Sales include sales of distillates, unbranded gasoline, residual oil and bunker fuel and natural gas. Product costs include the cost of acquiring the refined petroleum products that we sell and all associated costs including shipping and handling costs to bring such products to the point of sale.

Gross Profit

We define gross profit as our sales minus product costs and terminal depreciation expense allocated to cost of sales. Sales include sales of distillates, unbranded gasoline, residual oil and bunker fuel and natural gas. Product costs include the cost of acquiring the refined petroleum products that we sell and all associated costs to bring such products to the point of sale.

Selling, General and Administrative Expenses

Our SG&A expenses include marketing costs, corporate overhead, employee salaries and benefits, pension and 401(k) plan expenses, discretionary bonuses, non-interest financing costs, professional fees and information technology expenses. Employee-related expenses including employee salaries, discretionary bonuses and related payroll taxes, and benefits, pension and 401(k) plan expenses are paid by our general partner which, in turn, is reimbursed for these expenses by us. We will incur additional expenses related to being a public company, most of which will be the result of increased accounting and legal expenses.

Operating Expenses

Operating expenses are costs associated with the operation of the terminals used in our business. Lease payments and storage expenses, maintenance and repair, utilities, taxes, labor and labor-related expenses comprise the most significant portion of our operating expenses. These expenses remain relatively stable independent of the volumes through our system but fluctuate slightly depending on the activities performed during a specific period.

Degree Day

A degree day is an industry measurement of temperature designed to evaluate energy demand and consumption. Degree days are based on how far the average temperature departs from a human comfort level of 65°F. Each degree of temperature above 65°F is counted as one cooling degree day, and each degree of temperature below 65°F is counted as one heating degree day. Degree days are accumulated each day over the course of a year and can be compared to a monthly or a long-term (multi-year) average, or normal, to see if a month or a year was warmer or cooler than usual. Degree days are officially observed by the National Weather Service and officially archived by the National Climatic Data Center. For purposes of evaluating our results of operations, we use the normal heating degree day amount as reported by the National Weather Service at its Logan International Airport station in Boston, Massachusetts.

Adjusted Net Income Per Diluted Limited Partner Unit

Net income per diluted limited partner unit as dictated by EITF 03-06 is theoretical and pro forma in nature and does not reflect the economic probabilities of whether earnings for an accounting period would or could be distributed to unitholders. The partnership agreement does not provide for the quarterly distribution of net income, rather, it provides for the distribution of available cash, which is a contractually defined term that generally means all cash on hand at the end of each quarter after establishment of sufficient cash reserves required to operate our business in a prudent manner. Accordingly, the distributions we historically paid and will pay in future periods are not impacted by net income per diluted limited partner unit as dictated by EITF 03-06. We use adjusted net income per diluted limited partner unit to measure our financial performance on a per-unit basis. Adjusted net income per diluted limited partner unit is defined as net income after adding back the theoretical amount allocated to the general partner s interest as provided under EITF 03-06, divided by the weighted average number of outstanding diluted limited partner units during the period.

EBITDA

EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors, commercial banks and research analysts, to assess:

our compliance with certain financial covenants included in our debt agreements;

our financial performance without regard to financing methods, capital structure, income taxes or historical cost basis;

our ability to generate cash sufficient to pay interest on our indebtedness and to make distributions to our partners;

our operating performance and return on invested capital as compared to those of other companies in the wholesale marketing and distribution of refined petroleum products business, without regard to financing methods and capital structure; and

the viability of acquisitions and capital expenditure projects and the overall rates of return of alternative investment opportunities.

EBITDA should not be considered an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA as presented below may not be comparable to similarly titled measures of other companies.

Distributable Cash Flow

Distributable cash flow also is an important non-GAAP financial measure for our limited partners since it serves as an indicator of our success in providing a cash return on their investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flows at a level that can sustain or support an increase in our quarterly cash distribution. Distributable cash flow is also a quantitative standard used by the investment community with respect to publicly traded partnerships. However, distributable cash flow is not a generally accepted accounting principle financial measure and should not be considered as an alternative to net income, cash flow from operations, or any other measure of financial performance presented in accordance with accounting principles generally accepted in the United States. In addition, our distributable cash flow may not be comparable to distributable cash flow or similarly titled measures of other companies. The generally accepted accounting measure most directly comparable to distributable cash flow is net income.

