BRAZILIAN PETROLEUM CORP
Form 6-K
August 01, 2005

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

**For the month of July, 2005**

**Commission File Number 1-15106**

# PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

# Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

**Avenida República do Chile, 65**
**20031-912 - Rio de Janeiro, RJ**
**Federative Republic of Brazil**
(Address of principal executive office)

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

Form 20-F ___X___ Form 40-F _______

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

Yes _______ No___X____

**New CFO and Investor Relations Director**

(Rio de Janeiro, July 29, 2005). PETRÓLEO BRASILEIRO S/A - PETROBRAS, [Bovespa: PETR3/PETR4, NYSE: PBR/PBRA, Latibex: XPBR/XPBRA], a Brazilian international energy company, announces that today, Mr. Almir Guilherme Barbassa was confirmed as the new CFO and Investor Relations Director.

Mr. Barbassa has a Master degree in Econimics by FGV/RJ (Getulio Vargas Foundation) and held the post of Executive Manager of Corporate Finance of Petrobras since July 12th, 1999. He joined the company in 1974 and served in Braspetro as Financial Manager in the Middle East, North Africa, the United States and Brazil, and as its Financial Director from 1993 to 1999. He is the President and Chief Executive Officer of Petrobras International Finance Company - PIFCO and Petrobras Netherlands BV (PNBV). In addition, he was a professor in the Economic Department of the Petrópolis Catholic University and of the Faculdades Integradas Bennett from 1973 to 1979.

**http: //www.petrobras.com.br/ri/english**

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**This document may contain forecasts that merely reflect the expectations of the Company s management. Such terms as anticipate , believe , expect , forecast , intend , plan , project , seek , should , along with similar or analogous expressions, are used to ide forecasts. These predictions evidently involve risks and uncertainties, whether foreseen or not by the Company. Therefore, the future results of operations may differ from current expectations, and readers must not base their expectations exclusively on the information presented herein.**

## SIGNATURE

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

Date: July 29, 2005

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By: /s/ José Sergio Gabrielli de Azevedo

**José Sergio Gabrielli de Azevedo**
**Chief Financial Officer and Investor Relations Director**

## FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates offuture economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually oc cur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

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Note 10: Related Party Transactions

We serve HFC's refineries under long-term pipeline, terminal and tankage throughput agreements, and refinery processing unit tolling agreements expiring from 2019 to 2036. Under these agreements, HFC agrees to transport, store and process throughput volumes of refined product, crude oil and feedstocks on our pipelines, terminals, tankage, loading rack facilities and refinery processing units that result in minimum annual payments to us. These

minimum annual payments or revenues are subject to annual rate adjustments on July 1st each year generally based on increases or decreases in PPI or the FERC index. As of March 31, 2018, these agreements with HFC require minimum annualized payments to us of $332.7 million.

If HFC fails to meet its minimum volume commitments under the agreements in any quarter, it will be required to pay us the amount of any shortfall in cash by the last day of the month following the end of the quarter. Under certain of these agreements, a shortfall payment may be applied as a credit in the following four quarters after its minimum obligations are met.

Under certain provisions of an omnibus agreement we have with HFC (the "Omnibus Agreement"), we pay HFC an annual administrative fee (currently $2.5 million) for the provision by HFC or its affiliates of various general and administrative services to us. This fee does not include the salaries of personnel employed by HFC who perform services for us on behalf of HLS or the cost of their employee benefits, which are charged to us separately by HFC. Also, we reimburse HFC and its affiliates for direct expenses they incur on our behalf.

Related party transactions with HFC are as follows:

- Revenues received from HFC were $101.4 million and $89.0 million for the three months ended March 31, 2018 and 2017, respectively.
- HFC charged us general and administrative services under the Omnibus Agreement of $0.6 million for each of the three months ended March 31, 2018 and 2017.
- We reimbursed HFC for costs of employees supporting our operations of $12.7 million and $11.4 million for the three months ended March 31, 2018 and 2017, respectively.
- HFC reimbursed us $1.2 million and $1.3 million for the three months ended March 31, 2018 and 2017, respectively, for expense and capital projects.
- We distributed $36.3 million and $30.3 million in the three months ended March 31, 2018 and 2017, respectively, to HFC as regular distributions on its common units in the three months ended March 31, 2018 and on its common units and general partner interest, including general partner incentive distributions, in the three months ended March 31, 2017.
- Accounts receivable from HFC were $41.6 million and $51.5 million at March 31, 2018, and December 31, 2017, respectively.
- Accounts payable to HFC were $10.7 million and $7.7 million at March 31, 2018, and December 31, 2017, respectively.
- Deferred revenue in the consolidated balance sheets at March 31, 2018 and December 31, 2017, includes $0.9 million and $4.4 million, respectively, relating to certain shortfall billings to HFC. It is possible that HFC may not exceed its minimum obligations to receive credit for any of the $0.9 million deferred at March 31, 2018.

- We received operating lease payments from HFC for use of our Artesia and Tulsa railyards of $0.5 million and $0.1 million for the three months ended March 31, 2018 and 2017, respectively.
- On October 31, 2017, we closed on an equity restructuring transaction with HEP Logistics, a wholly-owned subsidiary of HFC and the general partner of HEP, pursuant to which the incentive distribution rights held by HEP Logistics were canceled, and HEP Logistics' 2% general partner interest in HEP was converted into a non-economic general partner interest in HEP. In consideration, we issued 37,250,000 of our common units to HEP Logistics. In addition, HEP Logistics agreed to waive $2.5 million of limited partner cash distributions for each of twelve consecutive quarters beginning with the first quarter the units issued as consideration were eligible to receive distributions.

Note 11: Partners' Equity, Income Allocations and Cash Distributions

As of March 31, 2018, HFC held 59,630,030 of our common units, constituting a 57%limited partner interest in us, and held the
non-economic general partner interest. Additionally, HEP Logistics, our general partner, owned all incentive distribution rights through October 31, 2017, at which time we closed on an equity restructuring transaction with HEP Logistics pursuant to which the incentive distribution rights were canceled. See Note 1 for a description of this equity restructuring transaction.

On January 25, 2018, we entered into a common unit purchase agreement in which certain purchasers agreed to purchase in a private placement 3,700,000 common units representing limited partnership interests, at a price of $29.73 per common unit. The private placement closed on February 6, 2018, and we received proceeds of approximately $110 million, which were used to repay indebtedness under our Credit Agreement.

Continuous Offering Program
We have a continuous offering program under which we may issue and sell common units from time to time, representing limited partner interests, up to an aggregate gross sales amount of $200 million. For the three months ended March 31, 2018, HEP issued 152,169 units under this program, providing approximately $4.6 million in gross proceeds. As of March 31, 2018, HEP has issued 2,394,076 units under this program, providing $81.7 million in gross proceeds.

We intend to use our net proceeds for general partnership purposes, which may include funding working capital, repayment of debt, acquisitions and capital expenditures. Amounts repaid under our credit facility may be reborrowed from time to time.

Allocations of Net Income

Net income attributable to HEP is allocated to the partners based on their weighted-average ownership percentage during the period.

Prior to the equity restructuring of the general partner interest owned by HEP Logistics described in Note 1 that occurred on October 31, 2017, net income attributable to HEP was allocated between limited partners and the general partner interest in accordance with the provisions of the partnership agreement. HEP net income allocated to the general partner included incentive distributions that were declared subsequent to quarter end. After incentive distributions and other priority allocations were allocated to the general partner, the remaining net income attributable to HEP was allocated to the partners based on their weighted-average ownership percentage during the period.

The following table presents the allocation of the general partner interest in net income for the periods presented below:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands) | |
| General partner interest in net income | $— | $511 |
| General partner incentive distribution | — | 16,627 |
| Total general partner interest in net income | $— | $17,138 |

Cash Distributions

On April 19, 2018, we announced our cash distribution for the first quarter of 2018 of $0.6550 per unit. The distribution is payable on all common units and will be paid May 10, 2018, to all unitholders of record on April 30, 2018. However, HEP Logistics will waive $2.5 million in limited partner cash distributions in accordance with the equity restructuring discussed in Note 1.

Prior to the equity restructuring of the general partner interest owned by HEP Logistics that occurred on October 31, 2017, our general partner, HEP Logistics, was entitled to incentive distributions if the amount we distributed with respect to any quarter exceeded specified target levels. After the restructuring of the general partner interest, the general partner interest was no longer entitled to any distributions.

