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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from _____ to _____

Commission File Number 001-41325

HF SINCLAIR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

87-2092143

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

2828 N. Harwood, Suite 1300

Dallas, Texas

75201

(Address of principal executive offices)

(Zip Code)

(214) 871-3555

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock \$0.01 par value	DINO	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
192,157,440 shares of Common Stock, par value \$0.01 per share, were outstanding on May 3, 2024.

**HF SINCLAIR CORPORATION
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FORWARD-LOOKING STATEMENTS

References herein to HF Sinclair Corporation ("HF Sinclair") include HF Sinclair and its consolidated subsidiaries. In this document, the words "we," "our," "ours" and "us" refer only to HF Sinclair and its consolidated subsidiaries or to HF Sinclair or an individual subsidiary and not to any other person, with certain exceptions. References herein to Holly Energy Partners, L.P. ("HEP") with respect to time periods prior to completion of the merger of HEP with a wholly owned subsidiary of HF Sinclair on December 1, 2023 refer to HEP and its consolidated subsidiaries.

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

- the demand for and supply of feedstocks, crude oil and refined products, including uncertainty regarding the increasing societal expectations that companies address climate change and greenhouse gas emissions;
- risks and uncertainties with respect to the actions of actual or potential competitive suppliers and transporters of refined petroleum products or lubricant and specialty products in our markets;
- the spread between market prices for refined products and market prices for crude oil;
- the possibility of constraints on the transportation of refined products or lubricant and specialty products;
- the possibility of inefficiencies, curtailments or shutdowns in refinery operations or pipelines, whether due to reductions in demand, accidents, unexpected leaks or spills, unscheduled shutdowns, infection in the workforce, weather events, global health events, civil unrest, expropriation of assets, and other economic, diplomatic, legislative, or political events or developments, terrorism, cyberattacks, vandalism or other catastrophes or disruptions affecting our operations, production facilities, machinery, pipelines and other logistics assets, equipment, or information systems, or any of the foregoing of our suppliers, customers, or third-party providers, and any potential asset impairments resulting from, or the failure to have adequate insurance coverage for or receive insurance recoveries from, such actions;
- the effects of current and/or future governmental and environmental regulations and policies, including compliance with existing, new and changing environmental, health and safety laws and regulations, related reporting requirements and pipeline integrity programs;
- the availability and cost of our financing;
- the effectiveness of our capital investments and marketing strategies;
- our efficiency in carrying out and consummating construction projects, including our ability to complete announced capital projects on time and within capital guidance;
- our ability to timely obtain or maintain permits, including those necessary for operations or capital projects;
- our ability to acquire complementary assets or businesses to our existing assets and businesses on acceptable terms and to integrate any existing or future acquired operations and realize the expected synergies of any such transaction on the expected timeline;
- the possibility of vandalism or other disruptive activity, or terrorist or cyberattacks, and the consequences of any such activities or attacks;
- uncertainty regarding the effects and duration of global hostilities, including shipping disruptions in the Red Sea, the Israel-Gaza conflict, the Russia-Ukraine war, and any associated military campaigns which may disrupt crude oil supplies and markets for our refined products and create instability in the financial markets that could restrict our ability to raise capital;

- general economic conditions, including economic slowdowns caused by a local or national recession or other adverse economic condition, such as periods of increased or prolonged inflation;
- limitations on our ability to make future dividend payments or effectuate share repurchases due to market conditions and corporate, tax, regulatory and other considerations; and
- other business, financial, operational and legal risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.

Cautionary statements identifying important factors that could cause actual results to differ materially from our expectations are set forth in this Quarterly Report on Form 10-Q, including without limitation the forward-looking statements that are referred to above. You should not put any undue reliance on any forward-looking statements. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth under the heading "Risk Factors" included in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2023, and the discussion in this Quarterly Report on Form 10-Q in "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Outlook" and "Liquidity and Capital Resources." All forward-looking statements included in this Quarterly Report on Form 10-Q and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made 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.

DEFINITIONS

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

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

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

"Base oil" is a lubricant grade oil initially produced from refining crude oil or through chemical synthesis that is used in producing lubricant products such as lubricating greases, motor oil and metal processing fluids.

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

"LPG" means liquid petroleum gases.

"Lubricant" or **"lube"** means a solvent neutral paraffinic product used in commercial heavy duty engine oils, passenger car oils and specialty products for industrial applications such as heat transfer, metalworking, rubber and other general process oil.

"MMBTU" means one million British thermal units.

"Refinery gross margin" means the difference between average net sales price and average cost per barrel sold. This does not include the associated depreciation and amortization costs.

"Renewable diesel" means a diesel fuel derived from renewable feedstock such as vegetable oil or animal fats that is produced through various processes, most commonly through hydrotreating, reacting the feedstock with hydrogen under temperatures and pressure in the presence of a catalyst.

"RINs" means renewable identification numbers and refers to serial numbers assigned to credits generated from renewable fuel production under the Environmental Protection Agency's Renewable Fuel Standard regulations, which require blending renewable fuels into the nation's fuel supply. In lieu of blending, refiners may purchase these transferable credits in order to comply with the regulations.

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

"White oil" is an extremely pure, highly-refined petroleum product that has a wide variety of applications ranging from pharmaceutical to cosmetic products.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HF SINCLAIR CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2024	December 31, 2023		
	(Unaudited)			
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,240,860	\$ 1,353,747		
Accounts receivable: Product and transportation	1,649,800	1,527,950		
Crude oil resales	163,777	197,169		
	1,813,577	1,725,119		
Inventories: Crude oil and refined products	2,868,039	2,645,724		
Materials, supplies and other	262,846	276,107		
	3,130,885	2,921,831		
Income taxes receivable	42,841	56,528		
Prepayments and other	94,297	89,229		
Total current assets	6,322,460	6,146,454		
Properties, plants and equipment, at cost	10,609,735	10,533,432		
Less: accumulated depreciation	(4,021,845)	(3,906,600)		
	6,587,890	6,626,832		
Operating lease right-of-use assets	390,566	348,006		
Other assets: Turnaround costs	660,306	644,957		
Goodwill	2,977,511	2,977,744		
Intangibles and other	977,257	972,272		
	4,615,074	4,594,973		
Total assets	\$ 17,915,990	\$ 17,716,265		
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	\$ 2,276,556	\$ 2,205,759		
Income taxes payable	57,440	8,772		
Operating lease liabilities	97,973	106,973		
Accrued liabilities	485,966	453,045		
Total current liabilities	2,917,935	2,774,549		
Long-term debt, net	2,678,645	2,739,083		
Noncurrent operating lease liabilities	309,370	249,479		
Deferred income taxes	1,307,585	1,297,130		
Other long-term liabilities	426,366	418,726		
Total liabilities	7,639,901	7,478,967		
Commitments and Contingencies (see Note 13)				
Equity:				
HF Sinclair stockholders' equity:				
Preferred stock, \$1.00 par value – 5,000,000 shares authorized; none issued	—	—		
Common stock \$0.01 par value – 320,000,000 shares authorized; 223,231,546 shares issued as of March 31, 2024 and December 31, 2023, respectively	2,232	2,232		
Additional capital	5,991,464	5,993,661		
Retained earnings	5,594,493	5,379,182		
Accumulated other comprehensive loss	(22,277)	(11,784)		
Common stock held in treasury, at cost – 26,077,193 and 23,235,599 shares as of March 31, 2024 and December 31, 2023, respectively	(1,357,594)	(1,194,201)		
Total HF Sinclair stockholders' equity	10,208,318	10,169,090		
Noncontrolling interest				
Total equity	10,276,089	10,237,298		
Total liabilities and equity	\$ 17,915,990	\$ 17,716,265		

See accompanying notes.

HF SINCLAIR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Uaudited)
(In thousands, except per share data)

	Three Months Ended	
	March 31,	
	2024	2023
Sales and other revenues	\$ 7,027,145	\$ 7,565,142
Operating costs and expenses:		
Cost of products sold (exclusive of depreciation and amortization):		
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	5,926,500	6,104,057
Lower of cost or market inventory valuation adjustment	(219,370)	47,597
	5,707,130	6,151,654
Operating expenses (exclusive of depreciation and amortization)	607,112	639,383
Selling, general and administrative expenses (exclusive of depreciation and amortization)	103,374	95,913
Depreciation and amortization	198,729	173,983
Total operating costs and expenses	6,616,345	7,060,933
Income from operations	410,800	504,209
Other income (expense):		
Earnings of equity method investments	7,346	3,882
Interest income	22,179	19,935
Interest expense	(40,691)	(45,822)
Gain on foreign currency transactions	443	870
Gain on sale of assets and other	2,019	1,631
	(8,704)	(19,504)
Income before income taxes:	402,096	484,705
Income tax expense:		
Current	70,705	84,395
Deferred	14,769	15,305
	85,474	99,700
Net income	316,622	385,005
Less: net income attributable to noncontrolling interest	1,958	31,739
Net income attributable to HF Sinclair stockholders	\$ 314,664	\$ 353,266
Earnings per share:		
Basic	\$ 1.57	\$ 1.79
Diluted	\$ 1.57	\$ 1.79
Average number of common shares outstanding:		
Basic	198,710	195,445
Diluted	198,710	195,445

See accompanying notes.

HF SINCLAIR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)
 (In thousands)

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 316,622	\$ 385,005
Other comprehensive income (loss):		
Foreign currency translation adjustment	(12,606)	2,926
Hedging instruments:		
Change in fair value of cash flow hedging instruments	(4,287)	270
Reclassification adjustments to net income on settlement of cash flow hedging instruments	4,287	1
Net unrealized gain on hedging instruments	—	271
Pension and other post-retirement benefit obligations:		
Pension plans (gain) loss reclassified to net income	217	(45)
Post-retirement healthcare plans gain reclassified to net income	(922)	(918)
Retirement restoration plan loss reclassified to net income	6	3
Net change in pension and other post-retirement benefit obligations	(699)	(960)
Other comprehensive income (loss) before income taxes	(13,305)	2,237
Income tax expense (benefit)	(2,812)	447
Other comprehensive income (loss)	(10,493)	1,790
Total comprehensive income	306,129	386,795
Less: noncontrolling interest in comprehensive income	1,958	31,739
Comprehensive income attributable to HF Sinclair stockholders	\$ 304,171	\$ 355,056

See accompanying notes.

HF SINCLAIR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Uaudited)
(In thousands)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 316,622	\$ 385,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	198,729	173,983
Lower of cost or market inventory valuation adjustment	(219,370)	47,597
Earnings of equity method investments, inclusive of distributions	(3,821)	(1,799)
Gain on sale of assets	(782)	(414)
Deferred income taxes	14,769	15,305
Equity-based compensation expense	5,380	3,325
Change in fair value – derivative instruments	(7,764)	15,402
(Increase) decrease in current assets:		
Accounts receivable	(92,036)	86,369
Inventories	1,120	(280,263)
Income taxes receivable	13,462	10,494
Prepayments and other	1,263	28,007
Increase (decrease) in current liabilities:		
Accounts payable	64,664	(220,018)
Income taxes payable	48,689	51,697
Accrued liabilities	30,655	32,424
Turnaround expenditures	(70,379)	(163,734)
Other, net	15,694	(5,675)
Net cash provided by operating activities	316,895	177,705
Cash flows from investing activities:		
Additions to properties, plants and equipment	(89,108)	(100,069)
Proceeds from sale of assets	811	1,572
Investment in Osage Pipe Line Company LLC	(5,000)	(2,500)
Distributions from equity method investments in excess of equity earnings	1,925	760
Net cash used for investing activities	(91,372)	(100,237)
Cash flows from financing activities:		
Borrowings under credit agreements	—	42,000
Repayments under credit agreements	(61,500)	(58,500)
Purchase of treasury stock	(169,612)	(245,566)
Dividends	(99,353)	(87,987)
Distributions to noncontrolling interests	(2,395)	(25,986)
Payments on finance leases	(2,600)	(3,071)
Net cash used for financing activities	(335,460)	(379,110)
Effect of exchange rate on cash flow	(2,950)	1,506
Cash and cash equivalents:		
Decrease for the period	(112,887)	(300,136)
Beginning of period	1,353,747	1,665,066
End of period	\$ 1,240,860	\$ 1,364,930
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ (23,600)	\$ (25,934)
Income taxes, net	\$ (7,644)	\$ (22,010)
Decrease in accrued and unpaid capital expenditures	\$ (5,678)	\$ (17,819)

See accompanying notes.

HF SINCLAIR CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(Uaudited)
(In thousands except per share data)

Three Months Ended March 31, 2024

	Common Stock		Accumulated Other			Treasury Stock		Non-controlling Interest	Total Equity
	Shares	Amount	Additional Capital	Retained Earnings	Comprehensive Loss	Shares	Amount		
Balance at December 31, 2023	223,231	\$ 2,232	\$ 5,993,661	\$ 5,379,182	\$ (11,784)	23,236	\$ (1,194,201)	\$ 68,208	\$ 10,237,298
Net income	—	—	—	314,664	—	—	—	1,958	316,622
Dividends (\$0.50 declared per common share)	—	—	—	(99,353)	—	—	—	—	(99,353)
Other comprehensive loss, net of tax	—	—	—	—	(10,493)	—	—	—	(10,493)
Issuance of common shares under incentive compensation plans	—	—	(7,577)	—	—	(147)	7,577	—	—
Equity-based compensation	—	—	5,380	—	—	—	—	—	5,380
Purchase of treasury stock, inclusive of excise tax	—	—	—	—	—	2,988	(170,970)	—	(170,970)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(2,395)	(2,395)
Balance at March 31, 2024	223,231	\$ 2,232	\$ 5,991,464	\$ 5,594,493	\$ (22,277)	26,077	\$ (1,357,594)	\$ 67,771	\$ 10,276,089

Three Months Ended March 31, 2023

	Common Stock		Accumulated Other			Treasury Stock		Non-controlling Interest	Total Equity
	Shares	Amount	Additional Capital	Retained Earnings	Comprehensive Loss	Shares	Amount		
Balance at December 31, 2022	223,231	\$ 2,232	\$ 6,468,775	\$ 4,130,252	\$ (22,013)	26,152	\$ (1,335,431)	\$ 773,757	\$ 10,017,572
Net income	—	—	—	353,266	—	—	—	31,739	385,005
Dividends (\$0.45 declared per common share)	—	—	—	(87,987)	—	—	—	—	(87,987)
Other comprehensive income, net of tax	—	—	—	—	1,790	—	—	—	1,790
Issuance of common shares under incentive compensation plans	—	—	(1,934)	—	—	(38)	1,934	—	—
Equity-based compensation	—	—	2,973	—	—	—	—	352	3,325
Purchase of treasury stock, inclusive of excise tax	—	—	—	—	—	4,810	(243,192)	—	(243,192)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(25,986)	(25,986)
Balance at March 31, 2023	223,231	\$ 2,232	\$ 6,469,814	\$ 4,395,531	\$ (20,223)	30,924	\$ (1,576,689)	\$ 779,862	\$ 10,050,527

See accompanying notes.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1: Description of Business and Presentation of Financial Statements

References herein to HF Sinclair, "we," "our," "ours," and "us" refer only to HF Sinclair and its consolidated subsidiaries or to HF Sinclair or an individual subsidiary and not to any other person, with certain exceptions. References herein to Holly Energy Partners, L.P. ("HEP") with respect to time periods prior to the closing of the HEP Merger Transaction (as defined below) on December 1, 2023 refer to HEP and its consolidated subsidiaries.

We are an independent energy company that produces and markets high-value light products such as gasoline, diesel fuel, jet fuel, renewable diesel and other specialty products. We own and operate refineries located in Kansas, Oklahoma, New Mexico, Wyoming, Washington and Utah. We provide petroleum product and crude oil transportation, terminalling, storage and throughput services to our refineries and the petroleum industry. We market our refined products principally in the Southwest United States, the Rocky Mountains extending into the Pacific Northwest and in other neighboring Plains states and we supply high-quality fuels to more than 1,500 branded stations and license the use of the Sinclair brand at more than 300 additional locations throughout the country. We produce renewable diesel at two of our facilities in Wyoming and our facility in New Mexico. In addition, our subsidiaries produce and market base oils and other specialized lubricants in the United States, Canada and the Netherlands, and export products to more than 80 countries.

On December 1, 2023, pursuant to the Agreement and Plan of Merger, dated as of August 15, 2023 (the "Merger Agreement"), by and among HEP, HF Sinclair, Navajo Pipeline Co., L.P., a Delaware limited partnership and an indirect wholly owned subsidiary of HF Sinclair ("HoldCo"), Holly Apple Holdings LLC, a Delaware limited liability company and a wholly owned subsidiary of HoldCo ("Merger Sub"), HEP Logistics Holdings, L.P., a Delaware limited partnership and the general partner of HEP ("HLH"), and Holly Logistic Services, L.L.C., a Delaware limited liability company and the general partner of HLH (the "General Partner"), Merger Sub merged with and into HEP, with HEP surviving as an indirect, wholly owned subsidiary of HF Sinclair (the "HEP Merger Transaction").

Under the terms of the Merger Agreement, each outstanding common unit representing a limited partner interest in HEP (an "HEP common unit"), other than the HEP common units already owned by HF Sinclair and its subsidiaries, was converted into the right to receive 0.315 shares of HF Sinclair common stock and \$4.00 in cash, without interest. The Merger Agreement consideration totaled \$ 267.6 million in cash and resulted in the issuance of 21,072,326 shares of HF Sinclair common stock from treasury stock.

The HEP Merger Transaction was accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 810, "Consolidation." Since we controlled HEP both before and after the HEP Merger Transaction, the changes in our ownership interest in HEP resulting from the HEP Merger Transaction were accounted for as an equity transaction, and no gain or loss was recognized in our Consolidated Statements of Income. The tax effects of the HEP Merger Transaction were recorded as adjustments to deferred income taxes and additional capital consistent with ASC 740, "Income Taxes."

For a description of our existing indebtedness, as well as associated changes in connection with the HEP Merger Transaction, see Note 9.

We have prepared these consolidated financial statements without audit. In management's opinion, these consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of our consolidated financial position as of March 31, 2024, the consolidated results of income, comprehensive income and statements of equity for the three months ended March 31, 2024 and 2023, and consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Although certain notes and other information required by generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted, we believe that the disclosures in these consolidated financial statements are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023, and with our audited consolidated financial statements as of and for the year ended December 31, 2023, included in Exhibit 99.1 to this Quarterly Report on Form 10-Q.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Accounts Receivable: Our accounts receivable primarily consist of amounts due from customers that are primarily from sales of refined products and renewable diesel. Credit is extended based on our evaluation of the customer's financial condition, and in certain circumstances, collateral, such as letters of credit or guarantees, is required. We reserve for expected credit losses based on our historical loss experience as well as expected credit losses from current economic conditions and management's expectations of future economic conditions. Credit losses are charged to the allowance for expected credit losses when an account is deemed uncollectible. Our allowance for expected credit losses was \$ 2.8 million at March 31, 2024, and \$ 3.2 million at December 31, 2023.

Inventories: Inventories related to our refining operations are stated at the lower of cost, using the last-in, first-out ("LIFO") method for crude oil and unfinished and finished refined products or market. Inventories related to our renewables business are stated at the lower of cost, using the LIFO method for feedstock and unfinished and finished renewable products, or market. In periods of rapidly declining prices, LIFO inventories may have to be written down to market value due to the higher costs assigned to LIFO layers in prior periods. In addition, the use of the LIFO inventory method may result in increases or decreases to cost of sales in years that inventory volumes decline as the result of charging cost of sales with LIFO inventory costs generated in prior periods. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final year-end LIFO inventory valuation.

Inventories of our Petro-Canada Lubricants and Sonneborn businesses are stated at the lower of cost, using the first-in, first-out method or net realizable value.

Inventories consisting of process chemicals, materials and maintenance supplies and RINs are stated at the lower of weighted average cost or net realizable value.

Leases: At inception, we determine if an arrangement is or contains a lease. Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our payment obligation under the leasing arrangement. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our estimated incremental borrowing rate ("IBR") to determine the present value of lease payments as most of our leases do not contain an implicit rate. Our IBR represents the interest rate that we would pay to borrow, on a collateralized basis, an amount equal to the lease payments over a similar term in a similar economic environment. We use the implicit rate when readily determinable.

Operating leases are recorded in "Operating lease right-of-use assets" and current and noncurrent "Operating lease liabilities" on our consolidated balance sheets. Finance leases are included in "Properties, plants and equipment, at cost," "Accrued liabilities" and "Other long-term liabilities" on our consolidated balance sheets.

Our lease term includes an option to extend the lease when it is reasonably certain that we will exercise that option. Leases with a term of 12 months or less are not recorded on our consolidated balance sheets. For certain equipment leases, we apply a portfolio approach for the operating lease ROU assets and liabilities. Also, as a lessee, we separate non-lease components that are identifiable and exclude them from the determination of net present value of lease payment obligations. In addition, as a lessor, we do not separate the non-lease (service) component in contracts in which the lease component is the dominant component. We treat these combined components as an operating lease. We bifurcate the consideration received for sales-type lease contracts between lease and service revenue, with the service component accounted for within the scope of ASC 606, "Revenue from Contracts with Customers."

Lessor: Our consolidated statements of income reflect the lease revenue we recognize from contracts with third parties in which we are the lessor. As the lessor, we classify customer contracts that contain leases into one of three categories: operating leases, direct finance leases, or sales-type leases. This classification is determined by evaluating key factors such as the lease term, the fair value of the underlying asset, and the residual value of the underlying assets.

Revenue Recognition: Revenues on refined products, branded fuel sales, renewable diesel, and excess crude oil sales are recognized when delivered (via pipeline, in-tank or rack), and the customer obtains control of such inventory, which is typically when title passes and the customer is billed. All revenues are reported inclusive of shipping and handling costs billed and exclusive of any taxes billed to customers. Shipping and handling costs incurred are reported as cost of products sold.

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Our Lubricants & Specialties business has sales agreements with marketers and distributors that provide certain rights of return or provisions for the repurchase of products previously sold to them. Under these agreements, revenues and cost of revenues are deferred until the products have been sold to end customers. Our Lubricants & Specialties business also has agreements that create an obligation to deliver products at a future date for which consideration has already been received and recorded as deferred revenue. This revenue is recognized when the products are delivered to the customer.

Our Midstream business recognizes revenues as products are shipped through its pipelines and terminals and as other services are rendered. Additionally, we have certain throughput agreements that specify minimum volume requirements, whereby we bill a customer for a minimum level of shipments in the event a customer ships below their contractual requirements. If there are no future performance obligations, we recognize these deficiency payments as revenue. In certain of these throughput agreements, a customer may later utilize such shortfall billings as credit towards future volume shipments in excess of its minimum levels within its respective contractual shortfall make-up period. Such amounts represent an obligation to perform future services, which may be initially deferred and later recognized as revenue based on estimated future shipping levels, including the likelihood of a customer's ability to utilize such amounts prior to the end of the contractual shortfall make-up period. We recognize the service portion of these deficiency payments as revenue when we do not expect it will be required to satisfy these performance obligations in the future based on the pattern of rights exercised by the customer. Payment terms under our contracts with customers are consistent with industry norms and are typically payable within 30 days of the date of invoice.

Foreign Currency Translation: Assets and liabilities recorded in foreign currencies are translated into U.S. dollars using exchange rates in effect as of the balance sheet date. Revenue and expense accounts are translated using the weighted average exchange rates during the period presented. Foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income.

We have intercompany notes that were issued to fund certain of our foreign businesses. Remeasurement adjustments resulting from the conversion of intercompany financing amounts to functional currencies are recorded as gains and losses as a component of other income (expense) in the consolidated statements of income. Such adjustments are not recorded in the Lubricants & Specialties segment operations, but in Corporate and Other. See Note 14 for additional information on our segments.

Income Taxes: Provisions for income taxes include deferred taxes resulting from temporary differences in income for financial and tax purposes, using the liability method of accounting for income taxes. The liability method requires the effect of tax rate changes on deferred income taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized. We account for U.S. tax on global intangible low-taxed income in the period in which it is incurred.

Potential interest and penalties related to income tax matters are recognized in income tax expense. We believe we have the appropriate support for the income tax positions taken and to be taken on our income tax returns and that our accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter.

For the three months ended March 31, 2024, we recorded income tax expense of \$ 85.5 million compared to \$ 99.7 million for the three months ended March 31, 2023. This decrease was principally due to lower pre-tax income during the three months ended March 31, 2024, compared to the same period of 2023. Our effective tax rates were 21.3% and 20.6% for the three months ended March 31, 2024 and 2023, respectively.

The difference between the U.S. federal statutory rate and the effective tax rate for the three months ended March 31, 2024 is primarily due to the relationship between pre-tax results and non-taxable permanent differences. The difference in the U.S. federal statutory rate and the effective tax rate for the three months ended March 31, 2023 was primarily due to the impact of federal tax credits and the relationship between pre-tax results and the earnings attributable to the noncontrolling interest that is not included in income for tax purposes.

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Inventory Repurchase Obligations: We periodically enter into same-party sell/buy transactions, whereby we sell certain refined product inventory and subsequently repurchase the inventory in order to facilitate delivery to certain locations. Such sell/buy transactions are accounted for as inventory repurchase obligations, under which proceeds received under the initial sale are recognized as an inventory repurchase obligation that is subsequently reversed when the inventory is repurchased. We received proceeds of \$6.3 million for each of the three months ended March 31, 2024 and 2023, and subsequently repaid \$6.6 million and \$7.0 million, respectively, under these sell/buy transactions.

Accounting Pronouncements - Not Yet Adopted

In November 2023, Accounting Standards Update ("ASU") 2023-07, "Improvements to Reportable Segment Disclosures" was issued. ASU 2023-07 requires, among other updates, enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker, as well as the aggregate amount of other segment items included in the reported measure of segment profit or loss. This aims to provide more decision-useful information to stakeholders by giving a clearer picture of the costs incurred by each reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective adoption. Early adoption is permitted. We are assessing the impact of this guidance on our disclosures.

In December 2023, ASU 2023-09, "Improvements to Income Tax Disclosures" was issued. ASU 2023-09 requires enhanced annual disclosures regarding the rate reconciliation and income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, and may be adopted on a prospective or retrospective basis. Early adoption is permitted. We are assessing the impact of this guidance on our disclosures.

NOTE 2: Cushing Connect Joint Venture

In 2019, HEP Cushing LLC ("HEP Cushing"), then a wholly owned subsidiary of HEP and now a wholly owned subsidiary of HF Sinclair, and Plains Marketing, L.P., a wholly owned subsidiary of Plains All American Pipeline, L.P. ("Plains") formed a 50/50 joint venture, Cushing Connect Pipeline & Terminal LLC ("Cushing Connect"), for (i) the development, construction, ownership and operation of a new 160,000 barrel per day common carrier crude oil pipeline (the "Cushing Connect Pipeline") that connects the Cushing, Oklahoma crude oil hub to our Tulsa refineries and (ii) the ownership and operation of 1.5 million barrels of crude oil storage in Cushing, Oklahoma (the "Cushing Connect Terminal" and together with Cushing Connect and the Cushing Connect Pipeline, the "Cushing Connect Joint Venture"). The Cushing Connect Terminal was fully in service beginning in April 2020, and the Cushing Connect Pipeline was placed in service during the third quarter of 2021. Long-term commercial agreements have been entered into to support the Cushing Connect assets. Cushing Connect entered into a contract with an affiliate of HEP, now a subsidiary of HF Sinclair, to manage the operation of the Cushing Connect Pipeline and with an affiliate of Plains to manage the operation of the Cushing Connect Terminal. The total investment in Cushing Connect was generally shared proportionately among the partners. However, HEP was solely responsible for any Cushing Connect Pipeline construction costs that exceeded the budget by more than 10%. HEP's share of the cost of the Cushing Connect Terminal contributed by Plains and Cushing Connect Pipeline construction costs was approximately \$74.0 million.

Cushing Connect and its two subsidiaries, Cushing Connect Pipeline and Cushing Connect Terminal, are variable interest entities ("VIE") as defined under GAAP. A VIE is a legal entity whose equity owners do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the equity holders lack the power, through voting rights, to direct the activities that most significantly impact the entity's financial performance, the obligation to absorb the entity's expected losses or rights to expected residual returns. Cushing Connect and its two subsidiaries are VIEs because they did not originally have sufficient equity at risk to finance their activities without additional financial support. We are the primary beneficiary of two of these entities as HEP constructed and operates the Cushing Connect Pipeline, and we have more ability to direct the activities that most significantly impact the financial performance of Cushing Connect and Cushing Connect Pipeline. Therefore, we consolidate these two entities. We are not the primary beneficiary of Cushing Connect Terminal, which we account for using the equity method of accounting. Our maximum exposure to loss as a result of our involvement with Cushing Connect Terminal is not expected to be material due to the long-term terminalling agreements in place to support operations.

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With the exception of the assets of HEP Cushing, creditors of the Cushing Connect Joint Venture legal entities have no recourse to our assets. Any recourse to HEP Cushing would be limited to the extent of HEP Cushing's assets, which other than its investment in the Cushing Connect Joint Venture, are not significant. Furthermore, our creditors have no recourse to the assets of the Cushing Connect Joint Venture legal entities. The most significant assets of Cushing Connect and Cushing Connect Pipeline that are available to settle only their obligations, along with their most significant liabilities for which their creditors do not have recourse to our general credit, were:

	March 31, 2024	December 31, 2023
	(In thousands)	
Cash and cash equivalents	\$ 916	\$ 1,536
Properties, plants and equipment, at cost	102,979	102,936
Less: accumulated depreciation	(8,907)	(8,022)
Intangibles and other	31,674	32,473

NOTE 3: Revenues

Substantially all revenue-generating activities relate to sales of refined products, branded fuel, renewable diesel and excess crude oil inventories sold at market prices (variable consideration) under contracts with customers. Additionally, we have revenues attributable to our logistics services provided under petroleum product and crude oil pipeline transportation, processing, storage and terminalling agreements with third parties.

Disaggregated revenues were as follows:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Revenues by type		
Refined product revenues		
Transportation fuels ⁽¹⁾	\$ 4,628,631	\$ 4,507,894
Specialty lubricant products ⁽²⁾	614,221	679,862
Asphalt, fuel oil and other products ⁽³⁾	483,316	440,339
Total refined product revenues	5,726,168	5,628,095
Excess crude oil revenues ⁽⁴⁾	267,096	710,897
Renewable diesel revenues ⁽⁵⁾	179,669	202,413
Transportation and logistics services	23,099	26,416
Marketing revenues ⁽⁶⁾	775,807	937,385
Other revenues ⁽⁷⁾	55,306	59,936
Total sales and other revenues	<u><u>\$ 7,027,145</u></u>	<u><u>\$ 7,565,142</u></u>

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	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Refined product revenues by market		
United States:		
Mid-Continent	\$ 2,215,841	\$ 2,007,156
Southwest	975,702	832,702
Rocky Mountains	1,988,491	2,197,827
Northeast	219,347	263,904
Canada	255,772	250,724
Europe, Asia and Latin America	71,015	75,782
Total refined product revenues	<u>\$ 5,726,168</u>	<u>\$ 5,628,095</u>

- (1) Transportation fuels revenues are attributable to our Refining segment's wholesale marketing of gasoline, diesel and jet fuel.
- (2) Specialty lubricant products consist of base oil, waxes, finished lubricants and other specialty fluids.
- (3) Revenues from asphalt, fuel oil and other products include amounts attributable to our Refining and Lubricants & Specialties segments of \$22.0 million and \$61.3 million, respectively, for the three months ended March 31, 2024, and \$386.8 million and \$53.6 million, respectively, for the three months ended March 31, 2023.
- (4) Excess crude oil revenues represent sales of purchased crude oil inventory that at times exceeds the supply needs of our refineries.
- (5) Renewable diesel revenues are attributable to our Renewables segment.
- (6) Marketing revenues consist primarily of branded gasoline and diesel fuel.
- (7) Other revenues are principally attributable to our Refining segment.

Our consolidated balance sheets reflect contract liabilities related to unearned revenues attributable to future service obligations under our third-party transportation agreements and production agreements from our Sonneborn operations. The following table presents changes to our contract liabilities:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Balance at January 1	\$ 7,533	\$ 10,722
Increase	5,693	5,159
Recognized as revenue	(6,115)	(5,744)
Balance at March 31	<u>\$ 7,111</u>	<u>\$ 10,137</u>

As of March 31, 2024, we have long-term contracts with customers that specify minimum volumes of gasoline, diesel, lubricants and specialties to be sold ratably at market prices through 2032. Future prices are subject to market fluctuations and therefore, we have elected the exemption to exclude variable consideration under these contracts under ASC 606-10-50-14A. Aggregate minimum volumes expected to be sold (future performance obligations) under our long-term product sales contracts with customers are as follows:

	Remainder of				Total
	2024	2025	2026	Thereafter	
(In thousands)					
Refined product sales volumes (barrels)	26,099	27,204	19,003	47,888	120,194

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Additionally, we have long-term contracts with third-party customers that specify minimum volumes of product to be transported through our pipelines and terminals that result in fixed-minimum annual revenues through 2033. Annual minimum revenues attributable to our third-party contracts as of March 31, 2024, are presented below:

	Remainder of				(In thousands)	Total	
	2024	2025	2026	Thereafter			
	2024	2025	2026	Thereafter			
Midstream operations contractual minimum revenues	\$ 15,534	\$ 11,114	\$ 7,656	\$ 42,592	\$ 76,896		

NOTE 4: Fair Value Measurements

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

- (Level 1) Quoted prices in active markets for identical assets or liabilities.
- (Level 2) Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- (Level 3) Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes valuation techniques that involve significant unobservable inputs.