Three Months Ended March 31, 2006 Compared to Three Months Ended March 31, 2005

During the first quarter of 2006, we experienced an increase in gross profits and margins across both our wholesale and commercial segments. Commodity prices continued to rise during the quarter. Prices for distillates, gasoline and residual oil increased approximately 12%, 18% and 29%, respectively, for the quarter ended March 31, 2006 compared to the quarter ended March 31, 2005. Temperatures were 8.2% lower than normal as measured by aggregate heating degree days.

The following table presents our EBITDA and distributable cash flow, our volume, sales, net product margin and gross profit by segment and information on weather conditions (gallons and dollars in thousands, except per unit data):

		Successor		Predecessor
		Three Months Ended March 31,		
		2006 Consolidated		2005 Combined
Adjusted net income per diluted limited partner unit (1)	$	1.10	$	
EBITDA (2)	$	16,760	$	14,447
Distributable cash flow (3)	$	12,912	$	
Wholesale Segment:				
Volume (gallons)		688,484		752,388
Sales	$	1,196,979	$	1,027,162
Net product margin (4)				
Distillates		19,597		14,805
Gasoline		3,236		2,605
Residual oil		4,654		6,583
Total	$	27,487	$	23,993
Commercial Segment:				
Volume (gallons)		109,479		128,192
Sales	$	154,044	$	124,917
Net product margin (4)		5,136		4,801
Combined sales and net product margin:				
Sales	$	1,351,023	$	1,152,079
Net product margin (4)		32,623		28,794
Depreciation allocated to cost of sales		406		406
Combined gross profit	$	32,217	$	28,388
Weather conditions				
Normal heating degree days		2,870		2,870
Actual heating degree days		2,635		3,033
Variance from normal heating degree days		(8.2)%		5.7%

Variance from prior period actual heating degree days	(13.1)%	(1.6)%

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(1) Adjusted net income per diluted limited partner unit is a non-GAAP financial measure which is discussed above under Evaluating Our Operating Results. The table below presents a reconciliation of adjusted net income per diluted limited partner unit to the most directly comparable GAAP financial measure.

(2) EBITDA is a non-GAAP financial measure which is discussed above under Evaluating Our Operating Results. The table below presents a reconciliation of EBITDA to the most directly comparable GAAP financial measures.

(3) Distributable cash flow is a non-GAAP financial measure which is discussed above under Evaluating Our Operating Results. On October 4, 2005, we completed our IPO. Accordingly, distributable cash flow is presented for the period from January 1 through March 31, 2006. The table below presents a reconciliation of distributable cash flow to the most directly comparable GAAP financial measure.

(4) Net product margin is a supplemental non-GAAP financial measure used by management and external users of our financial statements to assess product costs associated with our business. The table above reconciles net product margin on a combined basis to gross profit, a directly comparable GAAP measure.

The following table presents a reconciliation of adjusted net income per diluted limited partner unit to the most directly comparable GAAP financial measure on a historical basis for the three months ended March 31, 2006:

Reconciliation of adjusted net income per diluted limited partner unit to net income per diluted limited partner unit:		
Net income per diluted limited partner unit under EITF 03-06	$	0.85
Dilutive impact of theoretical distribution of earnings		0.25
Adjusted net income per diluted limited partner unit	$	1.10

The following table presents a reconciliation of EBITDA to the most directly comparable GAAP financial measures on a historical basis for each of the periods indicated (in thousands).

	Successor		Predecessor	
	Three Months Ended March 31,			
	2006 Consolidated		2005 Combined	
Reconciliation of EBITDA to net income:				
Net income	$	12,688	$	11,300
Add:				
Depreciation and amortization		1,072		1,121
Interest expense		2,320		2,026
Income tax expense		680		
EBITDA	$	16,760	$	14,447

Reconciliation of EBITDA to cash flows from operating activities:				
Cash flow from operating activities	$	56,589	$	40,775
Decrease in operating assets and liabilities		(42,829)		(28,354)
Interest expense		2,320		2,026
Income tax expense		680		
EBITDA	$	16,760	$	14,447

The following table presents a reconciliation of distributable cash flow to the most directly comparable GAAP financial measures on a historical basis, for the three months ended March 31, 2006 (in thousands):