The following table presents the allocation of our regular quarterly cash distributions to the general and limited partners for the periods in which they apply. Our distributions are declared subsequent to quarter end; therefore, the amounts presented do not reflect distributions paid during the periods presented below.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands, except per unit data) | |
| General partner interest in distribution | $— | $1,148 |
| General partner incentive distribution | — | 16,627 |
| Total general partner distribution | — | 17,775 |
| Limited partner distribution | 66,551 | 39,632 |
| Total regular quarterly cash distribution | $66,551 | $57,407 |
| Cash distribution per unit applicable to limited partners | $0.6550 | $0.6200 |

As a master limited partnership, we distribute our available cash, which historically has exceeded our net income attributable to HEP because depreciation and amortization expense represents a non-cash charge against income. The result is a decline in our partners' equity since our regular quarterly distributions have exceeded our quarterly net income attributable to HEP. Additionally, if the asset contributions and acquisitions from HFC had occurred while we were not a consolidated variable interest entity of HFC, our acquisition cost, in excess of HFC's historical basis in the transferred assets, would have been recorded in our financial statements at the time of acquisition as increases to our properties and equipment and intangible assets instead of decreases to our partners' equity.

Note 12: Net Income Per Limited Partner Unit

Net income per unit applicable to the limited partners is computed using the two-class method, since we have more than one participating security as of March 31, 2018, common units and restricted units. Prior to the equity restructuring transaction described in Note 1, which was effective October 31, 2017, we had participating securities which included the aforementioned common units and restricted units as well as general partner units and IDRs. After the equity restructuring, the general partner interest was no longer entitled to any distributions, and none were made on the general partner interest after October 31, 2017.

To the extent net income attributable to the partners exceeds or is less than cash distributions, this difference is allocated to the partners based on their weighted-average ownership percentage during the period, after consideration of any priority allocations of earnings. Our dilutive securities, restricted units, are immaterial for all periods presented.

For purposes of applying the two-class method, including the allocation of cash distributions in excess of earnings, net income per limited partner unit is computed as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands) | |
| Net income attributable to the partners | $46,168 | $25,563 |
| Less: General partner's distribution declared (including IDRs) | — | (17,775 ) |
| Limited partner's distribution declared on common units | (66,551 ) | (39,632 ) |
| Distributions in excess of net income attributable to the partners | $(20,383) | $(31,844) |

| | General Partner (including IDRs) | Limited Partners' Common Units | Total |
|---|---|---|---|
| | (In thousands, except per unit data) | | |
| Three Months Ended March 31, 2018 | | | |
| Net income attributable to the partners: | | | |
| Distributions declared | $— | $66,551 | $66,551 |
| Distributions in excess of net income attributable to the partners | | (20,383) | (20,383) |
| Net income attributable to the partners | $— | $46,168 | $46,168 |
| Weighted average limited partners' units outstanding | | 103,836 | |
| Limited partners' per unit interest in earnings - basic and diluted | | $0.44 | |
| | | | |
| Three Months Ended March 31, 2017 | | | |
| Net income attributable to the partners: | | | |
| Distributions declared | $17,775 | $39,632 | $57,407 |
| Distributions in excess of net income attributable to the partners | (637) | (31,207) | (31,844) |
| Net income attributable to the partners | $17,138 | $8,425 | $25,563 |
| Weighted average limited partners' units outstanding | | 63,113 | |
| Limited partners' per unit interest in earnings - basic and diluted | | $0.13 | |

Note 13: Environmental

We incurred no expenses for the three months ended March 31, 2018 and 2017 for environmental remediation obligations. The accrued environmental liability, net of expected recoveries from indemnifying parties, reflected in our consolidated balance sheets was $6.4 million and $6.5 million at March 31, 2018 and December 31, 2017, respectively, of which $4.9 million and $5.0 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.

Under the Omnibus Agreement and certain transportation agreements and purchase agreements with HFC, HFC has agreed to indemnify us, subject to certain monetary and time limitations, for environmental noncompliance and remediation liabilities associated with certain assets transferred to us from HFC and occurring or existing prior to the date of such transfers. As of March 31, 2018 and December 31, 2017, our consolidated balance sheets included additional accrued environmental liabilities of $0.7 million and $0.8 million, respectively, for HFC indemnified liabilities, and other assets included equal and offsetting balances representing amounts due from HFC related to indemnifications for environmental remediation liabilities.

Note 14: Contingencies

We are a party to various legal and regulatory proceedings, none of which we believe will have a material adverse impact on our financial condition, results of operations or cash flows.

Note 15: Operating Segments

Although financial information is reviewed by our chief operating decision makers from a variety of perspectives, they view the business in two operating segments: pipelines and terminals, and refinery processing units. These operating segments adhere to the accounting polices used for our consolidated financial statements.

The pipelines and terminals segment has been aggregated as both pipeline and terminals (1) have similar economic characteristics,(2) similarly provide logistics services of transportation and storage of petroleum products, (3) similarly support the petroleum refining business, including distribution of its products, (4) have principally the same customers and (5) are subject to similar regulatory requirements.

We evaluate the performance of each segment based on its respective operating income. Certain general and administrative expenses and interest and financing costs are excluded from segment operating income as they are not directly attributable to a specific operating segment. Identifiable assets are those used by the segment, whereas other assets are principally equity method investments, cash, deposits and other assets that are not associated with a specific reportable operating segment.

| | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Revenues: | | |
| Pipelines and terminals - affiliate | $82,894 | $69,645 |
| Pipelines and terminals - third-party | 27,456 | 16,609 |
| Refinery processing units - affiliate | 18,534 | 19,380 |
| Total segment revenues | $128,884 | $105,634 |
| | | |
| Segment operating income: | | |
| Pipelines and terminals | $60,213 | $46,485 |
| Refinery processing units | 7,327 | 7,883 |
| Total segment operating income | 67,540 | 54,368 |
| Unallocated general and administrative expenses | (3,122) | (2,634) |
| Interest and financing costs, net | (17,066) | (25,662) |
| Equity in earnings of unconsolidated affiliates | 1,279 | 1,840 |
| Gain on sale of assets and other | 86 | 73 |
| Income before income taxes | $48,717 | $27,985 |
| | | |
| Capital Expenditures: | | |
| Pipelines and terminals | $12,612 | $8,129 |
| Refinery processing units | — | 136 |
| Total capital expenditures | $12,612 | $8,265 |

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | (in thousands) | |
| Identifiable assets: | | |
| Pipelines and terminals [1] | $1,711,880 | $ 1,728,074 |
| Refinery processing units | 324,570 | 328,585 |
| Other | 98,339 | 97,455 |
| Total identifiable assets | $2,134,789 | $ 2,154,114 |

(1) Includes goodwill of $268.2 million and $266.7 million as of March 31, 2018 and December 31, 2017, respectively.

Note 16: Supplemental Guarantor/Non-Guarantor Financial Information

Obligations of HEP ("Parent") under the 6% Senior Notes have been jointly and severally guaranteed by each of its direct and indirect 100% owned subsidiaries ("Guarantor Subsidiaries"). These guarantees are full and unconditional, subject to certain customary release provisions. These circumstances include (i) when a Guarantor Subsidiary is sold or sells all or substantially all of its assets, (ii) when a Guarantor Subsidiary is declared "unrestricted" for covenant purposes, (iii) when a Guarantor Subsidiary's guarantee of other indebtedness is terminated or released and (iv) when the requirements for legal defeasance or covenant defeasance or to discharge the senior notes have been satisfied.

The following financial information presents condensed consolidating balance sheets, statements of comprehensive income, and statements of cash flows of the Parent, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. The information has been presented as if the Parent accounted for its ownership in the Guarantor Subsidiaries, and the Guarantor Restricted Subsidiaries accounted for the ownership of the Non-Guarantor Non-Restricted Subsidiaries, using the equity method of accounting.