The carrying amounts of derivative instruments and RINs credit obligations at March 31, 2024 and December 31, 2023 were as follows:

	Fair Value by Input Level				(In thousands)	
	Carrying Amount	Level 1	Level 2	Level 3		
March 31, 2024						
Assets:						
Commodity forward contracts	\$ 8,564	\$ —	\$ 8,564	\$ —	—	
Foreign currency forward contracts	1,713	—	1,713	—	—	
Total assets	<u>\$ 10,277</u>	<u>\$ —</u>	<u>\$ 10,277</u>	<u>\$ —</u>	<u>—</u>	
Liabilities:						
NYMEX futures contracts	\$ 9,744	\$ 9,744	\$ —	\$ —	—	
Commodity price swaps	1,310	—	1,310	—	—	
Commodity forward contracts	7,336	—	7,336	—	—	
Foreign currency forward contracts	691	—	691	—	—	
RINs credit obligations ⁽¹⁾	29,553	—	29,553	—	—	
Total liabilities	<u>\$ 48,634</u>	<u>\$ 9,744</u>	<u>\$ 38,890</u>	<u>\$ —</u>	<u>—</u>	

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	Fair Value by Input Level									
	Carrying Amount	Level 1	Level 2	Level 3						
	(In thousands)									
December 31, 2023										
Assets:										
NYMEX futures contracts	\$ 836	\$ 836	\$ —	\$ —	\$ —					
Commodity forward contracts	2,908	—	2,908	—	—					
Total assets	\$ 3,744	\$ 836	\$ 2,908	\$ —	\$ —					
Liabilities:										
Commodity price swaps	\$ 7,808	\$ —	\$ 7,808	\$ —	\$ —					
Commodity forward contracts	1,848	—	1,848	—	—					
Foreign currency forward contracts	7,893	—	7,893	—	—					
Total liabilities	\$ 17,549	\$ —	\$ 17,549	\$ —	\$ —					

(1) Represent obligations for RINs credits for which we did not have sufficient quantities at March 31, 2024 to satisfy our Environmental Protection Agency ("EPA") regulatory blending requirements.

Level 1 Fair Value Measurements

Our New York Mercantile Exchange ("NYMEX") futures contracts are exchange-traded and are measured and recorded at fair value using quoted market prices, a Level 1 input.

Level 2 Fair Value Measurements

Derivative instruments consisting of foreign currency forward contracts, commodity price swaps, commodity collar contracts and forward sales and purchase contracts are measured and recorded at fair value using Level 2 inputs. The fair value of the commodity price swap contracts is based on the net present value of expected future cash flows related to both variable and fixed rate legs of the respective swap agreements. The measurements are computed using market-based observable input and quoted forward commodity prices with respect to our commodity price swaps. The fair value of the commodity collar contracts is based on forward natural gas prices. The fair value of the forward sales and purchase contracts is computed using quoted forward commodity prices. The fair value of foreign currency forward contracts is based on values provided by a third party, which were derived using market quotes for similar type instruments, a Level 2 input. RINs credit obligations are valued based on current market prices.

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NOTE 5: Earnings Per Share

Basic earnings per share is calculated as net income attributable to HF Sinclair stockholders, adjusted for participating securities' share in earnings divided by the average number of shares of common stock outstanding. Diluted earnings per share includes the incremental shares resulting from certain share-based awards. The following is a reconciliation of the denominators of the basic and diluted per share computations for net income attributable to HF Sinclair stockholders:

	Three Months Ended March 31,	
	2024	2023
(In thousands, except per share data)		
Net income attributable to HF Sinclair stockholders	\$ 314,664	\$ 353,266
Participating securities' share in earnings ⁽¹⁾	1,969	2,925
Net income attributable to common shares	<u>\$ 312,695</u>	<u>\$ 350,341</u>
Average number of shares of common stock outstanding	198,710	195,445
Average number of shares of common stock outstanding assuming dilution	<u>198,710</u>	<u>195,445</u>
Basic earnings per share	<u>\$ 1.57</u>	<u>\$ 1.79</u>
Diluted earnings per share	<u>\$ 1.57</u>	<u>\$ 1.79</u>

(1) Unvested restricted stock unit awards and unvested performance share units that settle in HF Sinclair common stock represent participating securities because they participate in nonforfeitable dividends or distributions with the common stockholders of HF Sinclair. Participating earnings represent the distributed and undistributed earnings of HF Sinclair attributable to the participating securities. Unvested restricted stock unit awards and performance share units do not participate in undistributed net losses as they are not contractually obligated to do so.

NOTE 6: Stock-Based Compensation

We have a principal share-based compensation plan, the HF Sinclair Corporation Amended and Restated 2020 Long Term Incentive Plan (the "2020 Plan"). The 2020 Plan provides for the grant of unrestricted and restricted stock, restricted stock units, other stock-based awards, stock options, performance awards, substitute awards, cash awards and stock appreciation rights. The restricted stock unit awards generally vest over a period of one to three years. Upon vesting, restrictions on the restricted stock units lapse at which time they convert to common shares or cash. The performance share units generally vest over a period of three years and are payable in stock or cash upon meeting certain financial and performance criteria. The number of shares ultimately issued or cash paid for the performance share units can range from zero to 200% of target award amounts. The holders of unvested restricted stock units and performance share units have the right to receive dividends. We also have a stock compensation deferral plan that allows non-employee directors to defer settlement of vested stock granted under our share-based compensation plan.

The compensation cost for these plans was \$5.8 million and \$3.3 million for the three months ended March 31, 2024 and 2023, respectively.

Additionally, prior to the HEP Merger Transaction, HEP maintained an equity-based compensation plan for the General Partner's non-employee directors and certain executives and employees. Compensation costs attributable to HEP's equity-based compensation plan was \$0.4 million for the three months ended March 31, 2023.

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A summary of restricted stock units and performance share units activity during the three months ended March 31, 2024, is presented below:

	Restricted Stock Units	Performance Share Units
Outstanding at January 1, 2024	1,102,755	485,531
Granted ⁽¹⁾	2,020	—
Vested	(153,811)	(1,859)
Forfeited	(186,799)	(49,060)
Outstanding at March 31, 2024	<u>764,165</u>	<u>434,612</u>
(1) Weighted average grant date fair value per unit	\$ 59.52	\$ —

NOTE 7: Inventories

Inventories consist of the following components:

	March 31, 2024	December 31, 2023
	(In thousands)	
Crude oil	\$ 798,070	\$ 858,411
Other raw materials and unfinished products ⁽¹⁾	743,302	683,066
Finished products ⁽²⁾	1,438,867	1,435,817
Lower of cost or market reserve	(112,200)	(331,570)
Process chemicals ⁽³⁾	38,731	50,917
Repair and maintenance supplies and other ⁽⁴⁾	224,115	225,190
Total inventory	\$ 3,130,885	\$ 2,921,831

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

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

(3) Process chemicals include additives and other chemicals.

(4) Includes RINs.

At March 31, 2024, the LIFO value of our Refining segment inventories was equal to cost. The December 31, 2023, market reserve of \$220.6 million reversed resulting in a decrease to cost of products sold totaling \$220.6 million for the three months ended March 31, 2024.

Our Renewables segment inventories that are valued at the lower of LIFO cost or market reflect a valuation reserve of \$ 112.2 million and \$111.0 million at March 31, 2024 and December 31, 2023, respectively. A new market reserve of \$112.2 million as of March 31, 2024, was based on market conditions and prices at that time. The effect of the change in the lower of cost or market reserve was an increase to cost of products sold totaling \$1.2 million for the three months ended March 31, 2024, and an increase to cost of products sold totaling \$47.6 million for the three months ended March 31, 2023.

NOTE 8: Environmental

Environmental costs are charged to operating expenses if they relate to an existing condition caused by past operations and do not contribute to current or future revenue generation. We have ongoing investigations of environmental matters at various locations and routinely assess our recorded environmental obligations, if any, with respect to such matters. Liabilities are recorded when site restoration, environmental remediation, cleanup and other obligations are known or considered probable and can be reasonably estimated. Such estimates are undiscounted and require judgment with respect to costs, time frame and extent of required remedial and cleanup activities and are subject to periodic adjustments based on currently available information. Recoveries of environmental costs through insurance, indemnification arrangements or other sources are included in other assets to the extent such recoveries are considered probable.

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We incurred expenses of \$1.8 million and \$13.3 million for the three months ended March 31, 2024 and 2023, respectively, for environmental remediation obligations. The accrued environmental liability reflected on our consolidated balance sheets was \$191.6 million and \$195.4 million at March 31, 2024 and December 31, 2023, respectively, of which \$164.4 million and \$161.4 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. Estimated liabilities could increase in the future when the results of ongoing investigations become known, are considered probable and can be reasonably estimated.

NOTE 9: Debt

HF Sinclair Credit Agreement

We have a \$1.65 billion senior unsecured revolving credit facility maturing in April 2026 (the "HF Sinclair Credit Agreement"). The HF Sinclair Credit Agreement may be used for revolving credit loans and letters of credit from time to time and is available to fund general corporate purposes. At March 31, 2024, we were in compliance with all covenants, had no outstanding borrowings and had outstanding letters of credit totaling \$0.3 million under the HF Sinclair Credit Agreement.

Indebtedness under the HF Sinclair Credit Agreement bears interest, at our option, based on the currency of such indebtedness at either (a) a base rate equal to the highest of the Federal Funds Effective Rate (as defined in the HF Sinclair Credit Agreement) plus 0.5%, Spread Adjusted Term SOFR (as defined in the HF Sinclair Credit Agreement) for a one-month interest period plus 1% and the prime rate (as publicly announced from time to time by the administrative agent), as applicable, plus an applicable margin (ranging from 0.25% to 1.125%), (b) the CDOR Rate (as defined in the HF Sinclair Credit Agreement) plus an applicable margin (ranging from 1.25% to 2.125%), (c) the Spread Adjusted Term SOFR (as defined in the HF Sinclair Credit Agreement) plus an applicable margin (ranging from 1.25% to 2.125%) or (d) the Daily Simple RFR (as defined in the HF Sinclair Credit Agreement) plus an applicable margin (ranging from 1.25% to 2.125%). In each case, the applicable margin is based on HF Sinclair's debt rating assigned by Standard & Poor's Financial Services LLC and Moody's Investors Service, Inc.

HEP Credit Agreement

Our wholly owned subsidiary, HEP, has a \$1.2 billion senior secured revolving credit facility maturing in July 2025 (the "HEP Credit Agreement"). In connection with the consummation of the HEP Merger Transaction, we amended the HEP Credit Agreement to, among other things, (a) provide a guaranty from us and terminate all guaranties from subsidiaries of HEP, (b) amend the definition of "Investment Grade Rating" (as defined in the HEP Credit Agreement) to reference the credit rating of our senior unsecured indebtedness, (c) eliminate the requirement to deliver separate audited and unaudited financial statements for HEP and its subsidiaries and only provide certain segment-level reporting for HEP with any compliance certificate delivered in accordance with the HEP Credit Agreement and (d) amend certain covenants to eliminate certain restrictions on (i) amendments to intercompany contracts, (ii) transactions with us and our subsidiaries and (iii) investments in and contributions, dividends, transfers and distributions to us and our subsidiaries.

The HEP Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments, working capital and for general corporate purposes. It is also available to fund letters of credit up to a \$50 million sub-limit and has an accordion feature that allows us to increase the commitments under the HEP Credit Agreement up to a maximum amount of \$1.7 billion. At March 31, 2024, we were in compliance with all of its covenants, had outstanding borrowings of \$394.0 million and no outstanding letters of credit under the HEP Credit Agreement.

Prior to the Investment Grade Date (as defined in the HEP Credit Agreement), indebtedness under the HEP Credit Agreement bears interest, at our option, at either (a) the Alternate Base Rate (as defined in the HEP Credit Agreement) plus an applicable margin (ranging from 0.75% to 1.75%) or (b) Adjusted Term SOFR (as defined in the HEP Credit Agreement) plus an applicable margin (ranging from 1.75% to 2.75%). In each case, the applicable margin is based upon the Total Leverage Ratio (as defined in the HEP Credit Agreement). The weighted average interest rate in effect under the HEP Credit Agreement on our borrowings was 7.05% as of March 31, 2024.

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Senior Notes

At March 31, 2024, our senior notes consisted of the following:

- \$202.900 million in aggregate principal amount of 5.875% senior notes maturing April 2026 (the "HollyFrontier 5.875% Senior Notes"),
- \$74.966 million in aggregate principal amount of 4.500% senior notes maturing October 2030 (the "HollyFrontier 4.500% Senior Notes" and, collectively, with the HollyFrontier 5.875% Senior Notes, the "HollyFrontier Senior Notes"),
- \$797.100 million in aggregate principal amount of 5.875% senior notes maturing April 2026 (the "HF Sinclair 5.875% Senior Notes"),
- \$325.034 million in aggregate principal amount of 4.500% senior notes maturing October 2030 (the "HF Sinclair 4.500% Senior Notes"),
- \$498.879 million in aggregate principal amount of 5.000% senior notes maturing February 2028 (the "HF Sinclair 5.000% Senior Notes"),
- \$399.875 million in aggregate principal amount of 6.375% senior notes maturing April 2027 (the "HF Sinclair 6.375% Senior Notes" and, collectively with the HF Sinclair 5.875% Senior Notes, HF Sinclair 4.500% Senior Notes and HF Sinclair 5.000% Senior Notes, the "HF Sinclair Senior Notes"),
- \$1.121 million in aggregate principal amount of 5.000% senior notes maturing February 2028 (the "HEP 5.000% Senior Notes"), and
- \$0.125 million in aggregate principal amount of 6.375% senior notes maturing April 2027 (the "HEP 6.375% Senior Notes" and, collectively with the HEP 5.000% Senior Notes, the "HEP Senior Notes").

Our unsecured senior notes and unsubordinated obligations rank equally with all future unsecured and unsubordinated indebtedness.

Further, we may from time to time seek to retire some or all of our outstanding debt or debt agreements through cash purchases, and/or exchanges, open market purchases, privately negotiated transactions, tender offers or otherwise. Such transactions, if any, may be material and will depend on prevailing market conditions, our liquidity requirements and other factors.

HF Sinclair Financing Arrangements

Certain of our wholly owned subsidiaries entered into financing arrangements whereby such subsidiaries sold a portion of their precious metals catalyst to a financial institution and then leased back the precious metals catalyst in exchange for cash. The volume of the precious metals catalyst and the lease rate are fixed over the term of each lease, and the lease payments are recorded as interest expense. The current leases mature in one year or less. Upon maturity, we must either satisfy the obligation at fair market value or refinance to extend the maturity. These financing arrangements are recorded at a Level 2 fair value totaling \$34.3 million and \$37.0 million at March 31, 2024 and December 31, 2023, respectively, and are included in "Accrued liabilities" on our consolidated balance sheets. See Note 4 for additional information on Level 2 inputs.

HF Sinclair may, from time to time, issue letters of credit pursuant to uncommitted letters of credit facilities with its lenders. At March 31, 2024, there were no letters of credit outstanding under such credit facilities.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

	March 31, 2024	December 31, 2023
	(In thousands)	
HollyFrontier		
5.875% Senior Notes	\$ 202,900	\$ 202,900
4.500% Senior Notes	74,966	74,966
	<hr/>	<hr/>
	277,866	277,866
HF Sinclair		
5.875% Senior Notes	797,100	797,100
4.500% Senior Notes	325,034	325,034
5.000% Senior Notes	498,879	498,879
6.375% Senior Notes	399,875	399,875
	<hr/>	<hr/>
	2,020,888	2,020,888
HEP		
5.000% Senior Notes	1,121	1,121
6.375% Senior Notes	125	125
	<hr/>	<hr/>
	1,246	1,246
HEP Credit Agreement	394,000	455,500
Unamortized discount and debt issuance costs	(15,355)	(16,417)
Total long-term debt, net	\$ 2,678,645	\$ 2,739,083

The fair values of the senior notes are as follows:

	March 31, 2024	December 31, 2023
	(In thousands)	
HF Sinclair, HollyFrontier and HEP Senior Notes	\$ 2,268,035	\$ 2,271,856

These fair values are based on a Level 2 input. See Note 4 for additional information on Level 2 inputs.

We capitalized \$0.7 million and \$1.2 million for the three months ended March 31, 2024 and 2023, respectively, of interest attributable to construction projects.

NOTE 10: Derivative Instruments and Hedging Activities

Commodity Price Risk Management

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

Foreign Currency Risk Management

We are exposed to market risk related to the volatility in foreign currency exchange rates. We periodically enter into derivative contracts in the form of foreign exchange forward contracts to mitigate the exposure associated with fluctuations on intercompany notes with our foreign subsidiaries that are not denominated in the U.S. dollar.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Uaudited)

Accounting Hedges

We periodically have swap contracts to lock in basis spread differentials on forecasted purchases of crude oil and forward sales contracts that lock in the prices of future sales of crude oil and refined product. These contracts have been designated as accounting hedges and are measured at fair value with offsetting adjustments (gains/losses) recorded directly to other comprehensive income (loss). These fair value adjustments are later reclassified to earnings as the hedging instruments mature.

The following table presents the pre-tax effect on other comprehensive income ("OCI") and earnings due to fair value adjustments and maturities of hedging instruments under hedge accounting:

Derivatives Designated as Cash Flow Hedging Instruments	Net Unrealized Gain Recognized in OCI			Loss Reclassified into Earnings		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2024	2023	Income Statement Location	2024	2023	(In thousands)
(In thousands)						
Commodity contracts	\$ —	\$ 271	Sales and other revenues	\$ (4,287)	\$ (1)	
Total	\$ —	\$ 271		\$ (4,287)	\$ (1)	

Economic Hedges

We have commodity contracts including NYMEX futures contracts to lock in prices on forecasted purchases and sales of inventory and basis swap contracts to mitigate exposure to natural gas price volatility and forward purchase and sell contracts of refined products, as well as periodically have contracts to lock in basis spread differentials on forecasted purchases of crude oil and collar contracts to mitigate exposure to natural gas price volatility, that serve as economic hedges (derivatives used for risk management, but not designated as accounting hedges). We also have forward currency contracts to fix the rate of foreign currency. In addition, our catalyst financing arrangements discussed in Note 9 could require repayment under certain conditions based on the future pricing of platinum, which is an embedded derivative. These contracts are measured at fair value with offsetting adjustments (gains/losses) recorded directly to earnings.

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

Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized in Earnings		
	Three Months Ended March 31,		
	2024	2023	(In thousands)
Commodity contracts			
Cost of products sold	\$ (20,665)	\$ 6,748	
Operating expenses	(213)	(14,058)	
Interest expense	2,763	2,406	
Foreign currency contracts			
Gain on foreign currency transactions	10,131	114	
Total	\$ (7,984)	\$ (4,790)	

As of March 31, 2024, we have the following notional contract volumes related to outstanding derivative instruments:

Derivatives Not Designated as Hedging Instruments	Notional Contract Volumes by Year of Maturity			
	Total Outstanding	2024	2025	Unit of Measure
		Notional		
NYMEX futures (WTI) - short	2,575,000	2,575,000	—	Barrels
Forward gasoline and diesel contracts - long	1,190,000	1,190,000	—	Barrels
Foreign currency forward contracts	386,671,810	281,628,809	105,043,001	U.S. dollar
Forward commodity contracts (platinum)	36,969	14,549	22,420	Troy ounces
Natural gas price swaps (basis spread) - long	3,300,000	3,300,000	—	MMBTU

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

	Derivatives in Net Asset Position				Derivatives in Net Liability Position							
	Gross Assets	Gross Liabilities	Net Assets	Gross Liabilities	Gross Assets	Net Liabilities	Gross Liabilities	Net Liabilities				
		Offset in Balance Sheet	Recognized in Balance Sheet		Offset in Balance Sheet	Recognized in Balance Sheet						
(In thousands)												
March 31, 2024												
Derivatives not designated as cash flow hedging instruments:												
NYMEX futures contracts	\$ —	\$ —	\$ —	\$ 9,744	\$ —	\$ —	\$ 9,744	\$ 9,744				
Commodity price swap contracts	—	—	—	1,310	—	—	1,310	1,310				
Commodity forward contracts	8,564	—	8,564	7,336	—	—	7,336	7,336				
Foreign currency forward contracts	1,713	—	1,713	1,771	(1,080)	—	691	691				
	\$ 10,277	\$ —	\$ 10,277	\$ 20,161	\$ (1,080)	\$ —	\$ 19,081	\$ 19,081				
Total net balance			\$ 10,277				\$ 19,081					
Balance sheet classification:	Prepayment and other		\$ 10,277	Accrued liabilities			\$ 19,081					
December 31, 2023												
Derivatives not designated as cash flow hedging instruments:												
NYMEX futures contracts	\$ 836	\$ —	\$ 836	\$ —	\$ —	\$ —	\$ —	\$ —				
Commodity price swap contracts	—	—	—	7,808	—	—	7,808	7,808				
Commodity forward contracts	2,908	—	2,908	1,848	—	—	1,848	1,848				
Foreign currency forward contracts	—	—	—	7,893	—	—	7,893	7,893				
	\$ 3,744	\$ —	\$ 3,744	\$ 17,549	\$ —	\$ —	\$ 17,549	\$ 17,549				
Total net balance			\$ 3,744				\$ 17,549					
Balance sheet classification:	Prepayment and other		\$ 3,744	Accrued liabilities			\$ 17,549					

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11: Stockholders' Equity

In August 2023, our Board of Directors approved a \$ 1.0 billion share repurchase program (the "August 2023 Share Repurchase Program"), which replaced all existing share repurchase programs at that time. The August 2023 Share Repurchase Program authorized us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company were also authorized under this share repurchase program, subject to REH Company's interest in selling its shares and other limitations. As of March 31, 2024, we had remaining authorization to repurchase up to \$510.3 million under the August 2023 Share Repurchase Program.

On April 1, 2024, we repurchased 5,000,000 shares of our outstanding common stock from REH Company in a privately negotiated transaction under the August 2023 Share Repurchase Program and pursuant to the Stock Purchase Agreement, dated April 1, 2024 (the "April 2024 Stock Purchase Agreement"), between us and REH Company. The price paid under the April Stock Purchase Agreement was \$ 59.22 per share resulting in an aggregate purchase price of \$296.1 million. The purchase price was funded with cash on hand. As of May 7, 2024, we had repurchased \$ 785.8 million under the August 2023 Share Repurchase Program.

On May 7, 2024, our Board of Directors approved a new \$ 1.0 billion share repurchase program (the "May 2024 Share Repurchase Program"), which replaced all existing share repurchase programs, including the approximately \$214.2 million remaining under the August 2023 Share Repurchase Program. The May 2024 Share Repurchase Program authorizes us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company are also authorized under the May 2024 Share Repurchase Program, subject to REH Company's interest in selling its shares and other limitations. The timing and amount of share repurchases, including those from REH Company, will depend on market conditions and corporate, tax, regulatory and other relevant considerations. In addition, we are authorized by our Board of Directors to repurchase shares in an amount sufficient to offset shares issued under our compensation programs. The May 2024 Share Repurchase Program may be discontinued at any time by our Board of Directors.

The following table presents the total open market and privately negotiated purchases of shares under our share repurchase programs for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Number of shares repurchased ⁽¹⁾	2,930,742	4,793,857
Cash paid for shares repurchased (in thousands)	\$ 166,128	\$ 240,323

(1) During the three months ended March 31, 2024, 1,516,326 shares were repurchased for \$85.0 million, pursuant to privately negotiated repurchases from REH Company. During the three months ended March 31, 2023, 1,969,279 shares were repurchased for \$100.0 million pursuant to privately negotiated repurchases from REH Company.

During the three months ended March 31, 2024 and 2023, we withheld 58,082 and 16,200 shares, respectively, of our common stock under the terms of stock-based compensation agreements to provide funds for the payment of payroll and income taxes due at the vesting of share-based awards.

On May 8, 2024, our Board of Directors announced that it declared a regular quarterly dividend in the amount of \$ 0.50 per share, payable on June 5, 2024 to holders of record of common stock on May 22, 2024.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 12: Other Comprehensive Income (Loss)

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

	Before-Tax	Tax Expense		After-Tax
		(Benefit)	(In thousands)	
Three Months Ended March 31, 2024				
Net change in foreign currency translation adjustment	\$ (12,606)	\$ (2,643)	\$ (9,963)	
Net change in pension and other post-retirement benefit obligations	(699)	(169)	(530)	
Other comprehensive loss attributable to HF Sinclair stockholders	<u>\$ (13,305)</u>	<u>\$ (2,812)</u>	<u>\$ (10,493)</u>	
Three Months Ended March 31, 2023				
Net change in foreign currency translation adjustment	\$ 2,926	\$ 614	\$ 2,312	
Net unrealized gain on hedging instruments	271	66	205	
Net change in pension and other post-retirement benefit obligations	(960)	(233)	(727)	
Other comprehensive income attributable to HF Sinclair stockholders	<u>\$ 2,237</u>	<u>\$ 447</u>	<u>\$ 1,790</u>	

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

AOCI Component	Gain (Loss) Reclassified From AOCI		Statement of Income Line Item	
	Three Months Ended March 31,			
	2024	2023		
(In thousands)				
Hedging instruments:				
Commodity price swaps	\$ (4,287)	\$ (1) Sales and other revenues		
	(1,039)	— Income tax benefit		
	<u>(3,248)</u>	<u>(1)</u> Net of tax		
Other post-retirement benefit obligations:				
Pension obligations	(217)	45 Gain on sale of assets and other		
	(53)	11 Income tax expense (benefit)		
	<u>(164)</u>	<u>34</u> Net of tax		
Post-retirement healthcare obligations	922	918 Gain on sale of assets and other		
	223	223 Income tax expense		
	<u>699</u>	<u>695</u> Net of tax		
Retirement restoration plan	(6)	(3) Gain on sale of assets and other		
	(1)	(1) Income tax benefit		
	<u>(5)</u>	<u>(2)</u> Net of tax		
Total reclassifications for the period	\$ (2,718)	\$ 726		

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Accumulated other comprehensive loss in the equity section of our consolidated balance sheets includes:

	March 31, 2024	December 31, 2023
	(In thousands)	
Foreign currency translation adjustment	\$ (32,988)	\$ (23,026)
Unrealized loss on pension obligations	836	619
Unrealized gain on post-retirement benefit obligations	9,875	10,623
Accumulated other comprehensive loss	<u>\$ (22,277)</u>	<u>\$ (11,784)</u>

NOTE 13: Contingencies

In the ordinary course of business, we may become party to legal, regulatory or administrative proceedings or governmental investigations, including environmental and other matters. Damages or penalties may be sought from us in some matters and certain matters may require years to resolve. While the outcome and impact of these proceedings and investigations on us cannot be predicted with certainty, based on the advice of counsel and information currently available to us, management believes that the resolution of these proceedings and investigations through settlement or adverse judgment will not either individually or in the aggregate have a material adverse effect on our financial condition, results of operations or cash flows.

During 2017 and 2019, the EPA granted the Cheyenne, Wyoming refinery (the "Cheyenne Refinery") and the refinery in Woods Cross, Utah (the "Woods Cross Refinery") each a one-year small refinery exemption from the Renewable Fuel Standard program requirements for the 2016 and 2018, respectively, compliance years. As a result, the Cheyenne Refinery's and Woods Cross Refinery's gasoline and diesel production were not subject to the renewable volume obligation for the respective years. Upon each exemption granted, we increased our inventory of RINs and reduced our cost of products sold. On April 7, 2022, the EPA issued a decision reversing the grant of small refinery exemptions for our Woods Cross Refinery and Cheyenne Refinery for the 2018 compliance year. On June 3, 2022, the EPA issued a decision reversing the grant of small refinery exemptions for our Woods Cross Refinery and Cheyenne Refinery for the 2016 compliance year and denying small refinery exemption petitions for our Woods Cross Refinery and Cheyenne Refinery for the 2019 and 2020 compliance years. Certain of our subsidiaries are currently pursuing legal challenges to the EPA's decisions to reverse its grant of small refinery exemptions for the 2016 and 2018 compliance years. The first lawsuit, filed against the EPA on May 6, 2022, and currently pending before the U.S. Court of Appeals for the DC Circuit, seeks to have the EPA's reversal of our 2018 small refinery exemption petitions overturned. The second lawsuit, filed against the EPA on August 5, 2022, and currently pending before the U.S. Court of Appeals for the DC Circuit, seeks to have the EPA's reversal of our 2016 small refinery exemption petitions overturned and to have the EPA's denial of our 2019 and 2020 small refinery exemption petitions reversed. In addition, pursuant to the June 2022 and April 2022 decisions, respectively, the EPA established an alternative compliance demonstration to not impose obligations on small refineries that had exemptions reversed for the 2016 and 2018 compliance years. On June 24, 2022, Growth Energy filed two lawsuits in the U.S. Court of Appeals for the DC Circuit against the EPA, challenging the alternative compliance demonstration for the 2016 and 2018 compliance years. On July 25, 2022, certain of our subsidiaries intervened on behalf of the EPA to aid the defense of the EPA's alternative compliance demonstration decision. It is too early to predict the outcome of these matters. We are unable to estimate the costs we may incur, if any, at this time.

NOTE 14: Segment Information

Our operations are organized into five reportable segments: Refining, Renewables, Marketing, Lubricants & Specialties and Midstream. Our operations that are not included in one of these five reportable segments are included in Corporate and Other. Intersegment transactions are eliminated in our consolidated financial statements and are included in Eliminations. Corporate and Other and Eliminations are aggregated and presented under the Corporate, Other and Eliminations column.

The Refining segment represents the operations of our El Dorado, Tulsa, Navajo, Woods Cross, Puget Sound, Parco and Casper refineries and HF Sinclair Asphalt Company LLC ("Asphalt"). Refining activities involve the purchase and refining of crude oil and wholesale marketing of refined products, such as gasoline, diesel fuel and jet fuel. These petroleum products are primarily marketed in the Mid-Continent, Southwest and Rocky Mountains extending into the Pacific Northwest geographic regions of the United States. Asphalt operates various asphalt terminals in Arizona, New Mexico and Oklahoma.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Renewables segment represents the operations of our Cheyenne renewable diesel unit ("RDU"), the pre-treatment unit at our Artesia, New Mexico facility, the Artesia RDU, and the Sinclair RDU.

The Marketing segment represents branded fuel sales to Sinclair branded sites in the United States and licensing fees for the use of the Sinclair brand at additional locations throughout the country. The Marketing segment also includes branded fuel sales to non-Sinclair branded sites from legacy HollyFrontier Corporation ("HollyFrontier") agreements and revenues from other marketing activities. Our branded sites are located in several states across the United States with the highest concentration of the sites located in our West and Mid-Continent regions.

The Lubricants & Specialties segment represents Petro-Canada Lubricants Inc.'s production operations, located in Mississauga, Ontario, which includes lubricant products such as base oils, white oils, specialty products and finished lubricants, and the operations of our Petro-Canada Lubricants business that includes the marketing of products to both retail and wholesale outlets through a global sales network with locations in Canada, the United States and Europe. Additionally, the Lubricants & Specialties segment includes specialty lubricant products produced at our Tulsa refineries that are marketed throughout North America and are distributed in Central and South America and the operations of Red Giant Oil Company LLC, one of the leading suppliers of locomotive engine oil in North America. Also, the Lubricants & Specialties segment includes Sonneborn, a producer of specialty hydrocarbon chemicals such as white oils, petrolatums and waxes with manufacturing facilities in the United States and Europe.

The Midstream segment includes all of the operations of HEP, which owns and operates logistics and refinery assets consisting of petroleum product and crude oil pipelines, and terminals, tankage and loading rack facilities in the Mid-Continent, Southwest and Rocky Mountains geographic regions of the United States. The Midstream segment also includes 50% ownership interests in each of Osage Pipeline Company, LLC, the owner of a pipeline running from Cushing, Oklahoma to El Dorado, Kansas, Cheyenne Pipeline, LLC, the owner of a pipeline running from Fort Laramie, Wyoming to Cheyenne, Wyoming, and Cushing Connect, a 25.12% ownership interest in Saddle Butte Pipeline III, LLC, the owner of a pipeline running from the Powder River Basin to Casper, Wyoming, and a 49.995% ownership interest in Pioneer Investments Corp., the owner of a pipeline running from Sinclair, Wyoming to the North Salt Lake City, Utah Terminal. Revenues from the Midstream segment are earned through transactions with unaffiliated parties for pipeline transportation, rental and terminalling operations as well as revenues relating to pipeline transportation services provided for our refining operations.

Beginning in the first quarter of 2024, our Refining segment acquired from our Midstream segment the refinery processing units at our El Dorado and Woods Cross refineries. Additionally, we amended an intercompany agreement between certain of our subsidiaries within the Refining, Lubricants & Specialties and Midstream segments. As a result, we have revised our Refining, Lubricants & Specialties and Midstream segment information for the periods presented. See Part II, Item 5 "Other Information" of this Quarterly Report on Form 10-Q for additional information on the segment recast.

The accounting policies for our segments are the same as those described in the summary of significant accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2023.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Refining	Renewables	Marketing	Lubricants & Specialties	Midstream	Corporate, Other and Eliminations	Consolidated Total
(In thousands)							
Three Months Ended March 31, 2024							
Sales and other revenues:							
Revenues from external customers	\$ 5,373,025	\$ 179,669	\$ 775,807	\$ 675,545	\$ 23,099	\$ —	\$ 7,027,145
Intersegment revenues and other ⁽¹⁾	831,220	59,890	—	2,442	131,916	(1,025,468)	—
	\$ 6,204,245	\$ 239,559	\$ 775,807	\$ 677,987	\$ 155,015	\$ (1,025,468)	\$ 7,027,145
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	\$ 5,474,522	\$ 230,273	\$ 752,530	\$ 492,846	\$ —	\$ (1,023,671)	\$ 5,926,500
Lower of cost or market inventory valuation adjustment	\$ (220,558)	\$ 1,188	\$ —	\$ —	\$ —	\$ —	\$ (219,370)
Operating expenses	\$ 472,086	\$ 26,461	\$ —	\$ 64,000	\$ 45,518	\$ (953)	\$ 607,112
Selling, general and administrative expenses	\$ 48,717	\$ 1,402	\$ 7,756	\$ 34,568	\$ 3,929	\$ 7,002	\$ 103,374
Depreciation and amortization	\$ 117,370	\$ 20,272	\$ 6,303	\$ 22,511	\$ 20,120	\$ 12,153	\$ 198,729
Income (loss) from operations	\$ 312,108	\$ (40,037)	\$ 9,218	\$ 64,062	\$ 85,448	\$ (19,999)	\$ 410,800
Earnings (loss) of equity method investments	\$ —	\$ —	\$ —	\$ —	\$ 7,388	\$ (42)	\$ 7,346
Capital expenditures	\$ 55,025	\$ 2,650	\$ 7,531	\$ 5,311	\$ 8,106	\$ 10,485	\$ 89,108
Three Months Ended March 31, 2023							
Sales and other revenues:							
Revenues from external customers	\$ 5,665,214	\$ 202,413	\$ 937,385	\$ 733,714	\$ 26,416	\$ —	\$ 7,565,142
Intersegment revenues and other ⁽¹⁾	1,053,401	95,603	—	5,796	109,516	(1,264,316)	—
	\$ 6,718,615	\$ 298,016	\$ 937,385	\$ 739,510	\$ 135,932	\$ (1,264,316)	\$ 7,565,142
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	\$ 5,641,131	\$ 262,738	\$ 924,049	\$ 538,860	\$ —	\$ (1,262,721)	\$ 6,104,057
Lower of cost or market inventory valuation adjustment	\$ —	\$ 47,597	\$ —	\$ —	\$ —	\$ —	\$ 47,597
Operating expenses	\$ 501,759	\$ 31,371	\$ —	\$ 63,593	\$ 41,679	\$ 981	\$ 639,383
Selling, general and administrative expenses	\$ 39,078	\$ 915	\$ 6,963	\$ 39,264	\$ 4,635	\$ 5,058	\$ 95,913
Depreciation and amortization	\$ 100,083	\$ 19,974	\$ 5,871	\$ 19,368	\$ 19,762	\$ 8,925	\$ 173,983
Income (loss) from operations	\$ 436,564	\$ (64,579)	\$ 502	\$ 78,425	\$ 69,856	\$ (16,559)	\$ 504,209
Earnings of equity method investments	\$ —	\$ —	\$ —	\$ —	\$ 3,882	\$ —	\$ 3,882
Capital expenditures	\$ 67,774	\$ 4,844	\$ 5,255	\$ 8,649	\$ 7,614	\$ 5,933	\$ 100,069

(1) Includes income earned by certain of our subsidiaries in the Midstream segment related to intercompany transportation agreements with certain of our subsidiaries in the Refining and Lubricants & Specialties segments that represent leases. These transactions eliminate in consolidation.

