

HollyFrontier Corp
Form 10-Q
August 08, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 1-3876

HOLLYFRONTIER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-1056913 (I.R.S. Employer Identification No.)
---	--

2828 N. Harwood, Suite 1300 Dallas, Texas (Address of principal executive offices) (214) 871-3555 (Registrant's telephone number, including area code)	75201 (Zip Code)
--	-------------------------

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: HollyFrontier Corp - Form 10-Q

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

199,857,034 shares of Common Stock, par value \$.01 per share, were outstanding on July 31, 2013.

Table of Content

HOLLYFRONTIER CORPORATION
INDEX

	Page
<u>Forward-Looking Statements</u>	<u>3</u>
 <u>PART I. FINANCIAL INFORMATION</u>	
<u>Definitions</u>	<u>4</u>
 <u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets</u> <u>June 30, 2013 (Unaudited) and December 31, 2012</u>	<u>6</u>
<u>Consolidated Statements of Income (Unaudited)</u> <u>Three and Six Months Ended June 30, 2013 and 2012</u>	<u>7</u>
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u> <u>Three and Six Months Ended June 30, 2013 and 2012</u>	<u>8</u>
<u>Consolidated Statements of Cash Flows (Unaudited)</u> <u>Six Months Ended June 30, 2013 and 2012</u>	<u>9</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>10</u>
 <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	 <u>36</u>
 <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	 <u>51</u>
 <u>Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles</u>	 <u>51</u>
 <u>Item 4. Controls and Procedures</u>	 <u>54</u>
 <u>PART II. OTHER INFORMATION</u>	
 <u>Item 1. Legal Proceedings</u>	 <u>55</u>
 <u>Item 1A. Risk Factors</u>	 <u>55</u>
 <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	 <u>56</u>
 <u>Item 6. Exhibits</u>	 <u>56</u>
 <u>Signatures</u>	 <u>57</u>
 <u>Index to Exhibits</u>	 <u>58</u>

Table of Content

FORWARD-LOOKING STATEMENTS

References herein to HollyFrontier Corporation (“HollyFrontier”) include HollyFrontier and its consolidated subsidiaries. In accordance with the Securities and Exchange Commission’s (“SEC”) “Plain English” guidelines, this Quarterly Report on Form 10-Q has been written in the first person. In this document, the words “we,” “our,” “ours” and “us” refer only to HollyFrontier and its consolidated subsidiaries or to HollyFrontier or an individual subsidiary and not to any other person with certain exceptions. Generally, the words “we,” “our,” “ours” and “us” include Holly Energy Partners, L.P. (“HEP”) and its subsidiaries as consolidated subsidiaries of HollyFrontier, unless when used in disclosures of transactions or obligations between HEP and HollyFrontier or its other subsidiaries. This document contains certain disclosures of agreements that are specific to HEP and its consolidated subsidiaries and do not necessarily represent obligations of HollyFrontier. When used in descriptions of agreements and transactions, “HEP” refers to HEP and its consolidated subsidiaries.

This Quarterly Report on Form 10-Q contains certain “forward-looking statements” within the meaning of the federal securities laws. All statements, other than statements of historical fact included in this Form 10-Q, including, but not limited to, those under “Results of Operations,” “Liquidity and Capital Resources” and “Risk Management” in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those in Part II, Item 1 “Legal Proceedings” are forward-looking statements. These statements are based on management’s beliefs and assumptions using currently available information and expectations as of the date hereof, are not guarantees of future performance and involve certain risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that our expectations will prove to be correct. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in these statements. Any differences could be caused by a number of factors including, but not limited to:

- risks and uncertainties with respect to the actions of actual or potential competitive suppliers of refined petroleum products in our markets;
- the demand for and supply of crude oil and refined products;
- the spread between market prices for refined products and market prices for crude oil;
- the possibility of constraints on the transportation of refined products;
- the possibility of inefficiencies, curtailments or shutdowns in refinery operations or pipelines;
- effects of governmental and environmental regulations and policies;
- the availability and cost of our financing;
- the effectiveness of our capital investments and marketing strategies;
- our efficiency in carrying out construction projects;
- our ability to acquire refined product operations or pipeline and terminal operations on acceptable terms and to integrate any existing or future acquired operations;
- the possibility of terrorist attacks and the consequences of any such attacks;
- general economic conditions; and
- other financial, operational and legal risks and uncertainties detailed from time to time in our SEC filings.

Cautionary statements identifying important factors that could cause actual results to differ materially from our expectations are set forth in this Form 10-Q, including without limitation, the forward-looking statements that are referred to above. This summary discussion should be read in conjunction with the discussion of the known material risk factors and other cautionary statements under the heading “Risk Factors” included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2012 and in Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and in conjunction with the discussion in this Form 10-Q in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the heading “Liquidity and Capital Resources.” All forward-looking statements included in this Form 10-Q and all subsequent written or oral forward-looking statements

Edgar Filing: HollyFrontier Corp - Form 10-Q

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 and, other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

3

Table of Content

PART I. FINANCIAL INFORMATION

DEFINITIONS

Within this report, the following terms have these specific meanings:

“Alkylation” means the reaction of propylene or butylene (olefins) with isobutane to form an iso-paraffinic gasoline (inverse of cracking).

“Aromatic oil” is long chain oil that is highly aromatic in nature that is used to manufacture tires and in the production of asphalt.

“BPD” means the number of barrels per calendar day of crude oil or petroleum products.

“BPSD” means the number of barrels per stream day (barrels of capacity in a 24 hour period) of crude oil or petroleum products.

“Biodiesel” means a clean alternative fuel produced from renewable biological resources.

“Black wax crude oil” is a low sulfur, low gravity crude oil produced in the Uintah Basin in Eastern Utah that has certain characteristics that require specific facilities to transport, store and refine into transportation fuels.

“Catalytic reforming” means a refinery process which uses a precious metal (such as platinum) based catalyst to convert low octane naphtha to high octane gasoline blendstock and hydrogen. The hydrogen produced from the reforming process is used to desulfurize other refinery oils and is a primary source of hydrogen for the refinery.

“Cracking” means the process of breaking down larger, heavier and more complex hydrocarbon molecules into simpler and lighter molecules.

“Crude distillation” means the process of distilling vapor from liquid crudes, usually by heating, and condensing the vapor slightly above atmospheric pressure turning it back to liquid in order to purify, fractionate or form the desired products.

“Ethanol” means a high octane gasoline blend stock that is used to make various grades of gasoline.

“FCC,” or fluid catalytic cracking, means a refinery process that breaks down large complex hydrocarbon molecules into smaller more useful ones using a circulating bed of catalyst at relatively high temperatures.

“Hydrodesulfurization” means to remove sulfur and nitrogen compounds from oil or gas in the presence of hydrogen and a catalyst at relatively high temperatures.

“Hydrogen plant” means a refinery unit that converts natural gas and steam to high purity hydrogen, which is then used in the hydrodesulfurization, hydrocracking and isomerization processes.

“HF alkylation,” or hydrofluoric alkylation, means a refinery process which combines isobutane and C3/C4 olefins using HF acid as a catalyst to make high octane gasoline blend stock.

“Isomerization” means a refinery process for rearranging the structure of C5/C6 molecules without changing their size or chemical composition and is used to improve the octane of C5/C6 gasoline blendstocks.

“LPG” means liquid petroleum gases.

“Lubricant” or “lube” means a solvent neutral paraffinic product used in passenger and commercial vehicle engine oils, specialty products for metal working or heat transfer and other industrial applications.

“MSAT2” means Control of Hazardous Air Pollutants from Mobile Sources, a rule issued by the U.S. Environmental Protection Agency to reduce hazardous emissions from motor vehicles and motor vehicle fuels.

“MEK” means a lube process that separates waxy oil from non-waxy oils using methyl ethyl ketone as a solvent.

Table of Content

“MMBTU” means one million British thermal units.

“Natural gasoline” means a low octane gasoline blend stock that is purchased and used to blend with other high octane stocks produced to make various grades of gasoline.

“Paraffinic oil” is a high paraffinic, high gravity oil produced by extracting aromatic oils and waxes from gas oil and is used in producing high-grade lubricating oils.

“Refinery gross margin” means the difference between average net sales price and average product costs per produced barrel of refined products sold. This does not include the associated depreciation and amortization costs.

“Reforming” means the process of converting gasoline type molecules into aromatic, higher octane gasoline blend stocks while producing hydrogen in the process.

“Roofing flux” is produced from the bottom cut of crude oil and is the base oil used to make roofing shingles for the housing industry.

“ROSE,” or “Solvent deasphalter / residuum oil supercritical extraction,” means a refinery unit that uses a light hydrocarbon like propane or butane to extract non-asphaltene heavy oils from asphalt or atmospheric reduced crude. These deasphalted oils are then further converted to gasoline and diesel in the FCC process. The remaining asphaltenes are either sold, blended to fuel oil or blended with other asphalt as a hardener.

“Scanfiner” is a refinery unit that removes sulfur from gasoline to produce low sulfur gasoline blendstock.

“Sour crude oil” means crude oil containing quantities of sulfur greater than 0.4 percent by weight, while “sweet crude oil” means crude oil containing quantities of sulfur equal to or less than 0.4 percent by weight.

“Vacuum distillation” means the process of distilling vapor from liquid crudes, usually by heating, and condensing the vapor below atmospheric pressure turning it back to a liquid in order to purify, fractionate or form the desired products.

“WCS” means Western Canada Select crude oil and is made up of Canadian heavy conventional and bitumen crude oils blended with sweet synthetic and condensate diluents.

“WTI” means West Texas Intermediate and is a grade of crude oil used as a common benchmark in oil pricing. WTI is a sweet crude oil and has a relatively low density.

“WTS” means West Texas Sour, a medium sour crude oil.

Table of Content

Item 1. Financial Statements

HOLLYFRONTIER CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents (HEP: \$8,716 and \$5,237, respectively)	\$1,349,420	\$1,757,699
Marketable securities	632,715	630,586
Accounts receivable: Product and transportation (HEP: \$36,121 and \$38,097, respectively)	701,724	587,728
Crude oil resales	69,081	46,502
	770,805	634,230
Inventories: Crude oil and refined products	1,472,071	1,238,678
Materials, supplies and other (HEP: \$1,783 and \$1,259, respectively)	78,372	80,954
	1,550,443	1,319,632
Income taxes receivable	62,431	74,957
Prepayments and other (HEP: \$2,531 and \$2,360, respectively)	82,338	53,161
Total current assets	4,448,152	4,470,265
Properties, plants and equipment, at cost (HEP: \$1,168,786 and \$1,155,710, respectively)	4,101,398	3,943,114
Less accumulated depreciation (HEP: \$(165,829) and \$(141,154), respectively)	(843,567)	(748,414)
	3,257,831	3,194,700
Marketable securities (long-term)	3,393	5,116
Other assets: Turnaround costs	268,220	151,764
Goodwill (HEP: \$288,991 and \$288,991, respectively)	2,338,302	2,338,302
Intangibles and other (HEP: \$76,203 and \$76,300, respectively)	178,036	168,850
	2,784,558	2,658,916
Total assets	\$10,493,934	\$10,328,997
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable (HEP: \$13,720 and \$12,030, respectively)	\$1,593,370	\$1,314,151
Accrued liabilities (HEP: \$24,607 and \$23,705, respectively)	135,033	195,077
Deferred income tax liabilities	151,288	145,216
Total current liabilities	1,879,691	1,654,444
Long-term debt (HEP: \$799,152 and \$864,673, respectively)	990,236	1,336,238
Deferred income taxes (HEP: \$5,287 and \$4,951, respectively)	579,867	536,670
Other long-term liabilities (HEP: \$30,770 and \$28,683, respectively)	144,762	158,987
Equity:		
HollyFrontier stockholders' equity:		
Preferred stock, \$1.00 par value – 5,000,000 shares authorized; none issued	—	—
Common stock \$.01 par value – 320,000,000 shares authorized; 255,962,866 shares issued as of June 30, 2013 and December 31, 2012	2,560	2,560

Edgar Filing: HollyFrontier Corp - Form 10-Q

Additional capital	3,982,060	3,911,353
Retained earnings	3,319,550	3,054,769
Accumulated other comprehensive income (loss)	33,206	(8,425)
Common stock held in treasury, at cost – 55,902,645 and 52,411,370 shares as of June 30, 2013 and December 31, 2012, respectively	(1,071,943)	(907,303)
Total HollyFrontier stockholders' equity	6,265,433	6,052,954
Noncontrolling interest	633,945	589,704
Total equity	6,899,378	6,642,658
Total liabilities and equity	\$10,493,934	\$10,328,997

Parenthetical amounts represent asset and liability balances attributable to Holly Energy Partners, L.P. (“HEP”) as of June 30, 2013 and December 31, 2012. HEP is a consolidated variable interest entity.

See accompanying notes.

Table of Content
HOLLYFRONTIER CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Sales and other revenues	\$5,298,848	\$4,806,681	\$10,006,637	\$9,738,419
Operating costs and expenses:				
Cost of products sold (exclusive of depreciation and amortization)	4,456,808	3,681,764	8,249,343	7,868,681
Operating expenses (exclusive of depreciation and amortization)	277,542	222,726	542,641	464,353
General and administrative expenses (exclusive of depreciation and amortization)	34,000	32,106	63,198	59,634
Depreciation and amortization	70,492	56,948	142,254	113,050
Total operating costs and expenses	4,838,842	3,993,544	8,997,436	8,505,718
Income from operations	460,006	813,137	1,009,201	1,232,701
Other income (expense):				
Earnings (loss) of equity method investments	(1,089	) 886	(1,030	) 1,603
Interest income	778	681	2,309	1,141
Interest expense	(19,794	) (26,942	) (41,114	) (60,257
Loss on early extinguishment of debt	(22,109	) —	(22,109) —
Gain on sale of marketable equity securities	—	326	—	326
	(42,214	) (25,049	) (61,944	) (57,187
Income before income taxes	417,792	788,088	947,257	1,175,514
Income tax provision:				
Current	143,439	285,937	350,066	428,807
Deferred	8,604	(219	) (11,929	) (2,683
	152,043	285,718	338,137	426,124
Net income	265,749	502,370	609,120	749,390
Less net income attributable to noncontrolling interest	8,768	8,871	18,470	14,195
Net income attributable to HollyFrontier stockholders	\$256,981	\$493,499	\$590,650	\$735,195
Earnings per share attributable to HollyFrontier stockholders:				
Basic	\$1.27	\$2.40	\$2.91	\$3.55
Diluted	\$1.27	\$2.39	\$2.91	\$3.54
Cash dividends declared per common share	\$0.80	\$0.65	\$1.60	\$1.25
Average number of common shares outstanding:				
Basic	201,543	205,727	202,131	207,129
Diluted	201,905	206,481	202,485	207,938

See accompanying notes.

Table of Content

HOLLYFRONTIER CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
	2012		2012	
Net income	\$265,749	\$502,370	\$609,120	\$749,390
Other comprehensive income (loss):				
Securities available-for-sale:				
Unrealized gain (loss) on available-for-sale securities	(39)	(114)	(26)	191)
Reclassification adjustments to net income on sale or maturity of marketable securities	(6)	(290)	(3)	(407))
Net unrealized loss on available-for-sale securities	(45)	(404)	(29)	(216))
Hedging instruments:				
Change in fair value of cash flow hedging instruments	27,661	25,242	17,315	(115,455)
Reclassification adjustments to net income on settlement of cash flow hedging instruments	(6,073)	4,286	21,631	(11,906)
Amortization of unrealized loss attributable to discontinued cash flow hedges	270	1,273	1,209	2,547
Net unrealized gain (loss) on hedging instruments	21,858	30,801	40,155	(124,814)
Settlement of pension plan obligations	28,986	—	28,986	—
Actuarial loss on post-retirement healthcare plan reclassified to net income upon partial plan settlement	—	—	1,726	—
Pension plan curtailment adjustment	—	7,102	—	7,102
Other comprehensive income (loss) before income taxes	50,799	37,499	70,838	(117,928)
Income tax expense (benefit)	18,986	14,640	26,474	(46,030)
Other comprehensive income (loss)	31,813	22,859	44,364	(71,898)
Total comprehensive income	297,562	525,229	653,484	677,492
Less noncontrolling interest in comprehensive income	10,708	8,734	21,202	14,595
Comprehensive income attributable to HollyFrontier stockholders	\$286,854	\$516,495	\$632,282	\$662,897

See accompanying notes.

Table of Content

HOLLYFRONTIER CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$609,120	\$749,390
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142,254	113,050
Earnings of equity method investments, net of distributions	2,593	(104)
Loss on early extinguishment of debt attributable to unamortized discount	7,948	—
Gain on sale of marketable equity securities	—	(326)
Deferred income taxes	(11,929)	(2,683)
Equity-based compensation expense	17,192	17,491
Change in fair value – derivative instruments	(57,192)	10,289
(Increase) decrease in current assets:		
Accounts receivable	(122,875)	103,674
Inventories	(230,811)	(195,200)
Income taxes receivable	12,526	365
Prepayments and other	10,040	17,928
Increase (decrease) in current liabilities:		
Accounts payable	216,506	(418,937)
Income taxes payable	—	121,899
Accrued liabilities	(7,588)	(34,870)
Turnaround expenditures	(159,811)	(46,995)
Other, net	23,542	(5,468)
Net cash provided by operating activities	451,515	429,503
Cash flows from investing activities:		
Additions to properties, plants and equipment	(153,942)	(104,401)
Additions to properties, plants and equipment – HEP	(16,861)	(23,619)
Proceeds from sale of property and equipment	5,802	—
Investment in Sabine Biofuels	(2,000)	(2,000)
Advances to Sabine Biofuels	(13,700)	—
Purchases of marketable securities	(399,154)	(166,429)
Sales and maturities of marketable securities	398,762	151,996
Net cash used for investing activities	(181,093)	(144,453)
Cash flows from financing activities:		
Borrowings under credit agreement – HEP	154,500	99,000
Repayments under credit agreement – HEP	(220,500)	(129,000)
Net proceeds from issuance of senior notes – HEP	—	294,750
Redemption of senior notes – HFC	(286,812)	(5,000)
Redemption premium on early extinguishment of debt	(14,161)	—
Principal tender on senior notes – HEP	—	(185,000)
Proceeds from sale of HEP common units	73,444	—
Proceeds from common unit offerings - HEP	73,444	—
Purchase of treasury stock	(159,432)	(189,771)

Edgar Filing: HollyFrontier Corp - Form 10-Q

Structured stock repurchase arrangement	—	(100,000)
Contribution from joint venture partner	—	6,000
Dividends	(264,867)	(249,958)
Distributions to noncontrolling interest	(34,604)	(28,944)
Excess tax benefit from equity-based compensation	1,037	4,762
Purchase of units for incentive grants – HEP	(2,934)	(4,533)
Deferred financing costs	—	(3,229)
Other	2,184	(833)
Net cash used for financing activities	(678,701)	(491,756)
Cash and cash equivalents:		
Decrease for the period	(408,279)	(206,706)
Beginning of period	1,757,699	1,578,904
End of period	\$1,349,420	\$1,372,198
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$46,566	\$48,928
Income taxes	\$336,099	\$301,854

See accompanying notes.

Table of Content

HOLLYFRONTIER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1: Description of Business and Presentation of Financial Statements

References herein to HollyFrontier Corporation (“HollyFrontier”) include HollyFrontier and its consolidated subsidiaries. In accordance with the Securities and Exchange Commission’s (“SEC”) “Plain English” guidelines, this Quarterly Report on Form 10-Q has been written in the first person. In these financial statements, the words “we,” “our,” “ours” and “us” refer only to HollyFrontier and its consolidated subsidiaries or to HollyFrontier or an individual subsidiary and not to any other person, with certain exceptions. Generally, the words “we,” “our,” “ours” and “us” include Holly Energy Partners, L.P. (“HEP”) and its subsidiaries as consolidated subsidiaries of HollyFrontier, unless when used in disclosures of transactions or obligations between HEP and HollyFrontier or its other subsidiaries. These financial statements contain certain disclosures of agreements that are specific to HEP and its consolidated subsidiaries and do not necessarily represent obligations of HollyFrontier. When used in descriptions of agreements and transactions, “HEP” refers to HEP and its consolidated subsidiaries.