Reconciliation of distributable cash flow to net income:		
Net income	$	12,688
Depreciation and amortization		1,072
Capital expenditures		(848)
Distributable cash flow	$	12,912

Consolidated Results

Our total sales for the first quarter of 2006 increased $198.9 million, or 17%, to $1,351.0 million as compared to $1,152.1 million for the same period in 2005. The increase was driven by an increase in refined petroleum product prices despite an approximate 83 million gallon, or 9% decrease, to 798 million gallons in aggregate volume of product sold. The decrease in aggregate volume sold includes an 85 million gallon decrease in distillates and a 12 million gallon decrease in residual oil, offset by a 12 million gallon increase in gasoline. The number of normal heating degree days declined by 13% to 2,635 days compared to 3,033 days for the quarters ended March 31, 2006 and 2005, respectively. Our gross profit for the three months ended March 31, 2006 was $32.2 million, an increase of $3.8 million, or 13% compared to $28.4 million for the same period in 2005. The increase was primarily due to higher margins for our products.

Wholesale Segment

Distillates. Wholesale distillate sales for the three months ended March 31, 2006 was $860.6 million compared to $777.4 million for the same period in 2005. The increase of $83.2 million, or 11%, was due to an increase in distillate prices despite a 15% decrease in distillate volume sold. We attribute the decrease in volume sold to the expiration of supply contracts in the ordinary course of business and a reduction in bulk sales transactions to local competitors. Our net product margin contribution from distillate sales increased by $4.8 million, or 32%, to $19.6 million as a result of increased blending activities and our ability to pass through to customers our increased costs related to sales.

Gasoline. Wholesale gasoline sales for the three months ended March 31, 2006 was $306.6 million compared to $234.2 million for the same period in 2005. The increase of $72.4 million, or 31% was due to an increase in gasoline prices and a 7% increase in volume sold. Our net product margin from gasoline sales increased by $0.6 million, or 23%, to $3.2 million. We attribute this increase in net product margin to an increase in our volume of sales as well as a focus on sales to higher margin customers and our expanded use of our bulk storage capacity to store product in a contango market.

Residual Oil. Wholesale residual oil sales for the three months ended March 31, 2006 was $29.8 million compared to $15.6 million for the same period in 2005. The increase of $14.2 million, or 91%, was the result of an increase in residual oil prices and a 29% increase in residual oil volume sold. Net product margin contribution from residual oil sales decreased $1.9 million, or 29%, to $4.7 million, primarily due to a per unit margin reduction.

Commercial Segment

In our Commercial segment, residual oil accounted for approximately 84.1% and 84.2% of total volume sold for the three months ended March 31, 2006 and 2005, respectively. Distillates, gasoline and natural gas accounted for the remainder of the total volume sold. Commercial residual oil sales for the quarter ended March 31, 2006 increased by 15% compared to the same period in 2005 due to an increase in the price of residual oil despite a 20% decrease in volume sold. We attribute the decline in volume sold to the closure of plants and/or reductions in production by certain cyclical industry participants in our territory. This decrease in volume sold was offset in part by an increase in the volume of bunker fuel sold as a result of our continuing efforts to develop our current bunker business and to expand into new bunker markets.

Selling, General and Administrative

SG&A expenses increased by $1.0 million, or 10%, to $10.6 million for the three months ended March 31, 2006 compared to $9.6 million for the same period in 2005. The increase was primarily due to accrued bonuses and executive salaries of $.3 million and expenses associated with becoming a public company. Specifically, we recorded increased expenses in audit fees of $.1 million, tax preparation and analysis of $.1 million, director and officer insurance and fees of $.2 million and Sarbanes-Oxley 404 compliance, planning and documentation activities of $.3 million.

Operating Expenses

Operating expenses increased by $.5 million, or 10%, to $5.6 million for the three months ended March 31, 2006 compared to $5.1 million for the same period in 2005. The increase was primarily due to pipeline repair expenses of approximately $.3 million and an increase in energy costs of $.1 million associated with product handling at the terminal in Chelsea, Massachusetts, a $.1 million increase in rent for additional tankage at the Capitol Terminal in East Providence, Rhode Island, and an increase of $.1 million in energy costs associated with product handling at the terminal in Portland, Maine.