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

This Item 2 contains "forward-looking" statements. See "Forward-Looking Statements" at the beginning of Part I of this Quarterly Report on Form 10-Q. In addition, this Item 2 should be read in conjunction with the accompanying consolidated financial statements and notes, as well as our consolidated financial statements and notes within our Annual Report on Form 10-K for the year ended December 31, 2023 and Exhibit 99.1 to this Quarterly Report on Form 10-Q as discussed in Part II, Item 5 "Other Information". In this document, the words "we," "our," "ours" and "us" refer only to HF Sinclair Corporation ("HF Sinclair") and its consolidated subsidiaries or to HF Sinclair or an individual subsidiary and not to any other person with certain exceptions. References herein to Holly Energy Partners, L.P. ("HEP") with respect to time periods prior to the closing of the HEP Merger Transaction (as defined below) on December 1, 2023, refer to HEP and its consolidated subsidiaries.

OVERVIEW

We are an independent energy company that produces and markets high-value light products such as gasoline, diesel fuel, jet fuel, renewable diesel and other specialty products. We own and operate refineries located in Kansas, Oklahoma, New Mexico, Wyoming, Washington and Utah. We provide petroleum product and crude oil transportation, terminalling, storage and throughput services to our refineries and the petroleum industry. We market our refined products principally in the Southwest United States, the Rocky Mountains extending into the Pacific Northwest and in other neighboring Plains states, and we supply high-quality fuels to more than 1,500 branded stations and license the use of the Sinclair brand at more than 300 additional locations throughout the country. We produce renewable diesel at two of our facilities in Wyoming and our facility in New Mexico. In addition, our subsidiaries produce and market base oils and other specialized lubricants in the United States, Canada and the Netherlands, and export products to more than 80 countries.

For the three months ended March 31, 2024, net income attributable to HF Sinclair stockholders was \$314.7 million compared to \$353.3 million for the three months ended March 31, 2023.

Our results for the first quarter of 2024 were impacted by seasonal demand weakness for transportation fuels, partially offset by constrained refined product supply. We continue to adjust our operational plans to evolving market conditions. The extent to which our future results are affected by volatile regional and global economic conditions will depend on various factors and consequences beyond our control.

In the Refining segment, we saw lower refining margins in both the West and Mid-Continent regions in the first quarter of 2024 as a result of seasonal demand weakness in gasoline and diesel sales during the period. Additionally, we began planned maintenance activities for the year during the first quarter of 2024 at our Puget Sound refinery. For the second quarter of 2024, we expect to run between 620,000 – 650,000 barrels per day of crude oil. This guidance reflects the completion of ongoing planned maintenance activities at our Puget Sound refinery as well as planned maintenance at our Parco refinery during the second quarter. Refined product margins are expected to strengthen in the second quarter of 2024 as a result of increased demand heading into the summer driving season.

In the Renewables segment, weakened RINs and Low Carbon Fuel Standard ("LCFS") prices impacted renewable diesel margins in the first quarter of 2024. For the second quarter of 2024, we expect planned maintenance at our renewable diesel unit ("RDU") within our Parco co-located refinery and continued weakness in RINs and LCFS prices to impact renewable diesel margins.

In the Marketing segment, we saw strong value in the Sinclair branded sites during the first quarter of 2024 as the marketing business continued to provide a consistent sales channel with margin uplift for our produced fuels. We continue to target 5% or more annual growth in the number of branded sites.

In the Lubricants & Specialties segment, during the first quarter of 2024, despite weakening base oil prices during the period, we continued to see strong performance, driven by sales mix optimization across our portfolio.

In the Midstream segment, our results benefited from higher revenues from tariff increases during the first quarter of 2024.

In August 2023, our Board of Directors authorized a \$1.0 billion share repurchase program, and we continued to repurchase shares in the first and second quarter of 2024 under this program. On May 7, 2024, our Board of Directors authorized a new \$1.0 billion share repurchase program, and we expect to continue to repurchase shares in the second quarter of 2024. The timing and amount of share repurchases under the new repurchase program, including those from REH Company, will depend on market conditions and corporate, tax, regulatory and other relevant conditions. On May 8, 2024, our Board of Directors announced that it declared a regular quarterly dividend in the amount of \$0.50 per share. The dividend is payable on June 5, 2024 to holders of record of common stock on May 22, 2024.

HEP Merger Transaction

On December 1, 2023, pursuant to the Agreement and Plan of Merger, dated as of August 15, 2023 (the "Merger Agreement"), by and among HEP, HF Sinclair, Navajo Pipeline Co., L.P., a Delaware limited partnership and an indirect wholly owned subsidiary of HF Sinclair ("HoldCo"), Holly Apple Holdings LLC, a Delaware limited liability company and a wholly owned subsidiary of HoldCo ("Merger Sub"), HEP Logistics Holdings, L.P., a Delaware limited partnership and the general partner of HEP ("HLH"), and Holly Logistic Services, L.L.C., a Delaware limited liability company and the general partner of HLH, Merger Sub merged with and into HEP, with HEP surviving as an indirect, wholly owned subsidiary of HF Sinclair (the "HEP Merger Transaction").

Under the terms of the Merger Agreement, each outstanding common unit representing a limited partner interest in HEP (an "HEP common unit"), other than the HEP common units already owned by HF Sinclair and its subsidiaries, was converted into the right to receive 0.315 shares of HF Sinclair common stock and \$4.00 in cash, without interest. The Merger Agreement consideration totaled \$267.6 million in cash and resulted in the issuance of 21,072,326 shares of HF Sinclair common stock from treasury stock.

For a description of our existing indebtedness, as well as the changes thereto associated with the HEP Merger Transaction, see Note 9 "Debt" in the Notes to Consolidated Financial Statements.

Renewable Fuel Standard Regulations

Pursuant to the 2007 Energy Independence and Security Act, the Environmental Protection Agency ("EPA") promulgated the Renewable Fuel Standard ("RFS") regulations, which increased the volume of renewable fuels mandated to be blended into the nation's fuel supply. The regulations, in part, require refiners to add annually increasing amounts of "renewable fuels" to their petroleum products or purchase credits, known as RINs, in lieu of such blending. Compliance with RFS regulations significantly increases our cost of products sold, with RINs costs totaling \$106.6 million for the three months ended March 31, 2024. At March 31, 2024, our open RINs credit obligations were \$29.6 million.

A more detailed discussion of our financial and operating results for the three months ended March 31, 2024 and 2023 is presented in the following sections.

RESULTS OF OPERATIONS

Financial Data

	Three Months Ended			Change from 2023	
	March 31,			Change	Percent
	2024	2023			
(In thousands, except per share data)					
Sales and other revenues	\$ 7,027,145	\$ 7,565,142	\$ (537,997)	(7) %	
Operating costs and expenses:					
Cost of products sold (exclusive of depreciation and amortization):					
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	5,926,500	6,104,057	(177,557)	(3) %	
Lower of cost or market inventory valuation adjustment	(219,370)	47,597	(266,967)	(561) %	
	5,707,130	6,151,654	(444,524)	(7) %	
Operating expenses (exclusive of depreciation and amortization)	607,112	639,383	(32,271)	(5) %	
Selling, general and administrative expenses (exclusive of depreciation and amortization)	103,374	95,913	7,461	8 %	
Depreciation and amortization	198,729	173,983	24,746	14 %	
Total operating costs and expenses	6,616,345	7,060,933	(444,588)	(6) %	
Income from operations	410,800	504,209	(93,409)	(19) %	
Other income (expense):					
Earnings of equity method investments	7,346	3,882	3,464	89 %	
Interest income	22,179	19,935	2,244	11 %	
Interest expense	(40,691)	(45,822)	5,131	(11) %	
Gain on foreign currency transactions	443	870	(427)	(49) %	
Gain on sale of assets and other	2,019	1,631	388	24 %	
	(8,704)	(19,504)	10,800	(55) %	
Income before income taxes	402,096	484,705	(82,609)	(17) %	
Income tax expense	85,474	99,700	(14,226)	(14) %	
Net income	316,622	385,005	(68,383)	(18) %	
Less net income attributable to noncontrolling interest	1,958	31,739	(29,781)	(94) %	
Net income attributable to HF Sinclair stockholders	\$ 314,664	\$ 353,266	\$ (38,602)	(11) %	
Earnings per share attributable to HF Sinclair stockholders:					
Basic	\$ 1.57	\$ 1.79	\$ (0.22)	(12) %	
Diluted	\$ 1.57	\$ 1.79	\$ (0.22)	(12) %	
Cash dividends declared per common share	\$ 0.50	\$ 0.45	\$ 0.05	11 %	
Average number of common shares outstanding:					
Basic	198,710	195,445	3,265	2 %	
Diluted	198,710	195,445	3,265	2 %	

Balance Sheet Data

	March 31, 2024		December 31, 2023		
	(Unaudited)				
(In thousands)					
Cash and cash equivalents	\$ 1,240,860	\$ 1,353,747			
Working capital	\$ 3,404,525	\$ 3,371,905			
Total assets	\$ 17,915,990	\$ 17,716,265			
Total debt	\$ 2,678,645	\$ 2,739,083			
Total equity	\$ 10,276,089	\$ 10,237,298			

Other Financial Data

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Net cash provided by operating activities	\$ 316,895	\$ 177,705
Net cash used for investing activities	\$ (91,372)	\$ (100,237)
Net cash used for financing activities	\$ (335,460)	\$ (379,110)
Capital expenditures	\$ 89,108	\$ 100,069
EBITDA ⁽¹⁾	\$ 617,379	\$ 652,836

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

Supplemental Segment Operating Data

Our operations are organized into five reportable segments, Refining, Renewables, Marketing, Lubricants & Specialties and Midstream. See Note 14 "Segment Information" in the Notes to Consolidated Financial Statements for additional information on our reportable segments.

Refining Segment Operating Data

The disaggregation of our refining geographic operating data is presented in two regions, Mid-Continent and West, to best reflect the economic drivers of our refining operations. The Mid-Continent region is comprised of the El Dorado and Tulsa refineries. The West region is comprised of the Puget Sound, Navajo, Woods Cross, Parco and Casper refineries. The following tables set forth information, including non-GAAP performance measures, about our consolidated refinery operations. The refinery gross and net operating margins do not include the non-cash effects of lower of cost or market inventory valuation adjustments and depreciation and amortization. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Quarterly Report on Form 10-Q.

	Three Months Ended March 31,	
	2024	2023
Mid-Continent Region		
Crude charge (BPD) ⁽¹⁾	259,030	211,390
Refinery throughput (BPD) ⁽²⁾	273,890	231,260
Sales of produced refined products (BPD) ⁽³⁾	272,460	205,010
Refinery utilization ⁽⁴⁾	99.6 %	81.3 %
Average per produced barrel ⁽⁵⁾		
Refinery gross margin	\$ 10.47	\$ 20.06
Refinery operating expenses ⁽⁶⁾	6.40	9.28
Net operating margin	\$ 4.07	\$ 10.78
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 6.37	\$ 8.23

	Three Months Ended March 31,	
	2024	2023
Mid-Continent Region		
Feedstocks:		
Sweet crude oil	50 %	65 %
Sour crude oil	25 %	15 %
Heavy sour crude oil	19 %	11 %
Other feedstocks and blends	6 %	9 %
Total	<u><u>100 %</u></u>	<u><u>100 %</u></u>
Sales of produced refined products:		
Gasolines	52 %	49 %
Diesel fuels	32 %	29 %
Jet fuels	6 %	8 %
Fuel oil	1 %	1 %
Asphalt	3 %	4 %
Base oils	4 %	5 %
LPG and other	2 %	4 %
Total	<u><u>100 %</u></u>	<u><u>100 %</u></u>
West Region		
Crude charge (BPD) ⁽¹⁾	345,900	287,110
Refinery throughput (BPD) ⁽²⁾	369,410	326,870
Sales of produced refined products (BPD) ⁽³⁾	359,010	310,950
Refinery utilization ⁽⁴⁾	82.8 %	68.7 %
Average per produced barrel ⁽⁵⁾		
Refinery gross margin	\$ 14.39	\$ 25.28
Refinery operating expenses ⁽⁶⁾	9.59	11.81
Net operating margin	<u><u>\$ 4.80</u></u>	<u><u>\$ 13.47</u></u>
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 9.32	\$ 11.23
Feedstocks:		
Sweet crude oil	32 %	32 %
Sour crude oil	43 %	40 %
Heavy sour crude oil	12 %	11 %
Black wax crude oil	7 %	5 %
Other feedstocks and blends	6 %	12 %
Total	<u><u>100 %</u></u>	<u><u>100 %</u></u>
Sales of produced refined products:		
Gasolines	53 %	57 %
Diesel fuels	32 %	31 %
Jet fuels	5 %	4 %
Fuel oil	2 %	2 %
Asphalt	2 %	2 %
LPG and other	6 %	4 %
Total	<u><u>100 %</u></u>	<u><u>100 %</u></u>

	Three Months Ended March 31,	
	2024	2023
Consolidated		
Crude charge (BPD) ⁽¹⁾	604,930	498,500
Refinery throughput (BPD) ⁽²⁾	643,300	558,130
Sales of produced refined products (BPD) ⁽³⁾	631,470	515,960
Refinery utilization ⁽⁴⁾	89.2 %	73.5 %
Average per produced barrel ⁽⁵⁾		
Refinery gross margin	\$ 12.70	\$ 23.20
Refinery operating expenses ⁽⁶⁾	8.22	10.81
Net operating margin	<u>\$ 4.48</u>	<u>\$ 12.39</u>
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 8.06	\$ 9.99
Feedstocks:		
Sweet crude oil	39 %	46 %
Sour crude oil	36 %	30 %
Heavy sour crude oil	15 %	10 %
Black wax crude oil	4 %	3 %
Other feedstocks and blends	6 %	11 %
Total	<u>100 %</u>	<u>100 %</u>
Sales of produced refined products:		
Gasolines	53 %	54 %
Diesel fuels	32 %	30 %
Jet fuels	6 %	6 %
Fuel oil	1 %	1 %
Asphalt	2 %	3 %
Base oils	2 %	2 %
LPG and other	4 %	4 %
Total	<u>100 %</u>	<u>100 %</u>

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

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

(3) Represents barrels sold of refined products produced at our refineries (including Asphalt and intersegment sales) and does not include volumes of refined products purchased for resale or volumes of excess crude oil sold.

(4) Represents crude charge divided by total crude capacity (BPSD). Our consolidated crude capacity is 678,000 BPSD.

(5) Represents the average amount per produced barrel sold, which is a non-GAAP measure. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Quarterly Report on Form 10-Q.

(6) Represents total Refining segment operating expenses, exclusive of depreciation and amortization, divided by sales volumes of refined products produced at our refineries.

(7) Represents total Refining segment operating expenses, exclusive of depreciation and amortization, divided by refinery throughput.

Renewables Segment Operating Data

The following table sets forth information, including non-GAAP performance measures, about our renewables operations and includes our Sinclair RDU. The renewables gross and net operating margins do not include the non-cash effects of lower of cost or market inventory valuation adjustments and depreciation and amortization. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Quarterly Report on Form 10-Q.

	Three Months Ended March 31,	
	2024	2023
Renewables		
Sales volumes (in thousand gallons)	61,172	46,012
Average per produced gallon ⁽¹⁾		
Renewables gross margin	\$ 0.15	\$ 0.77
Renewables operating expenses ⁽²⁾	0.43	0.68
Net operating margin	\$ (0.28)	\$ 0.09

(1) Represents the average amount per produced gallon sold, which is a non-GAAP measure. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Quarterly Report on Form 10-Q.

(2) Represents total Renewables segment operating expenses, exclusive of depreciation and amortization, divided by the sales volumes of renewable diesel produced at our renewable diesel units.

Marketing Segment Operating Data

The following table sets forth information, including non-GAAP performance measures, about our marketing operations and includes our Sinclair branded fuel business. The marketing gross margin does not include the non-cash effects of depreciation and amortization. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Quarterly Report on Form 10-Q.

	Three Months Ended March 31,	
	2024	2023
Marketing		
Number of branded sites at period end ⁽¹⁾	1,547	1,511
Sales volumes (in thousand gallons)	321,010	328,407
Gross margin per gallon of sales ⁽²⁾	\$ 0.07	\$ 0.04

(1) Includes non-Sinclair branded sites from legacy HollyFrontier agreements.

(2) Represents the average amount per gallon sold, which is a non-GAAP measure. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Quarterly Report on Form 10-Q.

Lubricants & Specialties Segment Operating Data

The following table sets forth information about our lubricants and specialties operations:

	Three Months Ended March 31,	
	2024	2023
Lubricants & Specialties		
Sales of produced refined products (BPD)	31,104	31,790
Sales of produced refined products:		
Finished products	49 %	50 %
Base oils	27 %	29 %
Other	24 %	21 %
Total	100 %	100 %

Midstream Segment Operating Data

The following table sets forth information about our midstream operations:

	Three Months Ended March 31,	
	2024	2023
Midstream		
Volumes (BPD)		
Pipelines:		
Affiliates—refined product pipelines	164,628	143,002
Affiliates—intermediate pipelines	138,071	114,326
Affiliates—crude pipelines	441,454	473,712
	744,153	731,040
Third parties—refined product pipelines	36,723	40,431
Third parties—crude pipelines	162,493	175,984
	943,369	947,455
Terminals and loading racks:		
Affiliates	788,919	686,845
Third parties	33,110	42,462
	822,029	729,307
Total for pipelines and terminals assets (BPD)	1,765,398	1,676,762

Results of Operations – Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Summary

Net income attributable to HF Sinclair stockholders for the three months ended March 31, 2024, was \$314.7 million (\$1.57 per basic and diluted share), a \$38.6 million decrease compared to net income of \$353.3 million (\$1.79 per basic and diluted share) for the three months ended March 31, 2023. The decrease in net income was principally driven by lower refinery gross margins in both the West and Mid-Continent regions, partially offset by higher refined product sales volumes. Lower of cost or market inventory reserve adjustments related to our refining and renewables inventories increased pre-tax earnings by \$219.4 million for the three months ended March 31, 2024, and decreased pre-tax earnings by \$47.6 million for the three months ended March 31, 2023. Refinery gross margins for the three months ended March 31, 2024, decreased to \$12.70 per produced barrel sold from \$23.20 for the three months ended March 31, 2023.

Sales and Other Revenues

Sales and other revenues decreased 7% from \$7,565.1 million for the three months ended March 31, 2023, to \$7,027.1 million for the three months ended March 31, 2024, principally due to decreased refined product sales prices and lower excess crude oil sales volumes as a result of fewer planned maintenance activities in 2024, partially offset by higher refined product sales volumes. Sales and other revenues included \$775.8 million, \$675.5 million, \$23.1 million and \$179.7 million in unaffiliated revenues related to our Marketing, Lubricants & Specialties, Midstream and Renewables segments, respectively, for the three months ended March 31, 2024. Sales and other revenues included \$937.4 million, \$733.7 million, \$26.4 million and \$202.4 million in unaffiliated revenues related to our Marketing, Lubricants & Specialties, Midstream and Renewables segments, respectively, for the three months ended March 31, 2023.

Cost of Products Sold

Total cost of products sold decreased 7% from \$6,151.7 million for the three months ended March 31, 2023, to \$5,707.1 million for the three months ended March 31, 2024, principally due to lower excess crude oil sales volumes as a result of fewer planned maintenance activities in 2024 and a lower of cost or market inventory valuation adjustment benefit, partially offset by higher refined product sales volumes. During the first quarter of 2024, we recognized a lower of cost or market inventory valuation adjustment benefit related to our Refining segment inventories of \$220.6 million. Also, during the first quarter of 2024, we recognized a lower of cost or market inventory valuation adjustment charge related to our Renewables segment inventories of \$1.2 million as compared to \$47.6 million for the three months ended March 31, 2023. Within our Lubricants & Specialties segment, the first in, first out ("FIFO") impact was a charge of \$1.2 million and \$13.9 million for the three months ended March 31, 2024 and 2023, respectively.

Gross Refinery Margins

Gross refinery margin per produced barrel sold decreased 45% from \$23.20 for the three months ended March 31, 2023, to \$12.70 for the three months ended March 31, 2024. The decrease was due to lower average per barrel sold sales prices during the three months ended March 31, 2024. Gross refinery margin per barrel does not include the non-cash effects of lower of cost or market inventory valuation adjustments or depreciation and amortization. See "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 3 of Part I of this Quarterly Report on Form 10-Q for a reconciliation to the income statement of sale prices of products sold and cost of products purchased.

Operating Expenses

Operating expenses, exclusive of depreciation and amortization, decreased 5% from \$639.4 million for the three months ended March 31, 2023, to \$607.1 million for the three months ended March 31, 2024, primarily due to lower natural gas costs, partially offset by maintenance costs during the three months ended March 31, 2024.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 8% from \$95.9 million for the three months ended March 31, 2023, to \$103.4 million for the three months ended March 31, 2024, primarily due to other professional costs and information technology as compared to the prior period. We incurred \$1.0 million and \$3.9 million in acquisition integration and regulatory costs during the three months ended March 31, 2024 and 2023, respectively.

Depreciation and Amortization Expenses

Depreciation and amortization increased 14% from \$174.0 million for the three months ended March 31, 2023, to \$198.7 million for the three months ended March 31, 2024, principally due to depreciation and amortization attributable to additional capitalized refinery turnaround costs and capitalized improvement projects as compared to the prior period.

Interest Income

Interest income was \$22.2 million for the three months ended March 31, 2024, compared to \$19.9 million for the three months ended March 31, 2023. The increase in interest income was primarily due to higher interest rates on cash investments during the three months ended March 31, 2024.

Interest Expense

Interest expense was \$40.7 million for the three months ended March 31, 2024, compared to \$45.8 million for the three months ended March 31, 2023. This decrease was primarily due to a decrease in total debt outstanding as compared to the prior period.

Gain on Foreign Currency Transactions

Remeasurement adjustments resulting from the foreign currency conversion of the intercompany financing notes payable by Petro-Canada Lubricants Inc. net of mark-to-market valuations on foreign exchange forward contracts with banks which hedge the foreign currency exposure on these intercompany notes were a net gain of \$0.4 million and \$0.9 million for the three months ended March 31, 2024 and 2023, respectively. For the three months ended March 31, 2024 and 2023, the change in foreign currency transactions included gains of \$10.1 million and \$0.1 million, respectively, on foreign exchange forward contracts (utilized as an economic hedge).

Income Taxes

For the three months ended March 31, 2024, we recorded income tax expense of \$85.5 million compared to \$99.7 million for the three months ended March 31, 2023. This decrease was principally due to lower pre-tax income during the three months ended March 31, 2024, compared to the same period of 2023. Our effective tax rates were 21.3% and 20.6% for the three months ended March 31, 2024 and 2023, respectively. The difference between the U.S. federal statutory rate and the effective tax rate for the three months ended March 31, 2024, is primarily due to the relationship between pre-tax results and non-taxable permanent differences. The difference in the U.S. federal statutory rate and the effective tax rate for the three months ended March 31, 2023, was primarily due to the impact of federal tax credits and the relationship between pre-tax results and the earnings attributable to the noncontrolling interest that is not included in income for tax purposes.

LIQUIDITY AND CAPITAL RESOURCES

HF Sinclair Credit Agreement

We have a \$1.65 billion senior unsecured revolving credit facility maturing in April 2026 (the "HF Sinclair Credit Agreement"). The HF Sinclair Credit Agreement may be used for revolving credit loans and letters of credit from time to time and is available to fund general corporate purposes. At March 31, 2024, we were in compliance with all covenants, had no outstanding borrowings and had outstanding letters of credit totaling \$0.3 million under the HF Sinclair Credit Agreement.

HEP Credit Agreement

Through our wholly owned subsidiary, HEP, we have a \$1.2 billion senior secured revolving credit facility maturing in July 2025 (the "HEP Credit Agreement"). The HEP Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments, working capital and for general corporate purposes. It is also available to fund letters of credit up to a \$50.0 million sub-limit and has an accordion feature that allows us to increase the commitments under the HEP Credit Agreement up to a maximum amount of \$1.7 billion.

In connection with the consummation of the HEP Merger Transaction, we amended the HEP Credit Agreement to, among other things, (a) provide a guaranty from us and terminate all guarantees from subsidiaries of HEP, (b) amend the definition of "Investment Grade Rating" (as defined in the HEP Credit Agreement) to reference the credit rating of our senior unsecured indebtedness, (c) eliminate the requirement to deliver separate audited and unaudited financial statements for HEP and its subsidiaries and only provide certain segment-level reporting for HEP with any compliance certificate delivered in accordance with the HEP Credit Agreement and (d) amend certain covenants to eliminate certain restrictions on (i) amendments to intercompany contracts, (ii) transactions with us and our subsidiaries and (iii) investments in and contributions, dividends, transfers and distributions to us and our subsidiaries.

During the three months ended March 31, 2024, we had net repayments of \$61.5 million under the HEP Credit Agreement. At March 31, 2024, HEP was in compliance with all of its covenants, had outstanding borrowings of \$394.0 million and no outstanding letters of credit under the HEP Credit Agreement.

HEP Senior Notes Exchange

On December 4, 2023, we completed our offers to exchange any and all outstanding HEP 5.000% senior notes maturing February 2028 (the "HEP 5.000% Senior Notes") and HEP 6.375% senior notes maturing April 2027 (the "HEP 6.375% Senior Notes") (and, collectively, the "HEP Senior Notes") for HF Sinclair 5.000% senior notes maturing February 2028 (the "HF Sinclair 5.000% Senior Notes") and HF Sinclair 6.375% senior notes maturing April 2027 (the "HF Sinclair 6.375% Senior Notes") (and, collectively, the "New HF Sinclair Senior Notes") to be issued by HF Sinclair with registration rights and cash. In connection with the exchange offers, HEP amended the indenture governing the HEP Senior Notes to eliminate (i) substantially all of the restrictive covenants, (ii) certain of the events which may lead to an "Event of Default," (iii) the SEC reporting covenant and (iv) the requirement of HEP to offer to purchase the HEP Senior Notes upon a change of control.

The New HF Sinclair Senior Notes are unsecured and unsubordinated obligations of ours and rank equally with all our other existing and future unsecured and unsubordinated indebtedness. Each series of the New HF Sinclair Senior Notes has the same interest rate, interest payment dates, maturity date and redemption terms as the corresponding series of HEP Senior Notes. The New HF Sinclair Senior Notes were issued in exchange for the HEP Senior Notes pursuant to a private exchange offer exempt from registration under the Securities Act of 1933, as amended. This exchange was part of a broader corporate strategy, including the HEP Merger Transaction, which closed on December 1, 2023.

HF Sinclair Financing Arrangements

Certain of our wholly owned subsidiaries entered into financing arrangements whereby such subsidiaries sold a portion of their precious metals catalyst to a financial institution and then leased back the precious metals catalyst in exchange for cash. The volume of the precious metals catalyst and the lease rate are fixed over the term of each lease, and the lease payments are recorded as interest expense. The current leases mature in one year or less. Upon maturity, we must either satisfy the obligation at fair market value or refinance or extend the maturity.

HF Sinclair may, from time to time, issue letters of credit pursuant to uncommitted letters of credit facilities with its lenders. At March 31, 2024, there were no letters of credit outstanding under such facilities.

See Note 9 "Debt" in the Notes to Consolidated Financial Statements for additional information on our debt instruments.

Liquidity

We believe our current cash and cash equivalents, along with future internally generated cash flow and funds available under our credit facilities, will provide sufficient resources to fund currently planned capital projects and our liquidity needs for the foreseeable future. We expect that, to the extent necessary, we can raise additional funds from time to time through equity or debt financings in the public and private capital markets. Further, we may, from time to time, seek to retire some or all of our outstanding debt or debt agreements through cash purchases, and/or exchanges, open market purchases, privately negotiated transactions, tender offers or otherwise. Such transactions, if any, may be material and will depend on prevailing market conditions, our liquidity requirements and other factors. In addition, components of our long-term growth strategy include the optimization of existing units at our facilities and the selective acquisition of complementary assets for our operations intended to increase earnings and cash flow. We also expect to use cash for payment of cash dividends, which are at the discretion of our Board of Directors, and for the repurchase of common stock under our share repurchase program.

Our liquidity was approximately \$3.70 billion at March 31, 2024, consisting of cash and cash equivalents of \$1.24 billion, an undrawn \$1.65 billion credit facility under the HF Sinclair Credit Agreement and \$806.0 million remaining availability under the HEP Credit Agreement.

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

In August 2023, our Board of Directors approved a \$1.0 billion share repurchase program (the "August 2023 Share Repurchase Program"), which replaced all existing share repurchase programs at that time. The August 2023 Share Repurchase Program authorized us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company were also authorized under the August 2023 Share Repurchase Program, subject to REH Company's interest in selling its shares and other limitations.

During the three months ended March 31, 2024, we made open market and privately negotiated purchases of 2,930,742 shares for \$166.1 million under the August 2023 Share Repurchase Program, of which 1,516,326 shares were repurchased for \$85.0 million pursuant to privately negotiated repurchases from REH Company.

On April 1, 2024, we repurchased 5,000,000 shares of our outstanding common stock from REH Company in a privately negotiated transaction under the August 2023 Share Repurchase Program and pursuant to the Stock Purchase Agreement, dated April 1, 2024 (the "April 2024 Stock Purchase Agreement"), between us and REH Company. The price paid under the April Stock Purchase Agreement was \$59.22 per share resulting in an aggregate purchase price of \$296.1 million. The purchase price was funded with cash on hand. As of May 7, 2024, we had repurchased \$785.8 million under the August 2023 Share Repurchase Program.

On May 7, 2024, our Board of Directors approved a new \$1.0 billion share repurchase program (the "May 2024 Share Repurchase Program"), which replaced all existing share repurchase programs, including the approximately \$214.2 million remaining under the August 2023 Share Repurchase Program. The May 2024 Share Repurchase Program authorizes us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company are also authorized under the May 2024 Share Repurchase Program, subject to REH Company's interest in selling its shares and other limitations. The timing and amount of share repurchases, including those from REH Company, will depend on market conditions and corporate, tax, regulatory and other relevant considerations. In addition, we are authorized by our Board of Directors to repurchase shares in an amount sufficient to offset shares issued under our compensation programs. The May 2024 Share Repurchase Program may be discontinued at any time by our Board of Directors.

Cash Flows – Operating Activities

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Net cash flows provided by operating activities were \$316.9 million for the three months ended March 31, 2024, compared to \$177.7 million for the three months ended March 31, 2023, an increase of \$139.2 million primarily driven by changes in working capital combined with lower turnaround spend, partially offset by lower income from operations during the three months ended March 31, 2024. Changes in working capital increased operating cash flows by \$67.8 million for the three months ended March 31, 2024, and decreased operating cash flows by \$291.3 million for the three months ended March 31, 2023. Additionally, for the three months ended March 31, 2024, turnaround expenditures were \$70.4 million compared to \$163.7 million for the three months ended March 31, 2023.

Cash Flows – Investing Activities and Planned Capital Expenditures

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

For the three months ended March 31, 2024, our net cash flows used for investing activities were \$91.4 million. Cash expenditures for properties, plants and equipment for the three months ended March 31, 2024, were \$89.1 million.

For the three months ended March 31, 2023, our net cash flows used for investing activities were \$100.2 million. Cash expenditures for properties, plants and equipment for the three months ended March 31, 2023, were \$100.1 million.

Each year, our Board of Directors approves our annual capital budget, which includes specific projects that management is authorized to undertake. When conditions warrant or as new opportunities arise, additional projects may be approved. The funds appropriated for a particular capital project may be expended over a period of several years, depending on the time required to complete the project. Therefore, our planned capital expenditures for a given year consist of expenditures appropriated in that year's capital budget plus expenditures for projects appropriated in prior years that have not yet been completed. Refinery turnaround spending is amortized over the useful life of the turnaround.

The refining industry is capital-intensive and requires ongoing investments to sustain our refining operations. This includes the replacement of, or rebuilding, refinery units and components that extend their useful life. We also invest in projects that improve operational reliability and profitability via enhancements that improve refinery processing capabilities as well as production yield and flexibility. Our capital expenditures also include projects related to renewable diesel, environmental, health and safety compliance and include initiatives as a result of federal and state mandates.

Our refinery operations and related emissions are highly regulated at both federal and state levels, and we invest in our facilities as needed to remain in compliance with these standards. Additionally, when faced with new emissions or fuel standards, we seek to execute projects that facilitate compliance and also improve the operating costs and/or yields of associated refining processes.

Expected capital and turnaround cash spending for 2024 is as follows:

HF Sinclair Capital Expenditures	Expected Cash Spending Range	
	(In millions)	
Refining	\$	235.0
Renewables		5.0
Lubricants & Specialties		40.0
Marketing		10.0
Midstream		30.0
Corporate		65.0
Turnarounds and catalyst		415.0
Total sustaining	\$	800.0
Growth capital		75.0
Total	\$	875.0

Cash Flows – Financing Activities

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

For the three months ended March 31, 2024, our net cash flows used for financing activities were \$335.5 million. During the three months ended March 31, 2024, we repurchased \$169.6 million of our common stock, paid \$99.4 million in dividends and had net repayments of \$61.5 million under the HEP Credit Agreement.

For the three months ended March 31, 2023, our net cash flows used for financing activities were \$379.1 million. During the three months ended March 31, 2023, we repurchased \$245.6 million of our common stock, paid \$88.0 million in dividends, and had net repayments of \$16.5 million under the HEP Credit Agreement.