Condensed Consolidating Balance Sheet

| March 31, 2018 | Parent | Guarantor Restricted Subsidiaries | Non-Guarantor Non-Restricted Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $2 | $ 1,485 | $ 7,078 | $— | $ 8,565 |
| Accounts receivable | — | 51,428 | 4,935 | (198 ) | 56,165 |
| Prepaid and other current assets | 226 | 2,427 | 355 | — | 3,008 |
| Total current assets | 228 | 55,340 | 12,368 | (198 ) | 67,738 |
| | | | | | |
| Properties and equipment, net | — | 1,204,672 | 356,382 | — | 1,561,054 |
| Investment in subsidiaries | 1,879,597 | 272,530 | — | (2,152,127 ) | — |
| Intangible assets, net | — | 125,427 | — | — | 125,427 |
| Goodwill | — | 268,166 | — | — | 268,166 |
| Equity method investments | — | 84,678 | — | — | 84,678 |
| Other assets | 11,096 | 16,630 | — | — | 27,726 |
| Total assets | $1,890,921 | $ 2,027,443 | $ 368,750 | $(2,152,325) | $ 2,134,789 |
| | | | | | |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $— | $ 20,691 | $ 3,461 | $(198 ) | $ 23,954 |
| Accrued interest | 6,079 | — | — | — | 6,079 |
| Deferred revenue | — | 8,497 | — | — | 8,497 |
| Accrued property taxes | — | 4,423 | 1,713 | — | 6,136 |
| Other current liabilities | 226 | 7,376 | — | — | 7,602 |
| Total current liabilities | 6,305 | 40,987 | 5,174 | (198 ) | 52,268 |
| | | | | | |
| Long-term debt | 1,390,952 | — | — | — | 1,390,952 |
| Other long-term liabilities | 260 | 15,249 | 202 | — | 15,711 |
| Deferred revenue | — | 47,740 | — | — | 47,740 |
| Class B unit | — | 43,870 | — | — | 43,870 |
| Equity - partners | 493,404 | 1,879,597 | 272,530 | (2,152,127 ) | 493,404 |

| | | | | | |
|---|---|---|---|---|---|
| Equity - noncontrolling interest | — | — | 90,844 | — | 90,844 |
| Total liabilities and equity | $1,890,921 | $2,027,443 | $ 368,750 | $(2,152,325) | $2,134,789 |

Condensed Consolidating Balance Sheet

| December 31, 2017 | Parent | Guarantor Restricted Subsidiaries | Non-Guarantor Non-Restricted Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $2 | $511 | $ 7,263 | $— | $7,776 |
| Accounts receivable | — | 59,448 | 5,038 | (182 ) | 64,304 |
| Prepaid and other current assets | 13 | 2,016 | 282 | — | 2,311 |
| Total current assets | 15 | 61,975 | 12,583 | (182 ) | 74,391 |
| | | | | | |
| Properties and equipment, net | — | 1,213,626 | 355,845 | — | 1,569,471 |
| Investment in subsidiaries | 1,902,285 | 273,319 | — | (2,175,604 ) | — |
| Intangible assets, net | — | 129,463 | — | — | 129,463 |
| Goodwill | — | 266,716 | — | — | 266,716 |
| Equity method investments | — | 85,279 | — | — | 85,279 |
| Other assets | 11,753 | 17,041 | — | — | 28,794 |
| Total assets | $1,914,053 | $2,047,419 | $ 368,428 | $(2,175,786) | $2,154,114 |
| | | | | | |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $— | $20,928 | $ 1,526 | $(182 ) | $22,272 |
| Accrued interest | 12,500 | 756 | — | — | 13,256 |
| Deferred revenue | — | 8,540 | 1,058 | — | 9,598 |
| Accrued property taxes | — | 3,431 | 1,221 | — | 4,652 |
| Other current liabilities | — | 5,707 | — | — | 5,707 |
| Total current liabilities | 12,500 | 39,362 | 3,805 | (182 ) | 55,485 |
| | | | | | |
| Long-term debt | 1,507,308 | — | — | — | 1,507,308 |
| Other long-term liabilities | 286 | 15,359 | 198 | — | 15,843 |
| Deferred revenue | — | 47,272 | — | — | 47,272 |
| Class B unit | — | 43,141 | — | — | 43,141 |
| Equity - partners | 393,959 | 1,902,285 | 273,319 | (2,175,604 ) | 393,959 |
| Equity - noncontrolling interest | — | — | 91,106 | — | 91,106 |
| Total liabilities and equity | $1,914,053 | $2,047,419 | $ 368,428 | $(2,175,786) | $2,154,114 |

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Condensed Consolidating Statement of Comprehensive Income

| Three Months Ended March 31, 2018 | Parent | Guarantor Restricted Subsidiaries | Non-Guarantor Non-restricted Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Revenues: | | | | | |
| Affiliates | $— | $ 94,291 | $ 7,137 | $ — | $ 101,428 |
| Third parties | — | 19,978 | 7,478 | — | 27,456 |
| | — | 114,269 | 14,615 | — | 128,884 |
| Operating costs and expenses: | | | | | |
| Operations (exclusive of depreciation and amortization) | — | 32,664 | 3,538 | — | 36,202 |
| Depreciation and amortization | | 21,001 | 4,141 | — | 25,142 |
| General and administrative | 1,280 | 1,842 | — | — | 3,122 |
| | 1,280 | 55,507 | 7,679 | — | 64,466 |
| Operating income (loss) | (1,280 ) | 58,762 | 6,936 | — | 64,418 |
| Other income (expense): | | | | | |
| Equity in earnings of subsidiaries | 65,052 | 5,212 | — | (70,264 ) | — |
| Equity in earnings of equity method investments | — | 1,279 | — | — | 1,279 |
| Interest expense | (17,649 ) | 68 | — | — | (17,581 ) |
| Interest income | — | 515 | — | — | 515 |
| Gain on sale of assets and other | 45 | 28 | 13 | — | 86 |
| | 47,448 | 7,102 | 13 | (70,264 ) | (15,701 ) |
| Income before income taxes | 46,168 | 65,864 | 6,949 | (70,264 ) | 48,717 |
| State income tax expense | — | (82 ) | — | — | (82 ) |
| Net income | 46,168 | 65,782 | 6,949 | (70,264 ) | 48,635 |
| Allocation of net income attributable to noncontrolling interests | — | (730 ) | (1,737 ) | — | (2,467 ) |
| Net income attributable to the partners | 46,168 | 65,052 | 5,212 | (70,264 ) | 46,168 |
| Other comprehensive income | — | — | — | — | — |
| Comprehensive income attributable to the partners | $46,168 | $ 65,052 | $ 5,212 | $ (70,264 ) | $ 46,168 |

Condensed Consolidating Statement of Comprehensive Income

| Three Months Ended March 31, 2017 | Parent | Guarantor Restricted Subsidiaries | Non-Guarantor Non-Restricted Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Revenues: | | | | | |
| Affiliates | $— | $ 80,776 | $ 8,249 | $ — | $ 89,025 |
| Third parties | — | 11,003 | 5,606 | — | 16,609 |
| | — | 91,779 | 13,855 | — | 105,634 |
| Operating costs and expenses: | | | | | |
| Operations (exclusive of depreciation and amortization) | — | 29,092 | 3,397 | — | 32,489 |
| Depreciation and amortization | — | 14,853 | 3,924 | — | 18,777 |
| General and administrative | 1,155 | 1,479 | — | — | 2,634 |
| | 1,155 | 45,424 | 7,321 | — | 53,900 |
| Operating income (loss) | (1,155 ) | 46,355 | 6,534 | — | 51,734 |
| Other income (expense): | | | | | |
| Equity in earnings of subsidiaries | 45,283 | 4,901 | — | (50,184 ) | — |
| Equity in earnings of equity method investments | — | 1,840 | — | — | 1,840 |
| Interest expense | (6,340 ) | (7,199 ) | — | — | (13,539 ) |
| Interest income | — | 102 | — | — | 102 |
| Loss on early extinguishment of debt | (12,225 ) | — | — | — | (12,225 ) |
| Gain on sale of assets and other | — | 72 | 1 | — | 73 |
| | 26,718 | (284 ) | 1 | (50,184 ) | (23,749 ) |
| Income before income taxes | 25,563 | 46,071 | 6,535 | (50,184 ) | 27,985 |
| State income tax expense | — | (106 ) | — | — | (106 ) |
| Net income | 25,563 | 45,965 | 6,535 | (50,184 ) | 27,879 |
| Allocation of net income attributable to noncontrolling interests | — | (682 ) | (1,634 ) | — | (2,316 ) |
| Net income attributable to the partners | 25,563 | 45,283 | 4,901 | (50,184 ) | 25,563 |
| Other comprehensive income | 63 | 63 | — | (63 ) | 63 |
| Comprehensive income attributable to the partners | $25,626 | $ 45,346 | $ 4,901 | $ (50,247 ) | $ 25,626 |