Amortization expense

Amortization expense was $.4 million for each of the three months ended March 31, 2006 and 2005.

Interest expense

Interest expense for the three months ended March 31, 2006 increased by $.3 million, or 15%, to $2.3 million compared to $2.0 million for the same period in 2005. We attribute the increase to a rise in the market prices for products and the resulting increased costs of carrying inventory and accounts receivable.

Liquidity and Capital Resources

Liquidity

Our primary liquidity needs are to fund our capital expenditures and our working capital requirements. Cash generated from operations and our working capital revolving credit facility provides our primary sources of liquidity. Working capital was $184.7 million at March 31, 2006 compared to $228.7 million at December 31, 2005.

Capital Expenditures

Our terminalling operations require investments to expand, upgrade or enhance existing operations and to meet environmental and operations regulations. Our capital requirements primarily consist of maintenance capital expenditures and capital improvement expenditures. Maintenance capital expenditures represent capital expenditures to replace partially or fully depreciated assets to maintain the operating capacity of, or sales generated by, existing assets and extend their useful lives, such as expenditures required to maintain equipment reliability, tankage and pipeline integrity and safety, and to address environmental regulations. Capital improvement expenditures include expenditures to acquire assets to grow our business and to expand existing facilities, such as projects that increase operating capacity by increasing tankage or adding terminals. Repair and maintenance expenses associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred. We incurred a total of approximately $.8 million and $.2 million in maintenance capital expenditures for the three months ended March 31, 2006 and 2005, respectively.

We anticipate that such maintenance capital expenditures will be funded with cash generated by operations. We anticipate that future capital improvement requirements will be provided through long-term borrowings or other debt financings and/or equity offerings. We believe that we have sufficient liquid assets, cash flow from operations and borrowing capacity under our credit agreement to meet our financial commitments, debt service obligations, contingencies and anticipated capital expenditures. However, we are subject to business and operational risks that could adversely affect our cash flow. A material decrease in our cash flows would likely produce a corollary adverse effect on our borrowing capacity.

Cash Flows

The following table summarizes cash flow activity (in thousands):

	Successor	Predecessor
	Three Months Ended March 31,	
	2006 Consolidated	2005 Combined
Net cash provided by operating activities	$ 56,589	$ 40,775
Net cash used in investing activities	$ (829)	$ (160)
Net cash used in by financing activities	$ (56,706)	$ (41,968)

Net cash provided by operating activities for the three months ended March 31, 2006 reflects the contraction of our balance sheet from decreases in the carrying values of accounts receivable, inventories and accounts payable as we exit our peak season.

Net cash used in investing activities for the three months ended March 31, 2006 primarily reflects property and equipment purchases.

Net cash used in financing activities primarily reflects the use of our revolving credit facility to finance business operations, as well as a cash distribution of $4.7 million paid in February 2006 for the fourth quarter of 2005 to our common and subordinated unitholders.

Credit Agreement

In November 2005, we, our general partner, our operating company and our operating subsidiaries amended our four-year senior secured credit agreement to increase total available commitments thereunder from $400.0 million to $500.0 million. The working capital revolving credit facility was increased by $100.0 million, comprising a $50.0 million increase in the permanent working capital revolving credit facility commitment and a new seasonal overline facility of $50.0 million (which is available each year only during the period between September 1st and June 30th.) As of March 31, 2006, we had borrowings outstanding under our working capital revolving credit facility of $129.7 million and outstanding letters of credit of $55.0 million, for a total indebtedness of $184.7 million.

The credit facilities are available to fund working capital, make acquisitions and provide payment for general partnership purposes. There are three facilities under our credit agreement:

a working capital revolving credit facility to be used for working capital purposes and letters of credit in the principal amount equal to the lesser of our borrowing base and $450.0 million, of which two $50.0 million seasonal overline facilities are available each year only during the period between September 1st and June 30th;

a $35.0 million acquisition facility to be used for funding acquisitions similar to our business line that have a purchase price of $25.0 million or less or $35.0 million or less in the aggregate in any 12-month period; and

a $15.0 million revolving credit facility to be used for general purposes, including payment of distributions to our unitholders.

Our obligations under the credit agreement are secured by substantially all of our assets and the assets of our operating company and operating subsidiaries.