Contractual Obligations and Commitments

During the three months ended March 31, 2024, we had net repayments of \$61.5 million, resulting in \$394.0 million of outstanding borrowings under the HEP Credit Agreement at March 31, 2024.

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

CRITICAL ACCOUNTING ESTIMATES

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

Our significant accounting policies are described in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2023. Certain critical accounting policies that materially affect the amounts recorded in our consolidated financial statements include assessing contingent liabilities for probable losses.

Contingencies

We are subject to proceedings, lawsuits and other claims related to environmental, labor, product and other matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy when dealing with these matters.

RISK MANAGEMENT

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

Commodity Price Risk Management

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

Foreign Currency Risk Management

We are exposed to market risk related to the volatility in foreign currency exchange rates. We periodically enter into derivative contracts in the form of foreign exchange forward contracts to mitigate the exposure associated with fluctuations on intercompany notes with our foreign subsidiaries that are not denominated in the U.S. dollar.

As of March 31, 2024, we have the following notional contract volumes related to all outstanding derivative instruments used to mitigate commodity price and foreign currency risk:

Derivative Instrument	Total Outstanding	Notional Contract Volumes by Year of Maturity			Unit of Measure
		Notional	2024	2025	
NYMEX futures (WTI) - short	2,575,000	2,575,000	—	—	Barrels
Forward gasoline and diesel contracts - long	1,190,000	1,190,000	—	—	Barrels
Foreign currency forward contracts	386,671,810	281,628,809	105,043,001	—	U.S. dollar
Forward commodity contracts (platinum) ⁽¹⁾	36,969	14,549	22,420	—	Troy ounces
Natural gas price swaps (basis spread) - long	3,300,000	3,300,000	—	—	MMBTU

(1) Represents an embedded derivative within our catalyst financing arrangements, which may be refinanced or require repayment under certain conditions. See Note 9 "Debt" in the Notes to Consolidated Financial Statements for additional information on these financing arrangements.

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

	Derivative Fair Value Gain (Loss) at March 31,	
	2024	2023
(In thousands)		
10% increase in underlying commodity prices	\$ (21,478)	\$ (10,696)
10% decrease in underlying commodity prices	\$ 21,478	\$ 10,290

Interest Rate Risk Management

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

For the fixed rate HF Sinclair Senior Notes, HollyFrontier Senior Notes and HEP Senior Notes (each as defined in Note 9 "Debt" in the Notes to Consolidated Financial Statements), changes in interest rates will generally affect the fair value of the debt, but not earnings or cash flows. The outstanding principal, estimated fair value and estimated change in fair value (assuming a hypothetical 10% change in the yield-to-maturity rates) for this debt as of March 31, 2024, is presented below:

	Outstanding Principal	Estimated Fair Value	Estimated Change in Fair Value
(In thousands)			
HF Sinclair, HollyFrontier and HEP Senior Notes	\$ 2,300,000	\$ 2,268,035	\$ 39,171

For the variable rate HEP Credit Agreement, changes in interest rates would affect cash flows, but not the fair value. At March 31, 2024, outstanding borrowings under the HEP Credit Agreement were \$394.0 million. A hypothetical 10% change in interest rates applicable to the HEP Credit Agreement would not materially affect cash flows.

Our operations are subject to catastrophic losses, operational hazards and unforeseen interruptions, including but not limited to fire, explosion, releases or spills, cyberattacks, weather-related perils, vandalism, power failures, mechanical failures and other events beyond our control. We maintain various insurance coverages, including general liability, property damage, business interruption and cyber insurance, which are subject to certain deductibles and insurance policy terms and conditions. We are not fully insured against certain risks because such risks are not fully insurable, coverage is unavailable, or premium costs, in our judgment, do not justify such expenditures.

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See "Risk Management" under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles

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

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

Below is our calculation of EBITDA:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Net income attributable to HF Sinclair stockholders	\$ 314,664	\$ 353,266
Add interest expense	40,691	45,822
Subtract interest income	(22,179)	(19,935)
Add income tax expense	85,474	99,700
Add depreciation and amortization	198,729	173,983
EBITDA	\$ 617,379	\$ 652,836

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

Refinery gross margin and net operating margin are non-GAAP performance measures that are used by our management and others to compare our refining performance to that of other companies in our industry. We believe these margin measures are helpful to investors in evaluating our refining performance on a relative and absolute basis. Refinery gross margin per produced barrel sold is total Refining segment revenues less total Refining segment cost of products sold, exclusive of lower of cost or market inventory valuation adjustments, divided by sales volumes of produced refined products sold. Net operating margin per barrel sold is the difference between refinery gross margin and refinery operating expenses per produced barrel sold. These two margins do not include the non-cash effects of lower of cost or market inventory valuation adjustments and depreciation and amortization. Each of these component performance measures can be reconciled directly to our consolidated statements of income. Other companies in our industry may not calculate these performance measures in the same manner.

Below are reconciliations to our consolidated statements of income for refinery net operating and gross margin and operating expenses, in each case averaged per produced barrel sold. Due to the rounding of reported numbers, some amounts may not be calculated exactly.

Reconciliation of average refining net operating margin per produced barrel sold to refinery gross margin to refining sales and other revenues

	Three Months Ended March 31,	
	2024	2023
	(In thousands, except per barrel amounts)	
Consolidated		
Refining segment sales and other revenues	\$ 6,204,245	\$ 6,718,615
Refining segment cost of products sold (exclusive of lower of cost or market inventory adjustment)	5,474,522	5,641,131
Lower of cost or market inventory adjustment	(220,558)	—
	950,281	1,077,484
Add (subtract) lower of cost or market inventory adjustment	(220,558)	—
Refinery gross margin	<u>\$ 729,723</u>	<u>\$ 1,077,484</u>
Refining segment operating expenses	\$ 472,086	\$ 501,759
Produced barrels sold (BPD)	631,470	515,960
Refinery gross margin per produced barrel sold	\$ 12.70	\$ 23.20
Less average refinery operating expenses per produced barrel sold	8.22	10.81
Net operating margin per produced barrel sold	<u>\$ 4.48</u>	<u>\$ 12.39</u>

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

Renewables gross margin and net operating margin are non-GAAP performance measures that are used by our management and others to compare our renewables performance to that of other companies in our industry. We believe these margin measures are helpful to investors in evaluating our renewables performance on a relative and absolute basis. Renewables gross margin per produced gallon sold is the total Renewables segment revenues less the total Renewables segment cost of products sold, exclusive of lower of cost or market inventory valuation adjustments, divided by sales volumes of produced renewables products sold. The net operating margin per produced gallon sold is the difference between the renewables gross margin and the renewables operating expenses per produced gallon sold. These two margins do not include the non-cash effects of lower of cost or market inventory valuation adjustments and depreciation and amortization. Each of these component performance measures can be reconciled directly to our consolidated statements of income. Other companies in our industry may not calculate these performance measures in the same manner.

Reconciliation of renewables gross margin and operating expenses to gross margin per produced gallon sold and net operating margin per produced gallon sold

	Three Months Ended March 31,	
	2024	2023
	(In thousands, except per gallon amounts)	
Renewables		
Renewables segment sales and other revenues	\$ 239,559	\$ 298,016
Renewables segment cost of products sold (exclusive of lower of cost or market inventory adjustment)	230,273	262,738
Lower of cost or market inventory adjustment	1,188	47,597
	8,098	(12,319)
Add (subtract) lower of cost or market inventory adjustment	1,188	47,597
Renewables gross margin	<u>\$ 9,286</u>	<u>\$ 35,278</u>
Renewables segment operating expense	\$ 26,461	\$ 31,371
Produced gallons sold (in thousand gallons)	61,172	46,012
Renewables gross margin per produced gallon sold	\$ 0.15	\$ 0.77
Less average renewables operating expense per produced gallon sold	0.43	0.68
Net operating margin per produced gallon sold	<u>\$ (0.28)</u>	<u>\$ 0.09</u>

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

Marketing gross margin is a non-GAAP performance measure that is used by our management and others to compare our marketing performance to that of other companies in our industry. We believe this margin measure is helpful to investors in evaluating our marketing performance on a relative and absolute basis. Marketing gross margin per gallon sold is the total Marketing segment revenues less the total Marketing segment cost of products sold divided by sales volumes of marketing products sold. This margin does not include the non-cash effects of depreciation and amortization. This component performance measure can be reconciled directly to our consolidated statements of income. Other companies in our industry may not calculate these performance measures in the same manner.

Reconciliation of marketing gross margin to gross margin per gallon sold

	Three Months Ended March 31,	
	2024	2023
(In thousands, except per gallon amounts)		
Marketing segment sales and other revenues	\$ 775,807	\$ 937,385
Marketing segment cost of products sold	752,530	924,049
Marketing gross margin	<u>\$ 23,277</u>	<u>\$ 13,336</u>
Sales volumes (in thousand gallons)	321,010	328,407
Marketing segment gross margin per gallon sold	\$ 0.07	\$ 0.04

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Our principal executive officer and principal financial officer have evaluated, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2024.

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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Commitment and Contingency Reserves

In the ordinary course of business, we may become party to legal, regulatory or administrative proceedings or governmental investigations, including environmental and other matters. Damages or penalties may be sought from us in some matters and certain matters may require years to resolve. While the outcome and impact of these proceedings and investigations on us cannot be predicted with certainty, based on advice of counsel and information currently available to us, management believes that the resolution of these proceedings and investigations through settlement or adverse judgment will not either individually or in the aggregate have a material adverse effect on our financial condition, results of operations or cash flows.

The environmental proceedings are reported to comply with SEC regulations which require us to disclose proceedings arising under provisions regulating the discharge of materials into the environment or protecting the environment when a governmental authority is party to the proceedings and such proceedings involve potential monetary sanctions that we reasonably believe could exceed \$300,000 or more.

Environmental Matters

Navajo

HF Sinclair Navajo Refining LLC ("HFS Navajo") has been engaged in discussions with, and has responded to document requests from, the EPA, the United States Department of Justice (the "DOJ") and the New Mexico Environment Department (the "NMED") (collectively, the "Agencies") regarding HFS Navajo's compliance with the Clean Air Act ("CAA") and underlying regulations, and similar New Mexico laws and regulations, at its Artesia and Lovington, New Mexico refineries. The discussions have included the following topics: (a) alleged noncompliance with CAA's National Emission Standards for Hazardous Air Pollutants ("NESHAP") and New Source Performance Standards ("NSPS") at the Artesia refinery, which were set forth in a Notice of Violation ("May 2020 NOV") issued by the EPA in May 2020; (b) a Post Inspection Notice issued in June 2020 by the NMED, alleging noncompliance issues similar to those alleged by the EPA in its May 2020 NOV as well as alleged noncompliance with the State Implementation Plan ("SIP") and the Title V permit operating programs; (c) an information request issued in September 2020 by the EPA, pursuant to CAA Section 114, related to benzene fenceline monitoring, flare fuel gas, leak detection and repair, storage vessels and tanks, and other information regarding the Artesia refinery; (d) an information request issued by the EPA in May 2021, pursuant to CAA Section 114, requesting additional information and testing related to certain tanks at the Artesia refinery; and (e) informal information requests related to, among other things, the Artesia refinery's wastewater treatment plant, oil water separators and heat exchangers. In each of April 2022, June 2023 and August 2023, the EPA alleged additional CAA noncompliance at the Artesia refinery beyond the allegations in the May 2020 NOV, including alleged noncompliance with NESHAP, NSPS, SIP, Title V and other requirements.

Beginning in the spring of 2021, HFS Navajo and the Agencies began monthly meetings to discuss potential injunctive relief measures to address the alleged noncompliance at the Artesia refinery. In September 2021 and August 2023, the EPA presented to HFS Navajo potential claims for stipulated penalties for alleged noncompliance with a 2002 consent decree.

HFS Navajo continues to work with the Agencies to resolve these issues. At this time, no penalties have been demanded, and it is too early to predict the outcome of this matter.

Osage Pipeline

On July 8, 2022, the Osage Pipeline, which is owned by Osage Pipe Line Company, LLC ("Osage"), a joint venture between El Dorado Osage Company LLC and CHS McPherson Refinery Inc., experienced a release of crude oil at a location approximately 5 miles north of Cushing, Oklahoma.

Osage and Holly Energy Partners – Operating, L.P. ("HEP Operating"), the operator of the Osage Pipeline, are working with federal, state, tribal, and local governmental agencies, as well as the affected landowners. On September 13, 2023, Osage and HEP Operating received an offer for settlement from the EPA and the DOJ. After several months of negotiations, the EPA, the DOJ, Osage, and HEP Operating reached an agreement that resolves the civil claims of the United States under the Federal Clean Water Act, subject to certain reservations of rights by the United States, in exchange for the payment of a \$7.4 million civil penalty and performance of certain items of injunctive relief by Osage and HEP Operating. The agreement is set forth in a Consent Decree lodged in federal court on January 30, 2024. The Consent Decree was subject to a review and comment period of 30 days, which concluded on March 7, 2024. On March 26, 2024, the United States filed a Motion to Enter the Consent Decree, which was granted that same day. As a result, the Consent Decree was entered by the Court on March 26, 2024. The \$7.4 million civil penalty, plus a nominal amount of statutory interest, was paid on April 5, 2024.

Renewable Fuel Standard

On April 7, 2022, the EPA issued a decision reversing the grant of small refinery exemptions for our Woods Cross and Cheyenne refineries for the 2018 compliance year. On June 3, 2022, the EPA issued a decision reversing the grant of small refinery exemptions for our Woods Cross and Cheyenne refineries for the 2016 compliance year and denying small refinery exemption petitions for our Woods Cross and Cheyenne refineries for the 2019 and 2020 compliance years.

Certain of our subsidiaries are currently pursuing legal challenges to the EPA's decisions to reverse its grant of small refinery exemptions for the 2016 and 2018 compliance years. The first lawsuit, filed against the EPA on May 6, 2022, and currently pending before the U.S. Court of Appeals for the DC Circuit, seeks to have the EPA's reversal of our 2018 small refinery exemption petitions overturned. The second lawsuit, filed against the EPA on August 5, 2022, and currently pending before the U.S. Court of Appeals for the DC Circuit, seeks to have the EPA's reversal of our 2016 small refinery exemption petitions overturned and to have the EPA's denial of our 2019 and 2020 small refinery exemption petitions reversed.

In addition, for both the 2016 and 2018 compliance years, pursuant to the June 2022 and April 2022 decisions, respectively, the EPA established an alternative compliance demonstration for small refineries pursuant to which the EPA is not imposing any obligations for the small refineries whose exemptions were reversed. On June 24, 2022, Growth Energy filed two lawsuits in the U.S. Court of Appeals for the DC Circuit against the EPA challenging the alternative compliance demonstration for the 2016 and 2018 compliance years. On July 25, 2022, certain of our subsidiaries intervened on behalf of the EPA to aid the defense of the EPA's alternative compliance demonstration decision.

It is too early to predict the outcome of these matters.

Other

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

Item 1A. Risk Factors

There have been no material changes in our risk factors as previously disclosed in Part I, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. You should carefully consider the risk factors discussed in our 2023 Form 10-K, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

(c) Common Stock Repurchases Made in the Quarter

The following table discloses purchases of shares of our common stock made by us during the first quarter of 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
January 2024	454,380	\$ 55.02	454,380	\$ 651,422,872
February 2024	1,061,946	\$ 56.50	1,061,946	\$ 591,422,923
March 2024	1,414,416	\$ 57.36	1,414,416	\$ 510,294,423
Total for January to March 2024	<u>2,930,742</u>		<u>2,930,742</u>	

- (1) In August 2023, our Board of Directors approved a \$1.0 billion share repurchase program (the "August 2023 Share Repurchase Program"), which replaced all existing share repurchase programs at that time. The August 2023 Share Repurchase Program authorized us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company were also authorized under this share repurchase program, subject to REH Company's interest in selling its shares and other limitations. As of March 31, 2024, we had remaining authorization to repurchase up to \$510.3 million under the August 2023 Share Repurchase Program.

On April 1, 2024, we repurchased 5,000,000 shares of our outstanding common stock from REH Company in a privately negotiated transaction under the August 2023 Share Repurchase Program and pursuant to the Stock Purchase Agreement, dated April 1, 2024 (the "April 2024 Stock Purchase Agreement"), between us and REH Company. The price paid under the April Stock Purchase Agreement was \$59.22 per share resulting in an aggregate purchase price of \$296.1 million. The purchase price was funded with cash on hand. As of May 7, 2024, we had repurchased up to \$785.8 million under the August 2023 Share Repurchase Program.

On May 7, 2024, our Board of Directors approved a new \$1.0 billion share repurchase program (the "May 2024 Share Repurchase Program"), which replaced all existing share repurchase programs, including the approximately \$214.2 million remaining under the August 2023 Share Repurchase Program. The May 2024 Share Repurchase Program authorizes us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company are also authorized under the May 2024 Share Repurchase Program, subject to REH Company's interest in selling its shares and other limitations. The timing and amount of share repurchases, including those from REH Company, will depend on market conditions and corporate, tax, regulatory and other relevant considerations. In addition, we are authorized by our Board of Directors to repurchase shares in an amount sufficient to offset shares issued under our compensation programs. The May 2024 Share Repurchase Program may be discontinued at any time by our Board of Directors.

Item 5. Other Information

Recast 2023 Annual Financial Information

We are filing Exhibit 99.1 to this Quarterly Report on Form 10-Q to recast certain prior years' financial information and related disclosures to reflect changes in the presentation of our reportable segments beginning in the first quarter of 2024. The recast financial information and related disclosures set forth in Exhibit 99.1 to this Quarterly Report on Form 10-Q present such financial information and related disclosures as they would have appeared had we changed the presentation of our reportable segments prior to January 1, 2024 and do not reflect events or developments that may have occurred subsequent to the filing of our Annual Report on Form 10-K for the year ended December 31, 2023.

The information contained in Exhibit 99.1 to this report is incorporated herein by reference.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of HF Sinclair Corporation (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K12B filed March 14, 2022, File No. 1-41325).
3.2	Amended and Restated By-Laws of HF Sinclair Corporation (incorporated by reference to Exhibit 3. 1 of Registrant's Current Report on Form 8-K filed February 6, 2024, File No. 1-41325).
10.1	Stock Purchase Agreement, dated as of January 3, 2024, by and among HF Sinclair Corporation and REH Company (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed January 4, 2024, File No. 1-41325).
10.2	Stock Purchase Agreement, dated as of February 8, 2024, by and among HF Sinclair Corporation and REH Company (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed February 9, 2024, File No. 1-41325).
10.3	Stock Purchase Agreement, dated as of April 1, 2024, by and among HF Sinclair Corporation and REH Company (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed April 2, 2024, File No. 1-41325).
23.1*	Consent of Independent Registered Public Accounting Firm.
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.
99.1*	Recast of certain financial information and related disclosures initially included in Part I, Item 1 and 2. "Business and Properties," Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," Part II, Item 8 "Financial Statements and Supplementary Data" and Part IV, Item 15(a). "Exhibit and Financial Statement Schedules" of our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed on February 21, 2024.
101++	The following financial information from HF Sinclair Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted as inline XBRL (Inline 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, and (v) Notes to the Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
104++	Cover page Interactive Data File (formatted as inline XBRL and contained in exhibit 101).

* Filed herewith.

** Furnished herewith.

++ Filed electronically herewith.

SIGNATURES

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

HF SINCLAIR CORPORATION
(Registrant)

Date: May 8, 2024

/s/ Atanas H. Atanasov

Atanas H. Atanasov
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 8, 2024

/s/ Indira Agarwal

Indira Agarwal
Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-264186) of HF Sinclair Corporation, and in the related prospectus,
- (2) Registration Statement (Form S-3 No. 333-263722) of HF Sinclair Corporation, and in the related prospectus,
- (3) Registration Statement (Form S-8 No. 275877) pertaining to the HF Sinclair Corporation Amended and Restated 2020 Long Term Incentive Plan, and
- (4) Registration Statement (Form S-8 No. 333-263721) pertaining to the HF Sinclair Corporation 2007 Long-Term Incentive Compensation Plan and HF Sinclair Corporation Amended and Restated 2020 Long Term Incentive Plan;

of our report dated February 21, 2024 (except for Note 20, as to which the date is May 8, 2024), with respect to the consolidated financial statements of HF Sinclair Corporation and our report dated February 21, 2024, with respect to the effectiveness of internal control over financial reporting of HF Sinclair Corporation, included in Exhibit 99.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024.

/s/ Ernst & Young LLP

Dallas, Texas
May 8, 2024

CERTIFICATION

I, Timothy Go, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HF Sinclair Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

May 8, 2024

/s/ Timothy Go

Timothy Go

Chief Executive Officer and President

CERTIFICATION

I, Atanas H. Atanasov, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HF Sinclair Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

/s/ Atanas H. Atanasov

Atanas H. Atanasov

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE
OFFICER UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the accompanying report on Form 10-Q for the quarterly period ended March 31, 2024 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy Go, Chief Executive Officer and President of HF Sinclair Corporation (the "Company") hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2024

/s/ Timothy Go

Timothy Go
Chief Executive Officer and President

**CERTIFICATION OF CHIEF FINANCIAL
OFFICER UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the accompanying report on Form 10-Q for the quarterly period ended March 31, 2024 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Atanas H. Atanasov, Chief Financial Officer of HF Sinclair Corporation (the "Company") hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2024

/s/ Atanas H. Atanasov

Atanas H. Atanasov

Executive Vice President and Chief Financial Officer

EXPLANATORY NOTE

In the first quarter of 2024, HF Sinclair Corporation (“we,” “our,” “us,” “HF Sinclair” or the “Company”) internally restructured its operations, which resulted in a change to the composition of its reportable segments. The change to reportable segments was driven by two changes, as noted below:

- *The transfer of ownership of refinery processing units from our Midstream segment to our Refining segment beginning in the first quarter of 2024, as described in Part I, Items 1 and 2 “Business and Properties,” Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part II, Item 8 “Financial Statements and Supplementary Data” and this Exhibit 99.1 to this Quarterly Report on Form 10-Q.*
- *The amendment of an intercompany agreement between certain of our subsidiaries within the Refining, Lubricants & Specialties and Midstream segments in the first quarter of 2024, as described in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part II, Item 8 “Financial Statements and Supplementary Data” and this Exhibit 99.1 to this Quarterly Report on Form 10-Q.*

The recast financial information and related disclosures set forth in this Exhibit 99.1 are provided solely to present such financial information and related disclosures in these items as they would have appeared had we changed the presentation of our reportable segments and related segment operating data prior to January 1, 2024. This Exhibit 99.1 does not reflect events or developments that may have occurred subsequent to the filing of our 2023 Form 10-K with the SEC and does not otherwise amend, update or modify any of the other disclosures made in our 2023 Form 10-K. Accordingly, the information in this Exhibit 99.1 should be read in conjunction with our 2023 Form 10-K and our subsequent filings with the SEC.

PART I

Items 1 and 2. Business and Properties

COMPANY OVERVIEW

References herein to HF Sinclair Corporation ("HF Sinclair") include HF Sinclair and its consolidated subsidiaries. In this document, the words "we," "our," "ours" and "us" refer only to HF Sinclair and its consolidated subsidiaries or to HF Sinclair or an individual subsidiary and not to any other person, with certain exceptions. References herein to HF Sinclair "we," "our," "ours" and "us" with respect to time periods prior to March 14, 2022 refer to HollyFrontier Corporation ("HollyFrontier") and its consolidated subsidiaries and do not include Hippo Holding LLC (now known as Sinclair Holding LLC), the parent company of Sinclair Oil LLC, Sinclair Transportation Company LLC or their respective consolidated subsidiaries (collectively, the "Acquired Sinclair Businesses"). References herein to HF Sinclair "we," "our," "ours" and "us" with respect to time periods from and after March 14, 2022 include the operations of the Acquired Sinclair Businesses. Unless otherwise specified, the financial statements included herein include financial information for HF Sinclair, which for the time period from March 14, 2022 to December 31, 2023 includes the combined business operations of HollyFrontier and the Acquired Sinclair Businesses. References herein to Holly Energy Partners, L.P. ("HEP") with respect to time periods prior to the HEP Merger Transaction (as defined below) refer to HEP and its consolidated subsidiaries.

We are an independent energy company that produces and markets high-value light products such as gasoline, diesel fuel, jet fuel, renewable diesel and other specialty products. We were incorporated in Delaware in 1947 and maintain our principal corporate offices at 2828 N. Harwood, Suite 1300, Dallas, Texas 75201-1507. Our telephone number is 214-871-3555, and our internet website address is www.hfsinclair.com. We use our website and social media accounts, including LinkedIn (@HF Sinclair) and Facebook (@HF Sinclair), as a means of disclosing information about us and our services, which information may be deemed material. Except as specifically noted, the information found on our website and social media accounts are not incorporated by reference into, and do not constitute part of, this Annual Report on Form 10-K or any other report filed with or furnished to the Securities and Exchange Commission ("SEC"). A print copy of this Annual Report on Form 10-K will be provided without charge upon written request to the Vice President, Investor Relations at the above address. A direct link to our SEC filings is available on our website under the Investor Relations tab. Also available on our website are copies of our Corporate Governance Guidelines, Audit Committee Charter, Compensation Committee Charter, Nominating, Governance and Social Responsibility Committee Charter, Finance Committee Charter, Environmental, Health, Safety, and Public Policy Committee Charter and Code of Business Conduct and Ethics, all of which will be provided without charge upon written request to the Vice President, Investor Relations at the above address. Our Code of Business Conduct and Ethics applies to all of our officers, employees and directors, including our principal executive officer, principal financial officer and principal accounting officer. Our common stock is traded on the New York Stock Exchange under the trading symbol "DINO."

HEP Merger Transaction

On December 1, 2023, pursuant to that certain Agreement and Plan of Merger, dated as of August 15, 2023 (the "Merger Agreement"), by and among HEP, HF Sinclair, Navajo Pipeline Co., L.P., a Delaware limited partnership and an indirect wholly owned subsidiary of HF Sinclair ("HoldCo"), Holly Apple Holdings LLC, a Delaware limited liability company and a wholly owned subsidiary of HoldCo ("Merger Sub"), HEP Logistics Holdings, L.P., a Delaware limited partnership and the general partner of HEP ("HLH"), and Holly Logistic Services, L.L.C., a Delaware limited liability company and the general partner of HLH, Merger Sub merged with and into HEP, with HEP surviving as an indirect, wholly owned subsidiary of HF Sinclair (the "HEP Merger Transaction").

Under the terms of the Merger Agreement, each outstanding common unit representing a limited partner interest in HEP (an "HEP common unit"), other than the HEP common units already owned by HF Sinclair and its subsidiaries, was converted into the right to receive 0.315 shares of HF Sinclair common stock and \$4.00 in cash, without interest. The Merger Agreement consideration totaled \$267.6 million in cash and resulted in the issuance of 21,072,326 shares of HF Sinclair common stock from treasury stock.

Sinclair Acquisition

On March 14, 2022 (the "Closing Date"), HollyFrontier and HEP announced the establishment of HF Sinclair as the new parent holding company of HollyFrontier and HEP and their subsidiaries, and the completion of their respective acquisitions of Sinclair Oil Corporation (now known as Sinclair Oil LLC, "Sinclair Oil") and Sinclair Transportation Company LLC ("STC") from The Sinclair Companies (now known as REH Company and referred to herein as "REH Company"). On the Closing Date, HF Sinclair completed its previously announced acquisition of Sinclair Oil by effecting (a) a holding company merger with HollyFrontier surviving such merger as a direct wholly owned subsidiary of HF Sinclair (the "HFC Merger"), and (b) immediately following the HFC Merger, a contribution whereby REH Company contributed all of the equity interests of Hippo Holding LLC (now known as Sinclair Holding LLC), the parent company of Sinclair Oil (the "Target Company") to HF Sinclair in exchange for shares of HF Sinclair, resulting in the Target Company becoming a direct wholly owned subsidiary of HF Sinclair (the "HFC Transactions"). At the effective time of the HFC Merger, all of HollyFrontier's outstanding shares were automatically converted into equivalent corresponding shares of HF Sinclair, and HF Sinclair became the successor issuer to HollyFrontier pursuant to Rule 12g-3(a) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and replaced HollyFrontier as the public company trading on the New York Stock Exchange ("NYSE") under the symbol "DINO."

In connection with the closing of the HFC Transactions, HF Sinclair issued 60,230,036 shares of HF Sinclair common stock, par value \$0.01 per share, to REH Company, representing 27% of the pro forma equity of HF Sinclair with a value of approximately \$2,149 million based on HollyFrontier's fully diluted shares of common stock outstanding and closing stock price on March 11, 2022. Pursuant to that certain Business Combination Agreement, dated as of August 2, 2021 (as amended on March 14, 2022, the "Business Combination Agreement"), REH Company made a \$77.5 million cash payment to HF Sinclair, inclusive of final working capital adjustments, which reduced the aggregate transaction value to approximately \$2,072 million. Of the 60,230,036 shares of HF Sinclair common stock, 2,570,000 shares were held in escrow to secure REH Company's RINs credit obligations under Section 6.22 of the Business Combination Agreement. As of December 31, 2023, REH Company had satisfied their RINs credit obligations to HF Sinclair and the corresponding shares were released from escrow in January 2024. Additionally, on the Closing Date, and immediately prior to the consummation of the HFC Transactions, HEP completed its acquisition of STC, REH Company's integrated crude and refined products midstream business, and issued 21,000,000 HEP common units with a value of approximately \$349.0 million based on HEP's fully diluted common units outstanding and HEP's closing unit price on March 11, 2022, and paid cash consideration of \$329.0 million, inclusive of final working capital adjustments, to REH Company in exchange for all the outstanding equity interests of STC (the "HEP Transaction" and together with the HFC Transactions, the "Sinclair Transactions"). Of these 21,000,000 HEP common units, 5,290,000 units were held in escrow and were released to REH Company in April 2023 upon their satisfaction of the corresponding RINs credit obligations to HF Sinclair under Section 6.22 of the Business Combination Agreement.

HF Sinclair acquired REH Company's refining, branded marketing, renewables, and midstream businesses. At the time of closing, the Sinclair branded marketing business supplied high-quality fuels to more than 1,300 Sinclair branded stations and licensed the use of the Sinclair brand at more than 300 additional locations throughout the United States. The renewables business includes the operation of a renewable diesel unit located in Sinclair, Wyoming. The refining business includes two Rocky Mountains-based refineries located in Casper, Wyoming and Sinclair, Wyoming. Under the terms of that certain Contribution Agreement (as amended on March 14, 2022, the "Contribution Agreement"), HEP acquired STC, REH Company's integrated crude and refined products pipelines and terminal assets, including approximately 1,200 miles of integrated crude and refined product pipeline supporting the Sinclair refineries and third parties, eight product terminals and two crude terminals with approximately 4.5 million barrels of operated storage. In addition, HEP acquired STC's interests in three pipeline joint ventures for crude gathering and product offtake including: Saddle Butte Pipeline III, LLC (at the time of closing, 25.06%, and currently, a 25.12% non-operated interest); Pioneer Investments Corp. (49.995% non-operated interest); and UNEV Pipeline, LLC ("UNEV") (the 25% non-operated interest not already owned by HEP, resulting in UNEV becoming a wholly owned subsidiary of HEP). The addition of Sinclair Oil and STC to the HollyFrontier business created a combined company with increased scale and ability to diversify and is expected to drive growth through the expanded refining and renewables business. In addition, the HFC Transactions added an integrated branded wholesale distribution network to our business.

Puget Sound Refinery Acquisition

On May 4, 2021, HollyFrontier Puget Sound Refining LLC (now known as HF Sinclair Puget Sound Refining LLC), a wholly owned subsidiary of HollyFrontier, entered into a sale and purchase agreement with Equilon Enterprises LLC d/b/a Shell Oil Products US ("Shell") to acquire Shell's Puget Sound refinery and related assets (the "Puget Sound Refinery"). The acquisition closed on November 1, 2021 for aggregate cash consideration of \$624.3 million. The Puget Sound Refinery is strategically located on approximately 850 acres in Anacortes, Washington. The 149,000 BPD facility is a large, high quality and complex refinery with catalytic cracking and delayed coking units and is well positioned geographically and logically to source advantaged Canadian and Alaskan North Slope crudes. In addition to refining assets and an on-site cogeneration facility, the transaction included a deep-water marine dock, a light product loading rack, a rail terminal and storage tanks with approximately 5.8 million barrels of crude, product and other hydrocarbon storage capacity, including the on-site cogeneration facility and related logistics assets.

Sale of Real Property

On April 27, 2021, our wholly owned subsidiary, 7037619 Canada Inc., entered into a contract for sale of real property in Mississauga, Ontario for base consideration of \$98.8 million, or CAD 125 million. The transaction closed on September 15, 2021.

Renewable Diesel Construction

In November 2019, we announced our plans to construct a new renewable diesel unit ("RDU") at our Artesia facility. The Artesia RDU was completed and operational in the second quarter of 2022. The Artesia RDU has a production capacity of approximately 135 million gallons a year and allows us to process soybean oil and other renewable feedstocks into renewable diesel.

In the third quarter of 2020, we permanently ceased petroleum refining operations at our facility in Cheyenne, Wyoming (the "Cheyenne Refinery") and subsequently began converting certain assets at the Cheyenne Refinery to renewable diesel production. The Cheyenne RDU was mechanically complete in the fourth quarter of 2021 and operational in the first quarter of 2022. The Cheyenne RDU has a production capacity of approximately 90 million gallons a year.

Additionally, we constructed a pre-treatment unit ("PTU") at our Artesia facility that provides feedstock flexibility for both our Artesia and Cheyenne RDUs. This PTU was completed and operational in the first quarter of 2022.