Condensed Consolidating Statement of Cash Flows

| Three Months Ended March 31, 2018 | Parent | Guarantor Restricted Subsidiaries | Non-Guarantor Non-Restricted Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Cash flows from operating activities | $(23,679) | $ 98,013 | $ 11,398 | $ (5,212) | $ 80,520 |
| Cash flows from investing activities | | | | | |
| Additions to properties and equipment | — | (9,029) | (3,583) | — | (12,612) |
| Distributions from UNEV in excess of earnings | — | 788 | — | (788) | — |
| Proceeds from sale of assets | — | 22 | — | — | 22 |
| Distributions in excess of equity in earnings of equity investments | — | 358 | — | — | 358 |
| | — | (7,861) | (3,583) | (788) | (12,232) |
| Cash flows from financing activities | | | | | |
| Net repayments under credit agreement | (116,500) | — | — | — | (116,500) |
| Net intercompany financing activities | 89,060 | (89,060) | — | — | — |
| Proceeds from issuance of common units | 114,376 | 153 | — | — | 114,529 |
| Contribution from general partner | 297 | — | — | — | 297 |
| Distributions to HEP unitholders | (63,496) | — | — | — | (63,496) |
| Distributions to noncontrolling interests | — | — | (8,000) | 6,000 | (2,000) |
| Units withheld for tax withholding obligations | (58) | — | — | — | (58) |
| Deferred financing cost | — | 6 | — | — | 6 |
| Other | — | (277) | — | — | (277) |
| | 23,679 | (89,178) | (8,000) | 6,000 | (67,499) |
| Cash and cash equivalents | | | | | |
| Increase (decrease) for the period | — | 974 | (185) | — | 789 |
| Beginning of period | 2 | 511 | 7,263 | — | 7,776 |
| End of period | $2 | $ 1,485 | $ 7,078 | $ — | $ 8,565 |

Condensed Consolidating Statement of Cash Flows

| Three Months Ended March 31, 2017 | Parent | Guarantor Restricted Subsidiaries | Non-Guarantor Non-Restricted Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Cash flows from operating activities | $(20,262) | $ 58,062 | $ 10,736 | $ (4,901) | $ 43,635 |
| Cash flows from investing activities | | | | | |
| Additions to properties and equipment | — | (7,902) | (363) | — | (8,265) |
| Proceeds from sale of assets | — | 424 | — | — | 424 |
| Distributions from UNEV in excess of earnings | — | 1,099 | — | (1,099) | — |
| Distributions in excess of equity in earnings of equity investments | — | 3,016 | — | — | 3,016 |
| | — | (3,363) | (363) | (1,099) | (4,825) |
| Cash flows from financing activities | | | | | |
| Net borrowings under credit agreement | — | 294,000 | — | — | 294,000 |
| Net intercompany financing activities | 344,781 | (344,781) | — | — | — |
| Redemption of senior notes | (309,750) | — | — | — | (309,750) |
| Proceeds from issuance of common units | 39,371 | (1,808) | — | — | 37,563 |
| Distributions to HEP unitholders | (54,807) | 2 | — | — | (54,805) |
| Distributions to noncontrolling interests | — | — | (8,000) | 6,000 | (2,000) |
| Distribution to HFC for El Dorado tanks | (103) | — | — | — | (103) |
| Contributions from general partner | 805 | (805) | — | — | — |
| Units withheld for tax withholding obligations | (35) | — | — | — | (35) |
| Other | — | (330) | — | — | (330) |
| | 20,262 | (53,722) | (8,000) | 6,000 | (35,460) |
| Cash and cash equivalents | | | | | |
| Decrease for the period | — | 977 | 2,373 | — | 3,350 |
| Beginning of period | 2 | 301 | 3,354 | — | 3,657 |
| End of period | $2 | $ 1,278 | $ 5,727 | $ — | $ 7,007 |

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

This Item 2, including but not limited to the sections under "Results of Operations" and "Liquidity and Capital Resources," contains forward-looking statements. See "Forward-Looking Statements" at the beginning of Part I of this Quarterly Report on Form 10-Q. In this document, the words "we," "our," "ours" and "us" refer to Holly Energy Partners, L. P ("HEP") and its consolidated subsidiaries or to HEP or an individual subsidiary and not to any other person.

OVERVIEW

HEP is a Delaware limited partnership. We own and operate petroleum product and crude oil pipelines, terminal, tankage and loading rack facilities and refinery processing units that support the refining and marketing operations of HollyFrontier Corporation ("HFC") in the Mid-Continent, Southwest and Northwest regions of the United States and Delek US Holdings, Inc.'s ("Delek") refinery in Big Spring, Texas. HEP, through its subsidiaries and joint ventures, owns and/or operates petroleum product and crude pipelines, tankage and terminals in Texas, New Mexico, Arizona, Washington, Idaho, Oklahoma, Utah, Nevada, Wyoming and Kansas as well as refinery processing units in Utah and Kansas. HFC owned a 57% of our outstanding common units and the non-economic general partnership interest, as of March 31, 2018.

On October 31, 2017, we closed on an equity restructuring transaction with HEP Logistics Holdings, L.P. ("HEP Logistics"), a wholly-owned subsidiary of HFC and the general partner of HEP, pursuant to which the incentive distribution rights ("IDRs") held by HEP Logistics were canceled, and HEP Logistics' 2% general partner interest in HEP was converted into a non-economic general partner interest in HEP. In consideration, we issued 37,250,000 of our common units to HEP Logistics. In addition, HEP Logistics agreed to waive $2.5 million of limited partner cash distributions for each of twelve consecutive quarters beginning with the first quarter the units issued as consideration were eligible to receive distributions. As a result of this transaction, no distributions were made on the general partner interest after October 31, 2017.

We generate revenues by charging tariffs for transporting petroleum products and crude oil through our pipelines, by charging fees for terminalling and storing refined products and other hydrocarbons, providing other services at our storage tanks and terminals and charging a tolling fee per barrel or thousand standard cubic feet of feedstock throughput in our refinery processing units. We do not take ownership of products that we transport, terminal, store or process, and therefore, we are not directly exposed to changes in commodity prices.

We believe the long-term growth of global refined product demand and US crude production should support high utilization rates for the refineries we serve, which in turn will support volumes in our product pipelines, crude gathering systems and terminals.

Acquisitions

On October 31, 2017, we acquired the remaining 75% interest in SLC Pipeline LLC ("SLC Pipeline") and the remaining 50% interest in Frontier Aspen LLC ("Frontier Aspen") from subsidiaries of Plains All American Pipeline, L.P. ("Plains"), for cash consideration of $250 million. Prior to this acquisition, we held noncontrolling interests of 25% of SLC Pipeline and 50% of Frontier Aspen. As a result of the acquisitions, SLC Pipeline and Frontier Aspen are wholly-owned subsidiaries of HEP.

This acquisition was accounted for as a business combination achieved in stages with the consideration allocated to the acquisition date fair value of assets and liabilities acquired. The preexisting equity interests in SLC Pipeline and Frontier Aspen were remeasured at acquisition date fair value since we have a controlling interest as a result, and we

recognized a gain on the remeasurement in the fourth quarter of 2017 of $36.3 million.

SLC Pipeline is the owner of a 95-mile crude pipeline that transports crude oil into the Salt Lake City area from the Utah terminal of the Frontier Pipeline and from Wahsatch Station. Frontier Aspen is the owner of a 289-mile crude pipeline from Casper, Wyoming to Frontier Station, Utah that supplies Canadian and Rocky Mountain crudes to Salt Lake City area refiners through a connection to the SLC Pipeline.

Agreements with HFC and Delek

We serve HFC’s refineries under long-term pipeline, terminal, tankage and refinery processing unit throughput agreements expiring from 2019 to 2036. Under these agreements, HFC agrees to transport, store and process throughput volumes of refined product, crude oil and feedstocks on our pipelines, terminal, tankage, loading rack facilities and refinery processing units that result in minimum annual payments to us. These minimum annual payments or revenues are subject to annual rate adjustments on July 1st

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each year, based on the Producer Price Index ("PPI") or Federal Energy Regulatory Commission ("FERC") index. As of March 31, 2018, these agreements with HFC require minimum annualized payments to us of $332.7 million.

If HFC fails to meet its minimum volume commitments under the agreements in any quarter, it will be required to pay us the amount of any shortfall in cash by the last day of the month following the end of the quarter. Under certain of the agreements, a shortfall payment may be applied as a credit in the following four quarters after minimum obligations are met.

We have a pipelines and terminals agreement with Delek expiring in 2020 under which Delek has agreed to transport on our pipelines and throughput through our terminals volumes of refined products that result in a minimum level of annual revenue that is also subject to annual tariff rate adjustments. We also have a capacity lease agreement under which we lease Delek space on our Orla to El Paso pipeline for the shipment of refined product. The terms under this lease agreement expire beginning in 2018
through 2022. As of March 31, 2018, these agreements with Delek require minimum annualized payments to us of $33 million.

A significant reduction in revenues under these agreements could have a material adverse effect on our results of operations.

