



HOLLY ENERGY PARTNERS.

February 24, 2015

## Holly Energy Partners, L.P. Reports Fourth Quarter Results

DALLAS--(BUSINESS WIRE)-- Holly Energy Partners, L.P. ("HEP" or the "Partnership") (NYSE:HEP) today reported financial results for the fourth quarter of 2014. For the quarter, distributable cash flow was \$41.8 million, an increase of \$7.6 million, or 22.1% compared to the fourth quarter of 2013. HEP announced its 41st consecutive distribution increase on January 22, 2015, raising the quarterly distribution from \$0.5225 to \$0.53 per unit, representing a 6.0% increase over the distribution for the fourth quarter of 2013.

Net income attributable to Holly Energy Partners for the fourth quarter was \$28.7 million (\$0.33 per basic and diluted limited partner unit) compared to \$19.0 million (\$0.19 per basic and diluted limited partner unit) for the fourth quarter of 2013. This increase in earnings is primarily due to higher pipeline volumes and annual tariff increases as well as decreased interest expense due to the early retirement of our 8.25% Senior Notes in March 2014. Compared to the fourth quarter of 2014, pipeline shipments were low during the fourth quarter of 2013 due to reduced crude throughput at HollyFrontier Corporation's ("HFC") Navajo Refinery caused by wastewater processing constraints.

Commenting on the fourth quarter of 2014, Mike Jennings, Chief Executive Officer, stated, "We are pleased that financial results for the fourth quarter of 2014 allowed us to continue our record of raising our quarterly distribution. We remain optimistic about our organic growth potential, especially on our New Mexico crude system and on the UNEV products pipeline. Additionally, we are evaluating new growth opportunities that leverage our capabilities and HollyFrontier Corporation's refining footprint. As we look forward, we believe HEP is well positioned for continued growth due to the quality and geographic location of our assets, our talented employee base, and our financially strong and supportive general partner, HollyFrontier."

### ***Fourth Quarter 2014 Revenue Highlights***

Revenues for the quarter were \$88.4 million, a \$10.5 million increase compared to the fourth quarter of 2013. The revenue increase was due to higher volumes and annual tariff increases in addition to a \$1.7 million increase in previously deferred revenue realized. Overall pipeline volumes were up 31% compared to the fourth quarter of 2013.

- Revenues from our **refined product pipelines** were \$31.7 million, an increase of \$3.7 million due to higher volumes and annual tariff increases. Shipments averaged 192.1 thousand barrels per day ("mbpd") compared to 174.2 mbpd for the fourth quarter of 2013 mainly due to the reduced crude throughput at HFC's Navajo refinery during the fourth quarter of 2013.
- Revenues from our **intermediate pipelines** were \$8.2 million, an increase of \$2.8 million primarily due to an increase of \$1.6 million in previously deferred revenue realized and the effects of increased volumes. Shipments averaged 131.6 mbpd compared to 114.4 mbpd for the fourth quarter of 2013 mainly due to the reduced crude throughput at HFC's Navajo refinery during the fourth quarter of 2013.
- Revenues from our **crude pipelines** were \$16.6 million, an increase of \$4.6 million, on shipments averaging 242.5 mbpd compared to 142.7 mbpd for the fourth quarter of 2013. This increase is due to increased volumes and revenue from the New Mexico gathering system expansion as well as low volumes during the fourth quarter of 2013 due to the reduced crude throughput at HFC's Navajo refinery.
- Revenues from **terminal, tankage and loading rack** fees were \$32.0 million, a decrease of \$0.6 million compared to the fourth quarter of 2013. The decrease in revenue is due to lower cost reimbursement receipts from HFC offset with higher volumes. Refined products terminalled in our facilities increased to an average of 332.0 mbpd compared to 300.1 mbpd for the fourth quarter of 2013.

Revenues for the three months ended December 31, 2014, include the recognition of \$3.4 million of prior shortfalls billed to shippers in 2013 and 2014, as they did not meet their minimum volume commitments within the contractual make-up period. As of December 31, 2014, deferred revenue on our consolidated balance sheet related to shortfalls billed was \$9.3 million. Such deferred revenue will be recognized in earnings either as (a) payment for shipments in excess of guaranteed levels, if and to the extent the pipeline system will have the necessary capacity for shipments in excess of guaranteed levels, or (b) when shipping rights expire unused over the contractual make-up period.