We are principally an independent petroleum refiner that produces high-value light products such as gasoline, diesel fuel, jet fuel, specialty lubricant products, and specialty and modified asphalt. We own and operate petroleum refineries that serve markets throughout the Mid-Continent, Southwest and Rocky Mountain regions of the United States. As of June 30, 2013, we:

owned and operated a petroleum refinery in El Dorado, Kansas (the “El Dorado Refinery”), two refinery facilities located in Tulsa, Oklahoma (collectively, the “Tulsa Refineries”), a refinery in Artesia, New Mexico that is operated in conjunction with crude oil distillation and vacuum distillation and other facilities situated 65 miles away in Lovington, New Mexico (collectively, the “Navajo Refinery”), a refinery located in Cheyenne, Wyoming (the “Cheyenne Refinery”) and a refinery in Woods Cross, Utah (the “Woods Cross Refinery”);

owned and operated NK Asphalt Partners (“NK Asphalt”) which operates various asphalt terminals in Arizona and New Mexico;

owned Ethanol Management Company (“EMC”), a products terminal and blending facility near Denver, Colorado and a 50% interest in Sabine Biofuels II, LLC (“Sabine Biofuels”), a biodiesel production facility located in Port Arthur, Texas; and

owned a 39% interest in HEP, a consolidated variable interest entity (“VIE”), which includes our 2% general partner interest. HEP owns and operates logistic assets consisting of petroleum product and crude oil pipelines and terminal, tankage and loading rack facilities that principally support our refining and marketing operations in the Mid-Continent, Southwest and Rocky Mountain regions of the United States and Alon USA, Inc.’s (“Alon”) refinery in Big Spring, Texas. Additionally, HEP owns a 75% interest in UNEV Pipeline, LLC (“UNEV”), which owns a 12-inch refined products pipeline from Salt Lake City, Utah to Las Vegas, Nevada, together with terminal facilities in the Cedar City, Utah and North Las Vegas areas (the “UNEV Pipeline”), and a 25% interest in SLC Pipeline LLC (the “SLC Pipeline”), a 95-mile intrastate pipeline system that serves refineries in the Salt Lake City area.

We have prepared these consolidated financial statements without audit. In management’s opinion, these consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of our consolidated financial position as of June 30, 2013, the consolidated results of operations and comprehensive income for the three and six months ended June 30, 2013 and 2012 and consolidated cash flows for the six months ended June 30, 2013 and 2012 in accordance with the rules and regulations of the SEC. Although certain notes and other information required by generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted, we believe that the disclosures in these consolidated financial statements are adequate to make the information

presented not misleading. These consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012 that has been filed with the SEC.

Our results of operations for the six months ended June 30, 2013 are not necessarily indicative of the results of operations to be realized for the year ending December 31, 2013.

Balance Sheet Offsetting: We purchase and sell inventories of crude oil with certain same-parties that are net settled in accordance with contractual net settlement provisions. Our policy is to present such balances on a net basis because it more appropriately presents our economic resources (accounts receivable) and claims against us (accounts payable) and the future cash flows associated with such assets and liabilities.

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

Accounts Receivable: Our accounts receivable consist of amounts due from customers that are primarily companies in the petroleum industry. Credit is extended based on our evaluation of the customer's financial condition, and in certain circumstances collateral, such as letters of credit or guarantees, is required. We reserve for doubtful accounts based on our historical loss experience as well as specific accounts identified as high risk, which historically have been minimal. Credit losses are charged to the allowance for doubtful accounts when an account is deemed uncollectible. Our allowance for doubtful accounts was \$2.5 million at June 30, 2013 and December 31, 2012.

Inventories: We use the last-in, first-out ("LIFO") method of valuing inventory. Under the LIFO method, an actual valuation of inventory can only be made at the end of each year based on the inventory levels at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final year-end LIFO inventory valuation.

Goodwill: Goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired and liabilities assumed. Goodwill is not subject to amortization and is tested annually, or more frequently if events or circumstances indicate the possibility of impairment. As of June 30, 2013, there have been no impairments to goodwill.

NOTE 2: Variable Interest Entities

Holly Energy Partners

HEP, a consolidated VIE, is a publicly held master limited partnership that was formed to acquire, own and operate the petroleum product and crude oil pipeline and terminal, tankage and loading rack facilities that support our refining and marketing operations in the Mid-Continent, Southwest and Rocky Mountain regions of the United States. HEP also owns and operates refined product pipelines and terminals, located primarily in Texas, that serve Alon's refinery in Big Spring, Texas.

As of June 30, 2013, we owned a 39% interest in HEP, including the 2% general partner interest. We are the primary beneficiary of HEP's earnings and cash flows and therefore we consolidate HEP. See Note 16 for supplemental guarantor/non-guarantor financial information, including HEP balances included in these consolidated financial statements. All intercompany transactions with HEP are eliminated in our consolidated financial statements.

HEP has two primary customers (including us) and generates revenues by charging tariffs for transporting petroleum products and crude oil through its pipelines, by charging fees for terminalling refined products and other hydrocarbons, and storing and providing other services at its storage tanks and terminals. Under our long-term transportation agreements with HEP (discussed further below), we accounted for 83% of HEP's total revenues for the six months ended June 30, 2013. We do not provide financial or equity support through any liquidity arrangements and /or debt guarantees to HEP.

HEP has outstanding debt under a senior secured revolving credit agreement and its senior notes. With the exception of the assets of HEP Logistics Holdings, L.P., one of our wholly-owned subsidiaries and HEP's general partner, HEP's creditors have no recourse to our assets. Any recourse to HEP's general partner would be limited to the extent of HEP Logistics Holdings, L.P.'s assets, which other than its investment in HEP, are not significant. Furthermore, our creditors have no recourse to the assets of HEP and its consolidated subsidiaries. See Note 9 for a description of HEP's

debt obligations.

HEP has risk associated with its operations. If a major customer of HEP were to terminate its contracts or fail to meet desired shipping or throughput levels for an extended period of time, revenue would be reduced and HEP could suffer substantial losses to the extent that a new customer is not found. In the event that HEP incurs a loss, our operating results will reflect HEP's loss, net of intercompany eliminations, to the extent of our ownership interest in HEP at that point in time.

11

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

Transportation Agreements

HEP serves our refineries under long-term pipeline and terminal, tankage and throughput agreements expiring from 2019 through 2026. Under these agreements, we pay HEP fees to transport, store and throughput volumes of refined product and crude oil on HEP's pipeline and terminal, tankage and loading rack facilities that result in minimum annual payments to HEP including UNEV (a consolidated subsidiary of HEP). Under these agreements, the agreed upon tariff rates are subject to annual tariff rate adjustments on July 1 at a rate based upon the percentage change in Producer Price Index ("PPI") or Federal Energy Regulatory Commission ("FERC") index. As of July 1, 2013, these agreements result in minimum annualized payments to HEP of \$225.5 million.

Since HEP is a consolidated VIE, our transactions with HEP including fees paid under our transportation agreements with HEP are eliminated and have no impact on our consolidated financial statements.

HEP Common Unit Offering

In March 2013, HEP closed on a public offering of 1,875,000 of its common units. Additionally, our wholly-owned subsidiary, HollyFrontier Holdings LLC, as a selling unitholder, closed on a public sale of 1,875,000 HEP common units held by it. HEP used net proceeds of \$73.4 million to repay indebtedness incurred under its credit facility and for general partnership purposes. As a result of these transactions and resulting HEP ownership changes, we adjusted additional capital and equity attributable to HEP's noncontrolling interest holders to reallocate HEP's equity among its unitholders.

Sabine Biofuels

We have a 50% ownership interest in Sabine Biofuels, a biofuels production facility that is a VIE. We do not hold a controlling financial interest, nor are we its primary beneficiary. Accordingly, we account for our investment using the equity method of accounting which had a carrying amount of \$10.0 million at June 30, 2013 and is classified as a noncurrent asset under "Intangibles and other" in our consolidated balance sheets. Also, we have extended a working capital facility to Sabine Biofuels having an outstanding balance of \$17.9 million at June 30, 2013.

NOTE 3: Financial Instruments

Our financial instruments consist of cash and cash equivalents, investments in marketable securities, accounts receivable, accounts payable, debt and derivative instruments. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value. HEP's outstanding credit agreement borrowings also approximate fair value as interest rates are reset frequently at current interest rates.

Fair value measurements are derived using inputs (assumptions that market participants would use in pricing an asset or liability, including assumptions about risk). GAAP categorizes inputs used in fair value measurements into three broad levels as follows:

¶(Level 1) Quoted prices in active markets for identical assets or liabilities.

(Level 2) Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.

¶(Level 3) Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes valuation techniques that involve significant unobservable inputs.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

The carrying amounts and related estimated fair values of our investments in marketable securities, derivative instruments and senior notes at June 30, 2013 and December 31, 2012 were as follows:

Financial Instrument	Carrying Amount	Fair Value	Fair Value by Input Level		
			Level 1	Level 2	Level 3
(In thousands)					
June 30, 2013					
Assets:					
Marketable debt securities	\$636,108	\$636,108	\$—	\$636,108	\$—
Commodity price swaps	51,720	51,720	—	12,683	39,037
HEP interest rate swaps	545	545	—	545	—
Total assets	\$688,373	\$688,373	\$—	\$649,336	\$39,037
Liabilities:					
NYMEX futures contracts	\$1,694	\$1,694	\$1,694	\$—	\$—
Commodity price swaps	28,398	28,398	—	26,487	1,911
HollyFrontier senior notes	155,489	161,250	—	161,250	—
HEP senior notes	444,152	452,625	—	452,625	—
Total liabilities	\$629,733	\$643,967	\$1,694	\$640,362	\$1,911
December 31, 2012					
Assets:					
Marketable debt securities	\$635,702	\$635,702	\$—	\$635,702	\$—
Commodity price swaps	17,383	17,383	—	6,151	11,232
Total assets	\$653,085	\$653,085	\$—	\$641,853	\$11,232
Liabilities:					
NYMEX futures contracts	\$5,563	\$5,563	\$5,563	\$—	\$—
Commodity price swaps	83,982	83,982	—	39,092	44,890
HollyFrontier senior notes	435,254	470,990	—	470,990	—
HEP senior notes	443,673	484,125	—	484,125	—
HEP interest rate swaps	3,430	3,430	—	3,430	—
Total liabilities	\$971,902	\$1,048,090	\$5,563	\$997,637	\$44,890

Level 1 Financial Instruments

Our NYMEX futures contracts are exchange traded and are measured and recorded at fair value using quoted market prices, a Level 1 input.

Level 2 Financial Instruments

Investments in marketable debt securities and derivative instruments consisting of commodity price swaps and HEP's interest rate swaps are measured and recorded at fair value using Level 2 inputs. The fair values of the commodity price and interest rate swap contracts are based on the net present value of expected future cash flows related to both variable and fixed rate legs of the respective swap agreements. The measurements are computed using market-based observable inputs, quoted forward commodity prices with respect to our commodity price swaps and the forward London Interbank Offered Rate ("LIBOR") yield curve with respect to HEP's interest rate swaps. The fair value of the marketable debt securities and senior notes is based on values provided by a third-party, which were derived using

market quotes for similar type instruments, a Level 2 input.

13

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

Level 3 Financial Instruments

We have commodity price swap contracts that relate to forecasted sales of diesel and forecasted purchases of WCS and WTS for which quoted forward market prices are not readily available. The forward rate used to value these price swaps is derived using a projected forward rate using quoted market rates for similar products, adjusted for regional pricing and grade differentials, a Level 3 input.

The following table presents the changes in fair value of the Level 3 assets and liabilities (all related to derivative instruments) for the three and six months ended June 30, 2013 and 2012:

Level 3 Financial Instruments	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Asset (liability) balance at beginning of period	\$(6,249	) \$(149,278	) \$(33,658	) \$31,616
Change in fair value:				
Recognized in other comprehensive income	50,615	248,572	1,413	33,553
Recognized in cost of products sold	3,662	—	47,222	—
Settlement date fair value of contractual maturities:				
Recognized in sales and other revenues	(3,868	) 20,167	15,316	54,292
Recognized in cost of products sold	(7,034	) —	6,833	—
Asset balance at end of period	\$37,126	\$119,461	\$37,126	\$119,461

A hypothetical change of 10% to the estimated future cash flows attributable to our Level 3 derivative instruments would result in an estimated fair value change of approximately \$3.7 million.

NOTE 4: Earnings Per Share

Basic earnings per share is calculated as net income attributable to HollyFrontier stockholders divided by the average number of shares of common stock outstanding. Diluted earnings per share assumes, when dilutive, the issuance of the net incremental shares from variable restricted and variable performance shares. The following is a reconciliation of the denominators of the basic and diluted per share computations for net income attributable to HollyFrontier stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands, except per share data)			
Net income attributable to HollyFrontier stockholders	\$256,981	\$493,499	\$590,650	\$735,195
Participating securities' share in earnings	917	2,257	2,201	3,116
Net income attributable to common shares	\$256,064	\$491,242	\$588,449	\$732,079
Average number of shares of common stock outstanding	201,543	205,727	202,131	207,129
Effect of dilutive variable restricted shares and performance share units ⁽¹⁾	362	754	354	809
Average number of shares of common stock outstanding assuming dilution	201,905	206,481	202,485	207,938

Edgar Filing: HollyFrontier Corp - Form 10-Q

Basic earnings per share	\$1.27	\$2.40	\$2.91	\$3.55
Diluted earnings per share	\$1.27	\$2.39	\$2.91	\$3.54
(1) Excludes anti-dilutive restricted and performance share units of:	232	—	248	—

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

NOTE 5: Stock-Based Compensation

As of June 30, 2013, we have two principal share-based compensation plans (collectively, the “Long-Term Incentive Compensation Plan”).

The compensation cost charged against income for these plans was \$7.9 million and \$7.3 million for the three months ended June 30, 2013 and 2012, respectively, and \$15.3 million and \$15.9 million for the six months ended June 30, 2013 and 2012, respectively. Our accounting policy for the recognition of compensation expense for awards with pro-rata vesting (substantially all of our awards) is to expense the costs ratably over the vesting periods.

Additionally, HEP maintains a share-based compensation plan for Holly Logistic Services, L.L.C. non-employee directors and certain executives and employees. Compensation cost attributable to HEP’s share-based compensation plan was \$0.8 million and \$0.7 million for the three months ended June 30, 2013 and 2012, respectively, and \$1.9 million and \$1.6 million for the six months ended June 30, 2013 and 2012, respectively.

Restricted Stock and Restricted Stock Units

Under our Long-Term Incentive Compensation Plan, we grant certain officers and other key employees restricted stock awards with awards generally vesting over a period of three years. Award recipients are generally entitled to all the rights of absolute ownership of the restricted shares from the date of grant (unless a recipient's tax election requires otherwise) including the right to vote the shares and to receive dividends. Upon vesting, restrictions on the restricted shares lapse at which time they convert to common shares. The vesting for certain key executives is contingent upon certain performance targets being realized. In addition, we grant non-employee directors restricted stock unit awards, which typically vest over a period of one year and are payable in stock. The fair value of each restricted stock and restricted stock unit award is measured based on the market price as of the date of grant and is amortized over the respective vesting period.

A summary of restricted stock and restricted stock unit activity and changes during the six months ended June 30, 2013 is presented below:

Restricted Stock and Restricted Stock Units	Grants	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (\$000)
Outstanding at January 1, 2013 (non-vested)	843,527	\$34.52	
Granted	33,181	46.09	
Vesting (transfer/conversion to common stock)	(125,600)	) 23.53	
Forfeited	(11,405)	) 36.11	
Outstanding at June 30, 2013 (non-vested)	739,703	\$36.88	\$31,645

For the six months ended June 30, 2013, 125,600 restricted stock and restricted stock units vested having a grant date fair value of \$3.0 million. As of June 30, 2013, there was \$11.8 million of total unrecognized compensation cost related to non-vested restricted stock and restricted stock unit grants. That cost is expected to be recognized over a weighted-average period of 1.1 years.

Performance Share Units

Under our Long-Term Incentive Compensation Plan, we grant certain officers and other key employees performance share units, which are payable in stock upon meeting certain criteria over the service period, and generally vest over a period of three years. Under the terms of our performance share unit grants, awards are subject to either a “financial performance” or “market performance” criteria, or both.

The fair value of performance share unit awards subject to financial performance criteria is computed using the grant date closing stock price of each respective award grant and will apply to the number of units ultimately awarded. The number of shares ultimately issued for each award will be based on our financial performance as compared to peer group companies over the performance period and can range from zero to 200%. As of June 30, 2013, estimated share payouts for outstanding non-vested performance share unit awards ranged from 110% to 170%.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

For the performance share units subject to market performance criteria, performance is calculated as the total shareholder return achieved by HollyFrontier stockholders compared with the average shareholder return achieved by an equally-weighted peer group of independent refining companies over a three-year period. These share unit awards are valued using a Monte Carlo valuation model, which simulates future stock price movements using key inputs including grant date stock prices, expected stock price performance, expected rate of return and volatility. These units are payable in stock based on share price performance relative to the defined peer group and can range from zero to 200% of the initial target award.

A summary of performance share unit activity and changes during the six months ended June 30, 2013 is presented below:

Performance Share Units	Grants
Outstanding at January 1, 2013 (non-vested)	875,574
Granted	528
Vesting and transfer of ownership to recipients	—
Forfeited	(13,719)
Outstanding at June 30, 2013 (non-vested)	862,383

Based on the weighted-average grant date fair value of \$35.40 per share, there was \$22.2 million of total unrecognized compensation cost related to non-vested performance share units as of June 30, 2013. That cost is expected to be recognized over a weighted-average period of 1.4 years.

NOTE 6: Cash and Cash Equivalents and Investments in Marketable Securities

Our investment portfolio at June 30, 2013 consisted of cash, cash equivalents and investments in marketable debt securities.

We invest in highly-rated marketable debt securities that have maturities at the date of purchase of greater than three months. We also invest in other marketable debt securities with the maximum maturity or put date of any individual issue generally not greater than two years from the date of purchase, which are usually held until maturity. All of these instruments are classified as available-for-sale. As a result, they are reported at fair value using quoted market prices. Interest income is recorded as earned. Unrealized gains and losses, net of related income taxes, are reported as a component of accumulated other comprehensive income. Upon sale or maturity, realized gains on our marketable debt securities are recognized as interest income. These gains are computed based on the specific identification of the underlying cost of the securities, net of unrealized gains and losses previously reported in other comprehensive income. Unrealized gains and losses on our available-for-sale securities are due to changes in market prices and are considered temporary.

The following is a summary of our available-for-sale securities:

Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value (Net Carrying Amount)
(In thousands)			

June 30, 2013

Edgar Filing: HollyFrontier Corp - Form 10-Q

Certificates of deposit	\$57,756	\$14	\$—	\$57,770
Commercial paper	37,574	16	—	37,590
Corporate debt securities	71,426	6	(47	) 71,385
State and political subdivisions debt securities	469,404	18	(59	) 469,363
Total marketable securities	\$636,160	\$54	\$(106	) \$636,108

December 31, 2012

Certificates of deposit	\$82,791	\$14	\$(6	) \$82,799
Commercial paper	45,737	17	—	45,754
Corporate debt securities	49,587	2	(30	) 49,559
State and political subdivisions debt securities	457,615	26	(51	) 457,590
Total marketable securities	\$635,730	\$59	\$(87	) \$635,702

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

Interest income recognized on our marketable debt securities was \$0.6 million and \$0.2 million for the three months ended June 30, 2013 and 2012, respectively, and \$1.1 million and \$0.5 million for the six months ended June 30, 2013 and 2012, respectively.

NOTE 7: Inventories

Inventory consists of the following components:

	June 30, 2013	December 31, 2012
	(In thousands)	
Crude oil	\$544,127	\$502,978
Other raw materials and unfinished products ⁽¹⁾	186,121	150,090
Finished products ⁽²⁾	741,823	585,610
Process chemicals ⁽³⁾	6,848	3,514
Repairs and maintenance supplies and other	71,524	77,440
Total inventory	\$1,550,443	\$1,319,632

(1) Other raw materials and unfinished products include feedstocks and blendstocks, other than crude.

(2) Finished products include gasolines, jet fuels, diesels, lubricants, asphalts, LPG's and residual fuels.

(3) Process chemicals include additives and other chemicals.

NOTE 8: Environmental

We expensed \$0.6 million and \$1.0 million for the three months ended June 30, 2013 and 2012, respectively, and \$0.8 million and \$15.2 million for the six months ended June 30, 2013 and 2012, respectively, for environmental remediation obligations. The accrued environmental liability reflected in our consolidated balance sheets was \$86.3 million and \$88.9 million at June 30, 2013 and December 31, 2012, respectively, of which \$66.9 million and \$72.6 million, respectively, were classified as other long-term liabilities. These accruals include remediation and monitoring costs expected to be incurred over an extended period of time (up to 30 years for certain projects).