Under certain provisions of an omnibus agreement we have with HFC ("Omnibus Agreement"), we pay HFC an annual administrative fee, currently $2.5 million, for the provision by HFC or its affiliates of various general and administrative services to us. This fee does not include the salaries of personnel employed by HFC who perform services for us on behalf of Holly Logistic Services, L.L.C. ("HLS"), or the cost of their employee benefits, which are separately charged to us by HFC. We also reimburse HFC and its affiliates for direct expenses they incur on our behalf.

Under HLS's Secondment Agreement with HFC, certain employees of HFC are seconded to HLS to provide operational and maintenance services for certain of our processing, refining, pipeline and tankage assets, and HLS reimburses HFC for its prorated portion of the wages, benefits, and other costs of these employees for our benefit.

We have a long-term strategic relationship with HFC. Our current growth plan is to continue to pursue purchases of logistic and other assets at HFC's existing refining locations in New Mexico, Utah, Oklahoma, Kansas and Wyoming. We also expect to work with HFC on logistic asset acquisitions in conjunction with HFC's refinery acquisition strategies. Furthermore, we plan to continue to pursue third-party logistic asset acquisitions that are accretive to our unitholders and increase the diversity of our revenues.

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RESULTS OF OPERATIONS (Unaudited)

Income, Distributable Cash Flow and Volumes
The following tables present income, distributable cash flow and volume information for the three months ended March 31, 2018 and 2017.

| | Three Months Ended March 31, | | Change from |
|---|---|---|---|
| | 2018 | 2017 | 2017 |
| | (In thousands, except per unit data) | | |
| Revenues: | | | |
| Pipelines: | | | |
| Affiliates—refined product pipelines | $21,294 | $17,744 | $3,550 |
| Affiliates—intermediate pipelines | 8,469 | 5,284 | 3,185 |
| Affiliates—crude pipelines | 19,797 | 16,881 | 2,916 |
| | 49,560 | 39,909 | 9,651 |
| Third parties—refined product pipelines | 13,582 | 12,538 | 1,044 |
| Third parties—crude pipelines | 9,027 | — | 9,027 |
| | 72,169 | 52,447 | 19,722 |
| Terminals, tanks and loading racks: | | | |
| Affiliates | 33,334 | 29,736 | 3,598 |
| Third parties | 4,847 | 4,071 | 776 |
| | 38,181 | 33,807 | 4,374 |
| Affiliates—refinery processing units | 18,534 | 19,380 | (846) |
| Total revenues | 128,884 | 105,634 | 23,250 |
| Operating costs and expenses: | | | |
| Operations (exclusive of depreciation and amortization) | 36,202 | 32,489 | 3,713 |
| Depreciation and amortization | 25,142 | 18,777 | 6,365 |
| General and administrative | 3,122 | 2,634 | 488 |
| | 64,466 | 53,900 | 10,566 |
| Operating income | 64,418 | 51,734 | 12,684 |
| Other income (expense): | | | |
| Equity in earnings of equity method investments | 1,279 | 1,840 | (561) |
| Interest expense, including amortization | (17,581) | (13,539) | (4,042) |
| Interest income | 515 | 102 | 413 |
| Loss on early extinguishment of debt | — | (12,225) | 12,225 |
| Gain on sale of assets and other | 86 | 73 | 13 |
| | (15,701) | (23,749) | 8,048 |
| Income before income taxes | 48,717 | 27,985 | 20,732 |
| State income tax expense | (82) | (106) | 24 |
| Net income | 48,635 | 27,879 | 20,756 |
| Allocation of net income attributable to noncontrolling interests | (2,467) | (2,316) | (151) |
| Net income attributable to the partners | 46,168 | 25,563 | 20,605 |
| General partner interest in net income attributable to the partners [1] | — | (17,138) | 17,138 |
| Limited partners' interest in net income | $46,168 | $8,425 | $37,743 |
| Limited partners' earnings per unit—basic and diluted [1] | $0.44 | $0.13 | $0.31 |
| Weighted average limited partners' units outstanding | 103,836 | 63,113 | 40,723 |

| | | | |
|---|---|---|---|
| EBITDA [2] | $88,458 | $57,883 | $30,575 |
| Distributable cash flow [3] | $69,099 | $57,289 | $11,810 |
| | | | |
| Volumes (bpd) | | | |
| Pipelines: | | | |
| Affiliates—refined product pipelines | 144,805 | 107,266 | 37,539 |
| Affiliates—intermediate pipelines | 126,993 | 104,340 | 22,653 |
| Affiliates—crude pipelines | 360,409 | 268,890 | 91,519 |
| | 632,207 | 480,496 | 151,711 |
| Third parties—refined product pipelines | 72,239 | 85,141 | (12,902 ) |
| Third parties – crude pipelines | 126,014 | — | 126,014 |
| | 830,460 | 565,637 | 264,823 |
| Terminals and loading racks: | | | |
| Affiliates | 390,481 | 374,923 | 15,558 |
| Third parties | 62,352 | 69,647 | (7,295 ) |
| | 452,833 | 444,570 | 8,263 |
| | | | |
| Affiliates—refinery processing units | 66,875 | 62,829 | 4,046 |
| | | | |
| Total for pipelines and terminal and refinery processing unit assets (bpd) | 1,350,168 | 1,073,036 | 277,132 |

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(1) Prior to the equity restructuring transaction on October 31, 2017, net income attributable to Holly Energy Partners was allocated between limited partners and the general partner interest in accordance with the provisions of the partnership agreement. HEP net income allocated to the general partner included incentive distributions that were declared subsequent to quarter end. There were no distributions made on the general partner interest after October 31, 2017 and general partner distributions were $17.8 million for the three months ended March 31, 2017.

(2) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as net income attributable to the partners plus (i) interest expense, net of interest income, (ii) state income tax and (iii) depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles ("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 attributable to the partners 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 compliance with financial covenants. Set forth below is our calculation of EBITDA.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands) | |
| Net income attributable to the partners | $46,168 | $25,563 |
| Add (subtract): | | |
| Interest expense | 16,824 | 12,769 |
| Interest income | (515) | (102) |
| Amortization of discount and deferred debt issuance costs | 757 | 770 |
| State income tax expense | 82 | 106 |
| Depreciation and amortization | 25,142 | 18,777 |
| EBITDA | $88,458 | $57,883 |

(3) Distributable cash flow is not a calculation based upon GAAP. However, the amounts included in the calculation are derived from amounts presented in our consolidated financial statements, with the general exceptions of maintenance capital expenditures. Distributable cash flow should not be considered in isolation or 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. Distributable cash flow is not necessarily comparable to similarly titled measures of other companies. Distributable cash flow is presented here because it is a widely accepted financial indicator used by investors to compare partnership performance. It is also used by management for internal analysis and for our performance units. We believe that this measure provides investors an enhanced perspective of the operating performance of our assets and the cash our business is generating. Set forth below is our calculation of distributable cash flow.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands) | |
| Net income attributable to the partners | $46,168 | $25,563 |
| Add (subtract): | | |
| Depreciation and amortization | 25,142 | 18,777 |

| | | |
|---|---|---|
| Amortization of discount and deferred debt issuance costs | 757 | 770 |
| Loss on early extinguishment of debt | — | 12,225 |
| Customer billings greater / (less) than revenue recognized | (1,681 ) | 1,178 |
| Maintenance capital expenditures [4] | (318 ) | (825 ) |
| Decrease in environmental liability | (140 ) | (246 ) |
| Decrease in reimbursable deferred revenue | (1,177 ) | (925 ) |
| Other non-cash adjustments | 348 | 772 |
| Distributable cash flow | $69,099 | $57,289 |

(4) Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of our assets and to extend their useful lives. Maintenance capital expenditures include expenditures required to maintain equipment reliability, tankage and pipeline integrity, safety and to address environmental regulations.

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | (In thousands) | |
| Balance Sheet Data | | |
| Cash and cash equivalents | $8,565 | $ 7,776 |
| Working capital | $15,470 | $ 18,906 |
| Total assets | $2,134,789 | $ 2,154,114 |
| Long-term debt | $1,390,952 | $ 1,507,308 |
| Partners' equity[(5)] | $493,404 | $ 393,959 |

(5) As a master limited partnership, we distribute our available cash, which historically has exceeded our net income attributable to the partners because depreciation and amortization expense represents a non-cash charge against income. The result is a decline in partners' equity since our regular quarterly distributions have exceeded our quarterly net income attributable to the partners. Additionally, if the assets contributed and acquired from HFC while we were a consolidated VIE of HFC had been acquired from third parties, our acquisition cost in excess of HFC's basis in the transferred assets would have been recorded in our financial statements as increases to our properties and equipment and intangible assets at the time of acquisition instead of decreases to partners' equity.