### ***Year Ended December 31, 2014 Revenue Highlights***

Revenues for the year ended December 31, 2014, were \$332.5 million, a \$27.4 million increase compared to the same period of 2013. This is due principally to increased pipeline shipments, the effect of annual tariff increases and a \$4.2 million increase in previously deferred revenue realized. Overall pipeline volumes were up 13% compared to 2013 largely due to low volumes in 2013 resulting from a major maintenance turnaround at HFC's Navajo refinery in the first quarter of 2013 as well as the reduced crude throughput at HFC's Navajo refinery during the fourth quarter of 2013.

- Revenues from our **refined product pipelines** were \$121.2 million, an increase of \$13.0 million, primarily due to increased volumes and the effect of a \$2.1 million increase in previously deferred revenue realized. Shipments averaged 183.2 mbpd compared to 170.8 mbpd for the year ended December 31, 2013.
- Revenues from our **intermediate pipelines** were \$29.8 million, an increase of \$4.4 million, on shipments averaging 138.3 mbpd compared to 128.5 mbpd for the year ended December 31, 2013. The increase in revenue is due to the effects of a \$2.2 million increase in previously deferred revenue realized and increased volumes on intermediate pipeline segments.
- Revenues from our **crude pipelines** were \$56.8 million, an increase of \$8.1 million, on shipments averaging 199.6 mbpd compared to 161.4 mbpd for the year ended December 31, 2013. Revenues increased due to the annual tariff increases and higher volumes resulting from the New Mexico gathering system expansion as well as low volumes in 2013 caused by the turnaround at HFC's Navajo refinery and the fourth quarter 2013 processing constraints at HFC's Navajo refinery.
- Revenues from **terminal, tankage and loading rack** fees were \$124.7 million, an increase of \$1.9 million compared to the year ended December 31, 2013. This increase is due principally to increased volumes. Refined products terminalled in our facilities increased to an average of 331.0 mbpd compared to 318.9 mbpd for the year ended December 31, 2013.

Revenues for the year ended December 31, 2014, include the recognition of \$12.0 million of prior shortfalls billed to shippers in 2013.

### ***Operating Costs and Expenses Highlights***

Operating costs and expenses were \$50.1 million and \$177.8 million for the three months and year ended December 31, 2014, respectively, representing increases of \$3.0 million and \$1.2 million over the respective periods of 2013. These increases are due to year-over-year increases in maintenance costs and environmental accruals partially offset by lower depreciation and amortization caused by lower abandonment charges related to tankage permanently removed from service. Operating expenses for the year ended December 31, 2013 were reduced by \$3.5 million due to a net tax refund related to payroll costs over a multi-year period.

We have scheduled a webcast conference call today at 4:00 PM Eastern Time to discuss financial results. This webcast may be accessed at: <https://event.webcasts.com/starthere.jsp?ei=1052229>.

An audio archive of this webcast will be available using the above noted link through March 10, 2015.

### ***About Holly Energy Partners, L.P.***

Holly Energy Partners, L.P., headquartered in Dallas, Texas, provides petroleum product and crude oil transportation, terminalling, storage and throughput services to the petroleum industry, including HollyFrontier Corporation subsidiaries. The Partnership owns and operates petroleum product and crude gathering pipelines, tankage and terminals in Texas, New Mexico, Arizona, Washington, Idaho, Oklahoma, Utah, Wyoming and Kansas. In addition, the Partnership owns a 75% interest in UNEV Pipeline, LLC, the owner of a Holly Energy operated refined products pipeline running from Salt Lake City, Utah to Las Vegas, Nevada, and related product terminals and a 25% interest in SLC Pipeline LLC, a 95-mile intrastate pipeline system serving refineries in the Salt Lake City, Utah area.

HollyFrontier Corporation, headquartered in Dallas, Texas, is an independent petroleum refiner and marketer that produces high value light products such as gasoline, diesel fuel, jet fuel and other specialty products. HollyFrontier operates through its subsidiaries a 135,000 barrels-per-stream-day ("bpsd") refinery located in El Dorado, Kansas, a 125,000 bpsd refinery in Tulsa, Oklahoma, a 100,000 bpsd refinery located in Artesia, New Mexico, a 52,000 bpsd refinery located in Cheyenne, Wyoming, and a 31,000 bpsd refinery in Woods Cross, Utah. HollyFrontier markets its refined products principally in the Southwest U.S., the Rocky Mountains extending into the Pacific Northwest and in other neighboring Plains states. A subsidiary of HollyFrontier also owns a 39% interest (including the general partner interest) in Holly Energy Partners, L.P.