Indebtedness under the credit agreement is guaranteed by our general partner. Pursuant to the agreement, interest on borrowings under our working capital revolving credit, acquisition credit, and revolving credit facilities is payable at (1) the Eurodollar rate, plus 1%, 1¾% or 1½ %, respectively, (2) the cost of funds rate, plus 1%, 1¾% or 1½ %, respectively, or (3) the bank s base rate, at our option (the average rate for the three months ended March 31, 2006 was approximately 5.5%). We incur a letter of credit fee of 1% per annum for each letter of credit issued. In addition, we incur a commitment fee on the unused portion of the three facilities (including any seasonal overline facility exercised by us) under the credit agreement at a rate of 25 basis points per annum, a facility fee of 10 basis points per annum on any unexercised seasonal overline facility during the period between September 1st and June 30th, and a seasonal overline fee of $30,000 each time we elect to exercise either of the seasonal overline facilities. The credit agreement will mature in October of 2009. At that time, the credit agreement will terminate and all outstanding amounts thereunder will be due and payable, unless the credit agreement is amended.

The credit agreement prohibits us from making distributions to unitholders if any potential default or event of default, as defined in the credit agreement, occurs or would result from the distribution. In addition, the credit agreement contains various covenants that may limit, among other things, our ability to:

- grant liens;
- make certain loans or investments;
- incur additional indebtedness or guarantee other indebtedness;
- make any material change to the nature of our business or undergo a fundamental change;
- make any material dispositions;
- acquire another company;
- enter into a merger, consolidation, sale leaseback transaction or purchase of assets;
- make distributions if any potential default or event of default occurs; or
- make capital expenditures in excess of specified levels.

The credit agreement also contains financial covenants requiring us to maintain:

- minimum working capital of $25.0 million through March 31, 2006 and $30.0 million thereafter;
- minimum EBITDA (as defined in the credit agreement) of $20.0 million;

a minimum EBITDA less capital expenditures to interest coverage ratio of 2.75 to 1; and

a maximum leverage to minimum EBITDA ratio of 2.5 to 1 with respect to the aggregate amount of borrowings outstanding under the $15.0 million revolving credit facility and the $35.0 million acquisition facility and other funded indebtedness.

If an event of default exists under the credit agreement, the lenders are able to accelerate the maturity of the credit agreement and exercise other rights and remedies. Each of the following could be an event of default:

failure to pay any principal when due or any interest, fees or other amounts when due;

failure of any representation or warranty to be true and correct in any material respect;

failure to perform or otherwise comply with the covenants in the credit agreement or in other loan documents to which we are a borrower;

any default in the performance of any obligation or condition beyond the applicable grace period relating to any other indebtedness of more than $2.0 million if the effect of the default is to permit or cause the acceleration of the indebtedness;

a judgment default for monetary judgments exceeding $2.0 million or a default under any nonmonetary judgment if such default could have a material adverse effect on us;

a change in management or ownership control; and

an ERISA violation or a bankruptcy or insolvency event involving us, our general partner or any of our subsidiaries.

The credit agreement limits distributions to our unitholders to available cash, and borrowings to fund such distributions are only permitted under the $15.0 million revolving credit facility. The $15.0 million revolving credit facility is subject to an annual clean-down period, requiring us to reduce the amount outstanding under the $15.0 million revolving credit facility to $0 for 30 consecutive calendar days in each calendar year.

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Bridgeport Terminal

In May of 2006, the Partnership completed its acquisition of a refined petroleum products terminal in Bridgeport, Connecticut from Connecticut Petroleum Wholesalers and one of its affiliates. The terminal has storage capacity for approximately 109,000 barrels of refined products, including #2 fuel oil and low sulfur diesel, and additional products.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management s Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated/combined financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions.

These estimates are based on our knowledge and understanding of current conditions and actions that we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. We have identified the following estimates that, in our opinion, are subjective in nature, require the exercise of judgment, and involve complex analysis: inventory, leases, revenue recognition, derivative financial instruments and environmental and other liabilities.

The significant accounting policies and estimates that we have adopted and followed in the preparation of our consolidated/combined financial statements are detailed in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates and Note 2 of Notes to Financial Statements, Summary of Significant Accounting Policies included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. There have been no subsequent changes in these policies and estimates that had a significant impact on our financial condition and results of operations for the periods covered in this report.