Results of Operations—Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017

Summary

Net income attributable to the partners for the first quarter was $46.2 million ($0.44 per basic and diluted limited partner unit) compared to $25.6 million ($0.13 per basic and diluted limited partner unit) for the first quarter of 2017. The increase in earnings is primarily due to higher pipeline throughputs and revenues as well as increased earnings related to our acquisition of the remaining interest in the SLC and Frontier pipelines in the fourth quarter 2017, partially offset by higher interest expense. In addition, the first quarter of 2017 included a charge of $12.2 million related to the early redemption of our previously outstanding $300 million aggregate principal amount, 6.5% Senior Notes due in 2020 (the "6.5% Senior Notes").

Our major shippers are obligated to make deficiency payments to us if they do not meet their minimum volume shipping obligations. Revenues for the three months ended March 31, 2018, include the recognition of $2.2 million of prior shortfalls billed to shippers in 2017 compared to revenues for the three months ended March 31, 2017, which included the recognition of $2.1 million of prior shortfalls billed to shippers in 2016. Additional net shortfall billings of $2.0 million associated with certain guaranteed shipping contracts were deferred during the three months ended March 31, 2018.

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Revenues

Revenues for the quarter were $128.9 million, an increase of $23.3 million compared to the first quarter of 2017 primarily due to revenues from the SLC and Frontier Aspen pipelines acquired in the fourth quarter of 2017 and the turnaround at HFC's Navajo refinery during the first quarter of 2017. Overall pipeline volumes increased 47% compared to the three months ended March 31, 2017, largely due to the volumes from the SLC and Frontier Aspen pipelines acquired in the fourth quarter of 2017 as well as lower volumes in the first quarter of 2017 due to lower production at HFC's Navajo refinery during the turnaround in the first quarter of 2017.

Revenues from our refined product pipelines were $34.9 million, an increase of $4.6 million compared to the first quarter of 2017, and shipments averaged 217.0 million barrels per day ("mbpd") compared to 192.4 mbpd for the first quarter of 2017. Revenues and volumes both increased primarily due to the turnaround at HFC's Navajo refinery in the first quarter of 2017.

Revenues from our intermediate pipelines were $8.5 million, an increase of $3.2 million, on shipments averaging 127.0 mbpd compared to 104.3 mbpd for the first quarter of 2017. These increases were principally due to the turnaround at HFC's Navajo refinery in the first quarter of 2017.

Revenues from our crude pipelines were $28.8 million, an increase of $11.9 million, on shipments averaging 486.4 mbpd compared to 268.9 mbpd for the first quarter of 2017. The increases are mainly attributable to our acquisition of the remaining interest in the SLC and Frontier pipelines in the fourth quarter of 2017 as well as increased volumes on our crude pipeline systems in New Mexico and Texas.

Revenues from terminal, tankage and loading rack fees were $38.2 million, an increase of $4.4 million compared to the first quarter of 2017. Refined products and crude oil terminalled in the facilities averaged 452.8 mbpd compared to 444.6 mbpd for the first quarter of 2017. These increases are primarily due to higher volumes in several of our terminals as well as an adjustment in revenue recognition.

Revenues from refinery processing units were $18.5 million, a decrease of $0.8 million on throughputs averaging 66.9 mbpd compared to 62.8 mbpd for the first quarter of 2017. The decrease in revenue is principally due to lower throughputs at the Woods Cross refinery due to maintenance.

Operations Expense

Operations (exclusive of depreciation and amortization) expense for the three months ended March 31, 2018, increased by $3.7 million compared to the three months ended March 31, 2017. The increase is primarily due to new operating costs and expenses related to our acquisition of the remaining interest in the SLC and Frontier pipelines in the fourth quarter of 2017.

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2018, increased by $6.4 million compared to the three months ended March 31, 2017. The increase is primarily due to depreciation and amortization related to our acquisition of the remaining interest in the SLC and Frontier pipelines in the fourth quarter of 2017.

General and Administrative

General and administrative costs for the three months ended March 31, 2018, increased by $0.5 million compared to the three months ended March 31, 2017, mainly due to higher incentive compensation and professional fees.

Equity in Earnings of Equity Method Investments

| | Three Months Ended March 31, | |
|---|---|---|
| Equity Method Investment | 2018 | 2017 |

| | (in thousands) | |
|---|---|---|
| SLC Pipeline LLC | $— | $118 |
| Frontier Aspen LLC | — | 564 |
| Osage Pipe Line Company, LLC | 642 | 202 |
| Cheyenne Pipeline LLC | 637 | 956 |
| Total | $1,279 | $1,840 |

Interest Expense

Interest expense for the three months ended March 31, 2018, totaled $17.6 million, an increase of $4.0 million compared to the three months ended March 31, 2017. The increase is primarily due to interest expense associated with the private placement of an additional $100 million in aggregate principal amount of our 6% Senior Notes due in 2024 completed in the third quarter of

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2017, higher average balances outstanding under our senior secured revolving credit facility during the first quarter of 2018, and market interest rate increases under that facility. Our aggregate effective interest rates were 4.9% and 4.3% for the three months ended March 31, 2018 and 2017, respectively.

State Income Tax
We recorded state income tax expense of $82,000 and $106,000 for the three months ended March 31, 2018 and 2017, respectively. All tax expense is solely attributable to the Texas margin tax.

LIQUIDITY AND CAPITAL RESOURCES

Overview
We have a $1.4 billion senior secured revolving credit facility (the "Credit Agreement") expiring in July 2022. The Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments and working capital and for general partnership purposes. The Credit Agreement is also available to fund letters of credit up to a $50 million sub-limit, and it contains an accordion feature giving us the ability to increase the size of the facility by up to $300 million with additional lender commitments.

During the three months ended March 31, 2018, we received advances totaling $227.0 million and repaid $343.5 million, resulting in a net decrease of $116.5 million under the Credit Agreement and an outstanding balance of $895.5 million at March 31, 2018. As of March 31, 2018, we have no letters of credit outstanding under the Credit Agreement and the available capacity under the Credit Agreement was $504.5 million. Amounts repaid under our credit facility may be reborrowed from time to time.
If any particular lender under the Credit Agreement could not honor its commitment, we believe the unused capacity that would be available from the remaining lenders would be sufficient to meet our borrowing needs. Additionally, we review publicly available information on the lenders in order to monitor their financial stability and assess their ongoing ability to honor their commitments under the Credit Agreement. We do not expect to experience any difficulty in the lenders' ability to honor their respective commitments, and if it were to become necessary, we believe there would be alternative lenders or options available.

On January 25, 2018, we entered into a common unit purchase agreement in which certain purchasers agreed to purchase in a private placement 3,700,000 common units representing limited partnership interests, at a price of $29.73 per common unit. The private placement closed on February 6, 2018, and we received proceeds of approximately $110 million, which were used to repay indebtedness under the Credit Agreement.

We have a continuous offering program under which we may issue and sell common units from time to time, representing limited partner interests, up to an aggregate gross sales amount of $200 million. For the three months ended March 31, 2018, HEP issued 152,169 units under this program, providing approximately $4.6 million in gross proceeds. We intend to use the net proceeds for general partnership purposes, which may include funding working capital, repayment of debt, acquisitions and capital expenditures. As of March 31, 2018, HEP has issued 2,394,076 units under this program, providing $81.7 million in gross proceeds.

Under our registration statement filed with the SEC using a "shelf" registration process, we currently have the authority to raise up to $2.0 billion, less amounts issued under the $200 million continuous offering program, by offering securities, through one or more prospectus supplements that would describe, among other things, the specific amounts, prices and terms of any securities offered and how the proceeds would be used. Any proceeds from the sale of securities would be used for general business purposes, which may include, among other things, funding acquisitions of assets or businesses, working capital, capital expenditures, investments in subsidiaries, the retirement of existing debt and/or the repurchase of common units or other securities.

We believe our current cash balances, future internally generated funds and funds available under the Credit Agreement will provide sufficient resources to meet our working capital liquidity needs for the foreseeable future.

In February 2018, we paid a regular cash distribution of $0.6500 on all units in an aggregate amount of $63.5 million after deducting HEP Logistics' waiver of $2.5 million of limited partner cash distributions.

Cash and cash equivalents increased by $0.8 million during the three months ended March 31, 2018. The cash flows provided by operating activities of $80.5 million were greater than the cash flows used for financing activities of $67.5 million and investing activities of $12.2 million. Working capital decreased by $3.4 million to $15.5 million at March 31, 2018, from $18.9 million at December 31, 2017.

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Cash Flows—Operating Activities
Cash flows from operating activities increased by $36.9 million from $43.6 million for the three months ended March 31, 2017, to $80.5 million for the three months ended March 31, 2018. The increase is due primarily to increased receipts from customers and lower payments for operating and interest expenses during the three months ended March 31, 2018, as compared to the three months ended March 31, 2017.