The statements in this press release relating to matters that are not historical facts are "forward-looking statements" within the meaning of the federal securities laws. Forward looking statements use words such as "anticipate," "project," "expect," "plan," "goal," "forecast," "intend," "should," "would," "could," "believe," "may," and similar expressions and statements regarding our plans and objectives for future operations. These statements are based on our beliefs and assumptions and those of our

general partner 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 and our general partner believe that such expectations reflected in such forward-looking statements are reasonable, neither we nor our general partner can give assurance that our expectations will prove to be correct. All statements concerning our expectations for future results of operations are based on forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. Certain factors could cause actual results to differ materially from results anticipated in the forward-looking statements. These factors include, but are not limited to:

- risks and uncertainties with respect to the actual quantities of petroleum products and crude oil shipped on our pipelines and/or terminalled, stored and throughput in our terminals;
- the economic viability of HollyFrontier Corporation, Alon USA, Inc. and our other customers;
- the demand for refined petroleum products in markets we serve;
- our ability to purchase and integrate future acquired operations;
- our ability to complete previously announced or contemplated acquisitions;
- the availability and cost of additional debt and equity financing;
- the possibility of reductions in production or shutdowns at refineries utilizing our pipeline and terminal facilities;
- the effects of current and future government regulations and policies;
- our operational efficiency in carrying out routine operations and capital construction projects;
- the possibility of terrorist attacks and the consequences of any such attacks;
- general economic conditions; and
- other financial, operations and legal risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.

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.

## 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 and years ended December 31, 2014 and 2013.

	<b>Three Months Ended</b>		
	<b>December 31,</b>		<b>Change from</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	(In thousands, except per unit data)		
<b>Revenues</b>			
Pipelines:			
Affiliates - refined product pipelines	\$ 18,332	\$ 15,523	\$ 2,809
Affiliates - intermediate pipelines	8,182	5,367	2,815
Affiliates - crude pipelines	16,597	11,990	4,607
	<u>43,111</u>	<u>32,880</u>	<u>10,231</u>
Third parties - refined product pipelines	13,339	12,424	915
	<u>56,450</u>	<u>45,304</u>	<u>11,146</u>
Terminals, tanks and loading racks:			
Affiliates	28,323	29,267	(944)
Third parties	3,640	3,305	335
	<u>31,963</u>	<u>32,572</u>	<u>(609)</u>
Total revenues	<u>88,413</u>	<u>77,876</u>	<u>10,537</u>
<b>Operating costs and expenses:</b>			
Operations (exclusive of depreciation and amortization)	31,966	27,355	4,611

Depreciation and amortization	15,213	16,693	(1,480)
General and administrative	2,891	3,003	(112)
	<u>50,070</u>	<u>47,051</u>	<u>3,019</u>
<b>Operating income</b>	<b>38,343</b>	<b>30,825</b>	<b>7,518</b>
Equity in earnings of SLC Pipeline	837	588	249
Interest expense, including amortization	(8,733)	(11,081)	2,348
Interest income	—	51	(51)
Gain (loss) on sale of assets	—	(53)	53
Other income	37	—	37
	<u>(7,859)</u>	<u>(10,495)</u>	<u>2,636</u>
<b>Income before income taxes</b>	<b>30,484</b>	<b>20,330</b>	<b>10,154</b>
State income tax (expense) benefit	(90)	108	(198)
<b>Net income</b>	<b>30,394</b>	<b>20,438</b>	<b>9,956</b>
Allocation of net income attributable to noncontrolling interests	(1,727)	(1,440)	(287)
<b>Net income attributable to Holly Energy Partners</b>	<b>28,667</b>	<b>18,998</b>	<b>9,669</b>
General partner interest in net income, including incentive distributions <sup>(1)</sup>	9,333	7,485	1,848
<b>Limited partners' interest in net income</b>	<b>\$ 19,334</b>	<b>\$ 11,513</b>	<b>\$ 7,821</b>
<b>Limited partners' earnings per unit - basic and diluted:</b> <sup>(1)</sup>	<b>\$ 0.33</b>	<b>\$ 0.19</b>	<b>\$ 0.14</b>
<b>Weighted average limited partners' units outstanding</b>	<b>58,657</b>	<b>58,657</b>	<b>—</b>
<b>EBITDA</b> <sup>(2)</sup>	<b>\$ 52,703</b>	<b>\$ 46,613</b>	<b>\$ 6,090</b>
<b>Distributable cash flow</b> <sup>(3)</sup>	<b>\$ 41,835</b>	<b>\$ 34,263</b>	<b>\$ 7,572</b>
<b>Volumes (bpd)</b>			
Pipelines:			
Affiliates - refined product pipelines	117,486	100,067	17,419
Affiliates - intermediate pipelines	131,590	114,389	17,201
Affiliates - crude pipelines	242,533	142,713	99,820
	<u>491,609</u>	<u>357,169</u>	<u>134,440</u>
Third parties - refined product pipelines	74,631	74,098	533
	<u>566,240</u>	<u>431,267</u>	<u>134,973</u>
Terminals and loading racks:			
Affiliates	260,198	225,036	35,162
Third parties	71,817	75,057	(3,240)
	<u>332,015</u>	<u>300,093</u>	<u>31,922</u>
<b>Total for pipelines and terminal assets (bpd)</b>	<b>898,255</b>	<b>731,360</b>	<b>166,895</b>