NOTE 9: Debt

HollyFrontier Credit Agreement

We have a \$1 billion senior secured credit agreement that matures in July 2016 (the "HollyFrontier Credit Agreement") and may be used to fund working capital requirements, capital expenditures, acquisitions and general corporate purposes. Obligations under the HollyFrontier Credit Agreement are collateralized by our inventory, accounts receivables and certain deposit accounts and guaranteed by our material, wholly-owned subsidiaries. At June 30, 2013, we were in compliance with all covenants, had no outstanding borrowings and had outstanding letters of credit totaling \$28.8 million under the HollyFrontier Credit Agreement.

HEP Credit Agreement

HEP has a \$550 million senior secured revolving credit facility that matures in June 2017 (the “HEP Credit Agreement”) and is available to fund capital expenditures, investments, acquisitions, distribution payments and working capital and for general partnership purposes. It is also available to fund letters of credit up to a \$50 million sub-limit and to fund distributions to unitholders up to a \$60 million sub-limit. At June 30, 2013, HEP was in compliance with all of its covenants, had outstanding borrowings of \$355.0 million and no outstanding letters of credit under the HEP Credit Agreement.

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

HEP's obligations under the HEP Credit Agreement are collateralized by substantially all of HEP's assets (presented parenthetically in our consolidated balance sheets). Indebtedness under the HEP Credit Agreement involves recourse to HEP Logistics Holdings, L.P., its general partner, and is guaranteed by HEP's wholly-owned subsidiaries. Any recourse to the general partner would be limited to the extent of HEP Logistics Holdings, L.P.'s assets, which other than its investment in HEP, are not significant. HEP's creditors have no other recourse to our assets. Furthermore, our creditors have no recourse to the assets of HEP and its consolidated subsidiaries.

HollyFrontier Senior Notes

Our 6.875% senior notes (\$150 million principal amount maturing November 2018) (the "HollyFrontier Senior Notes") are unsecured and impose certain restrictive covenants, including limitations on our ability to incur additional debt, incur liens, enter into sale-and-leaseback transactions, pay dividends, enter into mergers, sell assets and enter into certain transactions with affiliates. At any time when the HollyFrontier Senior Notes are rated investment grade by both Moody's and Standard & Poor's and no default or event of default exists, we will not be subject to many of the foregoing covenants. Additionally, we have certain redemption rights under the HollyFrontier Senior Notes.

In June 2013, we redeemed our \$286.8 million aggregate principal amount of 9.875% senior notes maturing June 2017 at a redemption cost of \$301.0 million, at which time we recognized a \$22.1 million early extinguishment loss consisting of a \$14.2 million debt redemption premium and an unamortized discount of \$7.9 million.

HollyFrontier Financing Obligation

We have a financing obligation that relates to a sale and lease-back of certain crude oil tankage that we sold to an affiliate of Plains All American Pipeline, L.P. ("Plains") in October 2009 for \$40.0 million. Monthly lease payments are recorded as a reduction in principal over the 15-year lease term ending in 2024.

HEP Senior Notes

HEP's senior notes consist of the following:

8.25% HEP senior notes (\$150 million principal amount maturing March 2018)

6.5% HEP senior notes (\$300 million principal amount maturing March 2020)

The 8.25% and 6.5% HEP senior notes (collectively, the "HEP Senior Notes") are unsecured and impose certain restrictive covenants, including limitations on HEP's ability to incur additional indebtedness, make investments, sell assets, incur certain liens, pay distributions, enter into transactions with affiliates, and enter into mergers. At any time when the HEP Senior Notes are rated investment grade by both Moody's and Standard & Poor's and no default or event of default exists, HEP will not be subject to many of the foregoing covenants. Additionally, HEP has certain redemption rights under the HEP Senior Notes.

Indebtedness under the HEP Senior Notes involves recourse to HEP Logistics Holdings, L.P., its general partner, and is guaranteed by HEP's wholly-owned subsidiaries. However, any recourse to the general partner would be limited to the extent of HEP Logistics Holdings, L.P.'s assets, which other than its investment in HEP, are not significant. HEP's creditors have no other recourse to our assets. Furthermore, our creditors have no recourse to the assets of HEP and its consolidated subsidiaries.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

The carrying amounts of long-term debt are as follows:

	June 30, 2013 (In thousands)	December 31, 2012
9.875% Senior Notes		
Principal	\$—	\$286,812
Unamortized discount	—	(7,468)
	—	279,344
6.875% Senior Notes		
Principal	150,000	150,000
Unamortized premium	5,489	5,910
	155,489	155,910
Financing Obligation	35,595	36,311
Total HollyFrontier long-term debt	191,084	471,565
HEP Credit Agreement	355,000	421,000
HEP 8.25% Senior Notes		
Principal	150,000	150,000
Unamortized discount	(1,449)	(1,602)
	148,551	148,398
HEP 6.5% Senior Notes		
Principal	300,000	300,000
Unamortized discount	(4,399)	(4,725)
	295,601	295,275
Total HEP long-term debt	799,152	864,673
Total long-term debt	\$990,236	\$1,336,238

We capitalized interest attributable to construction projects of \$3.0 million and \$2.3 million for the three months ended June 30, 2013 and 2012, respectively, and \$6.4 million and \$3.9 million for the six months ended June 30, 2013 and 2012, respectively.

NOTE 10: Derivative Instruments and Hedging Activities

Commodity Price Risk Management

Our primary market risk is commodity price risk. We are exposed to market risks related to the volatility in crude oil and refined products, as well as volatility in the price of natural gas used in our refining operations. We periodically enter into derivative contracts in the form of commodity price swaps and futures contracts to mitigate price exposure with respect to:

• our inventory positions;

natural gas purchases;
costs of crude oil and related grade differentials;
prices of refined products; and
our refining margins.

Accounting Hedges

We have swap contracts serving as cash flow hedges against price risk on forecasted purchases of natural gas and WTI crude oil and forecasted sales of ultra-low sulfur diesel. These contracts have been designated as accounting hedges and are measured quarterly at fair value with offsetting adjustments (gains/losses) recorded directly to other comprehensive income. These fair value adjustments are later reclassified to earnings as the hedging instruments mature. Also on a quarterly basis, hedge ineffectiveness is measured by comparing the change in fair value of the swap contracts against the expected future cash inflows/outflows on the respective transaction being hedged. Any hedge ineffectiveness is also recognized in earnings.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

The following table presents the pre-tax effect on other comprehensive income (“OCI”) and earnings due to fair value adjustments and maturities of commodity price swaps under hedge accounting:

	Unrealized Gain (Loss) Recognized in OCI (In thousands)	Gain (Loss) Recognized in Earnings Due to Settlements		Gain (Loss) Attributable to Hedge Ineffectiveness Recognized in Earnings	
		Location	Amount	Location	Amount
Three Months Ended June 30, 2013					
Commodity price swaps					
Change in fair value	\$24,764	Sales and other revenues	\$3,868	Sales and other revenues	\$550
Gain reclassified to earnings due to settlements	(6,589)	) Cost of products sold	1,930	) Cost of products sold	(1,439)
Amortization of discontinued hedge reclassified to earnings	270	) Operating expenses	521	) Operating expenses	106
Total	\$18,445		\$6,319		\$(783)
Three Months Ended June 30, 2012					
Commodity price swaps					
Change in fair value	\$27,044	Sales and other revenues	\$(20,167)	) Sales and other revenues	\$2,984
Loss reclassified to earnings due to settlements	3,992	) Cost of products sold	16,175	) Cost of products sold	(6,317)
Total	\$31,036		\$(3,992)	)	\$(3,333)
Six Months Ended June 30, 2013					
Commodity price swaps					
Change in fair value	\$14,360	Sales and other revenues	\$(15,316)	) Sales and other revenues	\$194
Loss reclassified to earnings due to settlements	20,611	) Cost of products sold	(4,603)	) Cost of products sold	1,692
Amortization of discontinued hedge reclassified to earnings	360	) Operating expenses	(1,052)	) Operating expenses	(259)
Total	\$35,331		\$(20,971)	)	\$1,627
Six Months Ended June 30, 2012					
Commodity price swaps					
Change in fair value	\$(113,076)	) Sales and other revenues	\$(54,292)	) Sales and other revenues	\$1,655
Gain reclassified to earnings due to settlements	(12,423)	) Cost of products sold	66,715	) Cost of products sold	(6,317)
Total	\$(125,499)	)	\$12,423	)	\$(4,662)

As of June 30, 2013, we have the following notional contract volumes related to outstanding derivative instruments serving as cash flow hedges against price risk on forecasted purchases of natural gas and crude oil and sales of refined

products:

Derivative Instrument	Total Outstanding Notional	Notional Contract Volumes by Year of Maturity					Unit of Measure
		2013	2014	2015	2016	2017	
Commodity Price Swaps:							
Natural gas - long	43,200,000	4,800,000	9,600,000	9,600,000	9,600,000	9,600,000	MMBTU
WTI crude oil - long	5,701,000	5,336,000	365,000	—	—	—	Barrels
Ultra-low sulfur diesel - short	5,701,000	5,336,000	365,000	—	—	—	Barrels

20

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

In the first quarter of 2013, we dedesignated certain commodity price swaps (long positions) that previously received hedge accounting treatment. These contracts now serve as economic hedges against price risk on forecasted natural gas purchases totaling 43,200,000 MMBTU's to be purchased ratably through 2017. As of June 30, 2013, we have an unrealized loss of \$4.9 million classified as OCI that relates to the application of hedge accounting prior to dedesignation that will be amortized as a charge to operating expenses as the contracts mature.

Economic Hedges

We also have swap contracts that serve as economic hedges (derivatives used for risk management, but not designated as accounting hedges) to fix our purchase price on forecasted natural gas and crude oil and other feedstock purchases, and to lock in the spread between WCS and WTI crude oil and between WTS and WTI crude oil on forecasted purchases of WCS and WTS. Also, we have NYMEX futures contracts to lock in prices on purchases of inventory. These contracts are measured quarterly at fair value with offsetting adjustments (gains/losses) recorded directly to income.

The following table presents the pre-tax effect on income due to maturities and fair value adjustments of our economic hedges:

Location of Gain (Loss) Recognized in Income	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Cost of products sold	\$1,839	\$50,863	\$35,431	\$35,869
Operating expenses	(308)	) 1,543	(5,301)	) (158)
Total	\$1,531	\$52,406	\$30,130	\$35,711

As of June 30, 2013, we have the following notional contract volumes related to our outstanding derivative contracts serving as economic hedges:

Derivative Instrument	Total Outstanding Notional	Notional Contract Volumes by Year of Maturity					Unit of Measure
		2013	2014	2015	2016	2017	
Commodity price swap (WCS spread) - long	3,588,000	3,588,000	—	—	—	—	Barrels
Commodity price swap (WTS spread) - long	1,472,000	1,472,000	—	—	—	—	Barrels
Commodity price swap (natural gas) - long	43,200,000	4,800,000	9,600,000	9,600,000	9,600,000	9,600,000	MMBTU
Commodity price swap (natural gas) - short	43,200,000	4,800,000	9,600,000	9,600,000	9,600,000	9,600,000	MMBTU
NYMEX futures (WTI) - short	1,896,000	1,681,000	215,000	—	—	—	Barrels

Interest Rate Risk Management

HEP uses interest rate swaps to manage its exposure to interest rate risk.

As of June 30, 2013, HEP had three interest rate swap contracts that hedge its exposure to the cash flow risk caused by the effects of LIBOR changes on \$305.0 million in credit agreement advances. The first interest rate swap effectively converts \$155.0 million of LIBOR based debt to fixed rate debt having an interest rate of 0.99% plus an applicable margin of 2.50% as of June 30, 2013, which equaled an effective interest rate of 3.49%. This swap matures in February 2016. HEP has two additional interest rate swaps with identical terms which effectively convert \$150.0 million of LIBOR based debt to fixed rate debt having an interest rate of 0.74% plus an applicable margin of 2.50% as of June 30, 2013, which equaled an effective interest rate of 3.24%. Both of these swap contracts mature in July 2017. All of these swap contracts have been designated as cash flow hedges. To date, there has been no ineffectiveness on these cash flow hedges.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

The following table presents the pre-tax effect on other comprehensive income and earnings due to fair value adjustments and maturities of HEP's interest rate swaps under cash flow hedge accounting:

	Unrealized Gain (Loss) Recognized in OCI (In thousands)	Loss Recognized in Earnings Due to Settlements Location	Amount
Three Months Ended June 30, 2013			
Interest rate swaps			
Change in fair value	\$2,897		
Loss reclassified to earnings due to settlements	516	Interest expense	\$(516)
Total	\$3,413		\$(516)
Three Months Ended June 30, 2012			
Interest rate swaps			
Change in fair value	\$(1,802)		
Loss reclassified to earnings due to settlements	294		
Amortization of discontinued hedge reclassified to earnings	1,273	Interest expense	\$(1,567)
Total	\$(235)		\$(1,567)
Six Months Ended June 30, 2013			
Interest rate swaps			
Change in fair value	\$2,955		
Loss reclassified to earnings due to settlements	1,020		
Amortization of discontinued hedge reclassified to earnings	849	Interest expense	\$(1,869)
Total	\$4,824		\$(1,869)
Six Months Ended June 30, 2012			
Interest rate swaps			
Change in fair value	\$(2,380)		
Loss reclassified to earnings due to settlements	518		
Amortization of discontinued hedge reclassified to earnings	2,547	Interest expense	\$(3,065)
Total	\$685		\$(3,065)

The following table presents the fair value and balance sheet locations of our outstanding derivative instruments. These amounts are presented on a gross basis with offsetting balances that reconcile to a net asset or liability position in our consolidated balance sheets. We present on a net basis to reflect the net settlement of these positions in accordance with provisions of our master netting arrangements.

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

	Derivatives in Net Asset Position			Derivatives in Net Liability Position		
	Gross Assets	Gross Liabilities Offset in Balance Sheet	Net Assets Recognized in Balance Sheet	Gross Liabilities	Gross Assets Offset in Balance Sheet	Net Liabilities Recognized in Balance Sheet
	(In thousands)					
June 30, 2013						
Derivatives designated as cash flow hedging instruments:						
Commodity price swap contracts	\$35,732	\$(14,358)	) \$21,374	\$—	\$—	\$—
Interest rate swap contracts	2,257	(1,712)	) 545	—	—	—
	\$37,989	\$(16,070)	) \$21,919	\$—	\$—	\$—
Derivatives not designated as cash flow hedging instruments:						
Commodity price swap contracts	\$15,988	\$(14,040)	) \$1,948	\$—	\$—	\$—
NYMEX futures contracts	—	—	—	1,694	—	1,694
	\$15,988	\$(14,040)	) \$1,948	\$1,694	\$—	\$1,694
Total net balance			\$23,867			\$1,694
Balance sheet classification:	Prepayment and other		\$39,217	Accrued liabilities		\$1,694
	Intangibles and other		2,257			
	Other long-term liabilities		(17,607)			
			\$23,867			\$1,694
	Derivatives in Net Asset Position			Derivatives in Net Liability Position		
	Gross Assets	Gross Liabilities Offset in Balance Sheet	Net Assets Recognized in Balance Sheet	Gross Liabilities	Gross Assets Offset in Balance Sheet	Net Liabilities Recognized in Balance Sheet
	(In thousands)					
December 31, 2012						
Derivatives designated as cash flow hedging instruments:						
Commodity price swap contracts	\$—	\$—	\$—	\$37,828	\$(17,383)	) \$20,445
Interest rate swap contracts	—	—	—	3,430	—	3,430
	\$—	\$—	\$—	\$41,258	\$(17,383)	) \$23,875

Edgar Filing: HollyFrontier Corp - Form 10-Q

Derivatives not designated as cash flow hedging instruments:

Commodity price swap contracts	\$—	\$—	\$—	\$46,154	\$—	\$46,154
NYMEX futures contracts	—	—	—	5,563	—	5,563
	\$—	\$—	\$—	\$51,717	\$—	\$51,717
Total net balance			\$—			\$75,592

Balance sheet classification:

Accrued liabilities	\$62,388
Other long-term liabilities	13,204
	\$75,592

At June 30, 2013, we had a pre-tax net unrealized gain of \$15.7 million classified in accumulated other comprehensive income that relates to all accounting hedges having contractual maturities through 2017. Assuming commodity prices and interest rates remain unchanged, an unrealized gain of \$29.2 million will be effectively transferred from accumulated other comprehensive income into the statement of income as the hedging instruments contractually mature over the next twelve-month period.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

NOTE 11: Equity

Changes to equity during the six months ended June 30, 2013 are presented below:

	HollyFrontier Stockholders' Equity (In thousands)	Noncontrolling Interest	Total Equity
Balance at December 31, 2012	\$6,052,954	\$589,704	\$6,642,658
Net income	590,650	18,470	609,120
Dividends	(325,869)	—	(325,869)
Distributions to noncontrolling interest holders	—	(34,604)	(34,604)
Other comprehensive income, net of tax	41,631	2,733	44,364
Allocated equity on HEP common unit issuances, net of tax	54,011	58,696	112,707
Equity-based compensation	15,312	1,880	17,192
Excess tax benefit attributable to equity-based compensation	1,037	—	1,037
Purchase of treasury stock ⁽¹⁾	(164,293)	—	(164,293)
Purchase of HEP units for restricted grants	—	(2,934)	(2,934)
Balance at June 30, 2013	\$6,265,433	\$633,945	\$6,899,378

⁽¹⁾ Includes 32,779 shares withheld under the terms of stock-based compensation agreements to provide funds for the payment of payroll and income taxes due at the vesting of share-based awards.

We have a Board approved repurchase program that authorizes us to repurchase common stock in the open market or through privately negotiated transactions. The timing and amount of stock repurchases will depend on market conditions, corporate, regulatory and other relevant considerations. This program may be discontinued at any time by the Board of Directors. As of June 30, 2013, we had remaining authorization to repurchase up to \$356.4 million under this stock repurchase program.