Cash Flows—Investing Activities
Cash flows used for investing activities were $12.2 million for the three months ended March 31, 2018, compared to $4.8 million for the three months ended March 31, 2017, an increase of $7.4 million. During the three months ended March 31, 2018 and 2017, we invested $12.6 million and $8.3 million in additions to properties and equipment, respectively. During the three months ended March 31, 2018 and 2017, we also received $0.4 million and $3.0 million, respectively, for distributions in excess of equity in earnings of equity investments, respectively.

Cash Flows—Financing Activities
Cash flows used for financing activities were $67.5 million for the three months ended March 31, 2018, compared to $35.5 million for the three months ended March 31, 2017, an increase of $32.0 million. During the three months ended March 31, 2018, we received $227.0 million and repaid $343.5 million in advances under the Credit Agreement. We also received net proceeds of $114.5 million from the issuance of common units. Additionally, we paid $63.5 million in regular quarterly cash distributions to our limited partners and $2.0 million to our noncontrolling interest. During the three months ended March 31, 2017, we received $380.0 million and repaid $86.0 million in advances under the Credit Agreement. We redeemed our 6.5% Senior Notes at a redemption cost of $309.8 million. We paid $54.8 million in regular quarterly cash distributions to our general and limited partners, and distributed $2.0 million to our noncontrolling interest. We also received net proceeds of $37.6 million from the issuance of common units under our continuous offering program.

Capital Requirements
Our pipeline and terminalling operations are capital intensive, requiring investments to maintain, expand, upgrade or enhance existing operations and to meet environmental and operational regulations. Our capital requirements have consisted of, and are expected to continue to consist of, maintenance capital expenditures and expansion capital expenditures. “Maintenance capital expenditures” represent capital expenditures to replace partially or fully depreciated assets to maintain the operating capacity of existing assets. Maintenance capital expenditures include expenditures required to maintain equipment reliability, tankage and pipeline integrity, safety and to address environmental regulations. “Expansion capital expenditures” represent capital expenditures to expand the operating capacity of existing or new assets, whether through construction or acquisition. Expansion capital expenditures include expenditures to acquire assets, to grow our business and to expand existing facilities, such as projects that increase throughput capacity on our pipelines and in our terminals. Repair and maintenance expenses associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred.

Each year the board of directors of HLS, our ultimate general partner, approves our annual capital budget, which specifies capital projects that our management is authorized to undertake. Additionally, at times when conditions warrant or as new opportunities arise, additional projects may be approved. The funds allocated for a particular capital project may be expended over a period in excess of a year, depending on the time required to complete the project. Therefore, our planned capital expenditures for a given year consist of expenditures approved for capital projects included in the current year’s capital budget as well as, in certain cases, expenditures approved for capital projects in capital budgets for prior years. We are forecasting to spend $8 million for maintenance capital expenditures and approximately $45 million to $55 million for expansion capital expenditures in 2018. We expect the majority of the expansion capital budget to be invested in refined product pipeline expansions, crude system enhancements, new storage tanks, and enhanced blending capabilities at our racks. In addition to our capital budget, we may spend funds periodically to perform capital upgrades or additions to our assets where a customer reimburses us for such costs. The

upgrades or additions would generally benefit the customer over the remaining life of the related service agreements. We expect that our currently planned sustaining and maintenance capital expenditures, as well as expenditures for acquisitions and capital development projects, will be funded with cash generated by operations, the sale of additional limited partner common units, the issuance of debt securities and advances under our Credit Agreement, or a combination thereof. With volatility and uncertainty at times in the credit and equity markets, there may be limits on our ability to issue new debt or equity financing. Additionally, due to pricing movements in the debt and equity markets, we may not be able to issue new debt and equity securities at acceptable pricing. Without additional capital beyond amounts available under the Credit Agreement, our ability to obtain funds for some of these capital projects may be limited.

Under the terms of the transaction to acquire HFC's 75% interest in UNEV Pipeline, LLC ("UNEV"), we issued to HFC a Class B unit comprising a noncontrolling equity interest in a wholly-owned subsidiary subject to redemption to the extent that HFC is entitled to a 50% interest in our share of annual UNEV earnings before interest, income taxes, depreciation, and amortization

above $30 million beginning July 1, 2015, and ending in June 2032, subject to certain limitations. However, to the extent earnings thresholds are not achieved, no redemption payments are required. No redemption payments have been required to date.

Credit Agreement
We have a $1.4 billion senior secured revolving credit facility (the “Credit Agreement”) expiring in July 2022. The Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments and working capital and for general partnership purposes. The Credit Agreement is also available to fund letters of credit up to a $50 million sub-limit, and it contains an accordion feature giving us the ability to increase the size of the facility by up to $300 million with additional lender commitments.

Our obligations under the Credit Agreement are collateralized by substantially all of our assets, and indebtedness under the Credit Agreement is guaranteed by our material, wholly-owned subsidiaries. The Credit Agreement requires us to maintain compliance with certain financial covenants consisting of total leverage, senior secured leverage, and interest coverage. It also limits or restricts our ability to engage in certain activities. If, at any time prior to the expiration of the Credit Agreement, HEP obtains two investment grade credit ratings, the Credit Agreement will become unsecured and many of the covenants, limitations, and restrictions will be eliminated.

We may prepay all loans at any time without penalty, except for tranche breakage costs. If an event of default exists under the Credit Agreement, the lenders will be able to accelerate the maturity of all loans outstanding and exercise other rights and remedies. We were in compliance with all covenants as of March 31, 2018.

Senior Notes
On January 4, 2017, we redeemed the $300 million aggregate principal amount of our 6.5% Senior Notes due in 2020 at a redemption cost of $309.8 million, at which time we recognized a $12.2 million early extinguishment loss. We funded the redemption with borrowings under our Credit Agreement.

We have $500 million in aggregate principal amount of 6% Senior Notes due in 2024. We used the net proceeds from our offerings of the 6% Senior Notes to repay indebtedness under our Credit Agreement.

The 6% Senior Notes are unsecured and impose certain restrictive covenants, including limitations on our ability to incur additional indebtedness, make investments, sell assets, incur certain liens, pay distributions, enter into transactions with affiliates, and enter into mergers. We were in compliance with the restrictive covenants for the 6% Senior Notes as of March 31, 2018. At any time when the 6% 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 at varying premiums over face value under the 6% Senior Notes.

Indebtedness under the 6% Senior Notes is guaranteed by our wholly-owned subsidiaries.

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

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | (In thousands) | |
| Credit Agreement | $895,500 | $ 1,012,000 |
| | | |
| 6% Senior Notes | | |
| Principal | 500,000 | 500,000 |

| | | |
|---|---|---|
| Unamortized debt issuance costs | (4,548) | (4,692) |
| | 495,452 | 495,308 |
| Total long-term debt | $ 1,390,952 | $ 1,507,308 |

See “Risk Management” for a discussion of our interest rate swaps.

Contractual Obligations

There were no significant changes to our long-term contractual obligations during this period.

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Impact of Inflation
Inflation in the United States has been relatively moderate in recent years and did not have a material impact on our results of operations for the three months ended March 31, 2018 and 2017. PPI has increased an average of 0.4% annually over the past five calendar years, including an increase of 3.2% and a decrease of 1.0% in 2017 and 2016, respectively.

The substantial majority of our revenues are generated under long-term contracts that provide for increases or decreases in our rates and minimum revenue guarantees annually for increases or decreases in the PPI. Certain of these contracts have provisions that limit the level of annual PPI percentage rate increases or decreases. A significant and prolonged period of high inflation or a significant and prolonged period of negative inflation could adversely affect our cash flows and results of operations if costs increase at a rate greater than the fees we charge our shippers.

Environmental Matters
Our operation of pipelines, terminals, and associated facilities in connection with the transportation and storage of refined products and crude oil is subject to stringent and complex federal, state, and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment. As with the industry generally, compliance with existing and anticipated laws and regulations increases our overall cost of business, including our capital costs to construct, maintain, and upgrade equipment and facilities. While these laws and regulations affect our maintenance capital expenditures and net income, we believe that they do not affect our competitive position given that the operations of our competitors are similarly affected. However, these laws and regulations, and the interpretation or enforcement thereof, are subject to frequent change by regulatory authorities, and we are unable to predict the ongoing cost to us of complying with these laws and regulations or the future impact of these laws and regulations on our operations. Violation of environmental laws, regulations, and permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions, and construction bans or delays. A major discharge of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured, subject us to substantial expense, including both the cost to comply with applicable laws and regulations and claims made by employees, neighboring landowners and other third parties for personal injury and property damage.