As of December 31, 2023, we:

- owned and operated a refinery in El Dorado, Kansas (the "El Dorado Refinery"), two refinery facilities located in Tulsa, Oklahoma (collectively, the "Tulsa Refineries"), the Puget Sound Refinery in Anacortes, Washington, a refinery in Artesia, New Mexico that is operated in conjunction with crude oil distillation and vacuum distillation and other facilities situated 65 miles away in Lovington, New Mexico (collectively, the "Navajo Refinery"), a refinery in West Bountiful, Utah (the "Woods Cross Refinery"), a refinery in Sinclair, Wyoming (the "Parco Refinery,") and a refinery in Casper, Wyoming (the "Casper Refinery");
- owned and operated RDUs in Artesia, New Mexico (the "Artesia RDU"), in Cheyenne, Wyoming (the "Cheyenne RDU") and in Sinclair, Wyoming (the "Sinclair RDU") and a PTU in Artesia, New Mexico (the "Artesia PTU");
- owned and operated a manufacturing facility in Mississauga, Ontario, which produces base oils and other specialized lubricant products for our Petro-Canada Lubricants business;
- owned and operated manufacturing facilities in Petrolia, Pennsylvania and the Netherlands, which produce specialty lubricant products for our Sonneborn business, such as white oils, petrolatums and waxes;
- owned and operated Red Giant Oil Company LLC ("Red Giant Oil"), which supplies locomotive engine oil and has storage and distribution facilities in Iowa and Wyoming, along with a blending and packaging facility in Texas;
- owned and operated HF Sinclair Asphalt Company LLC ("Asphalt"), which operates various asphalt terminals in Arizona, New Mexico and Oklahoma; and
- owned and operated logistics and refinery assets consisting of petroleum product and crude oil pipelines, terminals, tankage, loading rack facilities and refinery processing units that principally support our refining operations in the Mid-Continent, Southwest and Rocky Mountains geographic regions of the United States.

As of December 31, 2023, our operations were organized into five reportable segments, Refining, Renewables, Marketing, Lubricants & Specialties and Midstream. The Refining segment includes the operations of our El Dorado, Tulsa, Puget Sound, Navajo, Woods Cross, Parco and Casper Refineries and Asphalt. The Renewables segment includes the operations of the Artesia, Cheyenne and Sinclair RDUs and the Artesia PTU. The Marketing segment includes branded fuel sales. The Lubricants & Specialties segment, which was previously referred to as our Lubricant and Specialty Products segment, includes the operations of our Petro-Canada Lubricants, Red Giant Oil and Sonneborn businesses in addition to specialty lubricant products produced at our Tulsa West refinery. The Midstream segment, which was previously referred to as our HEP segment, includes petroleum product and crude pipelines, and terminal, tankage and loading rack facilities that primarily support our refining operations. See Note 20 "Segment Information" in the Notes to Consolidated Financial Statements for additional information on our reportable segments.

REFINERY OPERATIONS

Our refinery operations serve the Mid-Continent, Southwest and Rocky Mountains extending into the Pacific Northwest geographic regions of the United States. We own and operate seven complex refineries having a combined crude oil processing capacity of 678,000 BPSD. Each of our refineries has the complexity to convert discounted, heavy or sour crude oils into a high percentage of gasoline, diesel and other high-value refined products.

Products and Customers

Light products are shipped to customers via product pipelines or are available for loading at our refinery truck facilities and terminals. Light products are also made available to customers at various other locations via exchange with other parties.

Our principal customers for gasoline include other refiners, branded sites, convenience store chains, independent marketers and retailers. Diesel fuel is sold to other refiners, branded sites, truck stop chains, wholesalers and railroads. Jet fuel is sold for commercial airline use. Base oils are intercompany sales to our Lubricants & Specialties segment. LPG's are sold to LPG wholesalers and LPG retailers. We produce and purchase asphalt products that are sold to governmental entities, paving contractors or manufacturers. Asphalt is also blended into fuel oil and is either sold locally or is shipped to the Gulf Coast. For the years ended December 31, 2023, 2022 and 2021, we had one customer, Shell, together with certain of its affiliates, that accounted for 10% or more of our total annual revenues at approximately 12%, 15% and 13%, respectively. See Note 5 "Revenues" in the Notes to Consolidated Financial Statements for additional information on our customers revenues.

Mid-Continent Region

Facilities

The El Dorado Refinery is a high-complexity coking refinery with a 135,000 BPSD processing capacity and the ability to process significant volumes of heavy and sour crudes. The integrated refining processes at the Tulsa West and East refinery facilities provide us with a highly complex refining operation having a combined crude processing rate of approximately 125,000 BPSD.

The El Dorado Refinery is located on 1,100 acres south of El Dorado, Kansas and is a fully integrated refinery. The principal processing units at the El Dorado Refinery consist of crude and vacuum distillation; hydrodesulfurization of naphtha, kerosene, diesel, and gas oil streams; naphtha fractionation; isomerization; catalytic reforming; aromatics recovery; catalytic cracking; alkylation; delayed coking; hydrogen production; hydrogen generation; and sulfur recovery.

The Tulsa West facility is located on a 750-acre site in Tulsa, Oklahoma. The principal processing units at the Tulsa West facility consist of crude and vacuum distillation (with light ends recovery), naphtha hydrodesulfurization, propane de-asphalting, lubes extraction, MEK dewaxing, delayed coker and butane splitter units.

The Tulsa East facility is located on a 466-acre site also in Tulsa, Oklahoma. The principal processing units at the Tulsa East facility consist of crude and vacuum distillation, naphtha hydrodesulfurization, FCC, isomerization, catalytic reforming, alkylation, scanfiner, diesel hydrodesulfurization and sulfur units.

Crude Oil and Feedstock Supplies

Both of our Mid-Continent refineries are connected via pipeline to Cushing, Oklahoma, a significant crude oil pipeline trading and storage hub. The El Dorado Refinery and the Tulsa Refineries are located approximately 125 miles and 50 miles, respectively, from Cushing, Oklahoma. Local pipelines provide direct access to regional Oklahoma crude production as well as access to United States onshore and Canadian crudes. The proximity of the refineries to the Cushing pipeline and storage hub provides the flexibility to optimize their crude slate with a wide variety of crude oil supply options. Additionally, we have transportation service agreements to transport Canadian crude oil on the Spearhead and Keystone Pipelines, enabling us to transport Canadian crude oil to Cushing for subsequent shipment to either of our Mid-Continent refineries.

We also purchase isobutane, natural gasoline, butane and other feedstocks for processing at our Mid-Continent refineries. The El Dorado Refinery is connected to Conway, Kansas, a major gas liquids trading and storage hub, via the Oneok Pipeline. From time to time, other feedstocks such as gas oil, naphtha and light cycle oil are purchased from other refiners for use at our refineries.

Markets and Competition

The El Dorado Refinery primarily serves Colorado and the Plains states, which include the Kansas City metropolitan area. The gasoline, diesel and jet fuel produced by the El Dorado Refinery are primarily shipped via pipeline to terminals for distribution by truck or rail. We ship product via the NuStar Pipeline Operating Partnership L.P. pipeline to the northern Plains states, via the Magellan Pipeline Company, L.P. ("Magellan") mountain pipeline to Denver, Colorado, and on the Magellan mid-continent pipeline to the Plains states. Additionally, our midstream operations' on-site truck and rail racks facilitate access to local refined product markets.

The El Dorado Refinery faces competition from other Plains states and Mid-Continent refiners, but the principal competitors for the El Dorado Refinery are Gulf Coast refiners. The Gulf Coast refiners typically have lower production costs due to greater economies of scale; however, they incur higher refined product transportation costs, which allows the El Dorado Refinery to compete effectively in the Plains states and Rocky Mountains region.

The Tulsa Refineries serve the Mid-Continent geographic region of the United States. Distillates and gasolines are primarily delivered from the Tulsa Refineries to market via pipelines owned and operated by Magellan. These pipelines connect the refinery to distribution channels throughout Colorado, Oklahoma, Kansas, Missouri, Illinois, Iowa, Minnesota, Nebraska and Arkansas. Additionally, our midstream operations' on-site truck and rail racks facilitate geographic refined product distribution within the Mid-Continent region.

The Tulsa Refineries' principal customers for conventional gasoline include other refiners, branded sites, convenience store chains, independent marketers and retailers. Truck stop operators and railroads are the primary diesel customers. Jet fuel is sold primarily for commercial use. The refineries' asphalt and roofing flux products are sold via truck or railcar directly from the refineries or to customers throughout the Mid-Continent geographic region primarily to paving contractors and manufacturers of roofing products.

West Region

Facilities

The Navajo Refinery has a crude oil processing capacity of 100,000 BPSD and has the ability to process sour crude oils into high-value light products such as gasoline, diesel fuel and jet fuel. The Woods Cross Refinery has a crude oil processing capacity of 45,000 BPSD and processes regional sweet and black wax crude oil into high-value light products. On November 1, 2021, we acquired the Puget Sound Refinery, which is a complex refinery with a 149,000 BPSD processing capacity and has the ability to process a variety of light, medium, heavy sweet and sour crudes. On March 14, 2022, we acquired the Parco Refinery, which has a crude oil processing capacity of 94,000 BPSD and has the ability to process heavy and sweet crudes, and the Casper Refinery, which has a crude oil processing capacity of 30,000 BPSD and processes regional sweet crude into high-value light products.

The Navajo Refinery's Artesia, New Mexico facility is located on a 561-acre site and is a fully integrated refinery with crude oil distillation, vacuum distillation, FCC, ROSE (solvent deasphalting), HF alkylation, catalytic reforming, hydrodesulfurization, mild hydrocracking, isomerization, sulfur recovery and product blending units.

The Artesia facility is operated in conjunction with a refining facility located in Lovington, New Mexico, approximately 65 miles east of Artesia. The principal equipment at the Lovington facility consists of a crude oil distillation unit and associated vacuum distillation units. The Lovington facility processes crude oil into intermediate products that are transported to Artesia by three of our midstream operations' intermediate pipelines. These products are then upgraded into finished products at the Artesia facility. The combined crude oil capacity of the Navajo Refinery facilities is 100,000 BPSD and it typically processes or blends an additional 10,000 BPSD of natural gasoline, butane, gas oil and naphtha.

The Woods Cross Refinery facility is located on a 200-acre site in West Bountiful, Utah and is a fully integrated refinery with crude oil distillation, solvent deasphalter, FCC, HF alkylation, catalytic reforming, hydrodesulfurization, isomerization, polymerization, sulfur recovery and product blending units. In addition, our Woods Cross Refinery includes a crude unit, which is primarily an atmospheric distillation tower, a desalter and heat exchangers. The facility typically processes or blends an additional 2,000 BPSD of natural gasoline, butane and gas oil over its 45,000 BPSD capacity.

The Puget Sound Refinery facility is located on approximately 850 acres in Anacortes, Washington and is a fully integrated refinery. The principal processing units at the Puget Sound Refinery consist of crude and vacuum distillation, FCC, delayed coking, sulfuric alkylation, catalytic reforming, hydrodesulfurization, isomerization, sulfur recovery, cogeneration and product blending. In addition to refining assets and an on-site cogeneration facility, the Puget Sound Refinery also includes a deep-water marine dock, a light product loading rack, a rail terminal and storage tanks with approximately 5.8 million barrels of crude, product and other hydrocarbon storage capacity.

The Parco Refinery facility is located on approximately 420 acres in Sinclair, Wyoming and is a fully integrated refinery. The principal processing units at the Parco Refinery consist of gas oil hydrocracking, gas oil hydrotreating, delayed coking units and associated hydrogen generation.

The Casper Refinery facility is located on approximately 250 acres in Casper, Wyoming and is a fully integrated refinery. The principal processing units at the Casper Refinery consist of crude oil distillation, FCC, catalytic reforming, hydrodesulfurization, sulfur recovery and product blending. In addition to refining assets, the Casper Refinery also includes a light product loading rack, a heavy oil rail terminal and crude and product storage tanks.

Crude Oil and Feedstock Supplies

The Navajo Refinery is situated near the Permian Basin, an area that has historically, and continues to have, abundant supplies of crude oil available both for regional users and for export to other areas. We purchase crude oil from independent producers in southeastern New Mexico and west Texas as well as from major oil companies. The crude oil is gathered through our midstream operations' pipelines and through third-party tank trucks and crude oil pipeline systems for delivery to the Navajo Refinery.

We also purchase volumes of isobutane, natural gasoline and other feedstocks to supply the Navajo Refinery from sources in Texas and the Mid-Continent area that are delivered to this region on a common carrier pipeline owned by Enterprise Products, L.P. Ultimately all volumes of these products are shipped to the Artesia refining facilities on our midstream operations' intermediate pipelines running from Lovington to Artesia. From time to time, we purchase gas oil, naphtha and light cycle oil from other refiners for use as feedstock.

The Woods Cross Refinery currently obtains crude oil from suppliers in Canada, Wyoming and Utah as delivered via common carrier pipelines, including the SLC Pipeline and Frontier Pipeline. Supplies of black wax crude oil are shipped via truck.

The Puget Sound Refinery is well positioned geographically and logically to source advantaged Canadian and Alaskan North Slope crudes. The Canadian crudes are sourced from Edmonton, Alberta and are supplied directly to the Puget Sound Refinery by the Trans Mountain pipeline system. The Alaskan North Slope crudes are supplied by oil tankers that load the crude from Valdez, Alaska and offload at the Puget Sound Refinery's marine dock. The dock also allows the refinery to receive other crude oil via marine transport.

The Parco Refinery and Casper Refinery purchase much of their crude oil from inland domestic sources, primarily in areas of Wyoming, North Dakota and Colorado, as well as crude oil delivered via pipeline from other regions, including Canada. A long-term agreement with the Express Pipeline allows delivery of up to 40,000 BPD of crude oil from Canada directly to these refineries and affords the optionality between Western Canadian Select and Syncrude.

Markets and Competition

The Navajo Refinery primarily serves the southwestern United States, including the metropolitan areas of El Paso, Texas; Albuquerque, Moriarty and Bloomfield, New Mexico; Phoenix and Tucson, Arizona; and portions of northern Mexico. Our products are shipped through our midstream operations' pipelines from Artesia, New Mexico to El Paso, Texas and from El Paso to Albuquerque and to Mexico via products pipeline systems owned by Magellan and from El Paso to Tucson and Phoenix via a products pipeline system owned by SFP, L.P. ("SFPP"). In addition, petroleum products from the Navajo Refinery are transported to northwest New Mexico, to Moriarty, New Mexico, near Albuquerque, via our pipelines running from Artesia to San Juan County, New Mexico, and to Bloomfield, New Mexico. We have refined product storage through our midstream operations at terminals in Artesia and Moriarty, New Mexico.

The Woods Cross Refinery primarily serves Utah, which is currently supplied by a number of local refiners and the Pioneer Pipeline. It also supplies a small percentage of the refined products consumed in Idaho, Wyoming, eastern Washington and Nevada. Our Woods Cross Refinery ships refined products over a common carrier pipeline system owned by Tesoro Logistics Northwest Pipelines LLC to numerous terminals, including our terminal at Spokane, Washington and third-party terminals at Pocatello and Boise, Idaho and Pasco, Washington as well as to Cedar City, Utah and Las Vegas, Nevada via the UNEV Pipeline.

The Puget Sound Refinery primarily serves the Pacific Northwest, including Washington, Oregon and British Columbia. It supplies jet fuel for the Seattle-Tacoma, Washington, Portland, Oregon and Vancouver, British Columbia airports. Products are shipped to Seattle, Tacoma, and Portland terminals by the common carrier Olympic Pipeline. Additionally, products are loaded across the Puget Sound Refinery's marine dock to deliver to the same locations in the Pacific Northwest and to expanded locations in California and Alaska. The Puget Sound Refinery can also load products for export sales across its marine dock.

The Parco Refinery's products are primarily distributed by major direct pipelines to Denver, Colorado and to Salt Lake City, Utah connecting to pipelines owned by us, our joint ventures or third parties, serving an extensive network of terminals or by exchange. The refinery's customers are located in Colorado, Utah, Arizona, Idaho, Nebraska, Nevada, Oregon, South Dakota, Washington and Wyoming.

The Casper Refinery's products are primarily distributed by major direct pipelines serving the Rocky Mountain region and western South Dakota through an extensive network of terminals or by exchange. The refinery's customers are located in Colorado, Utah, South Dakota and Wyoming.

HF Sinclair Asphalt Company

We manufacture commodity and modified asphalt products at our manufacturing facilities located in Glendale, Arizona; Albuquerque, New Mexico; Artesia, New Mexico and Catoosa, Oklahoma. Our Albuquerque and Artesia facilities manufacture commodity and modified hot asphalt products as well as commodity and modified asphalt emulsions from base asphalt materials provided by our refineries and third-party suppliers. Our Glendale facility manufactures commodity, modified and specialty modified hot asphalt products from base asphalt materials provided by our refineries and third-party suppliers. Our Catoosa facility manufactures commodity, modified and specialty modified hot asphalt products and commodity asphalt products from base asphalts supplied by our refineries. We primarily sell our finished asphalt products in Arizona, California, Colorado, New Mexico, Oklahoma, Kansas, Missouri, Texas, Arkansas and northern Mexico. Our products are shipped via third-party trucking companies to commercial customers that provide asphalt based materials for private, commercial and government agency projects.

RENEWABLES OPERATIONS

Our renewables business includes the operations of the Cheyenne RDU, the Artesia RDU and the Sinclair RDU, which we acquired from REH Company in the Sinclair Transactions. Our Cheyenne RDU was mechanically complete in the fourth quarter of 2021 and operational in the first quarter of 2022 and has a production capacity of approximately 90 million gallons a year. Our Artesia RDU, co-located with the Navajo Refinery, was completed and operational in the second quarter of 2022. The Artesia RDU facility also includes rail infrastructure and storage tanks and has a production capacity of approximately 135 million gallons a year. Our Artesia PTU, co-located with the Navajo Refinery, was completed and operational in the first quarter of 2022. The Artesia PTU provides feedstock flexibility for both our Cheyenne RDU and Artesia RDU. On March 14, 2022, we acquired the Sinclair RDU, co-located with the Parco Refinery. The Sinclair RDU has been operational since 2018 and produces approximately 153 million gallons a year. The Artesia RDU and Sinclair RDU are dependent upon and share certain infrastructure, including a hydrogen plant, with the refineries where they are co-located, respectively.

Our RDUs allow us to process soybean oil and other renewable feedstocks into renewable diesel. Renewable diesel is a cleaner burning fuel with 50% to 80% (results dependent on the feedstock) lower lifecycle greenhouse gas ("GHG") emissions than conventional diesel. The renewable diesel produced by the RDUs is sold to customers in California and Canada where Low Carbon Fuel Standard ("LCFS") credit value can be realized.

MARKETING OPERATIONS

Our marketing operations include branded fuel sales to more than 1,500 branded sites in the United States and licensing fees for the use of the Sinclair brand at more than 300 additional locations throughout the United States. Our marketing operations also include revenues from branded gasoline, diesel and other marketing activities. Our branded sites are located in several states across the United States with the highest concentration of the sites located in our West and Mid-Continent regions.

LUBRICANTS & SPECIALTIES OPERATIONS

Our lubricants and specialties operations consist of our Petro-Canada Lubricants, Red Giant Oil, Sonneborn and the Tulsa lubricants businesses.

Our Petro-Canada Lubricants business produces automotive, industrial and food grade lubricants and greases, base and process oils and specialty fluids. It is one of the largest manufacturers of high margin Group III base oils in North America. Products are marketed in over 80 countries worldwide to a diverse customer base through a global sales force and distributor network.

Our Red Giant Oil business provides high quality lubricants to the railroad industry.

Our Sonneborn business produces specialty products such as white oils, petrolatums and waxes for the personal care, cosmetic, pharmaceutical and food processing industries. Combined with Petro-Canada Lubricants, it is one of the world's largest producers of pharmaceutical white oils.

Our Tulsa Refinery produces high quality base oils, process oils, waxes, horticultural oils and asphalt performance products. Products are marketed worldwide through strategically located terminals in the United States and selected distributors internationally.

Petro-Canada Lubricants Inc. ("PCLI") owns and operates a production facility located in Mississauga, Ontario having lubricant production capacity of 15,600 BPD and has the flexibility to match unique lubricant product formulations. The primary operating units are high-pressure hydrotreating and hydrofinishing, solvent dewaxing and catalytic dewaxing. In addition, the facility operates a hydrogen plant, naphtha hydrotreater and catalytic reformer, along with other utility units to support production. The Mississauga plant also includes packaging facilities and has extensive distribution capabilities with marine, truck and rail access.

Red Giant Oil, headquartered in Council Bluffs, Iowa, owns and operates blending and distribution facilities in Council Bluffs, Iowa, Joshua, Texas and Newcastle, Wyoming.

Sonneborn has manufacturing facilities in Petrolia, Pennsylvania and the Netherlands. The Sonneborn Petrolia site has a production capacity of 6,000 BPD with flexibility to produce a full range of finished specialty products. The primary operating unit is a high-pressure hydrotreater with hydrofinishing. In addition, the facility operates a hydrogen plant along with other utility units to support production. The Petrolia plant also includes packaging facilities with distribution capabilities through rail and trucking. The Sonneborn Netherlands site is located in Amsterdam and has a production capacity of approximately 1,500 BPD. The primary operating units include base oil acid treating, percolation filtration, and bleaching & steaming operations. The Netherlands sites include packaging facilities with distribution capabilities through truck and marine.

MIDSTREAM OPERATIONS

As of December 31, 2023, our midstream operations were comprised of logistic and refinery assets consisting of petroleum product and crude oil pipelines, and terminals, tankage and loading rack facilities that principally support our refining operations, as well as other third-party refineries, in the Mid-Continent, Southwest and Rocky Mountains geographic regions of the United States. Additionally, we owned a 50% ownership interest in each of Osage Pipe Line Company, LLC, the owner of a pipeline running from Cushing, Oklahoma to El Dorado, Kansas (the "Osage Pipeline"), Cheyenne Pipeline, LLC, the owner of a pipeline running from Fort Laramie, Wyoming to Cheyenne, Wyoming (the "Cheyenne Pipeline") and Cushing Connect Pipeline & Terminal LLC ("Cushing Connect"), the owner of a crude oil storage terminal in Cushing, Oklahoma and a pipeline that runs from Cushing, Oklahoma to our Tulsa Refineries; a 25.12% ownership interest in Saddle Butte Pipeline III, LLC, the owner of a pipeline from the Powder River Basin to Casper, Wyoming (the "Saddle Butte Pipeline"); and a 49.995% ownership interest in Pioneer Investments Corp., the owner of a pipeline from Sinclair, Wyoming to the North Salt Lake City, Utah Terminal (the "Pioneer Pipeline").

Our midstream operations generate revenues by charging tariffs for transporting petroleum products and crude oil through its pipelines, by charging fees for terminalling refined products and other hydrocarbons and, by storing and providing other services at its storage tanks and terminals. Our midstream operations do not take ownership of products that it transports, terminals, stores or refines; therefore, it is not directly exposed to changes in commodity prices.

Investment in Joint Venture

Cushing Connect Joint Venture

In October 2019, HEP Cushing LLC, then a wholly owned subsidiary of HEP and now a wholly owned subsidiary of HF Sinclair, and Plains Marketing, L.P., a wholly owned subsidiary of Plains All American Pipeline, L.P. ("Plains"), formed a 50/50 joint venture, Cushing Connect, for (i) the development, construction, ownership and operation of a new 160,000 barrel per day common carrier crude oil pipeline (the "Cushing Connect Pipeline") that connects the Cushing, Oklahoma crude oil hub to our Tulsa Refineries and (ii) the ownership and operation of 1.5 million barrels of crude oil storage in Cushing, Oklahoma (the "Cushing Connect Terminal"). The Cushing Connect Terminal was fully in service beginning in April 2020, and the Cushing Connect Pipeline was placed in service at the end of the third quarter of 2021. Long-term commercial agreements have been entered into to support the Cushing Connect assets.

Cushing Connect entered into a contract with an affiliate of HEP, now a subsidiary of HF Sinclair, to manage the operation of the Cushing Connect Pipeline and with an affiliate of Plains to manage the operation of the Cushing Connect Terminal. The total investment in Cushing Connect was generally shared proportionately among the partners.

As of December 31, 2023, our midstream assets included:

Pipelines

- approximately 660 miles of refined product pipelines, including 340 miles of leased pipelines, that transport gasoline, diesel and jet fuel principally from our Navajo Refinery in New Mexico to our customers in the metropolitan and rural areas of Texas, New Mexico, Arizona, Colorado, Utah and northern Mexico;
- one 205-mile pipeline that transports refined product from our Parco Refinery in Wyoming to our customers in Colorado;
- one 114-mile bi-directional products pipeline that transports finished and intermediate products between our Parco and Casper Refineries in Wyoming;
- one 220-mile refined products pipeline that transports products between Olathe, Kansas and Montrose, Iowa;
- approximately 510 miles of refined product pipelines that transport refined products from Delek US Holding, Inc.'s ("Delek") Big Spring refinery in Texas to its customers in Texas and Oklahoma;

- two 65-mile pipelines that transport intermediate feedstocks and crude oil from our Navajo Refinery crude oil distillation and vacuum facilities in Lovington, New Mexico to our petroleum refinery facilities in Artesia, New Mexico;
- one 65-mile intermediate pipeline that is used for the shipment of crude oil from the gathering systems in Barnsdall and Beeson, New Mexico to our Navajo Refinery;
- the SLC Pipeline, a 95-mile intrastate crude oil pipeline system that transports crude oil into the Salt Lake City, Utah area from the Utah terminus of the Frontier Pipeline, as well as crude oil flowing from Wyoming and Utah via the Marathon Wamsutter system;
- the Frontier Pipeline, a 289-mile crude oil pipeline running from Casper, Wyoming to Frontier Station, Utah through a connection to the SLC Pipeline;
- approximately 990 miles of crude oil trunk, gathering and connection pipelines located in west Texas, New Mexico and Oklahoma that primarily deliver crude oil to our Navajo Refinery;
- approximately 535 miles of crude oil trunk, gathering and connection pipelines in Wyoming that primarily deliver crude oil to our Parco and Casper Refineries;
- approximately 10 miles of refined product pipelines that support our Woods Cross Refinery located near Salt Lake City, Utah;
- gasoline and diesel connecting pipelines that support our Tulsa East facility;
- five intermediate product and gas pipelines between our Tulsa East and Tulsa West facilities;
- crude receiving assets located at our Cheyenne facility;
- the UNEV Pipeline, which is a 427-mile, 12-inch refined products pipeline running from Woods Cross, Utah to Las Vegas, Nevada and Cedar City, Utah;
- a 50% interest in the Osage Pipeline, a 135-mile pipeline that transports crude oil from Cushing, Oklahoma to our El Dorado Refinery and also has a connection to the Jayhawk pipeline that services the CHS refinery in McPherson, Kansas;
- a 50% interest in the Cheyenne Pipeline, an 87-mile crude oil pipeline running from Fort Laramie, Wyoming to Cheyenne, Wyoming;
- a 50% interest in Cushing Connect Pipeline, a 50-mile crude oil pipeline running from Cushing, Oklahoma to our Tulsa Refineries;
- a 49.995% interest in the Pioneer Pipeline, a 312-mile refined product pipeline running from Sinclair Station in Wyoming to the terminal in North Salt Lake City, Utah. Through connections, this pipeline is also able to deliver refined products to the UNEV refined products pipeline, and
- a 25.12% interest in the Saddle Butte Pipeline, a crude oil pipeline that collects crude oil from the Powder River Basin in Wyoming and primarily delivers into our crude oil pipeline system that supplies our Parco and Casper Refineries.

Refined Product Terminals and Refinery Tankage

- two refined product terminals located in Orla, Texas and Moriarty, New Mexico, with an aggregate capacity of approximately 240,000 barrels, that are integrated with our refined product pipeline system that serves our Navajo Refinery;
- one refined product terminal located in Spokane, Washington, with a capacity of approximately 430,000 barrels, that serves third-party common carrier pipelines;
- one refined product terminal near Mountain Home, Idaho, with a capacity of approximately 120,000 barrels, that serves a nearby United States Air Force Base;
- two refined product terminals, located in Wichita Falls and Abilene, Texas, and one tank farm in Orla, Texas with aggregate capacity of approximately 560,000 barrels, that are integrated with our refined product pipelines that serve Delek's Big Spring, Texas refinery;
- a refined product terminal in Catoosa, Oklahoma with a capacity of approximately 70,000 barrels that stores specialty lubricant products and is utilized by our Tulsa Refineries;
- a refined product loading rack facility at each of our El Dorado, Tulsa, Navajo and Woods Cross Refineries and our Cheyenne facility, heavy product / asphalt loading rack facilities at our Tulsa East facility, Lovington facility and Cheyenne facility, LPG loading rack facilities at our El Dorado Refinery, Tulsa West facility and Cheyenne facility, lube oil loading racks at our Tulsa West facility and crude oil Leased Automatic Custody Transfer units located at our Cheyenne facility;
- refined product storage capacity at our Parco and Casper Refineries as well as at seven refined product terminals in Colorado, Idaho and Wyoming serving our Parco and Casper Refineries with a capacity of approximately 1,960,000 barrels;
- three refined product terminals in Kansas City, Missouri, Carrollton, Missouri and Montrose, Iowa having an aggregate storage capacity of approximately 880,000 barrels;
- on-site crude oil tankage at our Tulsa, Navajo and Woods Cross Refineries and Cheyenne facility having an aggregate storage capacity of approximately 1,440,000 barrels;

- on-site refined and intermediate product tankage at our El Dorado, Tulsa, Navajo and Woods Cross Refineries and Cheyenne facility having an aggregate storage capacity of approximately 8,280,000 barrels;
- eleven crude oil tanks adjacent to our El Dorado Refinery with a capacity of approximately 1,040,000 barrels that primarily serve our El Dorado Refinery;
- crude oil tankage at five crude oil terminals with a capacity of approximately 1,790,000 barrels that primarily serve our Parco and Casper Refineries;
- crude oil tankage with an aggregate storage capacity of approximately 450,000 barrels that primarily serve our Navajo Refinery;
- SLC Pipeline and Frontier Pipeline's tankage with an aggregate capacity of approximately 380,000 barrels;
- the UNEV Pipeline's product terminals near Cedar City, Utah and Las Vegas, Nevada with an aggregate capacity of approximately 650,000 barrels;
- a 50% interest in Cushing Connect Terminal with a capacity of approximately 1,500,000 barrels of crude oil storage in Cushing, Oklahoma;
- a 25.12% interest in Saddle Butte Pipeline III, LLC, which has approximately 160,000 barrels of crude oil storage in Wyoming, and
- a 49.995% ownership interest in Pioneer Investments Corp., which has approximately 655,000 barrels of refined product storage in Utah.

ADDITIONAL OPERATIONS AND OTHER INFORMATION

Corporate Offices

Our principal corporate offices are leased and located in Dallas, Texas. Functions performed in our Dallas office include overall corporate management, refinery and midstream management, planning and strategy, corporate finance, crude acquisition, logistics, contract administration, marketing, investor relations, governmental affairs, accounting, tax, treasury, information technology, legal and human resources support functions.

Human Capital

Our People

Our people differentiate us from our peers. Our "One HF Sinclair Culture" focuses on five key values – safety, integrity, teamwork, ownership and inclusion. These values influence our decisions, shape our behaviors and provide the opportunity for our employees to thrive. Safety is our first priority. We care about our people and have implemented policies and procedures designed to help them return home safely every day. We focus on integrity and doing the right thing. We champion a culture of teamwork and ownership by supporting each other and empowering employees to take action where they see a need or opportunity. Inclusion reflects our desire to foster a work environment in which employees feel valued and included in decisions, opportunities and challenges.

As of December 31, 2023, we had 5,218 employees located in the following geographies: 4,347 employees in the United States, 661 employees in Canada and 210 employees in Europe. As of December 31, 2023, 1,432 employees were covered by collective bargaining agreements. The current collective bargaining agreements have various expiration dates ranging between 2024 and 2026. We have experienced no material interruptions of operations due to disputes with our employees and management attempts to have and believes that we have positive working relationships with our local unions and their members.

Oversight

Our board of directors (the "Board of Directors") and Board of Directors committees provide oversight on our strategies and policies related to human capital management. Our Compensation Committee is responsible for periodically reviewing HF Sinclair's strategies, policies and practices regarding the promotion of employee diversity, equity and inclusion, talent and performance management, pay equity and employee engagement, as well as our executive succession planning. Our Nominating, Governance and Social Responsibility Committee oversees our policies and practices regarding human rights in our operations and supply chain. This process is designed to provide high level oversight of our strategies related to attracting, retaining and developing a workforce that aligns with our values and strategies.

Diversity & Inclusion

Our leadership is committed to attracting, retaining and developing a highly engaged, high-performing, diverse workforce and cultivating an inclusive workplace where all employees feel valued and have a sense of belonging. Of our total employees as of December 31, 2023, approximately 17% identified as female and approximately 83% identified as male. Approximately 22% of our total employees identified as Hispanic or Latino, Black or African American, Asian, American Indian or Alaskan Native, Native Hawaiian or Other Pacific Islander, or as two or more races or ethnicities. Veterans and reservists of the U.S. armed forces also represented approximately 6.5% of our U.S. workforce as of December 31, 2023.

Maintaining diversity and inclusion efforts is an organizational priority, and strategic oversight of our efforts is provided by our Compensation Committee. Our university recruiting team has partnered with various diversity and inclusion groups within universities to engage a diverse population of candidates from the student and alumni base. We held Inclusion and Diversity workshops throughout 2023 for frontline, senior and executive leadership roles. In addition, to help foster a culture of inclusion, we have five voluntary employee resource groups ("ERGs") open to all employees: Women in Energy, Veterans in Energy, Family Caregivers in Energy, Toastmasters in Energy and Cultural Awareness in Energy. Each of the ERGs focuses on developing talent at HF Sinclair by fostering relationships through education, networking and leadership development opportunities.

Health & Safety

The safety of our employees, contractors and communities is an overarching priority and fundamental to our operational success. We are grounded by our "Goal Zero" vision, which reflects our belief that safe production can be achieved each and every day. Our commitment to safety is embedded throughout our organization, from frontline employees and contractors to our executive leadership and Board of Directors. Our Operational Excellence Management System provides the framework through which we identify, monitor and reduce risks. Our Environmental, Health and Safety ("EHS") Leadership Council, comprised of company executives, including our CEO, business unit leaders and corporate safety specialists, sets EHS strategy and reviews performance. The Environmental, Health, Safety and Public Policy Committee of our Board of Directors provides board-level oversight of our strategies and performance in these areas.

In an effort to achieve Goal Zero, our employee and contractor safety education and training programs are conducted on an ongoing basis. We set specific goals for workplace safety and measure attainment of those goals. Over the past five years ended December 31, 2023, our Occupational Safety and Health Administration's ("OSHA") total recordable incident rate declined by 52%.

Total Rewards & Development

We believe that the health of our company is linked to the performance and health of our people. We want to inspire and empower our employees to feel confident in their long-term well-being and are committed to offering a comprehensive and competitive total rewards programs for our employees, as benchmarked against our peers. While our benefit offerings vary depending on each country's market practices, they are designed to support employee health, financial and emotional needs. Our offered benefits include comprehensive coverage for health care, a competitive retirement savings benefit, vacation and holiday time and other income protection and work life benefits. We also provide tools to help recognize and reward employee performance consistent with our One HF Sinclair Culture.