NOTE 12: Other Comprehensive Income (Loss)

The components and allocated tax effects of other comprehensive income (loss) are as follows:

	Before-Tax	Tax Expense (Benefit)	After-Tax
	(In thousands)		
Three Months Ended June 30, 2013			
Unrealized loss, net of reclassifications from sale or maturity, on available-for-sale securities	\$(45)	\$(36)	\$(9)
Unrealized gain on hedging activities	21,858	7,747	14,111
Actuarial loss on retirement pension plan reclassified to net income upon partial plan settlement	28,986	11,275	17,711
Other comprehensive income	50,799	18,986	31,813
Less other comprehensive income attributable to noncontrolling interest	1,940	—	1,940
	\$48,859	\$18,986	\$29,873

Edgar Filing: HollyFrontier Corp - Form 10-Q

Other comprehensive income attributable to HollyFrontier stockholders

Three Months Ended June 30, 2012

Unrealized loss, net of reclassifications from sale or maturity, on available-for-sale securities	\$ (404	)	\$ (158	)	\$ (246)
Unrealized gain on hedging activities	30,801		12,035		18,766	
Pension plan curtailment	7,102		2,763		4,339	
Other comprehensive income	37,499		14,640		22,859	
Less other comprehensive loss attributable to noncontrolling interest	(137	)	—		(137)
Other comprehensive income attributable to HollyFrontier stockholders	\$37,636		\$14,640		\$22,996	

24

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

	Before-Tax (In thousands)	Tax Expense (Benefit)	After-Tax
Six Months Ended June 30, 2013			
Unrealized loss, net of reclassifications from sale or maturity, on available-for-sale securities	\$(29)	\$(28)	\$(1)
Unrealized gain on hedging activities	40,155	14,556	25,599
Actuarial loss on retirement pension plan reclassified to net income upon partial plan settlement	28,986	11,275	17,711
Actuarial loss on post-retirement healthcare plan reclassified to net income upon partial plan settlement	1,726	671	1,055
Other comprehensive income	70,838	26,474	44,364
Less other comprehensive income attributable to noncontrolling interest	2,733	—	2,733
Other comprehensive income attributable to HollyFrontier stockholders	\$68,105	\$26,474	\$41,631
Six Months Ended June 30, 2012			
Unrealized loss on available-for-sale securities	\$(216)	\$(84)	\$(132)
Unrealized loss on hedging activities	(124,814)	(48,709)	(76,105)
Pension plan curtailment	7,102	2,763	4,339
Other comprehensive loss	(117,928)	(46,030)	(71,898)
Less other comprehensive income attributable to noncontrolling interest	400	—	400
Other comprehensive loss attributable to HollyFrontier stockholders	\$(118,328)	\$(46,030)	\$(72,298)

The following table presents the income statement line item effects for reclassifications out of accumulated other comprehensive income (“AOCI”):

AOCI Component	Gain (Loss) Reclassified From AOCI (In thousands)		Income Statement Line Item
	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013	
	Securities available-for-sale	\$6 2 \$4		$3 1 $2	Interest income Income tax expense Net of tax
Hedging instruments:			
Commodity price swaps	\$3,868 1,930 521	\$(15,316) (4,603) (1,052 )	) Sales and other revenues) Cost of products sold) Operating expenses
Interest rate swaps	(516) 5,803 2,379 3,424	(1,869) (22,840) (8,444) (14,396 )	) Interest expense)) Income tax expense (benefit)) Net of tax

Edgar Filing: HollyFrontier Corp - Form 10-Q

	313	1,133	Noncontrolling interest
	\$3,737	\$(13,263	) Net of tax and noncontrolling interest
Pension obligation	\$(2,460	) \$(2,460	) Cost of products sold
	(23,260	) (23,260	) Operating expenses
	(3,266	) (3,266	) General and administrative expenses
	(28,986	) (28,986)
	(11,275	) (11,275	) Income tax benefit
	\$(17,711	) \$(17,711	) Net of tax
Retiree medical obligation	\$—	\$(84	) Cost of products sold
	—	(1,549	) Operating expenses
	—	(93	) General and administrative expenses
	—	(1,726)
	—	(671	) Income tax benefit
	\$—	\$(1,055	) Net of tax
Total reclassifications for the period	\$(13,970	) \$(32,027)

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

AOCI Component	Gain (Loss) Reclassified From AOCI		Income Statement Line Item
	(In thousands)		
	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012	
Securities available-for-sale	\$ (36	) \$ 81	Interest income
	326	326	Gain on sale of marketable equity securities
	290	407	
	113	158	Income tax expense
	\$ 177	\$ 249	Net of tax
Hedging instruments			
Commodity price swaps	\$ (20,167	) \$ (54,292	) Sales and other revenues
	16,175	66,715	Cost of products sold
Interest rate swaps	(1,567	) (3,065	) Interest expense
	(5,559	) 9,358	
	(1,807	) 4,335	Income tax expense (benefit)
	(3,752	) 5,023	Net of tax
	913	1,785	Noncontrolling interest
	\$ (2,839	) \$ 6,808	Net of tax and noncontrolling interest
Total reclassifications for the period	\$ (2,662	) \$ 7,057	

Accumulated other comprehensive income (loss) in the equity section of our consolidated balance sheets includes:

	June 30, 2013	December 31, 2012
	(In thousands)	
Pension obligation	\$ (6,262	) \$ (23,973
Retiree medical obligation	29,660	28,605
Unrealized loss on available-for-sale securities	(8	) (7
Unrealized gain (loss) on hedging activities, net of noncontrolling interest	9,816	(13,050
Accumulated other comprehensive income (loss)	\$ 33,206	\$ (8,425

NOTE 13: Retirement Plan

We previously sponsored a non-contributory defined benefit retirement plan that covered certain employees and was fully frozen prior to 2013. In 2012, our Compensation Committee, pursuant to authority delegated to it by the Board of Directors, approved the termination of the HollyFrontier Corporation Pension Plan (the "Plan"). In June 2013, we made contributions of \$22.7 million to the Plan.

Our contribution to the Plan in the second quarter of 2013 was sufficient for the Plan to settle its obligations to all participants including the premium paid to the non-participating annuity provider; however, the contract with this

annuity provider was not executed as of June 30, 2013. Accordingly, in the second quarter of 2013, we recognized a pre-tax pension settlement charge of \$30.9 million, of which \$29.0 million was reclassified out of accumulated other comprehensive income, representing the irrevocable portion. We expect to record an additional pre-tax charge of \$8.6 million, which includes the remaining pension loss recorded in accumulated other comprehensive income, when the Plan finalizes the contract terms with the annuity provider, which we expect to occur in the third quarter of 2013.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

The net periodic pension expense consisted of the following components:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Service cost – benefit earned during the period	\$—	\$509	\$—	\$679
Interest cost on projected benefit obligations	898	1,061	1,797	2,052
Expected return on plan assets	(46	) (949	) (92	) (1,899
Amortization of prior service cost	—	50	—	67
Amortization of net loss	693	620	1,386	1,103
Curtailement	—	674	—	899
Settlement	30,893	—	30,893	—
Net periodic pension expense	\$32,438	\$1,965	\$33,984	\$2,901

In 2012, we established a program for plan participants whose benefits pursuant to the defined benefit plan were frozen. The program provides for payments after year-end for three years (beginning with 2012) provided the employee is employed by us on the last day of each year. The payments are based on each employee's years of service and eligible salary. Transition benefit costs associated with transition to the new defined contribution plan were \$2.9 million and \$3.5 million for the three months ended June 30, 2013 and 2012, respectively, and \$5.8 million and \$6.9 million, for the six months ended June 30, 2013 and 2012, respectively.

We have a post-retirement healthcare and other benefits plan that is available to certain of our employees who satisfy certain age and service requirements. The net periodic benefit expense of this plan consisted of the following components:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Service cost – benefit earned during the period	\$278	\$475	\$556	\$950
Interest cost on projected benefit obligations	159	875	318	1,750
Amortization of prior service credit	(1,474	) (550	) (2,948	) (1,100
Amortization of net loss	31	75	62	150
Actuarial loss on post-retirement healthcare plan reclassified to net income upon partial plan settlement	—	—	1,726	—
Net periodic pension expense	\$(1,006	) \$875	\$(286	) \$1,750

In the first quarter of 2013, we settled a portion of our post-retirement medical obligation. Upon settlement, we reclassified a \$1.7 million pretax loss out of accumulated other comprehensive income that was recognized as a charge to net income.

NOTE 14: Contingencies

We are a party to various litigation and legal proceedings which we believe, based on advice of counsel, will not either individually or in the aggregate have a materially adverse effect on our financial condition, results of operations or cash flows.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

NOTE 15: Segment Information

Our operations are organized into two reportable segments, Refining and HEP. Our operations that are not included in the Refining and HEP segments are included in Corporate and Other. Intersegment transactions are eliminated in our consolidated financial statements and are included in Consolidations and Eliminations.

The Refining segment represents the operations of the El Dorado, Tulsa, Navajo, Cheyenne and Woods Cross Refineries and NK Asphalt (aggregated as a reportable segment). Refining activities involve the purchase and refining of crude oil and wholesale and branded marketing of refined products, such as gasoline, diesel fuel and jet fuel. These petroleum products are primarily marketed in the Mid-Continent, Southwest and Rocky Mountain regions of the United States. Additionally, the Refining segment includes specialty lubricant products produced at our Tulsa Refineries that are marketed throughout North America and are distributed in Central and South America. NK Asphalt operates various asphalt terminals in Arizona and New Mexico.

The HEP segment includes all of the operations of HEP, a consolidated VIE, which owns and operates logistics assets consisting of petroleum product and crude oil pipelines and terminal, tankage and loading rack facilities in the Mid-Continent, Southwest and Rocky Mountain regions of the United States. The HEP segment also includes a 75% interest in UNEV (a consolidated subsidiary of HEP) and a 25% interest in the SLC Pipeline. Revenues from the HEP segment are earned through transactions with unaffiliated parties for pipeline transportation, rental and terminalling operations as well as revenues relating to pipeline transportation services provided for our refining operations. Our revaluation of HEP's assets and liabilities at March 1, 2008 (date of reconsolidation) resulted in basis adjustments to our consolidated HEP balances. Therefore, our reported amounts for the HEP segment may not agree to amounts reported in HEP's periodic public filings.

The accounting policies for our segments are the same as those described in the summary of significant accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2012.

	Refining	HEP ⁽¹⁾	Corporate and Other	Consolidations and Eliminations	Consolidated Total
	(In thousands)				
Three Months Ended June 30, 2013					
Sales and other revenues	\$5,286,881	\$75,121	\$234	\$(63,388)	) \$5,298,848
Depreciation and amortization	\$53,443	\$15,619	\$1,637	\$(207)	) \$70,492
Income (loss) from operations	\$458,777	\$34,392	\$(32,646)	\$(517)	) \$460,006
Capital expenditures	\$74,866	\$11,848	\$12,125	\$—	) \$98,839
Three Months Ended June 30, 2012					
Sales and other revenues	\$4,795,647	\$67,103	\$145	\$(56,214)	) \$4,806,681
Depreciation and amortization	\$43,811	\$12,317	\$1,027	\$(207)	) \$56,948
Income (loss) from operations	\$813,044	\$31,929	\$(31,313)	\$(523)	) \$813,137
Capital expenditures	\$56,262	\$9,365	\$1,006	\$—	) \$66,633
Six Months Ended June 30, 2013					
Sales and other revenues	\$9,979,307	\$151,605	\$797	\$(125,072)	) \$10,006,637
Depreciation and amortization	\$110,613	\$29,368	\$2,687	\$(414)	) \$142,254

Edgar Filing: HollyFrontier Corp - Form 10-Q

Income (loss) from operations	\$1,000,979	\$67,866	\$(58,618)	) \$(1,026)	) \$1,009,201
Capital expenditures	\$138,498	\$16,861	\$15,444	\$—	\$170,803
Six Months Ended June 30, 2012					
Sales and other revenues	\$9,715,384	\$134,680	\$301	\$(111,946)	) \$9,738,419
Depreciation and amortization	\$85,532	\$25,712	\$2,220	\$(414)	) \$113,050
Income (loss) from operations	\$1,227,987	\$64,042	\$(58,288)	) \$(1,040)	) \$1,232,701
Capital expenditures	\$101,796	\$23,619	\$2,605	\$—	\$128,020

28

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

	Refining	HEP ⁽¹⁾	Corporate and Other	Consolidations and Eliminations	Consolidated Total
	(in thousands)				
June 30, 2013					
Cash, cash equivalents and investments in marketable securities	\$7,115	\$8,716	\$1,969,697	\$—	\$1,985,528
Total assets	\$7,279,491	\$1,417,302	\$2,129,611	\$(332,470)	\$10,493,934
Long-term debt	\$—	\$799,152	\$206,691	\$(15,607)	\$990,236
December 31, 2012					
Cash, cash equivalents and investments in marketable securities	\$2,101	\$5,237	\$2,386,063	\$—	\$2,393,401
Total assets	\$6,702,872	\$1,426,800	\$2,531,967	\$(332,642)	\$10,328,997
Long-term debt	\$—	\$864,673	\$487,472	\$(15,907)	\$1,336,238

(1) HEP acquired our 75% interest in UNEV in July 2012. As a result, we have recast our HEP segment information for the three and six months ended June 30, 2012 to include the UNEV Pipeline operations as a consolidated subsidiary of HEP. The UNEV Pipeline operations were previously presented under Corporate and Other.

HEP segment revenues from external customers were \$12.1 million and \$10.9 million for the three months ended June 30, 2013 and 2012, respectively, and \$24.9 million and \$22.8 million for the six months ended June 30, 2013 and 2012, respectively.

NOTE 16: Supplemental Guarantor/Non-Guarantor Financial Information

Our obligations under the HollyFrontier Senior Notes have been jointly and severally guaranteed by the substantial majority of our existing and future restricted subsidiaries (“Guarantor Restricted Subsidiaries”). These guarantees are full and unconditional. HEP, in which we have a 39% ownership interest at June 30, 2013, and its subsidiaries (collectively, “Non-Guarantor Non-Restricted Subsidiaries”), and certain of our other subsidiaries (“Non-Guarantor Restricted Subsidiaries”) have not guaranteed these obligations.

The following condensed consolidating financial information is provided for HollyFrontier Corporation (the “Parent”), the Guarantor Restricted Subsidiaries, the Non-Guarantor Restricted Subsidiaries and the Non-Guarantor Non-Restricted Subsidiaries. The information has been presented as if the Parent accounted for its ownership in the Guarantor Restricted Subsidiaries, and the Guarantor Restricted Subsidiaries accounted for the ownership of the Non-Guarantor Restricted Subsidiaries and Non-Guarantor Non-Restricted Subsidiaries, using the equity method of accounting. The Guarantor Restricted Subsidiaries and the Non-Guarantor Restricted Subsidiaries are collectively the “Restricted Subsidiaries.”

HEP acquired our 75% interest in UNEV in July 2012. As a result, we have recast our HEP segment information for the three and six months ended June 30, 2012 to include the UNEV Pipeline operations as a consolidated subsidiary of HEP. UNEV was previously presented as a Non-Guarantor Restricted Subsidiary.

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

Condensed Consolidating Balance Sheet

June 30, 2013	Parent	Guarantor Restricted Subsidiaries	Non- Guarantor Restricted Subsidiaries	Eliminations	HollyFrontier Corp. Before Consolidation of HEP	Non-Guarantor Non-Restricted Subsidiaries (HEP Segment)	Eliminations	Consolidated
	(In thousands)							
ASSETS								
Current assets:								
Cash and cash equivalents	\$1,333,604	\$7,098	\$2	\$—	\$1,340,704	\$8,716	\$—	\$1,349,420
Marketable securities	632,706	9	—	—	632,715	—	—	632,715
Accounts receivable, net	7,188	760,043	11,202	—	778,433	36,121	(43,749)	770,805
Intercompany accounts receivable (payable)	(1,158,007)	877,163	280,844	—	—	—	—	—
Inventories	—	1,548,660	—	—	1,548,660	1,783	—	1,550,443
Income taxes receivable	62,431	—	—	—	62,431	—	—	62,431
Prepayments and other	15,169	70,142	—	—	85,311	2,531	(5,504)	82,338
Total current assets	893,091	3,263,115	292,048	—	4,448,254	49,151	(49,253)	4,448,152
Properties, plants and equip, net	26,909	2,509,329	—	—	2,536,238	1,002,957	(281,364)	3,257,831
Marketable securities (long-term)	3,393	—	—	—	3,393	—	—	3,393
Investment in subsidiaries	6,399,298	192,104	—	(6,591,402)	—	—	—	—
Intangibles and other assets	15,557	2,405,660	25,000	(25,000)	2,421,217	365,194	(1,853)	2,784,558
Total assets	\$7,338,248	\$8,370,208	\$317,048	\$(6,616,402)	\$9,409,102	\$1,417,302	\$(332,470)	\$10,493,934
LIABILITIES AND EQUITY								
Current liabilities:								
Accounts payable	\$76,278	\$1,539,237	\$—	\$—	\$1,615,515	\$13,720	\$(35,865)	\$1,593,370
	—	—	—	—	—	—	—	—

Edgar Filing: HollyFrontier Corp - Form 10-Q

Income taxes payable								
Accrued liabilities	50,167	64,369	1,394	—	115,930	24,607	(5,504)	135,033
Deferred income tax liabilities	151,288	—	—	—	151,288	—	—	151,288
Total current liabilities	277,733	1,603,606	1,394	—	1,882,733	38,327	(41,369)	1,879,691
Long-term debt	180,488	35,596	—	(25,000)	191,084	799,152	—	990,236
Liability to HEP	—	251,764	—	—	251,764	—	(251,764)	—
Deferred income tax liabilities	574,580	—	—	—	574,580	5,287	—	579,867
Other long-term liabilities	37,045	79,944	—	—	116,989	30,770	(2,997)	144,762
Investment in HEP	—	—	123,550	—	123,550	—	(123,550)	—
Equity – HollyFrontier	6,268,402	6,399,298	192,104	(6,591,402)	6,268,402	444,600	(447,569)	6,265,433
Equity – noncontrolling interest	—	—	—	—	—	99,166	534,779	633,945
Total liabilities and equity	\$7,338,248	\$8,370,208	\$317,048	\$(6,616,402)	\$9,409,102	\$1,417,302	\$(332,470)	\$10,493,934

Table of Contents

HOLLYFRONTIER CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited) Continued

Condensed Consolidating Balance Sheet

December 31, 2012	Parent	Guarantor Restricted Subsidiaries	Non- Guarantor Restricted Subsidiaries	Eliminations	HollyFrontier Corp. Before Consolidation of HEP	Non-Guarantor Non-Restricted Subsidiaries (HEP Segment)	Eliminations	Consolidated
	(In thousands)							
ASSETS								
Current assets:								
Cash and cash equivalents	\$1,748,808	\$3,652	\$2	\$—	\$1,752,462	\$5,237	\$—	\$1,757,699
Marketable securities	630,579	7	—	—	630,586	—	—	630,586
Accounts receivable, net	4,788	627,262	—	—	632,050	38,097	(35,917)	634,230
Intercompany accounts receivable (payable)	(546,655)	285,291	261,364	—	—	—	—	—
Inventories	—	1,318,373	—	—	1,318,373	1,259	—	1,319,632
Income taxes receivable	74,957	—	—	—	74,957	—	—	74,957
Prepayments and other	21,867	34,667	—	—	56,534	2,360	(5,733)	53,161
Total current assets	1,934,344	2,269,252	261,366	—	4,464,962	46,953	(41,650)	4,470,265
Properties, plants and equip, net	24,209	2,444,398	—	—	2,468,607	1,014,556	(288,463)	3,194,700
Marketable securities (long-term)	5,116	—	—	—	5,116	—	—	5,116
Investment in subsidiaries	5,251,396	74,120	—	(5,325,516)	—	—	—	—
Intangibles and other assets	11,825	2,284,329	25,000	(25,000)	2,296,154	365,291	(2,529)	2,658,916
Total assets	\$7,226,890	\$7,072,099	\$286,366	\$(5,350,516)	\$9,234,839	\$1,426,800	\$(332,642)	\$10,328,997
LIABILITIES AND EQUITY								
Current liabilities:								
Accounts payable	\$1,941	\$1,336,097	\$—	\$—	\$1,338,038	\$12,030	\$(35,917)	\$1,314,151
	—	—	—	—	—	—	—	—

Edgar Filing: HollyFrontier Corp - Form 10-Q

Income taxes payable								
Accrued liabilities	71,226	105,298	581	—	177,105	23,705	(5,733)	195,077
Deferred income tax liabilities	145,225	—	(9)	—	145,216	—	—	145,216
Total current liabilities	218,392	1,441,395	572	—	1,660,359	35,735	(41,650)	1,654,444
Long-term debt	460,254	36,311	—	(25,000)	471,565	864,673	—	1,336,238
Liability to HEP	—	257,777	—	—	257,777	—	(257,777)	—
Deferred income tax liabilities	530,544	—	1,175	—	531,719	—	4,951	536,670
Other long-term liabilities	48,757	85,220	—	—	133,977	28,683	(3,673)	158,987
Investment in HEP	—	—	210,499	—	210,499	—	(210,499)	—
Equity – HollyFrontier	5,968,943	5,251,396	74,120	(5,325,516)	5,968,943	382,207	(298,196)	6,052,954
Equity – noncontrolling interest	—	—	—	—	—	115,502	474,202	589,704
Total liabilities and equity	\$7,226,890	\$7,072,099	\$286,366	\$(5,350,516)	\$9,234,839	\$1,426,800	\$(332,642)	\$10,328,997

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

Condensed Consolidating Statement of Income and Comprehensive Income

Three Months Ended June 30, 2013	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Restricted Subsidiaries	Eliminations	HollyFrontier Corp. Before Consolidation of HEP	Non-Guarantor Non-Restricted Subsidiaries (HEP Segment)	Eliminations	Consolidated
	(In thousands)							
Sales and other revenues	\$ 100	\$ 5,286,984	\$ 31	\$ —	\$ 5,287,115	\$ 75,121	\$ (63,388)	\$ 5,298,848
Operating costs and expenses:								
Cost of products sold	—	4,518,737	92	282	4,519,111	—	(62,303)	4,456,808
Operating expenses	—	255,874	19	—	255,893	22,010	(361)	277,542
General and administrative	30,242	630	28	—	30,900	3,100	—	34,000
Depreciation and amortization	1,400	57,043	—	—	58,443	15,619	(3,570)	70,492
Total operating costs and expenses	31,642	4,832,284	139	282	4,864,347	40,729	(66,234)	4,838,842
Income (loss) from operations	(31,542)	454,700	(108)	(282)	422,768	34,392	2,846	460,006
Other income (expense):								
Earnings (loss) of equity method investments	469,228	12,592	14,401	(483,655)	12,566	746	(14,401)	(1,089)
Interest income (expense)	(7,456)	1,936	134	294	(5,092)	(11,624)	(2,300)	(19,016)
Loss on early extinguishment of debt	(22,109)	—	—	—	(22,109)	—	—	(22,109)
Income before income taxes	439,663	14,528	14,535	(483,361)	(14,635)	(10,878)	(16,701)	(42,214)
Income tax provision	408,121	469,228	14,427	(483,643)	408,133	23,514	(13,855)	417,792
Net income	151,698	—	—	—	151,698	345	—	152,043
Less net income attributable to noncontrolling	256,423	469,228	14,427	(483,643)	256,435	23,169	(13,855)	265,749
	—	—	—	—	—	1,130	7,638	8,768