Recently Issued Accounting Standards

A description and related impact expected from the adoption of certain new accounting pronouncements is provided in Note 11 of Notes to Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. The principal market risks to which we are exposed are interest rate risk and commodity risk. We utilize various derivative instruments to manage exposure to commodity risk. Because the outstanding amount under our credit facility fluctuates due to commodity prices and the seasonality of our business, we have chosen currently and historically not to enter into any hedging instruments related to our variable rate debt.

Interest Rate Risk

We utilize variable rate debt and are exposed to market risk due to the floating interest rates on our current credit facility and term loan. Therefore, from time to time, we may utilize interest rate swaps and collars to hedge interest obligations on specific and anticipated debt issuances. We had no interest rate hedging instruments outstanding as of March 31, 2006. Borrowings under our working capital revolving credit, acquisition credit and revolving credit facilities currently bear interest at our option at (1) the Eurodollar rate, plus 1%, 1¾% or 1½ %, respectively, (2) the cost of funds rate, plus 1%, 1¾% or 1½ %, respectively, or (3) the bank s base rate, at our option. As of March 31, 2006, we had borrowings outstanding under our working capital revolving credit facility of $129.7 million. The impact of a 1% increase in the interest rate on this amount of debt would have resulted in an increase in interest expense, and a corresponding decrease in our results of operations, of approximately $1.3 million annually, assuming, however, that our indebtedness remained constant throughout the year.

Commodity Risk

We hedge our exposure to price fluctuations with respect to refined petroleum products in storage and expected purchases and sales of these commodities. The derivative instruments utilized consist primarily of futures and option contracts traded on the NYMEX and over-the-counter transactions, including swap contracts entered into with established financial institutions and other credit-approved energy companies. Our policy is generally to purchase only products for which we have a market and to structure our sales contracts so that price fluctuations do not materially affect the profit we receive. While our policies are designed to minimize market risk, some degree of exposure to unforeseen fluctuations in market conditions remains. Except for the controlled trading program discussed below, we do not acquire and hold futures contracts or other derivative products for the purpose of speculating on price changes that might expose us to indeterminable losses.

While we seek to maintain a position that is substantially balanced within our product purchase activities, we may experience net unbalanced positions for short periods of time as a result of variances in daily sales and transportation and delivery schedules as well as logistical issues associated with inclement weather conditions. In connection with managing these positions and maintaining a constant presence in the marketplace, both necessary for our business, we engage in a controlled trading program for up to an aggregate of 250,000 barrels of refined petroleum products.

We enter into future contracts to minimize or hedge the impact of market fluctuations on our purchase and fixed forward sales of refined petroleum products. Any hedge ineffectiveness is reflected in our results of operations. We utilize the NYMEX, which is a regulated exchange for energy products that it trades, thereby reducing potential delivery and supply risks. Generally, our practice is to close all NYMEX positions rather than to make or receive physical deliveries. With respect to other energy products, we enter into derivative agreements with counterparties that we believe have a strong credit profile, in order to hedge market fluctuations and/or lock-in margins relative to our commitments.

At March 31, 2006, the fair value of all of our commodity risk derivative instruments and the change in fair value that would be expected from a 10% price decrease are shown in the table below (in thousands):

Gain (loss):

	Fair Value at March 31, 2006	Effect of 10% Price Decrease
NYMEX contracts	$ (2,484)	$ 2,040
Swaps, options and other, net	1,769	5,328
	$ (715)	$ 7,368

The fair values of the futures contracts are based on quoted market prices obtained from the NYMEX. The fair value of the swaps and option contracts are estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at March 31, 2006. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. All hedge positions offset physical exposures to the spot market; none of these offsetting physical exposures are included in the above table. Price-risk sensitivities were calculated by assuming an across-the-board 10% decrease in price regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an actual 10% change in prompt month prices, the fair value of our derivative portfolio would typically change less than that shown in the table due to lower volatility in out-month prices. We have a daily margin requirement to maintain a cash deposit with our broker based on the prior day s market results on open futures contracts. The balance of this deposit will fluctuate based on our open market positions and the commodity exchange s requirements. The required brokerage margin balance was $4.8 million at March 31, 2006.