Under the Omnibus Agreement and certain transportation agreements and purchase agreements with HFC, HFC has agreed to indemnify us, subject to certain monetary and time limitations, for environmental noncompliance and remediation liabilities associated with certain assets transferred to us from HFC and occurring or existing prior to the date of such transfers.
We have an environmental agreement with Delek with respect to pre-closing environmental costs and liabilities relating to the pipelines and terminals acquired from Delek in 2005, under which Delek will indemnify us subject to certain monetary and time limitations.

There are environmental remediation projects in progress that relate to certain assets acquired from HFC. Certain of these projects were underway prior to our purchase and represent liabilities retained by HFC. At March 31, 2018, we had an accrual of $6.4 million that related to environmental clean-up projects for which we have assumed liability or for which the indemnity provided for by HFC has expired or will expire. The remaining projects, including assessment and monitoring activities, are covered under the HFC environmental indemnification discussed above and represent liabilities of HFC.

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 “Item 7. Management’s Discussion and Analysis of Financial Condition and Operations—Critical Accounting Policies” in our Annual Report on Form 10-K for the year ended December 31, 2017. Certain critical accounting policies that materially affect the amounts recorded in our consolidated financial statements include revenue recognition, assessing the possible impairment of certain long-lived assets and goodwill, and assessing contingent liabilities for probable losses. There have been no changes to these policies in 2018. We consider these policies to be the most critical to understanding the judgments that are involved and the uncertainties that could impact our results of operations, financial condition and cash flows.

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## Accounting Pronouncements Adopted During the Periods Presented

### Share-Based Compensation

In March 2016, an accounting standard update was issued that simplifies the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. We adopted this standard effective January 1, 2017, with no impact to our financial condition or results of operations. The new standard also requires that employee taxes paid when an employer withholds units for tax-withholding purposes be reported as financing activities in the statement of cash flows on a retrospective basis. Previously, this activity was included in operating activities. The impact of this change for the three months ended March 31, 2017 was not material to our consolidated statement of cash flows. Finally, consistent with our existing policy, we have elected to account for forfeitures on an estimated basis.

### Revenue Recognition

In May 2014, an accounting standard update was issued requiring revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the expected consideration for these goods or services. This standard had an effective date of January 1, 2018, and we have accounted for the new guidance using the modified retrospective implementation method, whereby a cumulative effect adjustment is recorded to retained earnings as of the date of initial application. In preparing
for adoption, we evaluated the terms, conditions and performance obligations under our existing contracts with customers. Furthermore, we implemented policies to comply with this new standard. See Note 3, “Revenues”, for additional information on our revenue recognition policies.

### Business Combinations

In December 2014, an accounting standard update was issued to provide new guidance on the definition of a business in relation to accounting for identifiable intangible assets in business combinations. This standard had an effective date of January 1, 2018, and had no effect on our financial condition, results of operations or cash flows.

### Financial Assets and Liabilities

In January 2016, an accounting standard update was issued requiring changes in the accounting and disclosures for financial instruments. This standard was effective beginning with our 2018 reporting year and had no effect on our financial condition, results of operations or cash flows.

## Accounting Pronouncements Not Yet Adopted

### Leases

In February 2016, an accounting standard update was issued requiring leases to be measured and recognized as a lease liability, with a corresponding right-of-use asset on the balance sheet. This standard has an effective date of January 1, 2019, and we are evaluating the impact of this standard. In preparing for adoption, we have identified, reviewed and evaluated contracts containing lease and embedded lease arrangements. Additionally, we have acquired software and are implementing systems to facilitate lease capture and related accounting treatment.

## RISK MANAGEMENT

The two interest rate swaps that hedged our exposure to the cash flow risk caused by the effects of LIBOR changes on $150 million of Credit Agreement advances matured on July 31, 2017. The swaps had effectively converted $150 million of our LIBOR based debt to fixed rate debt.

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

At March 31, 2018, we had an outstanding principal balance of $500 million on our 6% Senior Notes. A change in interest rates generally would affect the fair value of the 6% Senior Notes, but not our earnings or cash flows. At March 31, 2018, the fair value of our 6% Senior Notes was $511.7 million. We estimate a hypothetical 10% change in the yield-to-maturity applicable to the 6% Senior Notes at March 31, 2018, would result in a change of approximately $15 million in the fair value of the underlying 6% Senior Notes.

For the variable rate Credit Agreement, changes in interest rates would affect cash flows, but not the fair value. At March 31, 2018, borrowings outstanding under the Credit Agreement were $895.5 million. A hypothetical 10% change in interest rates applicable to the Credit Agreement would not materially affect our cash flows.

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Our operations are subject to normal hazards of 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.

We have a risk management oversight committee that is made up of members from our senior management. This committee monitors our risk environment and provides direction for activities to mitigate, to an acceptable level, identified risks that may adversely affect the achievement of our goals.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. See "Risk Management" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of market risk exposures that we have with respect to our long-term debt, which disclosure should be read in conjunction with the quantitative and qualitative disclosures about market risk contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Since we do not own products shipped on our pipelines or terminalled at our terminal facilities, we do not have direct market risks associated with commodity prices.

## Item 4. Controls and Procedures

(a) 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 as of March 31, 2018, at a reasonable level of assurance.

(b) 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.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to various legal and regulatory proceedings, which we believe will not have a material 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, 2017. In addition to the other information set forth in this quarterly report, you should consider carefully the factors discussed in our 2017 Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our 2017 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition or future results.

Item 6. Exhibits

The Exhibit Index on page 42 of this Quarterly Report on Form 10-Q lists the exhibits that are filed or furnished, as applicable, as part of this Quarterly Report on Form 10-Q.

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Exhibit Index

| Exhibit Number | Description |
| --- | --- |
| 3.1 | Amended and Restated Agreement of Limited Partnership of Holly Energy Partners, L.P. (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on November 1, 2017, File No. 1-32225). |
| 3.2 | First Amended and Restated Agreement of Limited Partnership of Holly Energy Partners - Operating Company, L.P. (incorporated by reference to Exhibit 3.2 of Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, File No. 1-32225). |
| 3.3 | First Amended and Restated Agreement of Limited Partnership of HEP Logistics Holdings, L.P. (incorporated by reference to Exhibit 3.4 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004, File No. 1-32225). |
| 3.4 | First Amended and Restated Limited Liability Company Agreement of Holly Logistic Services, L.L.C. (incorporated by reference to Exhibit 3.5 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004, File No. 1-32225). |
| 3.5 | Amendment No. 1 to the First Amended and Restated Limited Liability Company Agreement of Holly Logistic Services, L.L.C., dated April 27, 2011 (incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K Current Report filed on May 3, 2011, File No. 1-32225). |
| 3.6 | First Amended and Restated Limited Liability Company Agreement of HEP Logistics GP, L.L.C. (incorporated by reference to Exhibit 3.6 of Registrant's Quarterly Report on Form 10-Q for its quarterly period ended June 30, 2004, File No. 1-32225). |
| 4.1 | Registration Rights Agreement, dated February 6, 2018, by and among Holly Energy Partners L.P. and the various Purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 7, 2018, File No. 1-32225). |
| 10.1 | Eighteenth Amended and Restated Omnibus Agreement, dated as of January 19, 2018, effective December 8, 2017, by and among HollyFrontier Corporation, Holly Energy Partners, L.P. and certain of their respective subsidiaries (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, File No. 1-32225). |
| 10.2 | Common Unit Purchase Agreement, dated as of January 25, 2018, by and among Holly Energy Partners, L.P. and the various Purchasers named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 26, 2018, File No. 1-32225). |
| 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 Holly Energy Partners, L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statement of Partners' Equity, and (vi) Notes to Consolidated Financial Statements. |

* Filed herewith.
** Furnished herewith.
++ Filed electronically herewith.

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HOLLY ENERGY PARTNERS, L.P.
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.

HOLLY ENERGY PARTNERS, L.P.
(Registrant)

By: HEP LOGISTICS HOLDINGS, L.P.
its General Partner

By: HOLLY LOGISTIC SERVICES, L.L.C.
its General Partner

| | |
|---|---|
| Date: May 2, 2018 | /s/ Richard L. Voliva III<br>Richard L. Voliva III<br>Executive Vice President and<br>Chief Financial Officer<br>(Principal Financial Officer) |
| Date: May 2, 2018 | /s/ Kenneth P. Norwood<br>Kenneth P. Norwood<br>Vice President and Controller<br>(Principal Accounting Officer) |