Edgar Filing: HollyFrontier Corp - Form 10-Q

interest								
Net income attributable to HollyFrontier stockholders	\$256,423	\$469,228	\$14,427	\$(483,643)	\$256,435	\$22,039	\$(21,493)	\$256,981
Comprehensive income attributable to HollyFrontier stockholders	\$286,296	\$489,146	\$15,900	\$(505,034)	\$286,308	\$23,512	\$(22,966)	\$286,854

Condensed Consolidating Statement of Income and Comprehensive Income

Three Months Ended June 30, 2012	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Restricted Subsidiaries	Eliminations	HollyFrontier Corp. Before Consolidation of HEP	Non-Guarantor Non-Restricted Subsidiaries (HEP Segment)	Eliminations	Consolidated
	(In thousands)							
Sales and other revenues	\$100	\$4,795,647	\$45	\$—	\$4,795,792	\$67,103	\$(56,214)	\$4,806,681
Operating costs and expenses:								
Cost of products sold	—	3,737,228	—	489	3,737,717	—	(55,953)	3,681,764
Operating expenses	—	202,222	—	(336)	201,886	20,371	469	222,726
General and administrative	29,451	138	31	—	29,620	2,486	—	32,106
Depreciation and amortization	876	47,325	—	—	48,201	12,317	(3,570)	56,948
Total operating costs and expenses	30,327	3,986,913	31	153	4,017,424	35,174	(59,054)	3,993,544
Income (loss) from operations	(30,227)	808,734	14	(153)	778,368	31,929	2,840	813,137
Other income (expense):								
Earnings of equity method investments	822,160	11,395	11,114	(833,463)	11,206	794	(11,114)	886
Interest income (expense)	(13,424)	1,705	175	224	(11,320)	(12,664)	(2,277)	(26,261)
Gain on sale of marketable equity securities	—	326	—	—	326	—	—	326
Income before income taxes	808,736	13,426	11,289	(833,239)	212	(11,870)	(13,391)	(25,049)
Income tax provision	778,509	822,160	11,303	(833,392)	778,580	20,059	(10,551)	788,088
Income tax provision	285,643	—	—	—	285,643	75	—	285,718

Edgar Filing: HollyFrontier Corp - Form 10-Q

Net income	492,866	822,160	11,303	(833,392)	492,937	19,984	(10,551)	502,370
Less net income attributable to noncontrolling interest	—	—	—	—	—	(683)	9,554	8,871
Net income attributable to HollyFrontier stockholders	\$492,866	\$822,160	\$11,303	\$(833,392)	\$492,937	\$20,667	\$(20,105)	\$493,499
Comprehensive income attributable to HollyFrontier stockholders	\$515,862	\$852,772	\$11,204	\$(863,905)	\$515,933	\$20,568	\$(20,006)	\$516,495

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

Condensed Consolidating Statement of Income
and Comprehensive Income

Six Months Ended June 30, 2013	Parent	Guarantor Restricted Subsidiaries	Non- Guarantor Restricted Subsidiaries	Eliminations	HollyFrontier Corp. Before Consolidation of HEP	Non-Guarantor Non-Restricted Subsidiaries (HEP Segment)	Eliminations	Consolidated
	(In thousands)							
Sales and other revenues	\$631	\$9,979,410	\$63	\$—	\$9,980,104	\$151,605	\$(125,072)	\$10,006,637
Operating costs and expenses:								
Cost of products sold	—	8,371,865	—	415	8,372,280	—	(122,937)	8,249,343
Operating expenses	—	495,297	—	—	495,297	48,039	(695)	542,641
General and administrative	54,373	2,405	88	—	56,866	6,332	—	63,198
Depreciation and amortization	2,326	117,663	—	—	119,989	29,368	(7,103)	142,254
Total operating costs and expenses	56,699	8,987,230	88	415	9,044,432	83,739	(130,735)	8,997,436
Income (loss) from operations	(56,068)	992,180	(25)	(415)	935,672	67,866	5,663	1,009,201
Other income (expense):								
Earnings (loss) of equity method investments	1,020,119	24,206	26,393	(1,046,758)	23,960	1,403	(26,393)	(1,030)
Interest income (expense)	(14,677)	3,733	271	446	(10,227)	(24,006)	(4,572)	(38,805)
Loss on early extinguishment of debt	(22,109)	—	—	—	(22,109)	—	—	(22,109)
Income before income taxes	983,333	27,939	26,664	(1,046,312)	(8,376)	(22,603)	(30,965)	(61,944)
Income tax provision	337,737	—	—	—	337,737	400	—	338,137
Net income	589,528	1,020,119	26,639	(1,046,727)	589,559	44,863	(25,302)	609,120
	—	—	—	—	—	4,020	14,450	18,470

Less net income attributable to noncontrolling interest								
Net income attributable to HollyFrontier stockholders	\$589,528	\$1,020,119	\$26,639	\$(1,046,727)	\$589,559	\$40,843	\$(39,752)	\$590,650
Comprehensive income attributable to HollyFrontier stockholders	\$631,160	\$1,057,542	\$28,731	\$(1,086,242)	\$631,191	\$42,935	\$(41,844)	\$632,282

Condensed Consolidating Statement of Income and Comprehensive Income

Six Months Ended June 30, 2012	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Restricted Subsidiaries	Eliminations	HollyFrontier Corp. Before Consolidation of HEP	Non-Guarantor Non-Restricted Subsidiaries (HEP Segment)	Eliminations	Consolidated
(In thousands)								
Sales and other revenues	\$199	\$9,715,384	\$102	\$—	\$9,715,685	\$134,680	\$(111,946)	\$9,738,419
Operating costs and expenses:								
Cost of products sold	—	7,978,529	—	980	7,979,509	—	(110,828)	7,868,681
Operating expenses	—	424,337	—	(721)	423,616	40,401	336	464,353
General and administrative	54,424	639	46	—	55,109	4,525	—	59,634
Depreciation and amortization	1,979	92,499	—	—	94,478	25,712	(7,140)	113,050
Total operating costs and expenses	56,403	8,496,004	46	259	8,552,712	70,638	(117,632)	8,505,718
Income (loss) from operations	(56,204)	1,219,380	56	(259)	1,162,973	64,042	5,686	1,232,701
Other income (expense):								
Earnings of equity method investments	1,243,221	19,897	19,489	(1,263,140)	19,467	1,625	(19,489)	1,603
Interest income (expense)	(27,447)	3,618	374	728	(22,727)	(31,834)	(4,555)	(59,116)
Gain on sale of marketable securities	—	326	—	—	326	—	—	326

Edgar Filing: HollyFrontier Corp - Form 10-Q

	1,215,774	23,841	19,863	(1,262,412)	(2,934)	(30,209)	(24,044)	(57,187)
Income before income taxes	1,159,570	1,243,221	19,919	(1,262,671)	1,160,039	33,833	(18,358)	1,175,514
Income tax provision	425,974	—	—	—	425,974	150	—	426,124
Net income	733,596	1,243,221	19,919	(1,262,671)	734,065	33,683	(18,358)	749,390
Less net income attributable to noncontrolling interest	—	—	—	—	—	(1,240)	15,435	14,195
Net income attributable to HollyFrontier stockholders	\$733,596	\$1,243,221	\$19,919	\$(1,262,671)	\$734,065	\$34,923	\$(33,793)	\$735,195
Comprehensive income attributable to HollyFrontier stockholders	\$661,298	\$1,117,681	\$20,204	\$(1,137,416)	\$661,767	\$35,208	\$(34,078)	\$662,897

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

Condensed Consolidating Statement of Cash Flows

Six Months Ended June 30, 2013	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Restricted Subsidiaries	HollyFrontier Corp. Before Consolidation of HEP	Non-Guarantor Non-Restricted Subsidiaries (HEP Segment)	Eliminations	Consolidated
	(In thousands)						
Cash flows from operating activities	\$241,004	\$ 162,285	\$ 1,499	\$ 404,788	\$ 81,542	\$ (34,815)	\$ 451,515
Cash flows from investing activities							
Additions to properties, plants and equip	(5,025)	(148,917)	—	(153,942)	—	—	(153,942)
Additions to properties, plants and equip – HEP	—	—	—	—	(16,861)	—	(16,861)
Proceeds from sale of property	—	3,321	—	3,321	2,481	—	5,802
Investment in Sabine Biofuels	—	(2,000)	—	(2,000)	—	—	(2,000)
Advances to Sabine Biofuels	—	(13,700)	—	(13,700)	—	—	(13,700)
Purchases of marketable securities	(399,154)	—	—	(399,154)	—	—	(399,154)
Sales and maturities of marketable securities	398,762	—	—	398,762	—	—	398,762
	(5,417)	(161,296)	—	(166,713)	(14,380)	—	(181,093)
Cash flows from financing activities							
Net repayments under credit agreement – HEP	—	—	—	—	(66,000)	—	(66,000)
Redemption of senior notes - HFC	(286,812)	—	—	(286,812)	—	—	(286,812)
Redemption premium on early extinguishment of debt	(14,161)	—	—	(14,161)	—	—	(14,161)
Proceeds from sale of HEP common units	73,444	—	—	73,444	—	—	73,444
Proceeds from common unit offerings - HEP	—	—	—	—	73,444	—	73,444
Purchase of treasury stock	(159,432)	—	—	(159,432)	—	—	(159,432)
Contribution from general partner	—	—	(1,499)	(1,499)	1,499	—	—
Dividends	(264,867)	—	—	(264,867)	—	—	(264,867)

Edgar Filing: HollyFrontier Corp - Form 10-Q

Distributions to noncontrolling interest	—	—	—	—	(69,419)	34,815	(34,604)
Excess tax benefit from equity-based compensation	1,037	—	—	1,037	—	—	1,037
Purchase of units for incentive grants - HEP	—	—	—	—	(2,934)	—	(2,934)
Other	—	2,457	—	2,457	(273)	—	2,184
	(650,791)	2,457	(1,499)	(649,833)	(63,683)	34,815	(678,701)
Cash and cash equivalents							
Increase (decrease) for the period	(415,204)	3,446	—	(411,758)	3,479	—	(408,279)
Beginning of period	1,748,808	3,652	2	1,752,462	5,237	—	1,757,699
End of period	\$ 1,333,604	\$ 7,098	\$ 2	\$ 1,340,704	\$ 8,716	\$ —	\$ 1,349,420

Table of Contents

HOLLYFRONTIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) Continued

Condensed Consolidating Statement of Cash Flows

Six Months Ended June 30, 2012	Parent	Guarantor Restricted Subsidiaries	Non-Guarantor Restricted Subsidiaries	HollyFrontier Corp. Before Consolidation of HEP	Non-Guarantor Non-Restricted Subsidiaries (HEP Segment)	Eliminations	Consolidated
	(In thousands)						
Cash flows from operating activities	\$ 347,534	\$ 45,516	\$ —	\$ 393,050	\$ 67,011	\$ (30,558)	\$ 429,503
Cash flows from investing activities:							
Additions to properties, plants and equip	(1,679)	(102,722)	—	(104,401)	—	—	(104,401)
Additions to properties, plants and equip – HEP	—	—	—	—	(23,619)	—	(23,619)
Investment in Sabine Biofuels	—	(2,000)	—	(2,000)	—	—	(2,000)
Purchases of marketable securities	(166,429)	—	—	(166,429)	—	—	(166,429)
Sales and maturities of marketable securities	151,066	930	—	151,996	—	—	151,996
	(17,042)	(103,792)	—	(120,834)	(23,619)	—	(144,453)
Cash flows from financing activities:							
Net borrowings under credit agreement – HEP	—	—	—	—	(30,000)	—	(30,000)
Repayment of promissory notes	—	72,900	—	72,900	(72,900)	—	—
Net proceeds from issuance of senior notes - HEP	—	—	—	—	294,750	—	294,750
Principal tender on senior notes - HFC	(5,000)	—	—	(5,000)	—	—	(5,000)
Principal tender on senior notes - HEP	—	—	—	—	(185,000)	—	(185,000)
Purchase of treasury stock	(189,771)	—	—	(189,771)	—	—	(189,771)
Structured stock repurchase arrangement	(100,000)	—	—	(100,000)	—	—	(100,000)
Contribution to HEP	—	(9,000)	—	(9,000)	9,000	—	—
Contribution from joint venture partner	—	—	—	—	6,000	—	6,000
Dividends	(249,958)	—	—	(249,958)	—	—	(249,958)
	—	—	—	—	(59,977)	31,033	(28,944)

Edgar Filing: HollyFrontier Corp - Form 10-Q

Distributions to noncontrolling interest							
Excess tax benefit from equity-based compensation	4,762	—	—	4,762	—	—	4,762
Purchase of units for restricted grants - HEP	—	—	—	—	(4,533	) —	(4,533)
Deferred financing costs	—	(67	) —	(67	) (3,162	) —	(3,229)
Other	—	(635	) —	(635	) 277	(475	) (833)
	(539,967	) 63,198	—	(476,769	) (45,545	) 30,558	(491,756)
Cash and cash equivalents							
Increase (decrease) for the period:	(209,475	) 4,922	—	(204,553	) (2,153	) —	(206,706)
Beginning of period	1,575,891	(3,358	) 2	1,572,535	6,369	—	1,578,904
End of period	\$1,366,416	\$ 1,564	\$ 2	\$ 1,367,982	\$ 4,216	\$ —	\$ 1,372,198

Table of Content

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

This Item 2 contains "forward-looking" statements. See "Forward-Looking Statements" at the beginning of Part I of this Quarterly Report on Form 10-Q. References herein to HollyFrontier Corporation ("HollyFrontier") include HollyFrontier and its consolidated subsidiaries. In accordance with the Securities and Exchange Commission's ("SEC") "Plain English" guidelines, this Quarterly Report on Form 10-Q has been written in the first person. In this document, the words "we," "our," "ours" and "us" refer only to HollyFrontier and its consolidated subsidiaries or to HollyFrontier or an individual subsidiary and not to any other person, with certain exceptions. Generally, the words "we," "our," "ours" and "us" include Holly Energy Partners, L.P. ("HEP") and its subsidiaries as consolidated subsidiaries of HollyFrontier, unless when used in disclosures of transactions or obligations between HEP and HollyFrontier or its other subsidiaries. This document contains certain disclosures of agreements that are specific to HEP and its consolidated subsidiaries and do not necessarily represent obligations of HollyFrontier. When used in descriptions of agreements and transactions, "HEP" refers to HEP and its consolidated subsidiaries.

OVERVIEW

We are principally an independent petroleum refiner that produces high-value refined products such as gasoline, diesel fuel, jet fuel, specialty lubricant products, and specialty and modified asphalt. We own and operate refineries having a combined crude oil processing capacity of 443,000 barrels per day that serve markets throughout the Mid-Continent, Southwest and Rocky Mountain regions of the United States. Our refineries are located in El Dorado, Kansas (the "El Dorado Refinery"), Tulsa, Oklahoma (the, "Tulsa Refineries"), which comprise two production facilities, the Tulsa West and East facilities, a petroleum refinery in Artesia, New Mexico, which operates in conjunction with crude, vacuum distillation and other facilities situated 65 miles away in Lovington, New Mexico (collectively, the "Navajo Refinery"), Cheyenne, Wyoming (the, "Cheyenne Refinery") and Woods Cross, Utah (the "Woods Cross Refinery").

For the three months ended June 30, 2013, net income attributable to HollyFrontier stockholders was \$257.0 million compared to \$493.5 million for the three months ended June 30, 2012. For the six months ended June 30, 2013, net income attributable to HollyFrontier stockholders was \$590.7 million compared to \$735.2 million for the six months ended June 30, 2012.

Overall gross refining margins per produced product sold decreased 26% and 3% over the respective three and six months ended June 30, 2012 due principally to significant contraction in WTI to Brent crude differentials as well as discounts on heavy sour crudes during the second quarter of 2013.

During the current year second quarter, we recognized pension settlement and debt extinguishment charges of \$30.9 million and \$22.1 million, respectively, and a business interruption insurance recovery of \$10.6 million resulting in a net combined after-tax charge of \$25.9 million to net income. Also affecting current year net income were the effects of a planned turnaround at our Tulsa Refinery as well as approximately 10 days of unplanned downtime incurred at each of our El Dorado and Cheyenne Refineries as a result of FCC unit issues during the second quarter of 2013. We incurred additional downtime in the first quarter of 2013 due to planned turnaround and maintenance projects at our El Dorado and Navajo Refineries.

OUTLOOK

Our profitability is affected by the spread, or differential, between the market prices for crude oil on the world market (which is based on the price for Brent Sea Crude) and the price for inland U.S. crude oil (which is based on the price for WTI). This differential constantly changes and at times can be volatile. While we have generally experienced wide differentials (with Brent prices in excess of WTI prices) in recent years, which have significantly enhanced our profitability, at the end of the second quarter of 2013, the differential between Brent and WTI narrowed - averaging approximately half of the differential experienced during the first quarter of 2013. Differentials are likely to continue to be volatile in the near term. However, we expect the Brent to WTI differential to reemerge upon completion of additional northern tier pipeline capacity into Cushing, Oklahoma, which we believe will overwhelm Gulf Coast processing capacity with light sweet crude oil flows. Ultimately, we believe pipeline tariffs from Cushing to the Gulf Coast plus marine transportation costs to transport product from the Gulf to alternative markets will set the inland - coastal differential.

Table of Content

Pursuant to the 2007 Energy Independence and Security Act, the Environmental Protection Agency ("EPA") promulgated the Renewable Fuel Standard 2 ("RFS2") regulations reflecting the increased volume of renewable fuels mandated to be blended into the nation's fuel supply. The regulations, in part, require refiners to add annually increasing amounts of "renewable fuels" to their petroleum products or purchase credits, known as renewable identification numbers ("RINs"), in lieu of such blending. As of June 2013, we are purchasing RINs in order to meet approximately half of our renewable fuel requirements. Recently, due in part to the nation's fuel supply approaching the "blend wall" (the 10% ethanol limit prescribed by most automobile warranties), the price of RINs has been extremely volatile with the price dramatically increasing in recognition of the decrease in RINs availability. As a result, we expect to continue to experience increasing costs to comply with the renewable fuel mandate. In the wholesale markets we serve, we are seeing price adjustments to indicate that the cost of RINs is being largely paid by the consumer at the pump. However, we continue to use various approaches to mitigate our exposure to the increasing cost of RINs, which include additional renewable fuel blending, shifts in our refined product slate and changes in the way we conduct marketing operations. We cannot predict with certainty whether and to what extent we will be successful in mitigating our exposure to increased RINs costs, and anticipate that increased compliance costs may negatively impact our future results of operations.

A more detailed discussion of our financial and operating results for the three and six months ended June 30, 2013 and 2012 is presented in the following sections.