Consistent with our culture of ownership and growth, we offer training, development and engagement programs across every level of our organization to provide employees the opportunity to develop their career by enhancing skills and capabilities consistent with the needs of the business. Our suite of programs include: Accelerate, a curated collection of on-demand e-learning for all employees; Refine, interactive, instructor-led workshops focusing on professional development at any career level; Front Line Leadership Development, a series of leadership training for new and existing supervisors; Catalyst, a guided cohort of new leaders learning about leadership styles and executive presence; and Leading the HF Sinclair Way, a deep-dive for our senior leaders on leading through our cultural values and business objectives. We invested \$8.0 million in our employee training and development programs in fiscal 2023.

Community Outreach / Volunteerism

Being a good neighbor and engaged member of the communities in which we operate is important to us. In addition to supporting charitable organizations through financial contributions, throughout 2023, we were equally pleased to support our communities through in-kind giving. From filling backpacks with school essentials to helping prepare meals to planting trees, our employees showed up for their communities and dedicated volunteer efforts to a variety of organizations.

Governmental Regulation

Our operations are subject to international, federal, state, provincial and local laws and regulations regarding, among other things, the generation, storage, handling, use, transportation and distribution of petroleum and hazardous materials by pipeline, truck, rail, ship and barge, the emission and discharge of materials into the environment, waste management, characteristics and composition of gasoline and diesel fuels, and other matters otherwise relating to the protection of human health and the environment. Permits or other authorizations are required under these laws and regulations for the operation of our refineries, pipelines and other facilities, and these permits and authorizations are subject to revocation, modification and renewal or may require operational changes, which may involve significant costs. Our operations are also subject to various international and domestic laws and regulations relating to health and safety, and failure to appropriately manage health and safety risks associated with our business could adversely impact our employees, communities, stakeholders, reputation and results of operations.

A violation of permit conditions or a failure to comply with applicable laws and regulations may result in the assessment of sanctions, including administrative, civil and criminal penalties; the imposition of investigatory, remedial or corrective action obligations or the incurrence of capital expenditures; the occurrence of delays in the permitting, development or expansion of projects or facilities; the issuance of injunctive relief limiting or prohibiting certain operations; and reputational harm. There is also the potential for liability for spill response and remediation, natural resource damage claims, and personal and property damage claims if there were to be an oil spill at a facility located near federal, state or provincial waters or a release of hazardous or other substances into the environment.

Compliance with applicable environmental laws, regulations and permits or other authorizations and health and safety laws and regulations will continue to have an impact on our operations, the results of our operations and our capital expenditures.

Federal Transportation Rate Regulation - Some of our existing pipelines provide interstate transportation services subject to regulation by the Federal Energy Regulatory Commission (the "FERC") pursuant to the Interstate Commerce Act (the "ICA"). The ICA requires that the rates charged by these pipelines (referred to as "interstate liquids pipelines") must be just and reasonable. The ICA also prohibits interstate liquids pipelines from providing services in a manner that unduly discriminates against or confers undue preference upon any shipper. The ICA permits interested persons to challenge newly proposed or changed rates or rules and authorizes the FERC to suspend the effectiveness of such proposed rates or rules for a period of up to seven months, during which the FERC may investigate whether the proposed rate or rules are just and reasonable. Upon completion of an investigation, the FERC may require the interstate liquids pipeline to refund the revenues collected during the pendency of the investigation that are in excess of the amount the FERC determines to be just and reasonable, together with interest. The FERC also may investigate, upon complaint or on its own motion, rates that are already in effect and may order an interstate liquids pipeline to change its rates prospectively. Upon an appropriate showing, a shipper may obtain reparations (including interest) for damages sustained during the two years prior to the filing of a complaint.

As a general matter, interstate liquids pipelines may change their rates within prescribed ceiling levels that are tied to an inflation index that the FERC reviews every five years. Cost-of-service ratemaking, market-based rates and settlement rates are alternatives to the indexing approach and may be used in certain specified circumstances to change rates. When an interstate liquids pipeline adjusts its rates using the index methodology, shippers may challenge rate increases made within the ceiling levels. The FERC's regulations provide that a protest against an index rate increase must allege "reasonable grounds" that the index rate increase is "so substantially in excess of the actual cost increases incurred by the carrier that the rate is unjust and unreasonable."

The current five-year price index is subject to review in the United States Court of Appeals for the District of Columbia (the "D.C. Circuit"). In response to requests for rehearing of its December 2020 price index proposal, on January 20, 2022, the FERC established a revised price index for the five-year period commencing July 1, 2021 and ending June 30, 2026, in which interstate liquids pipelines charging indexed rates were permitted to adjust their index ceilings annually by Producer Price Index for Finished Goods ("PPI-FG") plus 0.21% (a decrease from the PPI-FG plus 0.78% proposed in December 2020). In early 2022, industry participants petitioned the D.C. Circuit to review the FERC's orders setting the price index. Oral argument in the case was held on October 25, 2023. The D.C. Circuit has not yet issued a decision. The D.C. Circuit's decision could result in a further change to the index and impact our rates set using the PPI-FG plus 0.21% price index.

We believe the transportation rates currently charged by our interstate liquids pipelines are in accordance with the ICA and applicable FERC regulations. However, due to the complexity of rate making, the lawfulness of any rate is never assured. Adverse decisions by the FERC related to our rates could adversely affect our revenue, financial position, results of operations, and cash flows. In addition, if any of our pipelines were found to have provided services or otherwise operated in violation of the ICA, this could result in the imposition of administrative and criminal remedies and civil penalties, as well as a requirement to disgorge charges collected for such services in excess of the rate established by the FERC. Any of the foregoing could adversely affect revenues and cash flow related to the affected assets.

State Transportation Rate Regulation - While the FERC regulates the rates for interstate shipments on our interstate liquids pipelines, the New Mexico Public Regulation Commission regulates the rates for intrastate shipments on our pipelines in New Mexico, the Texas Railroad Commission regulates the rates for intrastate shipments on our pipelines in Texas and the Oklahoma Corporation Commission regulates the rates for intrastate shipments on our pipelines in Oklahoma. Generally, these state agencies have not investigated the rates or practices of intrastate pipelines subject to their jurisdiction in the absence of shipper complaints. However, a state regulatory commission could investigate our rates if such a challenge were filed and any adverse decisions could adversely affect our revenue, financial position, results of operations, and cash flows.

Commodity Regulation - The Federal Trade Commission, the FERC, and the Commodity Futures Trading Commission hold statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to our physical sales of oil or other energy commodities, and any related hedging activities that we undertake, we are required to observe the market-related regulations enforced by these agencies, which hold substantial enforcement authority. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on our business, results of operations and financial condition.

Safety and Maintenance - Many of our pipelines are subject to regulation by the Pipeline and Hazardous Materials Safety Administration ("PHMSA") of the Department of Transportation ("DOT"). PHMSA has promulgated regulations governing, among other things, maximum operating pressures, pipeline patrols and leak surveys, control room management, valve spacing and rupture mitigation, spill response and emergency procedures, as well as other matters intended to prevent accidents and failures. Additionally, PHMSA has promulgated regulations requiring pipeline operators to develop and implement integrity management programs for certain pipelines that, in the event of a pipeline leak or rupture, could affect "high consequence areas", which are areas where a release could have the most significant adverse consequences, including certain population areas, certain drinking water sources and unusually sensitive ecological areas.

In addition, many states have adopted regulations similar to, or which go above and beyond, existing PHMSA regulations, for certain intrastate pipelines. For example, Texas has developed regulatory programs that largely parallel the federal regulatory scheme and impose additional requirements for certain pipelines. Furthermore, other related programs, such as the EPA's Risk Management Program and the OSHA's Process Safety Management ("PSM") standard apply to some of our terminals and associated facilities.

We perform preventive and normal maintenance on all of our pipeline and terminal systems and make repairs and replacements when necessary or appropriate. We also conduct routine and required inspections of our pipelines and other assets as required by regulations. Corrosion inhibitors, external coatings and impressed current cathodic protection systems are used to protect against internal and external corrosion. We regularly monitor, test and record the effectiveness of these corrosion-control systems. We monitor the structural integrity of covered segments of our pipeline systems through a program of periodic internal inspections using electronic "smart pigs", hydrostatic testing, or other measures. We follow these inspections with a review of the data, and we make repairs as necessary to maintain the integrity of the pipeline. We have initiated a risk-based approach to prioritizing the pipeline segments for future smart pig runs or other appropriate integrity testing methods. This approach is intended to allow the pipelines that have the greatest risk potential to receive the highest priority in being scheduled for inspections or pressure tests for integrity. Nonetheless, the adoption of new or amended regulations or the reinterpretation of existing laws and regulations by PHMSA or states that result in more stringent or costly pipeline integrity management or safety standards could possibly have a substantial effect on us and similarly situated midstream operators.

Maintenance facilities containing equipment for pipe repairs, spare parts, and trained response personnel are located along the pipelines. Employees participate in simulated spill response exercises on a regular basis. They also participate in actual spill response boom deployment exercises in planned spill scenarios in accordance with Oil Pollution Act of 1990 requirements.

At our terminals, tanks designed for gasoline storage are equipped with internal or external floating roofs that minimize emissions and prevent potentially flammable vapor accumulation between fluid levels and the roof of the tank. Our terminal facilities have facility response plans, spill prevention and control plans, and other plans and programs to respond to emergencies.

Many of our terminal loading racks are protected with water deluge systems activated by either heat sensors or an emergency switch. Several of our terminals are also protected by foam systems that are activated in case of fire. All of our terminals participate in a comprehensive environmental management program to assure compliance with applicable air, solid waste and wastewater regulations.

For further information on pipeline safety and regulatory requirements related to maintenance, see the discussion under our risk factor “ *We may incur significant costs and liabilities resulting from performance of pipeline integrity programs and related repairs*” in Item 1A – “Risk Factors.”

Air Regulations - Our operations are subject to certain requirements of the federal Clean Air Act (“CAA”) as well as related state and local laws and regulations, and similar laws in Canada and the Netherlands. Certain CAA regulatory programs (and similar programs in Canada) applicable to our facilities require capital expenditures for the installation of certain air pollution control devices, operational procedures and expenditures to minimize emissions and to prevent accidental releases of air pollutants, and monitoring and reporting of emissions. For example, implementation of the revised National Ambient Air Quality Standards (“NAAQS”) for ozone could result in stricter permitting requirements, a delay in or the inability to obtain such permits, and increased expenditures for pollution control equipment, the costs of which could be significant. Moreover, an EPA rule became effective in January 2018 that requires, among other things, benzene monitoring at the refinery fence line and submittal of fence line monitoring data to the EPA on a quarterly basis; upgraded storage tank controls requirements, including new applicability thresholds; enhanced performance requirements for flares, continuous monitoring of flares and pressure release devices, and analysis and remedy of flare release events; compliance with emissions standards for delayed coking units; and requirements related to air emissions resulting from startup, shutdown and maintenance events. These rules, as well as subsequent rulemaking under the CAA or similar laws in all jurisdictions in which we operate, or new agency interpretations of existing laws and regulations, may necessitate additional expenditures in future years and result in increased costs on our operations.

Fuel Quality Regulations - We are subject to the EPA’s regulations governing fuels and fuel additives used in motor vehicles, non-road equipment and airplanes. The EPA has the authority under the CAA to modify the formulation of the refined transportation fuel products we manufacture in order to limit the emissions associated with their final use. In February 2007, the EPA finalized MSAT2 regulations that impose reductions in the benzene content of our produced gasoline. In addition to reducing benzene concentration in our gasoline, our refineries currently purchase benzene credits to meet these requirements. If economically justified or otherwise determined to be beneficial, we may implement additional benzene reduction projects to eliminate or reduce the need to purchase benzene credits. Additionally, in April 2014, the EPA finalized the Tier 3 Motor Vehicle Emission and Fuel Standards, which require a reduction in annual average gasoline sulfur content from 30 parts per million (“ppm”) to 10 ppm. These requirements, other CAA requirements, and other presently existing or future environmental regulations may cause us to make substantial capital expenditures and purchase sulfur credits at significant cost to enable our refineries to produce fuels that meet the applicable requirements. Lastly, in December 2020, the EPA streamlined and consolidated its existing fuel quality regulations that apply across all gasoline and diesel fuel programs, also known as the EPA’s Fuels Regulatory Streamlining Rule at 40 CFR Part 1090. The streamlining rule is intended to improve overall compliance assurance and reduce compliance costs for the industry and the EPA, while maintaining environmental performance.

Pricing and Profits Reporting and Regulation - Some state governments have considered legislation that would require companies in the petroleum industry to report detailed market information (including supply, pricing and profit information) and would potentially impose penalties for profits deemed to be excessive. For example, in January 2024, Washington, House Bill 2232 (“HB 2232”) was introduced in the legislature, and as proposed, would establish extensive reporting requirements for companies, including refiners, seeking information such as volume, price, type, feedstock inputs, origin of petroleum receipts, imports and exports of finished petroleum products, blendstocks and ethanol, refinery outputs and refinery stocks, and finished product supply and distribution, among others. Additionally, HB 2232 would create a new division within the Washington Utilities and Transportation Commission charged with providing independent oversight and analysis of petroleum fuel markets. Although HB 2232 was not adopted by the Washington legislature, whether HB 2232 or similar legislation will be introduced and enacted in the future is unknown at this time. If legislation similar to HB 2232 is passed into law, such legislation could result in increased compliance costs and affect the results of our operations and financial position. Such laws and similar regulations could also increase our litigation risks or may increase risks related to our reputation or goodwill as we cannot predict how additional reporting under this law may be perceived or interpreted by our customers and stakeholders.

Renewable Fuel Standard - Pursuant to the Energy Independence and Security Act of 2007, and the EPA’s corresponding RFS regulations, most refiners are required to blend increasing amounts of biofuels with refined products or purchase RINs in lieu of blending. Under the RFS, the percentage of renewable fuels that refineries are obligated to blend into their finished petroleum

products is adjusted annually. In June 2023, the EPA finalized the RFS targets for 2023 through 2025, which set the annual renewable volume obligations ("RVOs") for conventional (i.e., corn ethanol) renewable fuel, biomass-based diesel, advanced biofuels and cellulosic biofuel. The targets increase RVOs in each of the concurrent years.

The EPA's implementation of the RFS has historically been subject to numerous court challenges. Lawsuits have been filed by the renewable fuel industry and refining industry challenging the EPA's decisions on small refinery exemptions. For additional information regarding risks relating to our small refinery exemptions, see the discussion under our risk factor "Compliance with, or developments with respect to, renewable and low carbon fuel blending programs, and other regulations, policies, and standards impacting the demand for low-carbon fuels could have an adverse effect on our financial condition and results of operations" in Item 1A – "Risk Factors." Legal challenges to the EPA's decision are ongoing. We cannot predict the outcome of these matters or whether they may result in increased RFS compliance costs. There also continues to be a shortage of advanced biofuel production resulting in increased difficulties meeting RFS mandates. As a result, we may be unable to blend sufficient quantities of renewable fuel to meet our requirements and, therefore, may have to purchase an increasing number of RINs. It is not possible at this time to predict with certainty what those volumes or costs may be, but given the potential increase in volumes and the volatile price of RINs, increases in RVOs could have an adverse impact on our results of operations.

Finally, while there is no current regulatory standard that authenticates RINs that may be purchased on the open market from third parties, we believe that the RINs we purchase are from reputable sources, are valid and serve to demonstrate compliance with applicable RFS requirements. However, if any of the RINs purchased by us on the open market are subsequently found by the EPA to be invalid, we could incur significant costs, penalties, or other liabilities in connection with replacing any invalid RINs and resolving any enforcement action brought by the EPA.

California Low Carbon Fuel Standard - Under California's Global Warming Solutions Act of 2006, the California Air Resources Board was required to undertake a statewide effort to reduce GHG emissions. One of the programs designed to help achieve those reductions is the LCFS program. The LCFS program is designed to reduce GHG emissions by decreasing the carbon intensity ("CI") of transportation fuels consumed in the state. Under this program, each fuel is assigned a CI value, which is intended to represent the GHG emissions associated with the feedstocks from which the fuel was produced, the fuel production and distribution activities, and the use of the finished fuel. Each producer or importer of fuel must demonstrate that the overall mix of fuels it supplies for use in California meets the CI benchmarks for each compliance period. A producer or importer with a fuel mix that is above the CI benchmark must purchase LCFS credits sufficient to meet the CI benchmark. Fuels produced by our Renewables segment have CI scores that are lower than traditional petroleum-based transportation fuels, and we benefit from the demand from other regulated entities for these low-carbon transportation fuels. California has proposed to amend the LCFS program, including strengthening CI targets from a 20% reduction to a 30% reduction by 2030, and adding a 5% CI benchmark stringency increase for 2025.

Oregon Clean Fuels Program - The Clean Fuels Program ("CFP") became effective in 2016 with the intended goal of reducing the CI of Oregon's transportation fuels by establishing annual standards that decrease over time. The baseline year for the program is 2015, and the standard for that year represents 10% ethanol blended with gasoline and 5% biodiesel blended with diesel. The CFP requires a 10% reduction in average CI from 2015 levels by 2025, followed by a 20% reduction by 2030, and a 37% reduction by 2035. Businesses that create fuels with a lower CI than the annual limit generate credits, while higher CI fuels create deficits. Credits and deficits are measured in metric tons of GHG emissions. CFP credits began to trade at the end of 2016, and the credit market has grown steadily in the subsequent years. We import transportation fuels produced at our Puget Sound Refinery into Oregon, and are thereby subject to the CFP, including, among other things, the requirement to purchase and retire CFP credits to offset the deficit created through our sale of gasoline and diesel fuel into Oregon.

Washington Clean Fuel Standard - The Clean Fuel Standard ("CFS") became effective on January 1, 2023, and similar to the low carbon fuel programs in California and Oregon, it is designed to decrease the CI of Washington's transportation fuels. The CFS requires a 20% reduction in average CI from 2017 levels by 2034. The CFS functions similar to its sister programs in California and Oregon. We sell gasoline and diesel fuel produced at our Puget Sound Refinery in Washington, and are thereby subject to the CFS, including, among other things, the requirement to purchase and retire CFS credits to offset the deficit created through our sale of gasoline and diesel fuel in Washington.

Other Low Carbon Fuel Standards - Many international, federal, state, provincial and local governments, including the state of New Mexico where our Navajo Refinery is located, have issued, or are considering issuing, low carbon fuel regulations, policies, and standards to reduce GHG emissions and increase the percentage of low-carbon fuels in the transportation fuel mix. While these regulations result in additional costs to our refining business, they have created opportunities to develop our renewables business, and should continue to help drive demand for our renewable diesel products. We believe that our ability to supply low-carbon fuels can play an important role in helping achieve GHG emissions reduction targets.

Blender's Tax Credit Incentives - The U.S. federal government has enacted tax incentives to encourage the production of low-carbon fuels and/or reduce GHG emissions. For example, Section 6426 of the Internal Revenue Code of 1986, as amended (the "Code"), provides a tax credit (generally referred to as the blender's tax credit) to blenders of certain renewable fuels to encourage the production and blending of those fuels with traditional petroleum-based transportation fuels. Only blenders that have produced a mixture and either sold or used the fuel mixture as fuel are eligible for the blender's tax credit. The renewable diesel produced by our Renewables segment is a liquid fuel derived from biomass that meets the EPA's fuel registration requirements; therefore, renewable diesel that we produce and blend qualifies for this refundable tax credit of one dollar per gallon. The Inflation Reduction Act of 2022 extended this credit through December 31, 2024, but there is no certainty that this legislation authorizing the credit or the amount of the credit will not be revised or extended.

Oregon and Washington Carbon Cap & Trade Programs - In March 2020, the Governor of Oregon signed Executive Order 20-04 (the "Executive Order"), directing state agencies to take actions to reduce and regulate GHG emissions and consider climate change in agency planning. The Executive Order directed the Oregon Environmental Quality Commission ("OEQC") and the Oregon Department of Environmental Quality ("ODEQ") to take a variety of actions, including the development of a new program to limit GHG emissions from large stationary sources, transportation fuels, and other liquid and gaseous fuels. In August 2021, ODEQ published a notice of proposed rulemaking with the draft emissions cap and reduction rules for the Climate Protection Program (the "CPP"). The OEQC considered and adopted final CPP rules in December 2021, which became effective January 1, 2022. Using a 1990 baseline, the CPP includes GHG reduction goals of 50% by 2035 and 90% by 2050. Our subsidiary, HF Sinclair Refining & Marketing LLC, presumably became subject to the CPP rules in the second quarter of 2022 due to its sale of transportation fuel over the rack in Oregon primarily from the Puget Sound Refinery. As a presumed covered fuel supplier under the CPP rules at that time, HF Sinclair Refining & Marketing LLC submitted a CPP permit application to ODEQ in February 2023 and is purportedly required to acquire, and then surrender, compliance instruments (corresponding to each metric ton of CO₂ equivalents imported/sold into Oregon) starting in calendar year 2025 (i.e., at the end of the first three-year compliance period, which runs from 2022 to 2024), and for each three-year compliance period thereafter to demonstrate compliance with the CPP rules. Further, the CPP rules were amended in November 2023 to provide, among other changes, a one-year lookback for purposes of calculating compliance instrument obligations. However, the authority of OEQC to adopt the CPP rules was challenged in litigation, including in a lawsuit filed in March 2022 by the Western States Petroleum Association and others. In December 2023, the Court of Appeals of Oregon issued an order in that lawsuit declaring the 2021 CPP rules "invalid" (based on ODEQ's failure to strictly follow administrative notice requirements at the time of rule adoption). On January 22, 2024, ODEQ announced that it does not intend to appeal the Court of Appeals of Oregon's decision, but instead will proceed with a new rulemaking to re-adopt the CPP rules (under a public process that typically takes about 12 months). It is unclear whether the new rules will address any prior fuel imports or prior distributions of compliance instruments. More legal challenges to the underlying authority of ODEQ to adopt such rules may also be brought. Accordingly, we will closely monitor the Oregon CPP rulemaking process to determine future compliance obligations. In 2021, the State of Washington enacted its own Climate Commitment Act ("CCA"), which establishes a comprehensive cap-and-invest program that provides an overall limit for GHG emissions from major sources in the state that begins on January 1, 2023 and declines yearly to 95% below 1990 levels by 2050. As the operator of the Puget Sound Refinery, our subsidiary HF Sinclair Puget Sound Refining LLC, and as a covered fuel supplier, our subsidiary HF Sinclair Refining & Marketing LLC, must obtain an allowance for each ton of covered CO₂e emissions. An initiative to repeal the CCA has been filed in Washington. If the Washington legislature does not choose to adopt the initiative into law, it will be placed on the November 2024 ballot. Because both programs are in a state of flux, it is too early to predict the financial and operational impact of the CPP and CCA on our business.

Climate Change - In recent years, various legislative and regulatory measures to address climate change and GHG emissions (including carbon dioxide, methane and nitrous oxides) have been discussed or implemented. They include proposed and enacted federal regulation and state actions to develop statewide, regional or nationwide programs designed to control and reduce GHG emissions from stationary sources, such as our refineries, as well as power plants, mobile transportation sources and fuels. Measures to date have included but are not limited to cap and trade programs, carbon taxes, vehicle efficiency standards, electric vehicle mandates, combustion engine phaseouts, LCFS and renewable fuel requirements. Although it is not possible to predict the requirements of any GHG legislation that may be enacted, any laws or regulations that may be adopted to restrict or reduce GHG emissions will likely require us to incur increased operating and capital costs.

The EPA has previously issued two rules (the "Clean Power Plan" and the "Affordable Clean Energy Rule") to reduce carbon dioxide emissions from coal-fired power plants, both of which have been invalidated by courts. In May 2023, the EPA proposed a replacement rule, and we do not expect such a rule will directly affect our operations. However, to the extent the EPA fully implements rules that imposes higher costs on electricity generating units, it could result in increased power costs for our refineries in future years. Furthermore, the EPA could propose to apply similar regulations to other facilities, including refineries, in the future.

EPA rules require us to report GHG emissions from our refinery operations and consumer use of fuel products produced at our refineries on an annual basis. While the cost of compliance with the reporting rule is not material, data gathered under these rules may be used in the future to support additional regulation of GHG emissions. Moreover, the EPA directly regulates GHG emissions from refineries and other major sources through the Prevention of Significant Deterioration ("PSD") and Federal Operating Permit programs and may require Best Available Control Technology ("BACT") for GHG emissions above a certain threshold if emissions of other pollutants would otherwise require PSD permitting. While this does not impose any limits or controls on GHG emissions from current operations, future projects or operational changes that increase GHG emissions, such as capacity increases, may be subject to emission limits or technological requirements pertaining to GHG emissions, such as BACT.

In March 2022, the SEC issued proposed rules that, if adopted, would require public companies to include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks, climate-related financial statement metrics, and GHG emissions. Additionally, states are also considering their own climate accounting and risk and disclosure rules, independent of the SEC. For example, in October 2023, California enacted new laws requiring additional disclosure with respect to climate-related risks and GHG emissions reduction claims for certain companies doing business in the state. In November 2022, the Biden Administration issued a proposed rule that would require government contractors to publicly disclose their GHG emissions and set "science based" emissions reduction targets, which generally do not allow for the use of carbon offsets, that align with the goals of the Paris Agreement, which could affect us as a government contractor and/or through our contractual and business arrangements with government contractors.

Stakeholder concerns about climate change could also adversely affect demand for the refined petroleum products that we produce. Recently, certain financial institutions, funds and other sources of capital have made pledges to reduce GHGs in their lending portfolios, leading some to restrict or eliminate their investment in oil and natural gas activities. There is also a risk that future government regulations could require financial institutions to adopt policies that have the effect of reducing the funding provided to or investments in the fossil fuel sector altogether or unless certain climate-related standards are met. Ultimately, this could make it more difficult or costly to secure funding for exploration and production activities and result in decreased production of oil, which indirectly could have an adverse impact on our operations.

Climatic events in the areas in which we operate, whether from climate change or otherwise, can cause disruptions and in some cases delays in our production activities or ability to deliver our products to our customers. These events, including, but not limited to, drought, winter storms, wildfire, extreme temperatures, tornados, extreme precipitation or flooding, may become more intense or more frequent as a result of climate change and could have an adverse effect on our continued operations as well as the operations of our suppliers and customers. Additionally, changing meteorological conditions, particularly temperature, may result in changes to demand for our products. Our customers or suppliers may also be subject to similar risks, any of which may adversely impact our business, financial condition, or operations.

The Biden Administration has adopted an "all of government" approach to climate change in which the federal government would use not only its regulatory and enforcement authority but also its policy and purchasing power to encourage investment and use of renewable energy sources and to otherwise impede and reduce fossil fuel use and GHG emissions. This approach may include elements that could directly or indirectly result in decreased demand for transportation fuel and could have an adverse impact on our operations. For example, in 2021, President Biden issued several executive orders that committed to substantial action on climate change and called for, among other things, the increased use of zero-emission vehicles by the federal government, the elimination of subsidies provided to the fossil fuel industry, and increased emphasis on climate-related risks across governmental agencies and economic sectors. In 2021, the EPA announced its intent to reconsider and revise rules related to the oil and gas sector (primarily oil production and natural gas production, distribution and storage) to further reduce GHG emissions, and, on December 2, 2023, the EPA announced the promulgation of a final rule that expands on the 2021 proposal and significantly limits methane and other emissions from certain oil and natural gas operations. This new rule could increase the cost of domestic crude oil and natural gas. In addition, the EPA, together with the DOT, implemented GHG emission and corporate average fuel economy standards for vehicles manufactured in the United States, which standards have been revised from time-to-time to impose increasingly stringent requirements for emissions reductions. The EPA and DOT proposed regulations again in August and December 2023 to make certain of those requirements more stringent for future model year vehicles. President Biden also reinstated the Interagency Working Group on the Social Cost of Greenhouse Gases in 2021 and directed the group to publish interim estimates of the social cost of carbon dioxide, nitrous oxide, and methane, with a view to using such estimates in federal rulemakings on GHG emissions, which it did. In November 2022, the EPA published a draft report assigning new and higher social cost values to GHG emissions for use in its rulemaking initiatives. In September 2023, the Biden Administration directed federal agencies to begin considering the social cost of GHG emissions in procurement processes and environmental reviews under the National Environmental Policy Act.

Internationally, the United Nations-sponsored Paris Agreement requires member countries to submit non-binding, individually determined emissions reduction goals every five years after 2020. The United States initially joined and then withdrew from such agreement in 2020. In 2021, the United States rejoined the Paris Agreement and issued its corresponding “nationally determined contribution” (“NDC”) to reduce economy-wide net GHG emissions to 50-52% below 2005 levels by 2030. While the NDC does not identify specific actions necessary to achieve these reductions, it lists several sectors as pathways for reductions, including the power, transportation, building, industrial, and agricultural sectors. The Biden Administration has acknowledged a combination of regulatory actions and legislation will be necessary to achieve the U.S. NDC. In regards to legislation, in November 2021, the United States enacted a nearly \$1 trillion bipartisan infrastructure law, which provided significant funding for electric vehicles and clean energy technologies, and in August 2022 the United States enacted the Inflation Reduction Act of 2022, which allocated \$369 billion to climate change and environmental initiatives, including transportation electrification, fees on and greater regulation of methane emissions, and support for green energy manufacturing programs. Certain of these initiatives are subject to ongoing litigation, and the impacts of these laws and orders, and the terms of any legislation or regulation to implement the United States’ commitment under the Paris Agreement, remain unclear at this time.

In the Netherlands and Canada, increased attention to climate change has led to changes in laws and to new laws, such as the Climate Act (Netherlands) and the Canadian Net-Zero Emissions Accountability Act, and has also led to increased frequency of climate change lawsuits. Additionally, the EU has promulgated environmental, social and governance (“ESG”) reporting requirements under the EU’s Corporate Sustainability Reporting Directive (“CSRD”), which requires in-scope companies to disclose extensive sustainability information, including disclosing risks and opportunities arising from environmental and social matters, and the impact of their business on people and the environment. Certain of our subsidiaries are expected to have to begin reporting from 2026 onward for financial years beginning on January 1, 2025. Ultimate parent companies that are not incorporated in the EU, such as HF Sinclair, may be required to report under CSRD from 2029 onward for financial years beginning on or after January 1, 2028. CSRD and similar laws and regulations could result in increased compliance costs and affect the results of our operations and financial position. Such laws and similar regulations could also increase our litigation risks or may increase risks related to our reputation or goodwill as we cannot predict how additional reporting under these laws may be perceived or interpreted by our customers and stakeholders.

Water Discharges - Our operations are also subject to the Federal Clean Water Act (“CWA”), the Federal Safe Drinking Water Act (“SDWA”) and comparable state and local requirements, as well as similar laws in Canada and the Netherlands. The CWA, the SDWA and analogous laws prohibit any discharge into surface waters, ground waters, injection wells and publicly-owned treatment works except in conformance with legal authorization, such as pre-treatment permits and National Pollutant Discharge Elimination System (“NPDES”) permits, issued by federal, state and local governmental agencies. The EPA commenced a study from 2015-2017 related to the discharges of metals and dioxin from petroleum refining operations and wastewater discharges from refineries in connection with the consideration of new effluent limitation guidelines that would be incorporated into refinery sector NPDES permits. To date, the EPA has not proposed any new effluent limitation guidelines applicable to our operations, but future rulemakings related to this issue could require us to incur increased costs related to the treatment of wastewater resulting from our operations.

The CWA also regulates filling or discharges to wetlands and other “waters of the United States,” including certain wetlands. The Biden Administration issued a new rule effective in March 2023 that significantly expanded CWA jurisdiction relative to a prior June 2020 rule that is now largely rescinded. This new rule is being challenged in federal court. Shortly after the Biden Administration issued the new rule, the United States Supreme Court issued a decision in *Sackett v. Environmental Protection Agency* that reduced the scope of waters and wetlands subject to federal jurisdiction. In September 2023, the EPA and the U.S. Army Corps of Engineers revised the regulatory definition of “waters of the United States” to incorporate the Supreme Court’s *Sackett* decision. Legal challenges to the January 2023 rulemaking, as revised by the September 2023 rulemaking, are proceeding, creating uncertainty as to the final regulatory definition. Further, some states either have changed or are contemplating changes to their own laws in order to regulate waters and wetlands that were previously subject to federal regulation.

Hazardous Substances and Wastes - We generate wastes that may be subject to the Resource Conservation and Recovery Act and comparable state and local requirements, as well as similar laws in Canada and the Netherlands. The EPA and various state agencies have limited the approved methods of disposal for certain hazardous and non-hazardous wastes. Although the EPA is currently working on several rulemakings that could impact how our refineries manage various waste streams, it does not appear that these rules will significantly impact our refineries.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund," imposes strict, and under certain circumstances, joint and several liability on certain classes of persons who are considered to be responsible for the cost of cleaning up hazardous substances that have been released into the environment and for damages to natural resources. These persons include current and former owners or operators of property where a release has occurred, and any persons who disposed of, or arranged for the transport or disposal of, hazardous substances at the property. In the course of our historical operations, as well as in our current operations, we have generated waste, some of which falls within the statutory definition of a "hazardous substance" and some of which may have been disposed of at sites that may be subject to cleanup and cost recovery actions under CERCLA in the future. Similarly, locations now owned or operated by us, where third parties have disposed such hazardous substances in the past, may also be subject to cleanup and cost recovery actions under CERCLA. Some states have enacted laws similar to CERCLA which impose similar responsibilities and liabilities on responsible parties. It is also not uncommon for neighboring landowners and other third parties to file claims under state law for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. Many states also have similar liability regimes that impose strict and potentially joint and several liability for releases into the environment.

Emerging Contaminants - Various regulators are considering regulation of so-called emerging contaminants, including for example a proposal by the EPA in August 2022 to list two per- and polyfluoroalkyl substances ("PFAS") as CERCLA hazardous substances. In 2023, the EPA undertook several other regulatory actions related to PFAS chemicals, including, among others, updates to the EPA's Toxics Release Inventory ("TRI") program to remove an exemption for reporting PFAS and included PFAS exposure as a new enforcement priority for fiscal years 2024-2027. The EPA has also added seven additional PFAS to the list of chemicals covered by TRI reporting. We cannot predict the impact of future regulation of presently unregulated substances, but the prospect of such regulation creates additional uncertainty.