**Years Ended December 31, Change from**

**2014      2013      2013**

(In thousands, except per unit data)

**Revenues**

Pipelines:

Affiliates - refined product pipelines	\$ 77,852	\$ 66,441	\$ 11,411
Affiliates - intermediate pipelines	29,813	25,397	4,416
Affiliates - crude pipelines	56,804	48,749	8,055
	<u>164,469</u>	<u>140,587</u>	<u>23,882</u>
Third parties - refined product pipelines	43,377	41,837	1,540
	<u>207,846</u>	<u>182,424</u>	<u>25,422</u>

Terminals, tanks and loading racks:

Affiliates	110,726	111,781	(1,055)
Third parties	13,973	10,977	2,996
	<u>124,699</u>	<u>122,758</u>	<u>1,941</u>
<b>Total revenues</b>	<b>332,545</b>	<b>305,182</b>	<b>27,363</b>

**Operating costs and expenses:**

Operations (exclusive of depreciation and amortization)	104,801	99,444	5,357
---------------------------------------------------------	---------	--------	-------

Depreciation and amortization	62,166	65,423	(3,257)
General and administrative	10,824	11,749	(925)
	<u>177,791</u>	<u>176,616</u>	<u>1,175</u>
<b>Operating income</b>	<u>154,754</u>	<u>128,566</u>	<u>26,188</u>
Equity in earnings of SLC Pipeline	2,987	2,826	161
Interest expense, including amortization	(36,101)	(47,010)	10,909
Interest income	3	161	(158)
Loss on early extinguishment of debt	(7,677)	—	(7,677)
Gain on sale of assets	—	1,810	(1,810)
Other income	82	61	21
	<u>(40,706)</u>	<u>(42,152)</u>	<u>1,446</u>
<b>Income before income taxes</b>	<u>114,048</u>	<u>86,414</u>	<u>27,634</u>
State income tax expense	(235)	(333)	98
<b>Net income</b>	<u>113,813</u>	<u>86,081</u>	<u>27,732</u>
Allocation of net income attributable to noncontrolling interests	(8,288)	(6,632)	(1,656)
<b>Net income attributable to Holly Energy Partners</b>	<u>105,525</u>	<u>79,449</u>	<u>26,076</u>
General partner interest in net income, including incentive distributions <sup>(1)</sup>	(34,667)	(27,523)	(7,144)
<b>Limited partners' interest in net income</b>	<u>\$ 70,858</u>	<u>\$ 51,926</u>	<u>\$ 18,932</u>
<b>Limited partners' earnings per unit - basic and diluted:</b> <sup>(1)</sup>	<u>\$ 1.20</u>	<u>\$ 0.88</u>	<u>\$ 0.32</u>
<b>Weighted average limited partners' units outstanding</b>	<u>58,657</u>	<u>58,246</u>	<u>411</u>
<b>EBITDA</b> <sup>(2)</sup>	<u>\$ 211,701</u>	<u>\$ 192,054</u>	<u>\$ 19,647</u>
<b>Distributable cash flow</b> <sup>(3)</sup>	<u>\$ 172,718</u>	<u>\$ 146,579</u>	<u>\$ 26,139</u>
<b>Volumes (bpd)</b>			
Pipelines:			
Affiliates - refined product pipelines	119,156	107,493	11,663
Affiliates - intermediate pipelines	138,258	128,475	9,783
Affiliates - crude pipelines	199,600	161,391	38,209
	<u>457,014</u>	<u>397,359</u>	<u>59,655</u>
Third parties - refined product pipelines	64,055	63,337	718
	<u>521,069</u>	<u>460,696</u>	<u>60,373</u>
Terminals and loading racks:			
Affiliates	261,888	255,108	6,780
Third parties	69,100	63,791	5,309
	<u>330,988</u>	<u>318,899</u>	<u>12,089</u>
<b>Total for pipelines and terminal assets (bpd)</b>	<u>852,057</u>	<u>779,595</u>	<u>72,462</u>