RESULTS OF OPERATIONS

Financial Data (Unaudited)

	Three Months Ended June 30,		Change from 2012		
	2013	2012	Change	Percent	
	(In thousands, except per share data)				
Sales and other revenues	\$5,298,848	\$4,806,681	\$492,167	10	%
Operating costs and expenses:					
Cost of products sold (exclusive of depreciation and amortization)	4,456,808	3,681,764	775,044	21	
Operating expenses (exclusive of depreciation and amortization)	277,542	222,726	54,816	25	
General and administrative expenses (exclusive of depreciation and amortization)	34,000	32,106	1,894	6	
Depreciation and amortization	70,492	56,948	13,544	24	
Total operating costs and expenses	4,838,842	3,993,544	845,298	21	
Income from operations	460,006	813,137	(353,131)	(43))
Other income (expense):					
Earnings (loss) of equity method investments	(1,089)	) 886	(1,975)	(223))
Interest income	778	681	97	14	
Interest expense	(19,794)	) (26,942)	) 7,148	(27))
Loss on early extinguishment of debt	(22,109)	) —	(22,109)	—)
Gain on sale of marketable securities	—	326	(326)	(100))
	(42,214)	) (25,049)	) (17,165)	69)
Income before income taxes	417,792	788,088	(370,296)	(47))
Income tax provision	152,043	285,718	(133,675)	(47))
Net income	265,749	502,370	(236,621)	(47))
Less net income attributable to noncontrolling interest	8,768	8,871	(103)	(1))

Edgar Filing: HollyFrontier Corp - Form 10-Q

Net income attributable to HollyFrontier stockholders	\$256,981	\$493,499	\$(236,518)	(48))%
Earnings per share attributable to HollyFrontier stockholders:					
Basic	\$1.27	\$2.40	\$(1.13)	(47))%
Diluted	\$1.27	\$2.39	\$(1.12)	(47))%
Cash dividends declared per common share	\$0.80	\$0.65	\$0.15	23	%
Average number of common shares outstanding:					
Basic	201,543	205,727	(4,184)	(2))%
Diluted	201,905	206,481	(4,576)	(2))%

37

Table of Content

	Six Months Ended June 30,		Change from 2012		
	2013	2012	Change	Percent	
	(In thousands, except per share data)				
Sales and other revenues	\$10,006,637	\$9,738,419	\$268,218	3	%
Operating costs and expenses:					
Cost of products sold (exclusive of depreciation and amortization)	8,249,343	7,868,681	380,662	5	
Operating expenses (exclusive of depreciation and amortization)	542,641	464,353	78,288	17	
General and administrative expenses (exclusive of depreciation and amortization)	63,198	59,634	3,564	6	
Depreciation and amortization	142,254	113,050	29,204	26	
Total operating costs and expenses	8,997,436	8,505,718	491,718	6	
Income from operations	1,009,201	1,232,701	(223,500)	(18))
Other income (expense):					
Earnings (loss) of equity method investments	(1,030)	1,603	(2,633)	(164))
Interest income	2,309	1,141	1,168	102	
Interest expense	(41,114)	(60,257)	19,143	(32))
Loss on early extinguishment of debt	(22,109)	—	(22,109)	—)
Gain on sale of marketable securities	—	326	(326)	(100))
	(61,944)	(57,187)	(4,757)	8)
Income before income taxes	947,257	1,175,514	(228,257)	(19))
Income tax provision	338,137	426,124	(87,987)	(21))
Net income	609,120	749,390	(140,270)	(19))
Less net income attributable to noncontrolling interest	18,470	14,195	4,275	30)
Net income attributable to HollyFrontier stockholders	\$590,650	\$735,195	\$(144,545)	(20))%
Earnings per share attributable to HollyFrontier stockholders:					
Basic	\$2.91	\$3.55	\$(0.64)	(18))%
Diluted	\$2.91	\$3.54	\$(0.63)	(18))%
Cash dividends declared per common share	\$1.60	\$1.25	\$0.35	28	%
Average number of common shares outstanding:					
Basic	202,131	207,129	(4,998)	(2))%
Diluted	202,485	207,938	(5,453)	(3))%

Balance Sheet Data

	June 30, 2013	December 31, 2012
	(Unaudited)	
	(In thousands)	
Cash, cash equivalents and investments in marketable securities	\$1,985,528	\$2,393,401
Working capital	\$2,568,461	\$2,815,821
Total assets	\$10,493,934	\$10,328,997
Long-term debt	\$990,236	\$1,336,238
Total equity	\$6,899,378	\$6,642,658

Table of Content

Other Financial Data (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net cash provided by operating activities	\$202,952	\$175,598	\$451,515	\$429,503
Net cash used for investing activities	\$(76,448)	\$(75,773)	\$(181,093)	\$(144,453)
Net cash used for financing activities	\$(649,526)	\$(387,177)	\$(678,701)	\$(491,756)
Capital expenditures	\$98,839	\$66,633	\$170,803	\$128,020
EBITDA ⁽¹⁾	\$520,641	\$862,426	\$1,131,955	\$1,333,485

Earnings before interest, taxes, depreciation and amortization, which we refer to as “EBITDA”, is calculated as net income plus (i) interest expense, net of interest income, (ii) income tax provision, and (iii) depreciation and amortization. EBITDA is not a calculation provided for under GAAP; however, the amounts included in the EBITDA calculation are derived from amounts included in our consolidated financial statements. EBITDA should not be considered as an alternative to net income or operating income as an indication of our operating performance or as an alternative to operating cash flow as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures of other companies. EBITDA is presented here because it is a widely used financial indicator used by investors and analysts to measure performance. EBITDA is also used by our management for internal analysis and as a basis for financial covenants. EBITDA presented above is reconciled to net income under “Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles” following Item 3 of Part I of this Form 10-Q.

Our operations are organized into two reportable segments, Refining and HEP. See Note 15 “Segment Information” in the Notes to Consolidated Financial Statements for additional information on our reportable segments.

Refining Operating Data (Unaudited)

The following tables set forth information, including non-GAAP performance measures, about our refinery operations. The cost of products and refinery gross margin do not include the effect of depreciation and amortization. Reconciliations to amounts reported under GAAP are provided under “Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles” following Item 3 of Part I of this Form 10-Q.

	Three Months Ended June 30,		Six Months Ended June 30,		
	2013	2012	2013	2012	
Mid-Continent Region (El Dorado and Tulsa Refineries)					
Crude charge (BPD) ⁽¹⁾	205,770	243,150	223,030	249,710	
Refinery throughput (BPD) ⁽²⁾	226,010	259,250	246,250	266,020	
Refinery production (BPD) ⁽³⁾	220,770	251,870	240,380	260,070	
Sales of produced refined products (BPD)	213,240	242,560	227,810	250,810	
Sales of refined products (BPD) ⁽⁴⁾	261,950	246,130	257,870	255,260	
Refinery utilization ⁽⁵⁾	79.1	% 93.5	% 85.8	% 96.0	%
Average per produced barrel ⁽⁶⁾					
Net sales	\$118.05	\$118.72	\$117.25	\$119.38	
Cost of products ⁽⁷⁾	97.07	94.16	95.39	98.31	
Refinery gross margin	20.98	24.56	21.86	21.07	
Refinery operating expenses ⁽⁸⁾	6.12	4.63	5.97	4.73	
Net operating margin	\$14.86	\$19.93	\$15.89	\$16.34	

Edgar Filing: HollyFrontier Corp - Form 10-Q

Refinery operating expenses per throughput barrel (9)	\$5.77	\$4.33	\$5.52	\$4.46
--	--------	--------	--------	--------

Feedstocks:

Sweet crude oil	72	% 71	% 72	% 71	%
Sour crude oil	3	% 7	% 4	% 8	%
Heavy sour crude oil	16	% 16	% 15	% 15	%
Other feedstocks and blends	9	% 6	% 9	% 6	%
Total	100	% 100	% 100	% 100	%

39

Table of Content

	Three Months Ended June 30,		Six Months Ended June 30,		
	2013	2012	2013	2012	
Mid-Continent Region (El Dorado and Tulsa Refineries)					
Sales of produced refined products:					
Gasolines	44	% 46	% 46	% 46	%
Diesel fuels	33	% 28	% 32	% 30	%
Jet fuels	8	% 10	% 8	% 9	%
Fuel oil	1	% —	% 1	% —	%
Asphalt	3	% 2	% 3	% 2	%
Lubricants	4	% 5	% 4	% 5	%
LPG and other	7	% 9	% 6	% 8	%
Total	100	% 100	% 100	% 100	%
Southwest Region (Navajo Refinery)					
Crude charge (BPD) ⁽¹⁾	104,910	92,960	88,160	87,050	
Refinery throughput (BPD) ⁽²⁾	115,230	101,090	97,760	95,740	
Refinery production (BPD) ⁽³⁾	114,410	100,960	94,410	94,010	
Sales of produced refined products (BPD)	110,830	98,680	91,110	92,970	
Sales of refined products (BPD) ⁽⁴⁾	119,740	103,380	104,860	98,250	
Refinery utilization ⁽⁵⁾	104.9	% 93.0	% 88.2	% 87.1	%
Average per produced barrel ⁽⁶⁾					
Net sales	\$ 117.03	\$ 123.25	\$ 118.95	\$ 124.50	
Cost of products ⁽⁷⁾	100.70	94.98	98.40	100.33	
Refinery gross margin	16.33	28.27	20.55	24.17	
Refinery operating expenses ⁽⁸⁾	5.10	5.06	6.25	5.81	
Net operating margin	\$ 11.23	\$ 23.21	\$ 14.30	\$ 18.36	
Refinery operating expenses per throughput barrel ⁽⁹⁾	\$ 4.91	\$ 4.94	\$ 5.82	\$ 5.64	
Feedstocks:					
Sweet crude oil	8	% 4	% 5	% 2	%
Sour crude oil	70	% 80	% 74	% 80	%
Heavy sour crude oil	13	% 8	% 12	% 9	%
Other feedstocks and blends	9	% 8	% 9	% 9	%
Total	100	% 100	% 100	% 100	%
Sales of produced refined products:					
Gasolines	50	% 49	% 50	% 51	%
Diesel fuels	40	% 40	% 39	% 38	%
Fuel oil	5	% 6	% 6	% 6	%
Asphalt	2	% 2	% 2	% 2	%
LPG and other	3	% 3	% 3	% 3	%
Total	100	% 100	% 100	% 100	%
Rocky Mountain Region (Cheyenne and Woods Cross Refineries)					
Crude charge (BPD) ⁽¹⁾	70,780	75,680	69,850	72,960	
Refinery throughput (BPD) ⁽²⁾	77,260	83,860	75,730	81,300	

Edgar Filing: HollyFrontier Corp - Form 10-Q

Refinery production (BPD) ⁽³⁾	73,540	82,270	73,200	79,730	
Sales of produced refined products (BPD)	73,890	80,230	73,150	78,440	
Sales of refined products (BPD) ⁽⁴⁾	75,100	82,360	76,810	80,840	
Refinery utilization ⁽⁵⁾	85.3	% 91.2	% 84.2	% 87.9	%

40

Table of Content

	Three Months Ended June 30,		Six Months Ended June 30,		
	2013	2012	2013	2012	
Rocky Mountain Region (Cheyenne and Woods Cross Refineries)					
Average per produced barrel ⁽⁶⁾					
Net sales	\$ 116.66	\$ 120.97	\$ 112.53	\$ 115.98	
Cost of products ⁽⁷⁾	92.46	85.93	89.55	91.24	
Refinery gross margin	24.20	35.04	22.98	24.74	
Refinery operating expenses ⁽⁸⁾	7.47	6.05	7.78	6.30	
Net operating margin	\$ 16.73	\$ 28.99	\$ 15.20	\$ 18.44	
Refinery operating expenses per throughput barrel ⁽⁹⁾	\$ 7.14	\$ 5.79	\$ 7.51	\$ 6.08	
Feedstocks:					
Sweet crude oil	42	% 43	% 43	% 44	%
Sour crude oil	1	% 2	% 1	% 2	%
Heavy sour crude oil	35	% 34	% 34	% 33	%
Black wax crude oil	14	% 11	% 14	% 11	%
Other feedstocks and blends	8	% 10	% 8	% 10	%
Total	100	% 100	% 100	% 100	%
Sales of produced refined products:					
Gasolines	51	% 54	% 55	% 55	%
Diesel fuels	35	% 33	% 31	% 32	%
Fuel oil	1	% 1	% 1	% 2	%
Asphalt	5	% 6	% 6	% 5	%
LPG and other	8	% 6	% 7	% 6	%
Total	100	% 100	% 100	% 100	%
Consolidated					
Crude charge (BPD) ⁽¹⁾	381,460	411,790	381,040	409,720	
Refinery throughput (BPD) ⁽²⁾	418,500	444,200	419,740	443,060	
Refinery production (BPD) ⁽³⁾	408,720	435,100	407,990	433,810	
Sales of produced refined products (BPD)	397,960	421,470	392,070	422,220	
Sales of refined products (BPD) ⁽⁴⁾	456,790	431,870	439,540	434,350	
Refinery utilization ⁽⁵⁾	86.1	% 93.0	% 86.0	% 92.5	%
Average per produced barrel ⁽⁶⁾					
Net sales	\$ 117.51	\$ 120.21	\$ 116.77	\$ 119.87	
Cost of products ⁽⁷⁾	97.23	92.78	95.00	97.44	
Refinery gross margin	20.28	27.43	21.77	22.43	
Refinery operating expenses ⁽⁸⁾	6.09	5.00	6.38	5.26	
Net operating margin	\$ 14.19	\$ 22.43	\$ 15.39	\$ 17.17	
Refinery operating expenses per throughput barrel ⁽⁹⁾	\$ 5.79	\$ 4.75	\$ 5.95	\$ 5.01	
Feedstocks:					
Sweet crude oil	49	% 51	% 51	% 51	%

Edgar Filing: HollyFrontier Corp - Form 10-Q

Sour crude oil	21	% 22	% 20	% 22	%
Heavy sour crude oil	19	% 18	% 17	% 17	%
Black wax crude oil	2	% 2	% 3	% 2	%
Other feedstocks and blends	9	% 7	% 9	% 8	%
Total	100	% 100	% 100	% 100	%

41

Table of Content

	Three Months Ended June 30,		Six Months Ended June 30,		
	2013	2012	2013	2012	
Consolidated					
Sales of produced refined products:					
Gasolines	47	% 48	% 49	% 49	%
Diesel fuels	35	% 32	% 33	% 32	%
Jet fuels	4	% 6	% 5	% 6	%
Fuel oil	2	% 2	% 2	% 2	%
Asphalt	3	% 3	% 3	% 2	%
Lubricants	3	% 3	% 2	% 3	%
LPG and other	6	% 6	% 6	% 6	%
Total	100	% 100	% 100	% 100	%

(1) Crude charge represents the barrels per day of crude oil processed at our refineries.

(2) Refinery throughput represents the barrels per day of crude and other refinery feedstocks input to the crude units and other conversion units at our refineries.

(3) Refinery production represents the barrels per day of refined products yielded from processing crude and other refinery feedstocks through the crude units and other conversion units at our refineries.

(4) Includes refined products purchased for resale.

(5) Represents crude charge divided by total crude capacity (BPSD). Our consolidated crude capacity is 443,000 BPSD.

Represents average per barrel amount for produced refined products sold, which is a non-GAAP measure.

(6) Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Form 10-Q.

(7) Transportation, terminal and refinery storage costs billed from HEP are included in cost of products.

(8) Represents operating expenses of our refineries, exclusive of depreciation and amortization and pension settlement charges.

(9) Represents refinery operating expenses, exclusive of depreciation and amortization and pension settlement costs, divided by refinery throughput.

Results of Operations – Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

Summary

Net income attributable to HollyFrontier stockholders for the three months ended June 30, 2013 was \$257.0 million (\$1.27 per basic and diluted share), a \$236.5 million decrease compared to \$493.5 million (\$2.40 per basic and \$2.39 per diluted share) for the three months ended June 30, 2012. Net income decreased due principally to a year-over-year decrease in second quarter refining margins, refinery downtime and pension settlement and debt extinguishment charges. Refinery gross margins for the three months ended June 30, 2013 decreased to \$20.28 per produced barrel from \$27.43 for the three months ended June 30, 2012.

Sales and Other Revenues

Sales and other revenues increased 10% from \$4,806.7 million for the three months ended June 30, 2012 to \$5,298.8 million for the three months ended June 30, 2013 due to higher refined product sales volumes, partially offset by a year-over-year decrease in second quarter sales prices. The average sales price we received per produced barrel sold was \$120.21 for the three months ended June 30, 2012 compared to \$117.51 for the three months ended June 30, 2013. Refined product sales volumes for the current period reflect higher volumes of purchased products, comprising 13% of total refined products sales compared to 2% for the three months ended June 30, 2012 due principally to a decrease in refinery production and corresponding sales volumes of produced product as a result of planned

turnaround and maintenance projects at our Tulsa Refinery and unplanned outages at our El Dorado and Cheyenne Refineries. Sales and other revenues for the three months ended June 30, 2013 and 2012 include \$12.1 million and \$10.9 million, respectively, in HEP revenues attributable to pipeline and transportation services provided to unaffiliated parties.

Cost of Products Sold

Cost of products sold increased 21% from \$3,681.8 million for the three months ended June 30, 2012 to \$4,456.8 million for the three months ended June 30, 2013, due principally to higher crude oil costs and higher sales volumes of purchased products caused, in part, by planned turnaround projects and unplanned refinery outages during the three months ended June 30, 2013. The average price we paid per barrel for crude oil and feedstocks and the transportation costs of moving the finished products to the market place increased 5% from \$92.78 for the three months ended June 30, 2012 to \$97.23 for the three months ended June 30, 2013.

Table of Content

Gross Refinery Margins

Gross refinery margin per produced barrel decreased 26% from \$27.43 for the three months ended June 30, 2012 to \$20.28 for the three months ended June 30, 2013. This was due to the effects of an increase in crude oil and feedstock prices combined with the decrease in average per barrel sales prices for refined products sold for the quarter. Gross refinery margin does not include the effects of depreciation and amortization. See “Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles” following Item 3 of Part 1 of this Form 10-Q for a reconciliation to the income statement of prices of refined products sold and cost of products purchased.

Operating Expenses

Operating expenses, exclusive of depreciation and amortization, increased 25% from \$222.7 million for the three months ended June 30, 2012 to \$277.5 million for the three months ended June 30, 2013 due principally to \$24.8 million in pension settlement costs and higher repair and maintenance and fuel costs during the quarter.

General and Administrative Expenses

General and administrative expenses increased 6% from \$32.1 million for the three months ended June 30, 2012 to \$34.0 million for the three months ended June 30, 2013 due to \$3.5 million in pension settlement costs, partially offset by various year-over-year cost decreases.

Depreciation and Amortization Expenses

Depreciation and amortization increased 24% from \$56.9 million for the three months ended June 30, 2012 to \$70.5 million for the three months ended June 30, 2013. The increase was due principally to depreciation and amortization attributable to capitalized improvement projects and capitalized refinery turnaround costs.

Interest Expense

Interest expense was \$19.8 million for the three months ended June 30, 2013 compared to \$26.9 million for the three months ended June 30, 2012. This decrease was due to lower year-over-year debt levels principally as a result of the redemption of our \$200 million 8.5% senior notes in September 2012. For the three months ended June 30, 2013 and 2012, interest expense included \$11.6 million and \$12.7 million, respectively, in interest costs attributable to HEP operations.

Loss on Early Extinguishment of Debt

In June 2013, we redeemed our \$286.8 million aggregate principal amount of 9.875% senior notes maturing June 2017 at a redemption cost of \$301.0 million, at which time we recognized a \$22.1 million early extinguishment loss consisting of a \$14.2 million debt redemption premium and an unamortized discount of \$7.9 million.

Income Taxes

For the three months ended June 30, 2013, we recorded income tax expense of \$152.0 million compared to \$285.7 million for the three months ended June 30, 2012. This decrease is due principally to lower pre-tax earnings during the three months ended June 30, 2013 compared to the same period of 2012. Our effective tax rates, before consideration of earnings attributable to the noncontrolling interest, were 36.4% and 36.3% for the three months ended June 30, 2013 and 2012, respectively.

Results of Operations – Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Summary

Net income attributable to HollyFrontier stockholders for the six months ended June 30, 2013 was \$590.7 million (\$2.91 per basic and diluted share), a \$144.5 million decrease compared to \$735.2 million (\$3.55 per basic and \$3.54 per diluted share) for the six months ended June 30, 2012. Net income decreased due principally to refinery downtime,

a year-over-year decrease in refining margins and pension settlement and debt extinguishment charges. Refinery gross margins for the six months ended June 30, 2013 decreased slightly to \$21.77 per produced barrel from \$22.43 for the six months ended June 30, 2012.

Table of Content

Sales and Other Revenues

Sales and other revenues increased 3% from \$9,738.4 million for the six months ended June 30, 2012 to \$10,006.6 million for the six months ended June 30, 2013 due to higher refined product sales volumes, partially offset by a decrease in year-over-year sales prices. The average sales price we received per produced barrel sold was \$119.87 for the six months ended June 30, 2012 compared to \$116.77 for the six months ended June 30, 2013. Refined product sales volumes for the current period reflect higher volumes of purchased products, comprising 11% of total refined products sales compared to 3% for the six months ended June 30, 2012 due to a decrease in refinery production and corresponding sales volumes of produced product as a result of planned turnaround and maintenance projects at our El Dorado, Tulsa and Navajo Refineries and other unplanned refinery outages during the current year-to-date period. Sales and other revenues for the six months ended June 30, 2013 and 2012 include \$24.9 million and \$22.8 million, respectively, in HEP revenues attributable to pipeline and transportation services provided to unaffiliated parties.

Cost of Products Sold

Cost of products sold increased 5% from \$7,868.7 million for the six months ended June 30, 2012 to \$8,249.3 million for the six months ended June 30, 2013, due principally to higher refined product sales volumes, partially offset by overall lower crude costs for the current year. The sales volume increase is attributable to higher sales volumes of purchased products caused, in part, by planned turnaround projects and unplanned refinery outages during the six months ended June 30, 2013. The average price we paid per barrel for crude oil and feedstocks and the transportation costs of moving the finished products to the market place decreased 3% from \$97.44 for the six months ended June 30, 2012 to \$95.00 for the six months ended June 30, 2013.