Oil Pollution Liability - The Oil Pollution Act of 1990 ("OPA") and regulations thereunder generally subject owners and operators of facilities to strict, joint and several liability for all containment and cleanup costs, natural resource damages, and potential governmental oversight costs arising from oil spills into the waters of the U.S. The OPA also imposes ongoing requirements on a responsible party, including the preparation of oil spill response plans and proof of financial responsibility to cover environmental cleanup and restoration costs that could be incurred in connection with an oil spill. Likewise, the CWA contains provisions that also impose similar liabilities for oil spills, and regulations under the CWA imposed prevention and response planning requirements applicable to many of our facilities. These liability regimes, as well as the rules under the OPA and CWA, or new agency interpretations of existing laws and regulations, may necessitate additional expenditures in future years and result in increased costs of our operations.

Other Environmental Regulations - Our Canadian assets and operations are also required to comply with various Canadian federal, provincial and municipal regulations. The regulations are in many cases conceptually similar to those described above for our U.S. operations. The principal legislation affecting our Canadian operations is the Canadian Environmental Protection Act, the Fisheries Act, the Greenhouse Gas Pollution Pricing Act and their regulations at a federal level and various provincial statutes and regulations such as the Ontario Environmental Protection Act, the Ontario Occupational Health and Safety Act and the Ontario Water Resources Act. All these laws contain broad prohibitions against causing harm to air, land, water, people or any other living organism and in many cases contain detailed prescriptive rules governing many aspects of our operations. Regulatory trends towards more stringent emission requirements and operating controls are expected to continue at federal, provincial and local levels.

Additionally, our assets and operations in the Netherlands are required to comply with Dutch regulations that are similar to, and in some cases more stringent than, those described above for our U.S. operations. The statutes to which our Dutch assets and operations are subject include the Environmental Protection Act, the Activities Decree, the Environmental Licensing (General Provisions) Act, the Water Act, the Soil Protection Act, the Major Accidents (Risks) Decree, the Climate Act, the European Birds and Habitats Directive implemented in the Nature Conservation Act, and other subordinate decrees and regulations relative to environmental control, permitting and enforcement. A large legislative operation was developed that will lead to the integration of all environmental laws in one, being the Environment and Planning Act, which entered into force on January 1, 2024. Generally, these regulations create a system of environmental permits covering the most significant emissions to water, air and soil, as well as other environmental impacts. The Netherlands also participates in certain broader European legal initiatives, including GHG cap and trade programs. Additionally, in December 2019, the High Council of the Netherlands upheld a court order for the government of the Netherlands to reduce the country's GHG emissions by 25% (compared to 1990) by 2020, and in January 2020, the Climate Act came into force, with (on the basis of the latest amendments following European law) the goal of significantly reducing GHG emissions by 55% (compared to 1990) by 2030, achieving climate neutrality by 2050 and striving for negative GHG emissions after 2050. Furthermore, the target is that 100% of the electricity production will be CO₂ neutral in 2050.

Enforcement and Litigation Proceedings - We are and have been the subject of various local, state, provincial, federal and private proceedings and inquiries relating to compliance with environmental laws and regulations and conditions. These matters include statutory and regulatory programs related to soil and water discharges and contamination, air pollution, pipeline safety and integrity, and GHG emissions, as well as personal injury and property damage allegedly caused by substances that we manufactured, handled, used, released or disposed. We currently have environmental remediation projects that relate to recovery, treatment and monitoring activities resulting from past releases of refined product and crude oil into the environment. As of December 31, 2023, we had an accrual of \$195.4 million related to such environmental liabilities.

Compliance with current and future environmental regulations is expected to require additional expenditures, including expenditures for investigation and remediation, which may be significant. To the extent that future expenditures for these purposes are material and can be reasonably determined, these costs are disclosed and accrued, if applicable.

Safety and Accident Prevention - Our operations are subject to various laws and regulations relating to health and safety, including the OSHA, comparable state statutes, Canadian regulations applicable to our operations in Canada and Dutch regulations, including the Health and Safety Act and other subordinate decrees and regulations, applicable to our operations in the Netherlands. We maintain a comprehensive safety program, including mechanical integrity and safety-related maintenance programs and training, to comply with all applicable laws and regulations to protect the safety of our workers and the public. Some of our operations are also subject to OSHA PSM regulations and the EPA's CAA Risk Management Plan ("RMP") regulations, both of which are designed to prevent or minimize chemical accidents and any resulting releases of toxic, reactive, flammable or explosive chemicals. In January 2017, the EPA revised the RMP requirements for incident investigation and accident history reporting, emergency preparedness, and the performance of process hazard analyses and third-party compliance audits. Some of the revised requirements have not yet become effective, and the EPA issued a final rule in December 2019 that rescinded several of the requirements of the 2017 rule. That rescission was challenged in court, but the case has not proceeded because the EPA proposed a further RMP amendment in August 2022 that would reverse much of the 2019 rescission, with some modifications, and add provisions for employee participation, community engagement, and additional accident prevention requirements. Among those revisions is a proposal to require refineries with HF alkylation processes to perform a "safer technology and alternatives analysis" as part of the process hazard analysis to consider and document the practicality of inherently safer technologies and other risk management measures. Also in January 2017, OSHA announced changes to its National Emphasis Program, which specifically identified oil refineries as facilities for increased inspections and instructed inspectors to use data gathered from EPA RMP inspections to identify refiners for additional PSM inspections. Compliance with applicable state and federal health and safety laws and regulations, as well as environmental regulations, has required, and continues to require, substantial expenditures.

Environmental, health and safety legislation, regulations and regulatory programs change frequently. We cannot predict what additional environmental, health and safety legislation or regulations will be enacted or become effective in the future or how existing or future laws or regulations will be administered or interpreted with respect to our operations. Compliance with more stringent laws or regulations or adverse changes in the interpretation of existing laws or regulations by government agencies could have an adverse effect on our financial position and the results of our operations and could require substantial expenditures for the installation and operation of systems and equipment that we do not currently possess.

Insurance

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

PART II

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Item 7 contains "forward-looking" statements. See "Forward-Looking Statements" at the beginning of this Annual Report on Form 10-K. In this document, the words "we," "our," "ours" and "us" refer only to HF Sinclair and its consolidated subsidiaries or to HF Sinclair or an individual subsidiary and not to any other person with certain exceptions. References herein to HF Sinclair "we," "our," "ours" and "us" with respect to time periods prior to March 14, 2022 refer to HollyFrontier and its consolidated subsidiaries and do not include the Acquired Sinclair Businesses. References herein to HF Sinclair "we," "our," "ours," and "us" with respect to time periods from and after March 14, 2022 include the operations of the Acquired Sinclair Businesses. Unless otherwise specified, the financial statements included herein include financial information for HF Sinclair, which for the time period from March 14, 2022 to December 31, 2023 includes the combined business operations of HollyFrontier and the Acquired Sinclair Businesses. References herein to HEP with respect to time periods prior to the closing of the HEP Merger Transaction on December 1, 2023 refers to HEP and its consolidated subsidiaries.

OVERVIEW

We are an independent energy company that produces and markets high-value light products such as gasoline, diesel fuel, jet fuel, renewable diesel and other specialty products. We own and operate refineries located in Kansas, Oklahoma, New Mexico, Wyoming, Washington and Utah. We provide petroleum product and crude oil transportation, terminalling, storage and throughput services to our refineries and the petroleum industry. We market our refined products principally in the Southwest United States, the Rocky Mountains extending into the Pacific Northwest and in other neighboring Plains states, and we supply high-quality fuels to more than 1,500 branded stations and license the use of the Sinclair brand at more than 300 additional locations throughout the country. We produce renewable diesel at two of our facilities in Wyoming and our facility in New Mexico. In addition, our subsidiaries produce and market base oils and other specialized lubricants in the United States, Canada and the Netherlands, and export products to more than 80 countries.

Market Developments

For the year ended December 31, 2023, net income attributable to HF Sinclair stockholders was \$1,589.7 million compared to \$2,922.7 million and \$558.3 million for the years ended December 31, 2022, and 2021, respectively. Gross refining margin per produced barrel sold in our Refining segment for 2023 decreased 20% over the year ended December 31, 2022.

Our results for the year ended December 31, 2023 were favorably impacted by healthy demand for transportation fuels, lubricants and transportation and terminal services and constrained refined product supply. We continue to adjust our operational plans to evolving market conditions. The extent to which our future results are affected by volatile regional and global economic conditions will depend on various factors and consequences beyond our control.

In the Refining segment, we saw healthy refining margins in both the West and Mid-Continent regions in 2023 as a result of steady demand and tight supply during the period. We completed a significant number of planned turnarounds during the year ended December 31, 2023. These turnarounds have provided us with the opportunity to execute maintenance strategies focused on improving operational reliability. For the first quarter of 2024, we expect to run between 585,000 – 615,000 barrels per day of crude oil. This guidance reflects planned maintenance activities at our Puget Sound Refinery during the first quarter. Refined product margins are expected to be impacted by typical seasonal weakness in gasoline.

In the Renewables segment, we continued to optimize the operation of our assets during 2023. For the first quarter of 2024, we expect continued weakening in RINs and LCFS prices to impact margins, and we will continue to focus on the economic optimization of our assets.

In the Marketing segment, we continued to see strong value in the Sinclair brand during 2023 as the marketing business continued to provide a consistent sales channel with margin uplift for our produced fuels. We continue to target 5% or more annual growth in the number of sites.

In the Lubricants & Specialties segment, effective the first quarter of 2023, management views the segment as an integrated business of processing feedstocks into base oils and processing base oils into finished lubricant products along with the packaging, distribution and sales to customers. During 2023, despite weakening base oil prices during the period, we continued to see strong performance (excluding FIFO) driven by sales mix optimization across our finished products portfolio.

In the Midstream segment, 2023 was favorably impacted by our refining activity.

In August 2023, our Board of Directors authorized a new \$1.0 billion share repurchase program, and we expect to repurchase shares in the first quarter of 2024. On February 14, 2024, our Board of Directors announced that it declared a regular quarterly dividend in the amount of \$0.50 per share, an increase of \$0.05 over our previous dividend of \$0.45 per share. The dividend is payable on March 5, 2024 to holders of record of common stock on February 26, 2024.

HEP Merger Transaction

On December 1, 2023, pursuant to the Agreement and Plan of Merger, dated as of August 15, 2023 (the "Merger Agreement"), by and among HEP, HF Sinclair, Navajo Pipeline Co., L.P., a Delaware limited partnership and an indirect wholly owned subsidiary of HF Sinclair ("HoldCo"), Holly Apple Holdings LLC, a Delaware limited liability company and a wholly owned subsidiary of HoldCo ("Merger Sub"), HEP Logistics Holdings, L.P., a Delaware limited partnership and the general partner of HEP ("HLH"), and Holly Logistic Services, L.L.C., a Delaware limited liability company and the general partner of HLH, Merger Sub merged with and into HEP, with HEP surviving as an indirect, wholly owned subsidiary of HF Sinclair (the "HEP Merger Transaction").

Under the terms of the Merger Agreement, each outstanding common unit representing a limited partner interest in HEP (an "HEP common unit"), other than the HEP common units already owned by HF Sinclair and its subsidiaries, was converted into the right to receive 0.315 shares of HF Sinclair common stock and \$4.00 in cash, without interest. The Merger Agreement consideration totaled \$267.6 million in cash and resulted in the issuance of 21,072,326 shares of HF Sinclair common stock from treasury stock.

For a description of our existing indebtedness, as well as the changes thereto associated with the HEP Merger Transaction, see Note 13 "Debt" in the Notes to Consolidated Financial Statements.

Sinclair Acquisition

On March 14, 2022, HollyFrontier and HEP announced the establishment of HF Sinclair as the new parent holding company of HollyFrontier and HEP and their subsidiaries, and the completion of their respective acquisitions (the "Sinclair Transactions") of Sinclair Oil Corporation (now known as Sinclair Oil LLC, "Sinclair Oil") and Sinclair Transportation Company LLC ("STC") from The Sinclair Companies (now known as REH Company and referred to herein as "REH Company").

HF Sinclair acquired REH Company's refining, branded marketing, renewables, and midstream businesses. The branded marketing business supplies high-quality fuels to Sinclair branded stations and licenses the use of the Sinclair brand to additional locations throughout the United States. The renewables business includes the operation of a renewable diesel unit located in Sinclair, Wyoming. The refining business includes two Rocky Mountains-based refineries located in Casper, Wyoming and Sinclair, Wyoming. Under the terms of that certain Contribution Agreement as amended on March 14, 2022 (the "Contribution Agreement"), HEP acquired STC, REH Company's integrated crude and refined products pipelines and terminal assets, including approximately 1,200 miles of integrated crude and refined product pipeline supporting the Sinclair refineries and third parties, eight product terminals and two crude terminals with approximately 4.5 million barrels of operated storage. In addition, HEP acquired STC's interests in three pipeline joint ventures for crude gathering and product offtake including: Saddle Butte Pipeline III, LLC (at the time of closing, 25.06% and currently, a 25.12% non-operated interest); Pioneer Investments Corp. (49.995% non-operated interest); and UNEV Pipeline, LLC ("UNEV") (the 25% non-operated interest not already owned by HEP, resulting in UNEV becoming a wholly owned subsidiary of HEP).

See Note 2 "Acquisitions" in the Notes to Consolidated Financial Statements for additional information.

Puget Sound Refinery Acquisition

On May 4, 2021, HollyFrontier Puget Sound Refining LLC (now known as HF Sinclair Puget Sound Refining LLC), a wholly owned subsidiary of HollyFrontier, entered into a sale and purchase agreement with Equilon Enterprises LLC d/b/a Shell Oil Products US ("Shell") to acquire the Puget Sound Refinery. The acquisition closed on November 1, 2021.

Renewable Fuel Standard Regulations

Pursuant to the 2007 Energy Independence and Security Act, the EPA promulgated the RFS regulations, which increased the volume of renewable fuels mandated to be blended into the nation's fuel supply. The regulations, in part, require refiners to add annually increasing amounts of "renewable fuels" to their petroleum products or purchase credits, known as RINs, in lieu of such blending. Compliance with RFS regulations significantly increases our cost of products sold, with RINs costs totaling \$790.8 million for the year ended December 31, 2023.

Under the RFS regulations, the EPA is required to set annual volume targets of renewable fuels that obligated parties, such as us, must blend into petroleum-based transportation fuels consumed in the United States. These volume requirements are used to determine an obligated party's renewable volume obligation ("RVO"). The EPA released a final rule on June 3, 2022 that, among other things, reduced the volume targets for 2020 and established targets for 2021 and 2022. In 2020, we recognized the cost of the RVO using the 2020 volume targets set by the EPA at that time, and in 2021 and the three months ended March 31, 2022, we recognized the cost of the RVO using our estimates. As a result of the final rule released by the EPA on June 3, 2022 as noted above, we recognized a benefit of \$72.0 million in the year ended December 31, 2022 related to the modification of the 2020 and 2021 volume targets. In June 2023, the EPA established the targets for 2023 through 2025, which increase RVOs in each of the concurrent years.

A more detailed discussion of our financial and operating results for the years ended December 31, 2023 and 2022 is presented in the following sections. Discussions of year-over-year comparisons for 2022 and 2021 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022.

RESULTS OF OPERATIONS

Financial Data

	Years Ended December 31,		
	2023	2022	2021
(In thousands, except per share data)			
Sales and other revenues	\$ 31,964,395	\$ 38,204,839	\$ 18,389,142
Operating costs and expenses:			
Cost of products sold (exclusive of depreciation and amortization):			
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	25,784,449	30,680,013	15,567,052
Lower of cost or market inventory valuation adjustment	270,419	52,412	(310,123)
	26,054,868	30,732,425	15,256,929
Operating expenses (exclusive of depreciation and amortization)	2,438,148	2,334,893	1,517,478
Selling, general and administrative expenses (exclusive of depreciation and amortization)	498,240	426,485	362,010
Depreciation and amortization	770,573	656,787	503,539
Total operating costs and expenses	29,761,829	34,150,590	17,639,956
Income from operations	2,202,566	4,054,249	749,186
Other income (expense):			
Earnings (loss) of equity method investments	17,369	(260)	12,432
Interest income	93,468	30,179	4,019
Interest expense	(190,796)	(175,628)	(125,175)
Gain on business interruption insurance settlement	—	15,202	—
Gain on tariff settlement	—	—	51,500
Gain on early extinguishment of debt	—	604	—
Gain (loss) on foreign currency transactions	2,530	(1,637)	(2,938)
Gain on sale of assets and other	27,370	13,337	98,128
	(50,059)	(118,203)	37,966
Income before income taxes	2,152,507	3,936,046	787,152
Income tax expense	441,612	894,872	123,898
Net income	1,710,895	3,041,174	663,254
Less net income attributable to noncontrolling interest	121,229	118,506	104,930
Net income attributable to HF Sinclair stockholders	\$ 1,589,666	\$ 2,922,668	\$ 558,324
Earnings per share:			
Basic	\$ 8.29	\$ 14.28	\$ 3.39
Diluted	\$ 8.29	\$ 14.28	\$ 3.39
Cash dividends declared per common share	\$ 1.80	\$ 1.20	\$ 0.35
Average number of common shares outstanding:			
Basic	190,035	202,566	162,569
Diluted	190,035	202,566	162,569

Other Financial Data

	Years Ended December 31,		
	2023	2022	2021
(In thousands)			
Net cash provided by operating activities	\$ 2,297,235	\$ 3,777,159	\$ 406,682
Net cash used for investing activities	\$ (371,323)	\$ (774,488)	\$ (1,327,219)
Net cash used for financing activities	\$ (2,243,882)	\$ (1,560,759)	\$ (211,803)
Capital expenditures	\$ 385,413	\$ 524,007	\$ 813,409
EBITDA ⁽¹⁾	\$ 2,899,179	\$ 4,619,776	\$ 1,306,917

- (1) Earnings before interest, taxes, depreciation and amortization, which we refer to as "EBITDA," is calculated as net income attributable to HF Sinclair stockholders plus (i) income tax provision, (ii) interest expense, net of interest income and (iii) depreciation and amortization. EBITDA is not a calculation provided for under GAAP; however, the amounts included in the EBITDA calculation are derived from amounts included on our consolidated financial statements. EBITDA should not be considered as an alternative to net income or operating income as an indication of our operating performance or as an alternative to operating cash flow as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures of other companies. EBITDA is presented here because it is a widely used financial indicator used by investors and analysts to measure performance. EBITDA is also used by our management for internal analysis and as a basis for financial covenants. EBITDA presented above is reconciled to net income under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 7A of Part II of this Annual Report on Form 10-K.

Supplemental Segment Operating Data

Our operations are organized into five reportable segments, Refining, Renewables, Marketing, Lubricants & Specialties and Midstream. See Note 20 "Segment Information" in the Notes to Consolidated Financial Statements for additional information on our reportable segments.

Refining Segment Operating Data

The disaggregation of our refining geographic operating data is presented in two regions, Mid-Continent and West, to best reflect the economic drivers of our refining operations. The Mid-Continent region is comprised of the El Dorado and Tulsa Refineries. The West region is comprised of the Puget Sound, Navajo, Woods Cross, Parco and Casper Refineries. The Puget Sound Refinery was acquired November 1, 2021, and thus is included for the period November 1, 2021 through December 31, 2023. In addition, the refinery operations of the Parco and Casper Refineries are included for the period March 14, 2022 (date of acquisition) through December 31, 2023. The following tables set forth information, including non-GAAP performance measures, about our consolidated refinery operations. The refinery gross and net operating margins do not include lower of cost or market inventory valuation adjustments and depreciation and amortization. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 7A of Part II of this Annual Report on Form 10-K.

	Years Ended December 31,		
	2023	2022 ⁽⁸⁾	2021 ⁽⁹⁾
Mid-Continent Region			
Crude charge (BPD) ⁽¹⁾	237,510	283,160	260,350
Refinery throughput (BPD) ⁽²⁾	256,810	299,380	276,430
Sales of produced refined products (BPD) ⁽³⁾	248,330	280,800	265,470
Refinery utilization ⁽⁴⁾	91.4 %	108.9 %	100.1 %
Average per produced barrel sold ⁽⁵⁾			
Refinery gross margin	\$ 17.31	\$ 21.82	\$ 9.40
Refinery operating expenses ⁽⁶⁾	6.92	6.10	6.32
Net operating margin	\$ 10.39	\$ 15.72	\$ 3.08
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 6.69	\$ 5.72	\$ 6.07
Feedstocks:			
Sweet crude oil	56 %	58 %	61 %
Sour crude oil	20 %	20 %	15 %
Heavy sour crude oil	16 %	16 %	18 %
Other feedstocks and blends	8 %	6 %	6 %
Total	100 %	100 %	100 %

	Years Ended December 31,		
	2023	2022 ⁽⁸⁾	2021 ⁽⁹⁾
Mid-Continent Region			
Sales of refined products:			
Gasolines	51 %	51 %	52 %
Diesel fuels	30 %	33 %	33 %
Jet fuels	6 %	6 %	5 %
Fuel oil	1 %	1 %	1 %
Asphalt	4 %	3 %	3 %
Base oils	4 %	4 %	4 %
LPG and other	4 %	2 %	2 %
Total	100 %	100 %	100 %
West Region			
Crude charge (BPD) ⁽¹⁾	330,030	323,820	140,370
Refinery throughput (BPD) ⁽²⁾	360,200	347,590	155,440
Sales of produced refined products (BPD) ⁽³⁾	353,950	347,540	158,630
Refinery utilization ⁽⁴⁾	79.0 %	81.4 %	82.7 %
Average per produced barrel sold ⁽⁵⁾			
Refinery gross margin	\$ 23.69	\$ 30.16	\$ 13.06
Refinery operating expenses ⁽⁶⁾	9.69	8.96	7.35
Net operating margin	\$ 14.00	\$ 21.20	\$ 5.71
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 9.53	\$ 8.96	\$ 8.43
Feedstocks:			
Sweet crude oil	30 %	28 %	22 %
Sour crude oil	45 %	50 %	58 %
Heavy sour crude oil	11 %	10 %	1 %
Black wax crude oil	6 %	5 %	10 %
Other feedstocks and blends	8 %	7 %	9 %
Total	100 %	100 %	100 %
Sales of refined products:			
Gasolines	54 %	53 %	54 %
Diesel fuels	31 %	32 %	35 %
Jet fuels	6 %	5 %	1 %
Fuel oil	2 %	3 %	3 %
Asphalt	2 %	3 %	4 %
LPG and other	5 %	4 %	3 %
Total	100 %	100 %	100 %
Consolidated			
Crude charge (BPD) ⁽¹⁾	567,540	606,980	400,720
Refinery throughput (BPD) ⁽²⁾	617,010	646,970	431,870
Sales of produced refined products (BPD) ⁽³⁾	602,280	628,340	424,100
Refinery utilization ⁽⁴⁾	83.7 %	92.3 %	93.1 %
Average per produced barrel ⁽⁵⁾			
Refinery gross margin	\$ 21.06	\$ 26.43	\$ 10.77
Refinery operating expenses ⁽⁶⁾	8.55	7.68	6.71
Net operating margin	\$ 12.51	\$ 18.75	\$ 4.06
Refinery operating expenses per throughput barrel ⁽⁷⁾	\$ 8.35	\$ 7.46	\$ 6.59

	Years Ended December 31,		
	2023	2022 ⁽⁸⁾	2021 ⁽⁹⁾
Consolidated			
Feedstocks:			
Sweet crude oil	42 %	42 %	47 %
Sour crude oil	34 %	36 %	31 %
Heavy sour crude oil	13 %	13 %	12 %
Black wax crude oil	3 %	3 %	4 %
Other feedstocks and blends	8 %	6 %	6 %
Total	100 %	100 %	100 %
Sales of refined products:			
Gasolines	53 %	52 %	53 %
Diesel fuels	30 %	32 %	34 %
Jet fuels	6 %	6 %	4 %
Fuel oil	1 %	2 %	1 %
Asphalt	3 %	3 %	3 %
Base oils	2 %	2 %	2 %
LPG and other	5 %	3 %	3 %
Total	100 %	100 %	100 %

- (1) Crude charge represents the barrels per day of crude oil processed at our refineries.
- (2) Refinery throughput represents the barrels per day of crude and other refinery feedstocks input to the crude units and other conversion units at our refineries.
- (3) Represents barrels sold of refined products produced at our refineries (including Asphalt and inter-segment sales) and does not include volumes of refined products purchased for resale or volumes of excess crude oil sold.
- (4) Represents crude charge divided by total crude capacity (BPSD). As a result of our acquisition of the Puget Sound Refinery on November 1, 2021, our consolidated crude capacity increased from 405,000 BPSD at December 31, 2020 to 554,000 BPSD at December 31, 2021, and further increased to 678,000 BPSD at December 31, 2022 as a result of our acquisition of the Parco and Casper Refineries on March 14, 2022.
- (5) Represents average amount per produced barrel sold, which is a non-GAAP measure. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 7A of Part II of this Annual Report on Form 10-K.
- (6) Represents total Mid-Continent and West regions operating expenses, exclusive of depreciation and amortization, divided by sales volumes of refined products produced at our refineries.
- (7) Represents total Mid-Continent and West regions operating expenses, exclusive of depreciation and amortization, divided by refinery throughput.
- (8) We acquired the Parco and Casper Refineries on March 14, 2022. Refining operating data for the year ended December 31, 2022 includes crude oil and feedstocks processed and refined products sold at our Parco and Casper Refineries for the period March 14, 2022 through December 31, 2022 only, averaged over the 365 days in the year ended December 31, 2022.
- (9) We acquired the Puget Sound Refinery on November 1, 2021. Refining operating data for the year ended December 31, 2021 includes crude oil and feedstocks processed and refined products sold at our Puget Sound Refinery for the period November 1, 2021 through December 31, 2021 only, averaged over the 365 days in the year ended December 31, 2021.

Renewables Operating Data

The following table sets forth information, including non-GAAP performance measures, about our renewables operations and includes our Wyoming renewable diesel unit acquired as part of the Sinclair Transactions for the period March 14, 2022 (the date of acquisition) through December 31, 2023. The renewables gross and net operating margins do not include the non-cash effects of lower of cost or market inventory valuation adjustments and depreciation and amortization. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 7A of Part II of this Annual Report on Form 10-K.

	Years Ended December 31,	
	2023	2022
Renewables		
Sales volumes (in thousand gallons)	215,510	136,204
Average per produced gallon ⁽¹⁾		
Renewables gross margin	\$ 0.50	\$ 0.30
Renewables operating expenses ⁽²⁾	0.51	0.82
Net operating margin	\$ (0.01)	\$ (0.52)

- (1) Represents average amount per produced gallon sold, which is a non-GAAP measure. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 7A of Part II of this Annual Report on Form 10-K.
- (2) Represents total Renewables segment operating expenses, exclusive of depreciation and amortization, divided by sales volumes of renewable diesel produced at our renewable diesel units.

Marketing Operating Data

The following table sets forth information, including non-GAAP performance measures, about our marketing operations and includes our Sinclair branded fuel business for the period March 14, 2022 (the date of acquisition) through December 31, 2023. The marketing gross margin does not include the non-cash effects of depreciation and amortization. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 7A of Part II of this Annual Report on Form 10-K.

	Years Ended December 31,	
	2023	2022
Marketing		
Number of branded sites at period end ⁽¹⁾	1,540	1,513
Sales volumes (in thousand gallons)	1,441,607	1,118,444
Margin per gallon of sales ⁽²⁾	\$ 0.07	\$ 0.06

- (1) Includes non-Sinclair branded sites from legacy HollyFrontier agreements.
- (2) Represents average amount per gallon sold, which is a non-GAAP measure. Reconciliations to amounts reported under GAAP are provided under "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 7A of Part II of this Annual Report on Form 10-K.

Lubricants & Specialties Segment Operating Data

The following table sets forth information about our lubricants and specialties operations.

	Years Ended December 31,		
	2023	2022	2021
Lubricants & Specialties			
Sales of produced barrels sold (BPD)	30,210	32,530	34,016
Sales of produced refined products:			
Finished products	50 %	51 %	51 %
Base oils	27 %	28 %	27 %
Other	23 %	21 %	22 %
Total	100 %	100 %	100 %

Effective the first quarter of 2023, management views the Lubricants & Specialties segment as an integrated business of processing feedstocks into base oils and processing base oils into finished lubricant products along with the packaging, distribution and sales to customers.

Midstream Segment Operating Data

The following table sets forth information about our midstream operations.

	Years Ended December 31,		
	2023	2022	2021
Midstream			
Volumes (BPD)			
Pipelines:			
Affiliates—refined product pipelines	152,462	143,303	108,767
Affiliates—intermediate pipelines	110,720	129,295	125,225
Affiliates—crude pipelines	437,586	456,797	279,514
	700,768	729,395	513,506
Third parties—refined product pipelines	38,834	38,000	49,356
Third parties—crude pipelines	197,659	144,478	129,084
	937,261	911,873	691,946
Terminals and loading racks:			
Affiliates	728,128	560,038	391,698
Third parties	42,567	38,211	51,184
	770,695	598,249	442,882
Total for pipelines and terminals (BPD)	1,707,956	1,510,122	1,134,828

Results of Operations - Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Summary

Net income attributable to HF Sinclair stockholders for the year ended December 31, 2023 was \$1,589.7 million (\$8.29 per basic and diluted share), a \$1,333.0 million decrease compared to net income of \$2,922.7 million (\$14.28 per basic and diluted share) for the year ended December 31, 2022. The decrease in net income was principally driven by lower refinery gross margins and lower refined product sales volumes. Lower of cost or market inventory reserve adjustments decreased pre-tax earnings by \$270.4 million and \$52.4 million for the years ended December 31, 2023 and 2022, respectively. Refinery gross margins for the year ended December 31, 2023 decreased to \$21.06 per produced barrel sold from \$26.43 for the year ended December 31, 2022.

Sales and Other Revenues

Sales and other revenues decreased 16% from \$38,204.8 million for the year ended December 31, 2022 to \$31,964.4 million for the year ended December 31, 2023, principally due to decreased refined product sales prices and lower refined product sales volumes. Sales and other revenues included \$4,146.3 million, \$2,762.8 million and \$781.3 million in unaffiliated revenues related to our Marketing, Lubricants & Specialties and Renewables segments, respectively, for the year ended December 31, 2023. Sales and other revenues included \$3,911.9 million, \$3,149.1 million and \$654.9 million in unaffiliated revenues related to our Marketing, Lubricants & Specialties and Renewables segments, respectively, for the year ended December 31, 2022.

Cost of Products Sold

Total cost of products sold decreased 15% from \$30,732.4 million for the year ended December 31, 2022 to \$26,054.9 million for the year ended December 31, 2023, principally due to lower crude oil costs and lower refined product sales volumes. During the years ended December 31, 2023 and 2022, we recognized a lower of cost or market inventory valuation adjustment charge of \$270.4 million and \$52.4 million, respectively. Within our Lubricants & Specialties segment, FIFO impact was a charge of \$13.4 million for the year ended December 31, 2023 and a benefit of \$77.6 million for the year ended December 31, 2022.

Gross Refinery Margins

Gross refinery margin per barrel sold decreased 20% from \$26.43 for the year ended December 31, 2022 to \$21.06 for the year ended December 31, 2023. The decrease was due to lower average per barrel sold sales prices, partially offset by lower crude oil and feedstock prices. Gross refinery margin per barrel does not include the non-cash effects of lower of cost or market inventory valuation adjustments or depreciation and amortization. See "Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles" following Item 7A of Part II of this Annual Report on Form 10-K for a reconciliation to the income statement of sale prices of products sold and cost of products purchased.

Operating Expenses

Operating expenses, exclusive of depreciation and amortization, increased 4% from \$2,334.9 million for the year ended December 31, 2022 to \$2,438.1 million for the year ended December 31, 2023, primarily due to increased maintenance activities and our acquisition of the Acquired Sinclair Businesses, partially offset by lower natural gas costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 17% from \$426.5 million for the year ended December 31, 2022 to \$498.2 million for the year ended December 31, 2023, primarily due to higher costs related to information technology, other professional services and employee costs as compared to the prior period and our acquisition of the Acquired Sinclair Businesses, partially offset by a decrease in acquisition integration and regulatory costs. We incurred \$39.4 million and \$52.9 million in acquisition integration and regulatory costs during the years ended December 31, 2023 and 2022, respectively.

Depreciation and Amortization Expenses

Depreciation and amortization increased 17% from \$656.8 million for the year ended December 31, 2022 to \$770.6 million for the year ended December 31, 2023. This increase was principally due to depreciation and amortization attributable to capitalized turnaround costs, capitalized improvement projects and the Acquired Sinclair Businesses.

Earnings (Loss) of Equity Method Investments

For the year ended December 31, 2023, we recorded net earnings of \$17.4 million of equity method investments as compared to a net loss of \$0.3 million for the year ended December 31, 2022. Net loss during the year ended December 31, 2022 was primarily due to HEP's 50% share of incurred and estimated environmental remediation and recovery expenses, net of insurance proceeds received to date, for the Osage Pipeline. In July 2022, the Osage Pipeline, which carries crude oil from Cushing, Oklahoma to El Dorado, Kansas, suffered a release of crude oil. The pipeline resumed operations during the third quarter of 2022.

Interest Income

Interest income was \$93.5 million for the year ended December 31, 2023 compared to \$30.2 million for the year ended December 31, 2022. The increase in interest income was primarily due to the increase in the average cash balance and higher interest rates on cash investments.

Interest Expense

Interest expense was \$190.8 million for the year ended December 31, 2023 compared to \$175.6 million for the year ended December 31, 2022. This increase was primarily due to the April 2022 issuance of \$400 million in aggregate principal amount of 6.375% senior notes maturing in April 2027 and higher market interest rates on HEP's revolving credit facility during the year ended December 31, 2023.

Gain on Business Interruption Insurance Settlement

During the year ended December 31, 2022, we recorded a gain of \$15.2 million from a settlement of our business interruption claim related to winter storm Uri that occurred in the first quarter of 2021.

Gain on Early Extinguishment of Debt

For the year ended December 31, 2022, we recorded a \$0.6 million gain on the extinguishment of debt related to our open market repurchase of \$42.2 million in principal of our \$350 million aggregate principal amount of our 2.625% senior notes maturing October 2023 at a cost of \$41.4 million.

Gain (loss) on Foreign Currency Transactions

Remeasurement adjustments resulting from the foreign currency conversion of the intercompany financing notes payable by PCLI net of mark-to-market valuations on foreign exchange forward contracts with banks which hedge the foreign currency exposure on these intercompany notes was a gain of \$2.5 million for the year ended December 31, 2023 compared to a loss of \$1.6 million for the year ended December 31, 2022. For the years ended December 31, 2023 and 2022, gain (loss) on foreign currency transactions included a loss of \$7.4 million and a gain of \$27.8 million, respectively, on foreign exchange forward contracts (utilized as an economic hedge).