(1) Net income attributable to Holly Energy Partners is allocated between limited partners and the general partner interest in accordance with the provisions of the partnership agreement. Net income allocated to the general partner includes incentive distributions declared subsequent to quarter end. General partner incentive distributions were \$8.9 million and \$7.3 million for the three months ended December 31, 2014 and 2013, respectively, and \$33.2 million and \$26.5 million for the years ended December 31, 2014 and 2013, respectively.

(2) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as net income attributable to Holly Energy Partners plus (i) interest expense and loss on early extinguishment of debt, net of interest income, (ii) state income tax and (iii) depreciation and amortization. EBITDA is not a calculation based upon 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 Holly Energy 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 also is 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		Years Ended December	
	December 31,		31,	
	2014	2013	2014	2013
	(In thousands)			
<b>Net income attributable to Holly Energy Partners</b>	\$ 28,667	\$ 18,998	\$ 105,525	\$ 79,449
Add (subtract):				
Interest expense	8,297	10,551	34,280	44,041
Interest income	—	(51)	(3)	(161)
Amortization of discount and deferred debt charges	436	530	1,821	2,120
Loss on early extinguishment of debt	—	—	7,677	—
Amortization of unrecognized loss attributable to terminated cash flow hedge	—	—	—	849
State income tax	90	(108)	235	333
Depreciation and amortization	15,213	16,693	62,166	65,423
<b>EBITDA</b>	<b>\$ 52,703</b>	<b>\$ 46,613</b>	<b>\$ 211,701</b>	<b>\$ 192,054</b>

(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 exception of maintenance capital expenditures. Distributable cash flow should not be considered in isolation or as an alternative to net income attributable to Holly Energy Partners 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 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		Years Ended December	
	December 31,		31,	
	2014	2013	2014	2013
	(In thousands)			
<b>Net income attributable to Holly Energy Partners</b>	\$ 28,667	\$ 18,998	\$ 105,525	\$ 79,449
Add (subtract):				
Depreciation and amortization	15,213	16,693	62,166	65,423
Amortization of discount and deferred debt charges	436	530	1,821	2,120
Loss on early extinguishment of debt	—	—	7,677	—
Amortization of unrecognized loss attributable to terminated cash flow hedge	—	—	—	849
Increase (decrease) in deferred revenue attributable to shortfall billings	(2,454)	62	(2,503)	3,686
Maintenance capital expenditures*	(2,271)	(2,126)	(4,616)	(8,683)
Billed crude revenue settlement	—	—	—	918
Other non-cash adjustments	2,244	106	2,648	2,817
<b>Distributable cash flow</b>	<b>\$ 41,835</b>	<b>\$ 34,263</b>	<b>\$ 172,718</b>	<b>\$ 146,579</b>

\* 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, and safety and to address environmental regulations.

December 31,	December 31,
2014	2013
(In thousands)	

**Balance Sheet Data**

Cash and cash equivalents	\$	2,830	\$	6,352
Working capital (deficit)	\$	3,140	\$	(6,604)
Total assets	\$	1,401,555	\$	1,382,508
Long-term debt	\$	867,579	\$	807,630
Partners' equity <sup>(4)</sup>	\$	320,362	\$	369,446

(4) As a master limited partnership, we distribute our available cash, which historically has exceeded our net income attributable to Holly Energy 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 Holly Energy Partners. Additionally, if the assets contributed and acquired from HollyFrontier while we were a consolidated variable interest entity of HollyFrontier had been acquired from third parties, our acquisition cost in excess of HollyFrontier's basis in the transferred assets of \$305.3 million would have been recorded as increases to our properties and equipment and intangible assets at the time of acquisition instead of decreases to partners' equity.

Holly Energy Partners, L.P.  
Douglas S. Aron, 214-954-6511  
Executive Vice President and  
Chief Financial Officer  
or  
Julia Heidenreich, 214-954-6511  
Vice President, Investor Relations  
or  
Craig Biery, 214-954-6511  
Investor Relations

Source: Holly Energy Partners, L.P.

News Provided by Acquire Media