Gross Refinery Margins

Gross refinery margin per produced barrel decreased 3% from \$22.43 for the six months ended June 30, 2012 to \$21.77 for the six months ended June 30, 2013. This was due to a larger decrease in average per barrel sales prices for refined products sold when compared to the decrease in crude oil and feedstock prices for the year-to-date period. Gross refinery margin does not include the effects of depreciation and amortization. See “Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles” following Item 3 of Part 1 of this Form 10-Q for a reconciliation to the income statement of prices of refined products sold and cost of products purchased.

Operating Expenses

Operating expenses, exclusive of depreciation and amortization, increased 17% from \$464.4 million for the six months ended June 30, 2012 to \$542.6 million for the six months ended June 30, 2013 due principally to pension settlement costs and higher repair and maintenance and fuel costs during the current year-to-date period.

General and Administrative Expenses

General and administrative expenses increased 6% from \$59.6 million for the six months ended June 30, 2012 to \$63.2 million for the six months ended June 30, 2013 due to pension settlement costs, slightly offset by various year-over-year cost decreases.

Depreciation and Amortization Expenses

Depreciation and amortization increased 26% from \$113.1 million for the six months ended June 30, 2012 to \$142.3 million for the six months ended June 30, 2013. The increase was due principally to depreciation and amortization attributable to capitalized improvement projects and capitalized refinery turnaround costs.

Interest Expense

Interest expense was \$41.1 million for the six months ended June 30, 2013 compared to \$60.3 million for the six months ended June 30, 2012. This decrease was due to lower year-over-year debt levels principally as a result of the redemption of our \$200 million 8.5% senior notes in September 2012. For the six months ended June 30, 2013 and 2012, interest expense included \$24.1 million and \$31.8 million, respectively, in interest costs attributable to HEP

operations.

Loss on Early Extinguishment of Debt

In June 2013, we redeemed our \$286.8 million aggregate principal amount of 9.875% senior notes maturing June 2017 at a redemption cost of \$301.0 million, at which time we recognized a \$22.1 million early extinguishment loss consisting of a \$14.2 million debt redemption premium and an unamortized discount of \$7.9 million.

Income Taxes

For the six months ended June 30, 2013, we recorded income tax expense of \$338.1 million compared to \$426.1 million for the six months ended June 30, 2012. This decrease was due principally to lower pre-tax earnings during the six months ended June 30, 2013 compared to the same period of 2012. Our effective tax rates, before consideration of earnings attributable to the noncontrolling interest, were 35.7% and 36.3% for the six months ended June 30, 2013 and 2012, respectively.

Table of Content

LIQUIDITY AND CAPITAL RESOURCES

HollyFrontier Credit Agreement

We have a \$1 billion senior secured credit agreement that matures in July 2013 (the “HollyFrontier Credit Agreement”) and may be used to fund working capital requirements, capital expenditures, acquisitions and general corporate purposes. Obligations under the HollyFrontier Credit Agreement are collateralized by our inventory, accounts receivables and certain deposit accounts and guaranteed by our material, wholly-owned subsidiaries. At June 30, 2013, we were in compliance with all covenants, had no outstanding borrowings and had outstanding letters of credit totaling \$28.8 million under the HollyFrontier Credit Agreement.

HEP Credit Agreement

HEP has a \$550 million senior secured revolving credit facility that matures in June 2017 (the “HEP Credit Agreement”) and is available to fund capital expenditures, investments, acquisitions, distribution payments and working capital and for general partnership purposes. It is also available to fund letters of credit up to a \$50 million sub-limit and to fund distributions to unitholders up to a \$60 million sub-limit. At June 30, 2013, HEP was in compliance with all of its covenants, had outstanding borrowings of \$355.0 million and no outstanding letters of credit under the HEP Credit Agreement.

HEP’s obligations under the HEP Credit Agreement are collateralized by substantially all of HEP’s assets (presented parenthetically in our consolidated balance sheets). Indebtedness under the HEP Credit Agreement involves recourse to HEP Logistics Holdings, L.P., its general partner, and is guaranteed by HEP’s wholly-owned subsidiaries. Any recourse to the general partner would be limited to the extent of HEP Logistics Holdings, L.P.’s assets, which other than its investment in HEP, are not significant. HEP’s creditors have no other recourse to our assets. Furthermore, our creditors have no recourse to the assets of HEP and its consolidated subsidiaries.

HollyFrontier Senior Notes

Our 6.875% senior notes (\$150 million principal amount maturing November 2018) (the “HollyFrontier Senior Notes”) are unsecured and impose certain restrictive covenants, including limitations on our ability to incur additional debt, incur liens, enter into sale-and-leaseback transactions, pay dividends, enter into mergers, sell assets and enter into certain transactions with affiliates. At any time when the HollyFrontier Senior Notes are rated investment grade by both Moody’s and Standard & Poor’s and no default or event of default exists, we will not be subject to many of the foregoing covenants. Additionally, we have certain redemption rights under the HollyFrontier Senior Notes.

In June 2013, we redeemed our \$286.8 million aggregate principal amount of 9.875% senior notes maturing June 2017 at a redemption cost of \$301.0 million, at which time we recognized a \$22.1 million early extinguishment loss consisting of a \$14.2 million debt redemption premium and an unamortized discount of \$7.9 million.

HollyFrontier Financing Obligation

We have a financing obligation that relates to a sale and lease-back of certain crude oil tankage that we sold to an affiliate of Plains All American Pipeline, L.P. (“Plains”) in October 2009 for \$40.0 million. Monthly lease payments are recorded as a reduction in principal over the 15-year lease term ending in 2024.

HEP Senior Notes

HEP’s senior notes consist of the following:

8.25% HEP senior notes (\$150 million principal amount maturing March 2018)

6.5% HEP senior notes (\$300 million principal amount maturing March 2020)

The 8.25% and 6.5% HEP senior notes (collectively, the “HEP Senior Notes”) are unsecured and impose certain restrictive covenants, including limitations on HEP’s ability to incur additional indebtedness, make investments, sell assets, incur certain liens, pay distributions, enter into transactions with affiliates, and enter into mergers. At any time when the HEP Senior Notes are rated investment grade by both Moody’s and Standard & Poor’s and no default or event of default exists, HEP will not be subject to many of the foregoing covenants. Additionally, HEP has certain redemption rights under the HEP Senior Notes.

Indebtedness under the HEP Senior Notes involves recourse to HEP Logistics Holdings, L.P., its general partner, and is guaranteed by HEP’s wholly-owned subsidiaries. However, any recourse to the general partner would be limited to the extent of HEP Logistics Holdings, L.P.’s assets, which other than its investment in HEP, are not significant. HEP’s creditors have no other recourse to our assets. Furthermore, our creditors have no recourse to the assets of HEP and its consolidated subsidiaries.

Table of Content

HEP Common Unit Issuance

In March 2013, HEP closed on a public offering of 1,875,000 of its common units. Additionally, our wholly-owned subsidiary, HollyFrontier Holdings LLC, as a selling unitholder, closed on a public sale of 1,875,000 HEP common units held by it. HEP used net proceeds of \$73.4 million to to repay indebtedness incurred under its credit facility and for general partnership purposes.

Liquidity

We believe our current cash and cash equivalents, along with future internally generated cash flow and funds available under our credit facilities will provide sufficient resources to fund currently planned capital projects and our liquidity needs for the foreseeable future. In addition, components of our growth strategy include construction of new refinery processing units and the expansion of existing units at our facilities and selective acquisition of complementary assets for our refining operations intended to increase earnings and cash flow.

As of June 30, 2013, our cash, cash equivalents and investments in marketable securities totaled \$2.0 billion. We consider all highly-liquid instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. These primarily consist of investments in conservative, highly-rated instruments issued by financial institutions, government and corporate entities with strong credit standings and money market funds.

We have a Board approved stock repurchase program that authorizes us to repurchase common stock in the open market or through privately negotiated transactions. The timing and amount of stock repurchases will depend on market conditions, corporate, regulatory and other relevant considerations. This program may be discontinued at any time by the Board of Directors. As of June 30, 2013, we had remaining authorization to repurchase up to \$356.4 million under this stock repurchase program.

Cash and cash equivalents decreased \$408.3 million for the six months ended June 30, 2013. Net cash used for investing and financing activities of \$181.1 million and \$678.7 million, respectively, exceeded net cash provided by operating activities of \$451.5 million. Working capital decreased by \$247.4 million during the six months ended June 30, 2013.

Cash Flows – Operating Activities

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Net cash flows provided by operating activities were \$451.5 million for the six months ended June 30, 2013 compared to \$429.5 million for the six months ended June 30, 2012, an increase of \$22.0 million. Net income for the six months ended June 30, 2013 was \$609.1 million, a decrease of \$140.3 million compared to \$749.4 million for the six months ended June 30, 2012. Non-cash adjustments consisting of depreciation and amortization, loss on early extinguishment of debt attributable to unamortized discount, gain on sale of equity securities, deferred income taxes, equity-based compensation expense and fair value changes to derivative instruments resulted in an increase to operating cash flows of \$98.3 million for the six months ended June 30, 2013 compared to \$137.8 million for the same period in 2012. Changes in working capital items decreased cash flows by \$122.2 million for the six months ended June 30, 2013 compared to \$405.1 million for the six months ended June 30, 2012. Additionally, for the six months ended June 30, 2013, turnaround expenditures increased to \$159.8 million from \$47.0 million for the same period of 2012.

Cash Flows – Investing Activities and Planned Capital Expenditures

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Net cash flows used for investing activities were \$181.1 million for the six months ended June 30, 2013 compared to \$144.5 million for the six months ended June 30, 2012, an increase of \$36.6 million. Cash expenditures for properties,

plants and equipment for the first six months of 2013 increased to \$170.8 million from \$128.0 million for the same period in 2012. These include HEP capital expenditures of \$16.9 million and \$23.6 million for the six months ended June 30, 2013 and 2012, respectively. In addition, for the six months ended June 30, 2013, we received proceeds of \$5.8 million from the sale of property and equipment and advanced Sabine Biofuels \$13.7 million. Also for the six months ended June 30, 2013 and 2012, we invested \$399.2 million and \$166.4 million, respectively, in marketable securities and received proceeds of \$398.8 million and \$152.0 million, respectively, from the sale or maturity of marketable securities.

Table of Content

Planned Capital Expenditures

HollyFrontier Corporation

Each year our Board of Directors approves our annual capital budget which includes specific projects that our management is authorized to undertake. Additionally, when conditions warrant or as new opportunities arise, additional projects may be approved. The funds appropriated for a particular capital project may be expended over a period of several years, depending on the time required to complete the project. Therefore, our planned capital expenditures for a given year consist of expenditures appropriated in that year's capital budget plus expenditures for projects appropriated in prior years which have not yet been completed. Our appropriated capital budget for 2013 is \$320.0 million including both sustaining capital and major capital projects. We expect to spend approximately \$400.0 million to \$450.0 million in cash for capital projects appropriated in 2013 and prior years. This spending is comprised of \$130.0 million to \$146.0 million at the Woods Cross Refinery, \$116.0 million to \$130.0 million at the Tulsa Refineries, \$56.0 million to \$65.0 million at the El Dorado Refinery, \$58.0 million to \$61.0 million at the Cheyenne Refinery, \$28.0 million to \$33.0 million at the Navajo Refinery and \$12.0 million to \$15.0 million for miscellaneous other projects. In addition, we expect to spend up to \$200.0 million on refinery turnarounds and tank maintenance during 2013. This reflects an increase to our previous \$156.0 million estimate due to turnaround discovery work.

A significant portion of our current capital spending is associated with compliance-oriented capital improvements. This spending is required due to existing consent decrees (for projects including FCC unit flue gas scrubbers and tail gas treatment units), federal fuels regulations (particularly, MSAT2 which mandates a reduction in the benzene content of blended gasoline), refinery waste water treatment improvements and other similar initiatives. Our refinery operations and related emissions are highly regulated at both federal and state levels, and we invest in our facilities as needed to remain in compliance with these standards. Additionally, when faced with new emissions or fuels standards, we seek to execute projects that facilitate compliance and also improve the operating costs and/or yields of associated refining processes.

El Dorado Refinery

Newly appropriated capital projects at the El Dorado Refinery include naphtha fractionation, an additional hydrogen plant and a Low-Nox addition to the FCC unit flue gas scrubber. Continuing project work will include coke drum pressure reduction designed to improve liquid yields and a new tail gas treatment unit to reduce air emissions in compliance with the El Dorado Refinery's existing EPA consent decree.

Tulsa Refineries

New 2013 appropriations for the Tulsa Refineries include a gasoline-blending system and numerous infrastructure upgrades. We will continue spending on the conversion of our propane de-asphalt unit to ROSE technology and on our sulfur recovery project related to the refinery fuel gas system. The sulfur recovery project is expected to be completed in the third quarter of 2013 and, in addition to facilitating compliance with our EPA consent, is anticipated to also allow us to increase use of lower priced sour / heavy crude in Tulsa. Spending on maintenance capital items and general improvements continues at an elevated level at the Tulsa Refineries due to perceived opportunities.

Navajo Refinery

The Navajo Refinery capital spending in 2013 will be principally on previously approved capital appropriations as well as maintenance capital spending. Included among previously approved capital projects is a \$25.0 million upgrade to the Navajo Refinery's waste water treatment system.

Cheyenne Refinery

We plan to install a new hydrogen plant at the Cheyenne Refinery and have appropriated this capital project as part of our 2013 budget. The hydrogen plant, along with a previously approved naphtha fractionation project, is anticipated to allow us to reduce benzene content in Cheyenne gasoline production, while at the same time improving the refinery's

overall liquid yields and light oils production. Previously appropriated projects still underway at Cheyenne include wastewater treatment plant improvements, a wet gas scrubber for the FCC unit to reduce air emissions, a redundant tail gas unit associated with sulfur recovery processes and additional investment in the waste water treatment plant to reduce selenium concentration in waste water.

Woods Cross Refinery

Newly appropriated capital for the Woods Cross Refinery consists of warehouse and office relocations to accommodate the refinery expansion and modernization program and a new rail loading rack for intermediates and finished products associated with refining waxy crude oil. Engineering is continuing on the previously announced \$225.0 million expansion project. Long lead equipment has been ordered and we are finalizing the cost estimate before construction begins. The permit for the refinery expansion project is pending and the second public comment period has ended. We currently expect the project to be mechanically complete in approximately the first to second quarter of 2015.

Table of Content

Regulatory compliance items or other presently existing or future environmental regulations / consent decrees could cause us to make additional capital investments beyond those described above and incur additional operating costs to meet applicable requirements.

HEP

Each year the Holly Logistic Services, L.L.C. board of directors approves HEP's annual capital budget, which specifies capital projects that HEP management is authorized to undertake. Additionally, at times when conditions warrant or as new opportunities arise, special projects may be approved. The funds allocated for a particular capital project may be expended over a period of several years, depending on the time required to complete the project. Therefore, HEP's planned capital expenditures for a given year consist of expenditures approved for capital projects included in its current year capital budget as well as, in certain cases, expenditures approved for capital projects in capital budgets for prior years. The 2013 HEP capital budget is comprised of \$10.1 million for maintenance capital expenditures and \$2.0 million for expansion capital expenditures.

HEP is proceeding with the expansion of its crude oil transportation system in southeastern New Mexico in response to increased crude oil production in the area. The expansion will provide shippers with additional pipeline takeaway capacity to either common carrier pipeline stations for transportation to major crude oil markets or to our New Mexico refining facilities. To complete the project, HEP will convert an existing refined products pipeline to crude oil service, construct several new pipeline segments, expand an existing pipeline and build new truck unloading stations and crude storage capacity. Excluding the value of the existing pipeline to be converted, total capital expenditures are expected to cost between \$35.0 million and \$40.0 million. The project is expected to provide increased capacity of up to 100,000 BPD across HEP's system and anticipates it will be in full service no later than May 2014 though some segments may be completed and in service in late 2013.

UNEV is proceeding with a project to add certain enhancements to its product terminal in Las Vegas, Nevada. The project will cost approximately \$13.0 million with construction scheduled to be completed during the second quarter of 2014.

HEP is currently evaluating two proposed new pipelines. The first proposed pipeline would be a new 50-mile intrastate crude oil pipeline between Cushing, Oklahoma and our Tulsa refining facilities that would allow for a significant portion of crude oil transported to be heavy Canadian and sour crude oil. The second proposed pipeline would be a new 100-mile interstate petroleum products pipeline between our refinery in Cheyenne, Wyoming and Denver, Colorado. The project also will evaluate the construction of a new petroleum products terminal in North Denver or, alternatively, the routing of the new pipeline to existing third-party product terminals in the Denver area. HEP anticipates that it will be in a position to decide whether to proceed with these projects in the third quarter of 2013.

HEP and we are collaborating to evaluate the construction of a rail facility that will enable crude oil loading and unloading near our Artesia and / or Lovington, New Mexico refining facilities. The rail project, which will be connected to HEP's crude oil pipeline transportation system in southeastern New Mexico, will have an initial capacity of up to 70,000 BPD and will enable access to a variety of crude oil types including WTI, WTS and WCS. The project will provide both additional crude oil takeaway options for producers as crude production in the region continues to grow, and an expanded set of crude oil sourcing options for us. HEP anticipates that project completion would take nine to twelve months once a decision to proceed is made.

Cash Flows – Financing Activities

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Net cash flows used for financing activities were \$678.7 million for the six months ended June 30, 2013 compared to \$491.8 million for the six months ended June 30, 2012, an increase of \$186.9 million. During the six months ended June 30, 2013, we received \$73.4 million from the sale of HEP common units, purchased \$159.4 million in common stock, paid \$264.9 million in dividends, paid \$286.8 million in principal and a \$14.2 million premium upon the redemption of our 9.875% senior notes and recognized \$1.0 million excess tax benefits on our equity-based compensation. Also during this period, HEP received \$154.5 million and repaid \$220.5 million under the HEP Credit Agreement, paid distributions of \$34.6 million to noncontrolling interests, purchased \$2.9 million in HEP common units for recipients of its incentive grants and received proceeds of \$73.4 million upon its March 2013 common unit offering. During the six months ended June 30, 2012, we purchased \$189.8 million in common stock, paid \$250.0 million in dividends, provided a \$100.0 million up-front payment pursuant to a structured share repurchase arrangement, paid \$5.0 million in principal on our 9.875% senior notes and recognized \$4.8 million excess tax benefits on our equity-based compensation. Also during this period, HEP received \$294.8 million in net proceeds upon the issuance of the HEP 6.5% senior notes, paid \$185.0 million in principal on the HEP 6.25% senior notes, received \$99.0 million and repaid \$129.0 million under the HEP Credit Agreement, paid distributions of \$28.9 million to noncontrolling interests, incurred \$3.2 million in deferred financing costs and purchased \$4.5 million in HEP common units in the open market for recipients of its incentive grants. Additionally, UNEV joint venture partner contributions of \$6.0 million were received during the six months ended June 30, 2012.

Table of Content

Contractual Obligations and Commitments

HollyFrontier Corporation

In June 2013, we redeemed our \$286.8 million aggregate principal amount of 9.875% senior notes maturing June 2017. There were no other significant changes to our contractual obligations during the six months ended June 30, 2013.

HEP

During the six months ended June 30, 2013, HEP made net repayments of \$66.0 million resulting in \$355.0 million of outstanding borrowings under the HEP Credit Agreement at June 30, 2013.

There were no other significant changes to HEP's long-term contractual obligations during this period.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2012. Certain critical accounting policies that materially affect the amounts recorded in our consolidated financial statements include the assessment and consolidation of variable interest entities, the use of the LIFO method of valuing certain inventories, the amortization of deferred costs for regular major maintenance and repairs at our refineries, assessing the possible impairment of certain long-lived assets and goodwill, accounting for derivative instruments and assessing contingent liabilities for probable losses.

We use the LIFO method of valuing inventory. Under the LIFO method, an actual valuation of inventory can only be made at the end of each year based on the inventory levels at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final year-end LIFO inventory valuation.

Goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired and liabilities assumed. Goodwill is not subject to amortization and is tested annually or more frequently if events or circumstances indicate the possibility of impairment. As of June 30, 2013, there have been no impairments to goodwill.

RISK MANAGEMENT

We use certain strategies to reduce some commodity price and operational risks. We do not attempt to eliminate all market risk exposures when we believe that the exposure relating to such risk would not be significant to our future earnings, financial position, capital resources or liquidity or that the cost of eliminating the exposure would outweigh the benefit.