We are exposed to credit loss in the event of nonperformance by counterparties of forward contracts, options and swap agreements, but do not anticipate nonperformance by any of these counterparties. Futures contracts, the primary derivative instrument utilized, are traded on regulated exchanges, greatly reducing potential credit risks. Exposure on swap and certain option agreements is limited to the amount of the recorded fair value as of the balance sheet dates. We utilize primarily one broker for all derivative transactions and the right of offset exists. Accordingly, the fair value of all derivative instruments is displayed on a net basis.

Item 4. Controls and Procedures

In designing and evaluating controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) as of the fiscal quarter ended March 31, 2006. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

There has not been any change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal quarter ended March 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

General

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we do not believe that we are a party to any litigation that will have a material adverse impact on our financial condition or results of operations. Except as described below, we are not aware of any significant legal or governmental proceedings against us, or contemplated to be brought against us. We maintain insurance policies with insurers in amounts and with coverage and deductibles as our general partner believes are reasonable and prudent. However, we can provide no assurance that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that these levels of insurance will be available in the future at economical prices.

Environmental

Global Companies LLC, in addition to several affiliates, has been named as one of over 50 defendants in two lawsuits alleging methyl tertiary-butyl ether (MTBE) contamination of groundwater in Massachusetts. MTBE is an oxygenate that has been used extensively to reduce motor vehicle tailpipe emissions. In the cases of Town of Duxbury, et al. v. Amerada Hess Corp., et al., filed December 31, 2003, and City of Lowell v. Amerada Hess Corp., et al., filed December 30, 2004, plaintiffs allege that manufacturers, refiners and others involved in the distribution of gasoline containing MTBE are liable for the costs of investigating possible MTBE groundwater contamination, treating such contaminated groundwater where found, and related relief including treble damages and injunctive relief. The plaintiffs in these cases generally claim to be public water providers or municipal or other government authorities. These cases have been consolidated in multi-district litigation with over 60 other MTBE cases in federal court in the Southern District of New York. We intend to vigorously defend these cases. We do not believe that these cases will have a material impact on our operations although we can provide no assurances in this regard.

On November 29, 2004, a consent decree was lodged by the U.S. Department of Justice in the federal District Court for Massachusetts whereby Global Companies LLC and Global Petroleum Corp. settled alleged violations of Clean Air Act regulations related to fuel quality specifications. This consent decree was entered by the court on January 21, 2005. As part of this settlement, Global Companies LLC has paid a $500,000 civil penalty and instituted a compliance program for three years to ensure compliance with Clean Air Act fuel quality specifications. The alleged violations stemmed from the importation of finished conventional gasoline, which was not a substantial part of our operations at the time of the alleged violations. We do not believe that compliance with the terms of the consent decree will result in material costs.

Other

On September 15, 2005, the Office of the Attorney General of the Commonwealth of Massachusetts issued a Civil Investigative Demand to us in connection with an investigation of gasoline distributors and retailers in Massachusetts in the wake of Hurricane Katrina. We believe that the Attorney General s office has issued similar demands to other distributors and retailers. We have taken steps to comply with the demand. While we cannot predict the outcome of the investigation, we do not expect that the outcome will have a material adverse effect on us.

On November 22, 2005, the U.S. Federal Trade Commission issued a Civil Investigative Demand to us in connection with an investigation of petroleum products pricing by refiners and distributors. We believe that the Federal Trade Commission has issued similar demands to the major petroleum products refiners and other distributors. We have taken steps to comply with the demand. While we cannot predict the outcome of the investigation, we do not expect that the outcome will have a material adverse effect on us.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

Item 6. Exhibits

31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer of Global GP LLC, general partner of Global Partners LP.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer of Global GP LLC, general partner of Global Partners LP.
32.1	Section 1350 Certification of Chief Executive Officer of Global GP LLC, general partner of Global Partners LP.
32.2	Section 1350 Certification of Chief Financial Officer of Global GP LLC, general partner of Global Partners LP.

Not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section.

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 thereunto duly authorized.

GLOBAL PARTNERS LP

By: Global GP LLC,
its general partner

Dated: May 15, 2006

By: /s/ Eric Slifka
Eric Slifka
President and Chief Executive Officer
(Principal Executive Officer)

Dated: May 15, 2006

By: /s/ Thomas A. McManmon, Jr.
Thomas A. McManmon, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
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