Commodity Price Risk Management

Our primary market risk is commodity price risk. We are exposed to market risks related to the volatility in crude oil and refined products, as well as volatility in the price of natural gas used in our refining operations. We periodically enter into derivative contracts in the form of commodity price swaps and futures contracts to mitigate price exposure with respect to:

- our inventory positions;
- natural gas purchases;
- costs of crude oil and related grade differentials;
- prices of refined products; and
- our refining margins.

Table of Content

As of June 30, 2013, we have the following notional contract volumes related to all outstanding derivative contracts used to mitigate commodity price risk:

Contract Description	Total Outstanding Notional	Notional Contract Volumes by Year of Maturity					Unit of Measure
		2013	2014	2015	2016	2017	
Natural gas price swap - long	86,400,000	9,600,000	19,200,000	19,200,000	19,200,000	19,200,000	MMBTU
Natural gas price swap - short	43,200,000	4,800,000	9,600,000	9,600,000	9,600,000	9,600,000	MMBTU
WTI price swap - long	5,701,000	5,336,000	365,000	—	—	—	Barrels
Ultra-low sulfur diesel price swap - short	5,701,000	5,336,000	365,000	—	—	—	Barrels
WCS price swap - long	3,588,000	3,588,000	—	—	—	—	Barrels
WTS price swap - long	1,472,000	1,472,000	—	—	—	—	Barrels
NYMEX futures (WTI) - short	1,896,000	1,681,000	215,000	—	—	—	Barrels

The following sensitivity analysis provides the hypothetical effects of market price fluctuations to the commodity positions hedged under our derivative contracts:

Change in Underlying Commodity Prices of Hedged Positions	Derivative Fair Value Gain (Loss) at June 30,	
	2013	2012
	(In thousands)	
10% increase in underlying commodity prices	\$(22,839	) \$(45,234
10% decrease in underlying commodity prices	\$22,839	\$45,234

Interest Rate Risk Management

HEP uses interest rate swaps to manage its exposure to interest rate risk.

As of June 30, 2013, HEP had three interest rate swap contracts that hedge its exposure to the cash flow risk caused by the effects of LIBOR changes on \$305.0 million in credit agreement advances. The first interest rate swap effectively converts \$155.0 million of LIBOR based debt to fixed rate debt having an interest rate of 0.99% plus an applicable margin of 2.50% as of June 30, 2013, which equaled an effective interest rate of 3.49%. This swap matures in February 2016. HEP has two additional interest rate swaps with identical terms which effectively convert \$150.0 million of LIBOR based debt to fixed rate debt having an interest rate of 0.74% plus an applicable margin of 2.50% as of June 30, 2013, which equaled an effective interest rate of 3.24%. Both of these swap contracts mature in July 2017. These swap contracts have been designated as cash flow hedges.

The market risk inherent in our fixed-rate debt and positions is the potential change arising from increases or decreases in interest rates as discussed below.

For the fixed rate HollyFrontier Senior Notes and HEP Senior Notes, changes in interest rates will generally affect fair value of the debt, but not our earnings or cash flows. The outstanding principal, estimated fair value and estimated change in fair value (assuming a hypothetical 10% change in the yield-to-maturity rates) for these debt instruments as of June 30, 2013 is presented below:

Outstanding Principal	Estimated Fair Value	Estimated Change in Fair Value
--------------------------	-------------------------	--------------------------------------

Edgar Filing: HollyFrontier Corp - Form 10-Q

	(In thousands)		
HollyFrontier Senior Notes	\$ 150,000	\$ 161,250	\$ 3,827
HEP Senior Notes	\$ 450,000	\$ 452,625	\$ 15,060

For the variable rate HEP Credit Agreement, changes in interest rates would affect cash flows, but not the fair value. At June 30, 2013, outstanding borrowings under the HEP Credit Agreement were \$355.0 million. By means of its cash flow hedges, HEP has effectively converted the variable rate on \$305.0 million of outstanding principal to a weighted average fixed rate of 3.37%.

Table of Content

At June 30, 2013, our marketable securities included investments in investment grade, highly liquid investments with maturities of three months or less at the time of purchase and hence the interest rate market risk implicit in these cash investments is low. Due to the short-term nature of our cash and cash equivalents, a hypothetical 10% increase in interest rates would not have a material effect on the fair market value of our portfolio. Since we have the ability to liquidate this portfolio, we do not expect our operating results or cash flows to be materially affected by the effect of a sudden change in market interest rates on our investment portfolio.

Our operations are subject to hazards of petroleum processing operations, including fire, explosion and weather-related perils. We maintain various insurance coverages, including business interruption insurance, subject to certain deductibles. We are not fully insured against certain risks because such risks are not fully insurable, coverage is unavailable, or premium costs, in our judgment, do not justify such expenditures.

Financial information is reviewed on the counterparties in order to review and monitor their financial stability and assess their ongoing ability to honor their commitments under the derivative contracts. We have not experienced, nor do we expect to experience, any difficulty in the counterparties honoring their commitments.

We have a risk management oversight committee consisting of members from our senior management. This committee oversees our risk enterprise program, monitors our risk environment and provides direction for activities to mitigate identified risks that may adversely affect the achievement of our goals.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See “Risk Management” under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles

Reconciliations of earnings before interest, taxes, depreciation and amortization (“EBITDA”) to amounts reported under generally accepted accounting principles in financial statements.

Earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA, is calculated as net income attributable to HollyFrontier stockholders plus (i) interest expense, net of interest income, (ii) income tax provision, and (iii) depreciation and amortization. EBITDA is not a calculation provided for under GAAP; however, the amounts included in the EBITDA calculation are derived from amounts included in our consolidated financial statements. EBITDA should not be considered as an alternative to net income or operating income as an indication of our operating performance or as an alternative to operating cash flow as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures of other companies. EBITDA is presented here because it is a widely used financial indicator used by investors and analysts to measure performance. EBITDA is also used by our management for internal analysis and as a basis for financial covenants.

Set forth below is our calculation of EBITDA.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net income attributable to HollyFrontier stockholders	\$256,981	\$493,499	\$590,650	\$735,195
Add income tax provision	152,043	285,718	338,137	426,124
Add interest expense ⁽¹⁾	41,903	26,942	63,223	60,257

Edgar Filing: HollyFrontier Corp - Form 10-Q

Subtract interest income	(778	) (681	) (2,309	) (1,141)
Add depreciation and amortization	70,492	56,948	142,254	113,050	
EBITDA	\$520,641	\$862,426	\$1,131,955	\$1,333,485	

(1) Includes loss on early extinguishment of debt of \$22.1 million for the three and six months ended June 30, 2013.

51

Table of Content

Reconciliations of refinery operating information (non-GAAP performance measures) to amounts reported under generally accepted accounting principles in financial statements.

Refinery gross margin and net operating margin are non-GAAP performance measures that are used by our management and others to compare our refining performance to that of other companies in our industry. We believe these margin measures are helpful to investors in evaluating our refining performance on a relative and absolute basis.

Refinery gross margin per barrel is the difference between average net sales price and average cost of products per barrel of produced refined products. Net operating margin per barrel is the difference between refinery gross margin and refinery operating expenses per barrel of produced refined products. These two margins do not include the effect of depreciation and amortization. Each of these component performance measures can be reconciled directly to our consolidated statements of income.

Other companies in our industry may not calculate these performance measures in the same manner.

Refinery Gross and Net Operating Margins

Below are reconciliations to our consolidated statements of income for (i) net sales, cost of products and operating expenses, in each case averaged per produced barrel sold, and (ii) net operating margin and refinery gross margin. Due to rounding of reported numbers, some amounts may not calculate exactly.

Reconciliations of refined product sales from produced products sold to total sales and other revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in thousands, except per barrel amounts)			
Consolidated				
Average sales price per produced barrel sold	\$117.51	\$120.21	\$116.77	\$119.87
Times sales of produced refined products sold (BPD)	397,960	421,470	392,070	422,220
Times number of days in period	91	91	181	182
Refined product sales from produced products sold	\$4,255,549	\$4,610,507	\$8,286,545	\$9,211,295
Total refined product sales from produced products sold	\$4,255,549	\$4,610,507	\$8,286,545	\$9,211,295
Add refined product sales from purchased products and rounding ⁽¹⁾	656,271	120,676	1,065,978	276,066
Total refined product sales	4,911,820	4,731,183	9,352,523	9,487,361
Add direct sales of excess crude oil ⁽²⁾	322,524	32,558	558,774	190,840
Add other refining segment revenue ⁽³⁾	52,537	31,906	68,010	37,183
Total refining segment revenue	5,286,881	4,795,647	9,979,307	9,715,384
Add HEP segment sales and other revenues	75,121	67,103	151,605	134,680
Add corporate and other revenues	234	145	797	301
Subtract consolidations and eliminations	(63,388)	(56,214)	(125,072)	(111,946)
Sales and other revenues	\$5,298,848	\$4,806,681	\$10,006,637	\$9,738,419

Table of Content

Reconciliation of average cost of products per produced barrel sold to total cost of products sold

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in thousands, except per barrel amounts)			
Consolidated				
Average cost of products per produced barrel sold	\$97.23	\$92.78	\$95.00	\$97.44
Times sales of produced refined products sold (BPD)	397,960	421,470	392,070	422,220
Times number of days in period	91	91	181	182
Cost of products for produced products sold	\$3,521,122	\$3,558,463	\$6,741,644	\$7,487,683
Total cost of products for produced products sold	\$3,521,122	\$3,558,463	\$6,741,644	\$7,487,683
Add refined product costs from purchased products and rounding ⁽¹⁾	645,797	121,872	1,039,837	278,196
Total cost of refined products sold	4,166,919	3,680,335	7,781,481	7,765,879
Add crude oil cost of direct sales of excess crude oil ⁽²⁾	319,653	29,733	545,921	185,543
Add other refining segment cost of products sold ⁽⁴⁾	32,539	27,649	44,878	28,087
Total refining segment cost of products sold	4,519,111	3,737,717	8,372,280	7,979,509
Subtract consolidations and eliminations	(62,303)	(55,953)	(122,937)	(110,828)
Costs of products sold (exclusive of depreciation and amortization)	\$4,456,808	\$3,681,764	\$8,249,343	\$7,868,681

Reconciliation of average refinery operating expenses per produced barrel sold to total operating expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in thousands, except per barrel amounts)			
Consolidated				
Average refinery operating expenses per produced barrel sold	\$6.09	\$5.00	\$6.38	\$5.26
Times sales of produced refined products sold (BPD)	397,960	421,470	392,070	422,220
Times number of days in period	91	91	181	182
Refinery operating expenses for produced products sold	\$220,545	\$191,769	\$452,755	\$404,200
Total refinery operating expenses for produced products sold	\$220,545	\$191,769	\$452,755	\$404,200
Add refining segment pension settlement costs	23,773	—	23,773	—
Add other refining segment operating expenses and rounding ⁽⁵⁾	11,232	9,306	18,907	18,156
Total refining segment operating expenses	255,550	201,075	495,435	422,356
Add HEP segment operating expenses	22,010	20,371	48,039	40,401
Add corporate and other costs	343	811	(138)	1,260
Subtract consolidations and eliminations	(361)	469	(695)	336

Edgar Filing: HollyFrontier Corp - Form 10-Q

Operating expenses (exclusive of depreciation and amortization)	\$277,542	\$222,726	\$542,641	\$464,353
---	-----------	-----------	-----------	-----------

Table of Content

Reconciliation of net operating margin per barrel to refinery gross margin per barrel to total sales and other revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in thousands, except per barrel amounts)			
Consolidated				
Net operating margin per barrel	\$ 14.19	\$ 22.43	\$ 15.39	\$ 17.17
Add average refinery operating expenses per produced barrel	6.09	5.00	6.38	5.26
Refinery gross margin per barrel	20.28	27.43	21.77	22.43
Add average cost of products per produced barrel sold	97.23	92.78	95.00	97.44
Average sales price per produced barrel sold	\$ 117.51	\$ 120.21	\$ 116.77	\$ 119.87
Times sales of produced refined products sold (BPD)	397,960	421,470	392,070	422,220
Times number of days in period	91	91	181	182
Refined product sales from produced products sold	\$ 4,255,549	\$ 4,610,507	\$ 8,286,545	\$ 9,211,295
Total refined product sales from produced products sold	\$ 4,255,549	\$ 4,610,507	\$ 8,286,545	\$ 9,211,295
Add refined product sales from purchased products and rounding ⁽¹⁾	656,271	120,676	1,065,978	276,066
Total refined product sales	4,911,820	4,731,183	9,352,523	9,487,361
Add direct sales of excess crude oil ⁽²⁾	322,524	32,558	558,774	190,840
Add other refining segment revenue ⁽³⁾	52,537	31,906	68,010	37,183
Total refining segment revenue	5,286,881	4,795,647	9,979,307	9,715,384
Add HEP segment sales and other revenues	75,121	67,103	151,605	134,680
Add corporate and other revenues	234	145	797	301
Subtract consolidations and eliminations	(63,388	) (56,214	) (125,072	) (111,946
Sales and other revenues	\$ 5,298,848	\$ 4,806,681	\$ 10,006,637	\$ 9,738,419

(1) We purchase finished products when opportunities arise that provide a profit on the sale of such products, or to meet delivery commitments.

We purchase crude oil that at times exceeds the supply needs of our refineries. Quantities in excess of our needs are sold at market prices to purchasers of crude oil that are recorded on a gross basis with the sales price recorded as revenues and the corresponding acquisition cost as inventory and then upon sale as cost of products sold.

(2) Additionally, at times we enter into buy/sell exchanges of crude oil with certain parties to facilitate the delivery of quantities to certain locations that are netted at carryover cost.

(3) Other refining segment revenue includes the incremental revenues associated with NK Asphalt and miscellaneous revenue.

(4) Other refining segment cost of products sold includes the incremental cost of products for NK Asphalt and miscellaneous costs.

(5) Other refining segment operating expenses include the marketing costs associated with our refining segment and the operating expenses of NK Asphalt.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Our principal executive officer and principal financial officer have evaluated, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the “Exchange Act”), our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2013.

Changes in internal control over financial reporting. There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Table of Content

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Commitment and Contingency Reserves

We periodically establish reserves for certain legal proceedings. The establishment of a reserve involves an estimation process that includes the advice of legal counsel and subjective judgment of management. While management believes these reserves to be adequate, future changes in the facts and circumstances could result in the actual liability exceeding the estimated ranges of loss and amounts accrued.

While the outcome and impact on us cannot be predicted with certainty, management believes that the resolution of these proceedings through settlement or adverse judgment will not have a material adverse effect on our consolidated financial position or cash flow. Operating results, however, could be significantly impacted in the reporting periods in which such matters are resolved.

Environmental Matters

We are reporting the following proceedings to comply with SEC regulations which require us to disclose proceedings arising under federal, state or local provisions regulating the discharge of materials into the environment or protecting the environment if we reasonably believe that such proceedings may result in monetary sanctions of \$100,000 or more. Our respective subsidiaries have or will develop corrective action plans regarding these disclosures that will be implemented in consultation with the respective federal and state agencies. It is not possible to predict the ultimate outcome of these proceedings, although none are currently expected to have a material effect on our consolidated financial position.

Frontier Refining LLC ("FR"), our wholly-owned subsidiary, has undertaken environmental audits at the Cheyenne Refinery regarding compliance with federal and state environmental requirements. By letters dated October 5, 2012, November 7, 2012, and January 10, 2013, and pursuant to EPA's audit policy to the extent applicable, FR submitted reports to the EPA voluntarily disclosing non-compliance with certain emission limitations, reporting requirements, and provisions of a 2009 federal consent decree. By letters dated October 31, 2012, February 6, 2013, June 21, 2013, July 9, 2013 and July 25, 2013, and pursuant to applicable Wyoming audit statutes, FR submitted environmental audit reports to the Wyoming Department of Environmental Quality ("WDEQ") voluntarily disclosing non-compliance with certain notification, reporting, and other provisions of the refinery's state air permit and other environmental regulatory requirements. Additional self-disclosures and follow-up correspondence are anticipated as the audit activities are completed. No further action has been taken by either agency at this time. The Cheyenne Refinery also has four outstanding Notices of Violations issued in 2010, 2011 and 2013 that are subject to ongoing settlement negotiations with the WDEQ. Additional air, water and waste audits are ongoing or planned for the Cheyenne Refinery for 2013.

Between November 2010 and February 2012, certain of our subsidiaries submitted multiple reports to the EPA to voluntarily disclose non-compliance with fuels regulations at the Cheyenne, El Dorado, Navajo, Tulsa and Woods Cross refineries and at the Cedar City, Utah and Henderson, Colorado terminals. The EPA has requested additional information regarding certain of these reports, and our subsidiaries have complied with all requests received to date.

Other

We are a party to various other litigation and proceedings that we believe, based on advice of counsel, will not either individually or in the aggregate have a materially adverse impact on our financial condition, results of operations or

cash flows.

Item 1A. Risk Factors

There have been no material changes in our risk factors as previously disclosed in Part 1, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and in "Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013. In addition to the other information set forth in this quarterly report, you should carefully consider the risk factors discussed in our 2012 Form 10-K and March 31, 2013 Form 10-Q, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Table of Content

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Common Stock Repurchases Made in the Quarter

Under our common stock repurchase programs, repurchases are being made from time to time in the open market or privately negotiated transactions based on market conditions, securities law limitations and other factors. The following table includes repurchases made under these programs during the second quarter of 2013.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 2013 ⁽¹⁾ ⁽²⁾	221,638	\$48.97	—	\$494,399,956
May 2013 ⁽¹⁾	1,173,220	\$49.29	1,093,220	\$440,567,787
June 2013	1,870,852	\$45.00	1,870,852	\$356,373,568
Total for April to June 2013	3,265,710		2,964,072	

(1) April and May 2013 include 220,000 shares and 80,000 shares, respectively, not purchased under our approved stock repurchase program, but rather pursuant to separate authority from our Board of Directors. These repurchases were made in the open market.

(2) April 2013 includes 1,638 shares withheld from certain executives and employees under the terms of our share-based compensation unit agreements to provide funds for the payment of payroll and income taxes due at vesting in the case of officers and employees who did not elect to satisfy such taxes by other means.

Item 6. Exhibits

The Exhibit Index on page 58 of this Quarterly Report on Form 10-Q lists the exhibits that are filed or furnished, as applicable, as part of the Quarterly Report on Form 10-Q.

Table of Content

SIGNATURES

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

HOLLYFRONTIER CORPORATION
(Registrant)

Date: August 8, 2013

/s/ Douglas S. Aron
Douglas S. Aron
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: August 8, 2013

/s/ J. W. Gann, Jr.
J. W. Gann, Jr.
Vice President, Controller
and Chief Accounting Officer (Principal Accounting
Officer)

Table of Content

Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of HollyFrontier Corporation (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed July 8, 2011, File No. 1-03876).
3.2	Amended and Restated By-Laws of HollyFrontier Corporation (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed November 21, 2011, File No. 1-03876).
10.1	Transportation Services Agreement, dated July 16, 2013, by and between HollyFrontier Refining & Marketing LLC and Holly Energy Partners-Operating, L.P. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed July 22, 2013, File No. 1-03876).
10.2	Eighth Amended and Restated Omnibus Agreement, dated July 16, 2013, by and among HollyFrontier Corporation, Holly Energy Partners, L.P. and certain of their respective subsidiaries (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed July 22, 2013, File No. 1-03876).
10.3*	Second Amended and Restated Crude Pipeline and Tankage Agreement, dated July 16, 2013, by and among Navajo Refining Company, L.L.C., Holly Refining & Marketing Company - Woods Cross LLC, HollyFrontier Refining & Marketing LLC, Holly Energy Partners-Operating, L.P., HEP Pipeline, LLC and HEP Woods Cross, L.L.C.
10.4*	Refined Products Purchase Agreement, dated December 1, 2009, by and between Holly Refining & Marketing - Tulsa LLC and Sinclair Tulsa Refining Company.
10.5*	First Amendment to Refined Products Purchase Agreement, dated May 17, 2010, by and between Holly Refining & Marketing - Tulsa and Sinclair Tulsa Refining Company.
10.6*	Second Amendment to Refined Products Purchase Agreement, dated December 19, 2011, by and between HollyFrontier Refining & Marketing LLC and Sinclair Oil Corporation.
10.7*	Third Amendment to Refined Products Purchase Agreement, dated June 1, 2012, by and between HollyFrontier Refining & Marketing LLC and Sinclair Oil Corporation.
31.1*	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
101+	The following financial information from HollyFrontier Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of

Edgar Filing: HollyFrontier Corp - Form 10-Q

Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

+ Filed electronically herewith.

58