Gain on Sale of Assets and Other

For the year ended December 31, 2023, we recorded a \$15.0 million gain from the settlement of a preservation of property claim related to winter storm Uri that occurred in the first quarter of 2021.

Income Taxes

For the year ended December 31, 2023, we recorded an income tax expense of \$441.6 million compared to \$894.9 million for the year ended December 31, 2022. This decrease was principally due to lower pre-tax income during the year ended December 31, 2023 compared to the year ended December 31, 2022. Our effective tax rates were 20.5% and 22.7% for the years ended December 31, 2023 and 2022, respectively. The year-over-year decrease in the effective tax rate is principally due to the relationship between the pre-tax results and the earnings attributable to the noncontrolling interest that is not included in income for tax purposes and other non-taxable permanent differences.

LIQUIDITY AND CAPITAL RESOURCES

HF Sinclair Credit Agreement

We have a \$1.65 billion senior unsecured revolving credit facility maturing in April 2026 (the "HF Sinclair Credit Agreement"). The HF Sinclair Credit Agreement may be used for revolving credit loans and letters of credit from time to time and is available to fund general corporate purposes. At December 31, 2023, we were in compliance with all covenants, had no outstanding borrowings and had outstanding letters of credit totaling \$0.3 million under the HF Sinclair Credit Agreement.

HEP Credit Agreement

Through our wholly owned subsidiary, HEP, we have a \$1.2 billion senior secured revolving credit facility maturing in July 2025 (the "HEP Credit Agreement"). The HEP Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments, working capital and for general partnership purposes. It is also available to fund letters of credit up to a \$50 million sub-limit and has an accordion feature that allows us to increase the commitments under the HEP Credit Agreement up to a maximum amount of \$1.7 billion.

In connection with the consummation of the HEP Merger Transaction, we amended the HEP Credit Agreement to, among other things, (a) provide a guaranty from us and terminated all guaranties from subsidiaries of HEP, (b) amend the definition of "Investment Grade Rating" (as defined in the HEP Credit Agreement) to reference the credit rating of our senior unsecured indebtedness, (c) eliminate the requirement to deliver separate audited and unaudited financial statements for HEP and its subsidiaries and only provide certain segment-level reporting for HEP with any compliance certificate delivered in accordance with the HEP Credit Agreement and (d) amend certain covenants to eliminate certain restrictions on (i) amendments to intercompany contracts, (ii) transactions with us and our subsidiaries and (iii) investments in and contributions, dividends, transfers and distributions to us and our subsidiaries.

During the year ended December 31, 2023, HEP had net repayments of \$212.5 million under the HEP Credit Agreement. At December 31, 2023, we were in compliance with all of its covenants, had outstanding borrowings of \$455.5 million and no outstanding letters of credit under the HEP Credit Agreement.

HF Sinclair Senior Notes and HEP Senior Notes Exchange

In October 2023, we repaid at maturity our \$59.637 million aggregate principal amount HollyFrontier 2.625% senior notes maturing October 2023 (the "HollyFrontier 2.625% Senior Notes") and \$248.190 million aggregate principal amount HF Sinclair 2.625% senior notes maturing October 2023 (the "HF Sinclair 2.625% Senior Notes").

On December 4, 2023, we completed our offers to exchange any and all outstanding HEP 5.000% senior notes maturing February 2028 (the "HEP 5.000% Senior Notes") and HEP 6.375% senior notes maturing April 2027 (the "HEP 6.375% Senior Notes") (and, collectively, the "HEP Senior Notes") for HF Sinclair 5.000% senior notes maturing February 2028 (the "HF Sinclair 5.000% Senior Notes") and HF Sinclair 6.375% senior notes maturing April 2027 (the "HF Sinclair 6.375% Senior Notes") (and, collectively, the "New HF Sinclair Senior Notes") to be issued by HF Sinclair with registration rights and cash. In connection with the exchange offers, HEP amended the indenture governing the HEP Senior Notes to eliminate (i) substantially all of the restrictive covenants, (ii) certain of the events which may lead to an "Event of Default," (iii) the SEC reporting covenant and (iv) the requirement of HEP to offer to purchase the HEP Senior Notes upon a change of control.

The New HF Sinclair Senior Notes are unsecured and unsubordinated obligations of ours and rank equally with all our other existing and future unsecured and unsubordinated indebtedness. Each series of the New HF Sinclair Senior Notes has the same interest rate, interest payment dates, maturity date and redemption terms as the corresponding series of HEP Senior Notes. The New HF Sinclair Senior Notes were issued in exchange for the HEP Senior Notes pursuant to a private exchange offer exempt from registration under the Securities Act of 1933, as amended. This exchange was part of a broader corporate strategy, including the HEP Merger Transaction, which closed on December 1, 2023.

HF Sinclair Financing Arrangements

Certain of our wholly owned subsidiaries entered into financing arrangements whereby such subsidiaries sold a portion of their precious metals catalyst to a financial institution and then leased back the precious metals catalyst in exchange for cash. The volume of the precious metals catalyst and the lease rate are fixed over the term of each lease, and the lease payments are recorded as interest expense. The current leases mature in one year or less. Upon maturity, we must either satisfy the obligation at fair market value or refinance to extend the maturity.

HF Sinclair may, from time to time, issue letters of credit pursuant to uncommitted letters of credit facilities with its lenders. At December 31, 2023, there were no letters of credit outstanding under such facilities.

See Note 13 "Debt" in the Notes to Consolidated Financial Statements for additional information on our debt instruments.

Liquidity

We believe our current cash and cash equivalents, along with future internally generated cash flow and funds available under our credit facilities, will provide sufficient resources to fund currently planned capital projects and our liquidity needs for the foreseeable future. We expect that, to the extent necessary, we can raise additional funds from time to time through equity or debt financings in the public and private capital markets. Further, we may from time to time seek to retire some or all of our outstanding debt or debt agreements through cash purchases, and/or exchanges, open market purchases, privately negotiated transactions, tender offers or otherwise. Such transactions, if any, may be material and will depend on prevailing market conditions, our liquidity requirements and other factors. In addition, components of our long-term growth strategy include the optimization of existing units at our facilities and selective acquisition of complementary assets for our operations intended to increase earnings and cash flow. We also expect to use cash for payment of cash dividends, which are at the discretion of our Board of Directors, and for the repurchase of common stock under our share repurchase program.

Our liquidity was approximately \$3.75 billion at December 31, 2023, consisting of cash and cash equivalents of \$1.35 billion, a n undrawn \$1.65 billion credit facility under the HF Sinclair Credit Agreement and \$744.5 million remaining availability under the HEP Credit Agreement.

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

In September 2022, our Board of Directors approved a \$1.0 billion share repurchase program (the "September 2022 Share Repurchase Program"), which replaced all existing share repurchase programs at that time, authorizing us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company were also authorized under the September 2022 Share Repurchase Program, subject to REH Company's interest in selling its shares and other limitations. As of August 15, 2023, we had repurchased \$995.0 million under the September 2022 Share Repurchase Program.

On August 15, 2023, our Board of Directors approved a new \$1.0 billion share repurchase program (the "August 2023 Share Repurchase Program"), which replaced all existing share repurchase programs, including the \$5.0 million remaining authorization under the September 2022 Share Repurchase Program. The August 2023 Share Repurchase Program authorizes us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company are also authorized under the August 2023 Share Repurchase Program, subject to REH Company's interest in selling its shares and other limitations. The timing and amount of share repurchases, including those from REH Company, will depend on market conditions and corporate, tax, regulatory and other relevant considerations. In addition, we are authorized by our Board of Directors to repurchase shares in an amount sufficient to offset shares issued under our compensation programs. The August 2023 Share Repurchase Program may be discontinued at any time by our Board of Directors.

During the year ended December 31, 2023, we made open market and privately negotiated purchases of 18,779,880 shares for \$974.5 million under our share repurchase programs, of which 15,515,302 shares were repurchased for \$810.6 million pursuant to privately negotiated repurchases from REH Company. As of December 31, 2023, we had remaining authorization to repurchase up to \$676.4 million under the August 2023 Share Repurchase Program.

On January 3, 2024, we repurchased 454,380 shares of our outstanding common stock from REH Company in a privately negotiated transaction under the August 2023 Share Repurchase Program and pursuant to the Stock Purchase Agreement, dated January 3, 2024 (the "January Stock Purchase Agreement"), between us and REH Company. The price paid by us under the January Stock Purchase Agreement was \$55.02 per share resulting in an aggregate purchase price of \$25.0 million. The purchase price was funded with cash on hand.

On February 8, 2024, we repurchased 1,061,946 shares of our outstanding common stock from REH Company in a privately negotiated transaction under the August 2023 Share Repurchase Program and pursuant to the Stock Purchase Agreement, dated February 8, 2024 (the "February Stock Purchase Agreement"), between us and REH Company. The price paid by us under the February Stock Purchase Agreement was \$56.50 per share resulting in an aggregate purchase price of \$60.0 million. The purchase price was funded with cash on hand. As of February 15, 2024, we had remaining authorization to repurchase up to \$591.4 million under the August 2023 Share Repurchase Program.

Cash Flows – Operating Activities

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Net cash flows provided by operating activities were \$2,297.2 million for the year ended December 31, 2023 compared to \$3,777.2 million for the year ended December 31, 2022, a decrease of \$1,479.9 million primarily driven by lower income from operations combined with higher turnaround spend during the year ended December 31, 2023. Changes in working capital decreased operating cash flows by \$119.1 million and increased operating cash flows by \$28.7 million for the years ended December 31, 2023 and 2022, respectively. Additionally, for the year ended December 31, 2023, turnaround expenditures were \$555.7 million compared to \$144.8 million for the year ended December 31, 2022.

Cash Flows – Investing Activities and Planned Capital Expenditures

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

For the year ended December 31, 2023, our net cash flows used for investing activities were \$371.3 million. Cash expenditures for properties, plants and equipment for the year ended December 31, 2023 were \$385.4 million for the year ended December 31, 2023.

For the year ended December 31, 2022, our net cash flows used for investing activities were \$774.5 million. On March 14, 2022, we closed the Sinclair Transactions for cash consideration of \$251.4 million. The remainder of the purchase consideration was funded with the issuance of HF Sinclair common stock and HEP common units. See Note 2 "Acquisitions" in the Notes to Consolidated Financial Statements for additional information on the Sinclair Transactions. Cash expenditures for properties, plants and equipment for the year ended December 31, 2022 were \$524.0 million, which included HEP capital expenditures of \$39.0 million for the year ended December 31, 2022.

Each year our Board of Directors approves our annual capital budget which includes specific projects that management is authorized to undertake. When conditions warrant or as new opportunities arise, additional projects may be approved. The funds appropriated for a particular capital project may be expended over a period of several years, depending on the time required to complete the project. Therefore, our planned capital expenditures for a given year consist of expenditures appropriated in that year's capital budget plus expenditures for projects appropriated in prior years which have not yet been completed. Refinery turnaround spending is amortized over the useful life of the turnaround.

The refining industry is capital intensive and requires on-going investments to sustain our refining operations. This includes replacement of, or rebuilding, refinery units and components that extend the useful life. We also invest in projects that improve operational reliability and profitability via enhancements that improve refinery processing capabilities as well as production yield and flexibility. Our capital expenditures also include projects related to renewable diesel, environmental, health and safety compliance and include initiatives as a result of federal and state mandates.

Our refinery operations and related emissions are highly regulated at both federal and state levels, and we invest in our facilities as needed to remain in compliance with these standards. Additionally, when faced with new emissions or fuels standards, we seek to execute projects that facilitate compliance and also improve the operating costs and / or yields of associated refining processes.

Expected capital and turnaround cash spending for 2024 is as follows:

	Expected Cash Spending	
	(In millions)	
HF Sinclair		
Refining	\$ 235.0	
Renewables	5.0	
Lubricants & Specialties	40.0	
Marketing	10.0	
Midstream	30.0	
Corporate	65.0	
Turnarounds and catalyst	415.0	
Total sustaining	800.0	
Growth capital	75.0	
Total capital	<u><u>\$ 875.0</u></u>	

Cash Flows – Financing Activities

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

For the year ended December 31, 2023, our net cash flows used for financing activities were \$2,243.9 million. During the year ended December 31, 2023, we purchased \$999.3 million of treasury stock, paid \$340.7 million in dividends, paid \$307.8 million upon the maturity of our HF Sinclair 2.625% Senior Notes and HollyFrontier 2.625% Senior Notes, paid \$267.6 million as cash consideration in connection with the HEP Merger Transaction and had net repayments of \$212.5 million under the HEP Credit Agreement.

For the year ended December 31, 2022, our net cash flows used for financing activities were \$1,560.8 million. During the year ended December 31, 2022, we purchased \$1,371.7 million of treasury stock, paid \$255.9 million in dividends and paid \$41.4 million to extinguish \$42.2 million in principal of the HF Sinclair 2.625% Senior Notes and HollyFrontier 2.625% Senior Notes. During the year ended December 31, 2022, HEP received \$400.0 million in proceeds from the issuance of the HEP 6.375% Senior Notes, had net repayments of \$172.0 million under the HEP Credit Agreement and paid distributions of \$96.2 million to noncontrolling interests.

Contractual Obligations and Commitments

The following table presents our long-term contractual obligations as of December 31, 2023 in total and by period due beginning in 2024.

Contractual Obligations and Commitments	Total	Payments Due by Period			
		2024	2025 & 2026	2027 & 2028	Thereafter
(In thousands)					
HF Sinclair Corporation					
Long-term debt - principal ⁽¹⁾	\$ 2,755,500	\$ —	\$ 1,455,500	\$ 900,000	\$ 400,000
Long-term debt - interest ⁽¹⁾	490,770	159,500	229,250	70,520	31,500
Financing arrangements ⁽²⁾	37,043	37,043	—	—	—
Supply agreements ⁽³⁾	987,658	541,729	435,072	9,038	1,819
Transportation and storage agreements ⁽⁴⁾	2,173,435	237,534	444,719	411,226	1,079,956
Operating and finance leases ⁽⁵⁾	563,919	133,381	141,768	78,250	210,520
Other long-term obligations	179,368	45,412	49,179	22,148	62,629
Total	\$ 7,187,693	\$ 1,154,599	\$ 2,755,488	\$ 1,491,182	\$ 1,786,424

(1) See Note 13 "Debt" in the Notes to Consolidated Financial Statements for a description of our outstanding debt.

(2) We have financing arrangements related to the sale and subsequent lease-back of certain of our precious metals.

(3) We have long-term supply agreements to secure certain quantities of crude oil, feedstock and other resources used in the production process at market prices. We have estimated future payments under these fixed-quantity agreements expiring between 2024 and 2028 using current market rates.

(4) Consists of contractual obligations under agreements with third parties for the transportation of crude oil, natural gas and feedstocks to our refineries and for terminal and storage services under contracts expiring between 2024 and 2038.

(5) Operating and finance lease obligations include options to extend terms that are reasonably certain of being exercised.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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. We consider the following 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. For additional information, see Note 1 "Description of Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements.

Goodwill and Long-lived Assets

As of December 31, 2023, our goodwill balance was \$3.0 billion, with goodwill assigned to our Refining, Renewables, Marketing, Lubricants & Specialties and Midstream segments. Goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired and liabilities assumed. Goodwill is not subject to amortization and is tested annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our goodwill impairment testing first entails either a quantitative assessment or an optional qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that based on the qualitative factors that it is more likely than not that the carrying value of the reporting unit is greater than its fair value, a quantitative test is performed in which we estimate the fair value of the related reporting unit. If the carrying amount of a reporting unit exceeds its fair value, the goodwill of that reporting unit is impaired, and we measure goodwill impairment as the excess of the carrying amount of reporting unit over the related fair value.

We performed our annual goodwill impairment testing quantitatively as of July 1, 2023 and determined there was no impairment of goodwill attributable to our reporting units. The estimated fair values of our reporting units were derived using a combination of income and market approaches. The income approach reflects expected future cash flows based on estimated forecasted production levels, selling prices, gross margins, operating costs and capital expenditures. Our market approaches include both the guideline public company and guideline transaction methods. Both methods utilize pricing multiples derived from historical market transactions of other like-kind assets. The excess of the fair values of the reporting units over their respective carrying values ranged from 23% to 91%. Increasing the discount rate by 1.0% or reducing the terminal cash flow growth rate by 1.0% would not have changed the results of our annual goodwill testing.

In performing our impairment test of goodwill, we developed cash flow forecasts for each of our reporting units. Significant judgment is involved in performing these fair value estimates since the results are based on forecasted financial information. The cash flow forecasts include significant assumptions such as planned utilization, end-user demand, selling prices, gross margins, operating costs and capital expenditures. Another key assumption applied to these forecasts to determine the fair value of a reporting unit is the discount rate. The discount rate is intended to reflect the weighted average cost of capital for a market participant and the risks associated with the realization of the estimated future cash flows. Our fair value estimates are based on projected cash flows, which we believe to be reasonable.

We continually monitor and evaluate various factors for potential indicators of goodwill and long-lived asset impairment. A reasonable expectation exists that further deterioration in our operating results or overall economic conditions could result in an impairment of goodwill and / or long-lived asset impairments at some point in the future. Future impairment charges could be material to our results of operations and financial condition.

Contingencies

We are subject to proceedings, lawsuits and other claims related to environmental, labor, product and other matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

RISK MANAGEMENT

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

Commodity Price Risk Management

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

Foreign Currency Risk Management

We are exposed to market risk related to the volatility in foreign currency exchange rates. We periodically enter into derivative contracts in the form of foreign exchange forward contracts to mitigate the exposure associated with fluctuations on intercompany notes with our foreign subsidiaries that are not denominated in the U.S. dollar.

As of December 31, 2023, we have the following notional contract volumes related to all outstanding derivative contracts used to mitigate commodity price and foreign currency risk (all maturing in 2024):

Contract Description	Total Outstanding	Unit of Measure
	Notional	
NYMEX futures (WTI) - short	640,000	Barrels
Forward gasoline contracts - long	800,000	Barrels
Foreign currency forward contracts	387,613,367	U.S. dollar
Forward commodity contracts (platinum) ⁽¹⁾	36,969	Troy ounces
Natural gas price swaps (basis spread) - long	6,667,000	MMBTU

(1) Represents an embedded derivative within our catalyst financing arrangements, which may be refinanced or require repayment under certain conditions. See Note 13 "Debt" in the Notes to Consolidated Financial Statements for additional information on these financing arrangements.

The following sensitivity analysis provides the hypothetical effects of market price fluctuations in commodity prices for our open commodity derivative contracts at December 31, 2023 and 2022:

	Derivative Fair Value Gain (Loss) at December 31,	
	2023	2022
	(In thousands)	
10% increase in underlying commodity prices	\$ (4,682)	\$ (3,502)
10% decrease in underlying commodity prices	\$ 4,682	\$ 3,298

Interest Rate Risk Management

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

For the fixed rate HF Sinclair Senior Notes, HollyFrontier Senior Notes and HEP Senior Notes (each as defined in Note 13 "Debt" in the Notes to Consolidated Financial Statements), changes in interest rates will generally affect fair value of the debt, but not earnings or cash flows. The outstanding principal, estimated fair value and estimated change in fair value (assuming a hypothetical 10% change in the yield-to-maturity rates) for this debt as of December 31, 2023 is presented below:

	Outstanding Principal	Estimated Fair Value	Estimated Change in Fair Value
	(In thousands)		
HF Sinclair, HollyFrontier and HEP Senior Notes	\$ 2,300,000	\$ 2,271,856	\$ 41,358

For the variable rate HEP Credit Agreement, changes in interest rates would affect cash flows, but not the fair value. At December 31, 2023, outstanding borrowings under the HEP Credit Agreement were \$455.5 million. A hypothetical 10% change in interest rates applicable to the HEP Credit Agreement would not materially affect cash flows.

Our operations are subject to catastrophic losses, operational hazards and unforeseen interruptions, including but not limited to fire, explosion, releases or spills, cyberattacks, weather-related perils, vandalism, power failures, mechanical failures and other events beyond our control. We maintain various insurance coverages, including general liability, property damage, business interruption and cyber insurance, subject to certain deductibles and insurance policy terms and conditions. We are not fully insured against certain risks because such risks are not fully insurable, coverage is unavailable, or premium costs, in our judgment, do not justify such expenditures.

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

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See "Risk Management" under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Reconciliations to Amounts Reported Under Generally Accepted Accounting Principles

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

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

Set forth below is our calculation of EBITDA.

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Net income attributable to HF Sinclair stockholders	\$ 1,589,666	\$ 2,922,668	\$ 558,324
Add interest expense	190,796	175,628	125,175
Subtract interest income	(93,468)	(30,179)	(4,019)
Add income tax expense	441,612	894,872	123,898
Add depreciation and amortization	770,573	656,787	503,539
EBITDA	<u>\$ 2,899,179</u>	<u>\$ 4,619,776</u>	<u>\$ 1,306,917</u>

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

Refinery gross margin and net operating margin are non-GAAP performance measures that are used by our management and others to compare our refining performance to that of other companies in our industry. We believe these margin measures are helpful to investors in evaluating our refining performance on a relative and absolute basis. Refinery gross margin per produced barrel sold is total Refining segment revenues less total Refining segment cost of products sold, exclusive of lower of cost or market inventory valuation adjustments, divided by sales volumes of produced refined products sold. Net operating margin per barrel sold is the difference between refinery gross margin and refinery operating expenses per produced barrel sold. These two margins do not include the non-cash effects of long-lived asset impairment charges, lower of cost or market inventory valuation adjustments or depreciation and amortization. Each of these component performance measures can be reconciled directly to our consolidated statements of income. Other companies in our industry may not calculate these performance measures in the same manner.

Reconciliation of average refining net operating margin per produced barrel sold to refinery gross margin to refining sales and other revenues

	Years Ended December 31,		
	2023	2022	2021
(Dollars in thousands, except per barrel amounts)			
Refining segment sales and other revenues	\$ 28,672,604	\$ 34,412,909	\$ 16,358,558
Refining segment cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	24,042,807	28,350,823	14,691,246
Lower of cost or market inventory valuation adjustment	220,558	—	(318,353)
	<u>4,409,239</u>	<u>6,062,086</u>	<u>1,985,665</u>
Add (subtract) lower of cost or market inventory valuation adjustment	220,558	—	(318,353)
Refinery gross margin	<u>\$ 4,629,797</u>	<u>\$ 6,062,086</u>	<u>\$ 1,667,312</u>
Refining segment operating expenses	\$ 1,879,656	\$ 1,761,445	\$ 1,038,300
Produced barrels sold (BPD)	602,280	628,340	424,100
Refinery gross margin per produced barrel sold	\$ 21.06	\$ 26.43	\$ 10.77
Less average refinery operating expenses per produced barrel sold	8.55	7.68	6.71
Net operating margin per produced barrel sold	<u>\$ 12.51</u>	<u>\$ 18.75</u>	<u>\$ 4.06</u>

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

Renewables gross margin and net operating margin are non-GAAP performance measures that are used by our management and others to compare our renewables performance to that of other companies in our industry. We believe these margin measures are helpful to investors in evaluating our renewables performance on a relative and absolute basis. Renewables gross margin per produced gallon sold is total Renewables segment revenues less total Renewables segment cost of products sold, exclusive of lower of cost or market inventory valuation adjustments, divided by sales volumes of produced renewables products sold. Net operating margin per produced gallon sold is the difference between renewables gross margin and renewables operating expenses per produced gallon sold. These two margins do not include the non-cash effects of lower of cost or market inventory valuation adjustments and depreciation and amortization. Each of these component performance measures can be reconciled directly to our consolidated statements of income. Other companies in our industry may not calculate these performance measures in the same manner.

Reconciliation of renewables gross margin and operating expenses to gross margin per produced gallon sold and net operating margin per produced gallon sold

	Years Ended December 31,	
	2023	2022
(In thousands, except for per gallon amounts)		
Renewables segment sales and other revenues	\$ 1,188,990	\$ 1,015,499
Renewables segment cost of products sold	1,080,919	974,167
Lower of cost or market inventory valuation adjustment	49,861	52,412
	58,210	(11,080)
Add lower of cost or market inventory valuation adjustment	49,861	52,412
Renewables gross margin	<u>\$ 108,071</u>	<u>\$ 41,332</u>
Renewables operating expenses	\$ 109,056	\$ 111,974
Produced gallons sold (in thousand gallons)	215,510	136,204
Renewables gross margin per produced gallon sold	\$ 0.50	\$ 0.30
Less operating expenses per produced gallon sold	0.51	0.82
Net operating margin per produced gallon sold	<u>\$ (0.01)</u>	<u>\$ (0.52)</u>

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

Marketing gross margin is a non-GAAP performance measure that is used by our management and others to compare our marketing performance to that of other companies in our industry. We believe this margin measure is helpful to investors in evaluating our marketing performance on a relative and absolute basis. Marketing gross margin per gallon sold is total Marketing segment revenues less total Marketing segment cost of products sold divided by sales volumes of marketing products sold. This margin does not include the non-cash effects of depreciation and amortization. This component performance measure can be reconciled directly to our consolidated statements of income. Other companies in our industry may not calculate these performance measures in the same manner.

Reconciliation of marketing gross margin to gross margin per gallon sold

	Years Ended December 31,	
	2023	2022
(In thousands, except for per gallon amounts)		
Marketing segment sales and other revenues	\$ 4,146,292	\$ 3,911,922
Marketing segment cost of products sold	4,050,759	3,845,625
Marketing gross margin	<u>\$ 95,533</u>	<u>\$ 66,297</u>
Sales volumes (in thousand gallons)	1,441,607	1,118,444
Marketing segment gross margin per gallon sold	\$ 0.07	\$ 0.06

Item 8. Financial Statements and Supplementary Data

MANAGEMENT'S REPORT ON ITS ASSESSMENT OF THE COMPANY'S INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of HF Sinclair Corporation (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the Company's internal control over financial reporting as of December 31, 2023 using the criteria for effective control over financial reporting established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, management concludes that, as of December 31, 2023, the Company maintained effective internal control over financial reporting.

The Company's independent registered public accounting firm has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. That report is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of HF Sinclair Corporation

Opinion on Internal Control over Financial Reporting

We have audited HF Sinclair Corporation's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, HF Sinclair Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated February 21, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on its Assessment of the Company's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Dallas, Texas
February 21, 2024

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of HF Sinclair Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of HF Sinclair Corporation (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Valuation of Goodwill

Description of the Matter

At December 31, 2023, the Company's goodwill was \$2,978 million, including goodwill assigned to the Refining, Renewables, Marketing, Lubricants & Specialties, and Midstream segments of \$1,977 million, \$159 million, \$164 million, \$246 million, and \$432 million, respectively. As described in Note 1 and Note 11 of the consolidated financial statements, goodwill is tested for impairment at least annually on July 1 at the reporting unit level or more frequently if events or changes in circumstances indicate the asset might be impaired.

Auditing management's goodwill impairment testing was complex and highly judgmental for the Company's El Dorado Refinery reporting unit due to the significant estimation required to determine the fair value of this reporting unit. In particular, the fair value estimates were sensitive to significant assumptions, such as revenue, gross margins, and EBITDA, and discount rates which are affected by expectations about future market or economic conditions. These assumptions have a significant effect on the fair value estimates.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment testing process. For example, we tested controls over management's review of the significant inputs and assumptions used in determining the reporting unit fair value.

To test the estimated fair value of the Company's El Dorado Refinery reporting unit, we performed audit procedures with the support of a valuation specialist that included, among others, assessing the methodologies used and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to relevant industry and economic trends, published forward prices, historical operating results and other relevant factors. We performed sensitivity analyses on significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions. We also tested management's reconciliation of the fair value of the reporting units to the market capitalization of the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1977.

Dallas, Texas

February 21, 2024, except for Note 20, as to which the date is May 8, 2024

HF SINCLAIR CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,353,747	\$ 1,665,066
Accounts receivable: Product and transportation	1,527,950	1,626,199
Crude oil resales	197,169	76,950
	1,725,119	1,703,149
Inventories: Crude oil and refined products	2,645,724	2,853,425
Materials, supplies and other	276,107	361,103
	2,921,831	3,214,528
Income taxes receivable	56,528	53,563
Prepayments and other	89,229	112,013
Total current assets	6,146,454	6,748,319
Properties, plants and equipment, at cost	10,533,432	10,146,652
Less accumulated depreciation	(3,906,600)	(3,457,747)
	6,626,832	6,688,905
Operating lease right-of-use assets	348,006	351,068
Other assets: Turnaround costs	644,957	376,158
Goodwill	2,977,744	2,978,315
Intangibles and other	972,272	982,718
	4,594,973	4,337,191
Total assets	\$ 17,716,265	\$ 18,125,483
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 2,205,759	\$ 2,334,107
Income taxes payable	8,772	7,818
Operating lease liabilities	106,973	109,926
Current debt	—	306,059
Accrued liabilities	453,045	486,719
Total current liabilities	2,774,549	3,245,529
Long-term debt	2,739,083	2,948,513
Noncurrent operating lease liabilities	249,479	254,215
Deferred income taxes	1,297,130	1,262,165
Other long-term liabilities	418,726	397,489
Commitments and contingencies (Note 19)		
Equity:		
HF Sinclair stockholders' equity:		
Preferred stock, \$1.00 par value – 5,000,000 shares authorized; none issued	—	—
Common stock \$0.01 par value – 320,000,000 shares authorized; 223,231,546 shares issued as of December 31, 2023 and December 31, 2022	2,232	2,232
Additional capital	5,993,661	6,468,775
Retained earnings	5,379,182	4,130,252
Accumulated other comprehensive loss	(11,784)	(22,013)
Common stock held in treasury, at cost - 23,235,599 and 26,152,344 shares as of December 31, 2023 and December 31, 2022, respectively	(1,194,201)	(1,335,431)
Total HF Sinclair stockholders' equity	10,169,090	9,243,815
Noncontrolling interest	68,208	773,757
Total equity	10,237,298	10,017,572
Total liabilities and equity	\$ 17,716,265	\$ 18,125,483

See accompanying notes.

HF SINCLAIR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Years Ended December 31,		
	2023	2022	2021
Sales and other revenues	\$ 31,964,395	\$ 38,204,839	\$ 18,389,142
Operating costs and expenses:			
Cost of products sold (exclusive of depreciation and amortization):			
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	25,784,449	30,680,013	15,567,052
Lower of cost or market inventory valuation adjustment	270,419	52,412	(310,123)
	26,054,868	30,732,425	15,256,929
Operating expenses (exclusive of depreciation and amortization)	2,438,148	2,334,893	1,517,478
Selling, general and administrative expenses (exclusive of depreciation and amortization)	498,240	426,485	362,010
Depreciation and amortization	770,573	656,787	503,539
Total operating costs and expenses	29,761,829	34,150,590	17,639,956
Income from operations	2,202,566	4,054,249	749,186
Other income (expense):			
Earnings (loss) of equity method investments	17,369	(260)	12,432
Interest income	93,468	30,179	4,019
Interest expense	(190,796)	(175,628)	(125,175)
Gain on business interruption insurance settlement	—	15,202	—
Gain on tariff settlement	—	—	51,500
Gain on early extinguishment of debt	—	604	—
Gain (loss) on foreign currency transactions	2,530	(1,637)	(2,938)
Gain on sale of assets and other	27,370	13,337	98,128
	(50,059)	(118,203)	37,966
Income before income taxes	2,152,507	3,936,046	787,152
Income tax expense (benefit):			
Current	249,062	841,704	(4,672)
Deferred	192,550	53,168	128,570
	441,612	894,872	123,898
Net income	1,710,895	3,041,174	663,254
Less net income attributable to noncontrolling interest	121,229	118,506	104,930
Net income attributable to HF Sinclair stockholders	\$ 1,589,666	\$ 2,922,668	\$ 558,324
Earnings per share:			
Basic	\$ 8.29	\$ 14.28	\$ 3.39
Diluted	\$ 8.29	\$ 14.28	\$ 3.39
Average number of common shares outstanding:			
Basic	190,035	202,566	162,569
Diluted	190,035	202,566	162,569

See accompanying notes.

HF SINCLAIR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In thousands)

	Years Ended December 31,		
	2023	2022	2021
Net income	\$ 1,710,895	\$ 3,041,174	\$ 663,254
Other comprehensive income:			
Foreign currency translation adjustment	13,161	(32,383)	(13,336)
Hedging instruments:			
Change in fair value of cash flow hedging instruments	(3,236)	(4,962)	(17,548)
Reclassification adjustments to net income on settlement of cash flow hedging instruments	3,236	5,288	17,579
Net unrealized gain on hedging instruments	—	326	31
Pension and other post-retirement benefit obligations:			
Actuarial gain (loss) on pension plans	1,909	(3,836)	2,104
Pension plans (gain) loss reclassified to net income	1,378	(208)	(407)
Actuarial gain on post-retirement healthcare plans	761	7,885	1,133
Post-retirement healthcare plans gain reclassified to net income	(3,859)	(3,440)	(3,328)
Actuarial gain (loss) on retirement restoration plan	(99)	349	2
Retirement restoration plan loss reclassified to net income	11	39	39
Net change in pension and other post-retirement benefit obligations	101	789	(457)
Other comprehensive income (loss) before income taxes	13,262	(31,268)	(13,762)
Income tax expense (benefit)	3,033	(6,584)	(2,971)
Other comprehensive income (loss)	10,229	(24,684)	(10,791)
Total comprehensive income	1,721,124	3,016,490	652,463
Less noncontrolling interest in comprehensive income	121,229	118,506	104,930
Comprehensive income attributable to HF Sinclair stockholders	\$ 1,599,895	\$ 2,897,984	\$ 547,533

See accompanying notes.

HF SINCLAIR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 1,710,895	\$ 3,041,174	\$ 663,254
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	770,573	656,787	503,539
Lower of cost or market inventory valuation adjustment	270,419	52,412	(310,123)
Earnings of equity method investments, inclusive of distributions	8,093	19,769	—
Gain on early extinguishment of debt	—	(604)	—
Gain on sale of assets	(6,879)	(2,118)	(89,765)
Deferred income taxes	192,550	53,168	128,570
Equity-based compensation expense	41,135	30,318	39,273
Change in fair value – derivative instruments	16,555	9,989	(34,096)
(Increase) decrease in current assets:			
Accounts receivable	(17,131)	(4,282)	(614,407)
Inventories	30,246	(224,421)	(344,559)
Income taxes receivable	(2,691)	42,641	(6,415)
Prepayments and other	8,062	(40,810)	(18,672)
Increase (decrease) in current liabilities:			
Accounts payable	(108,859)	194,424	612,410
Income taxes payable	925	(17,169)	23,158
Accrued liabilities	(29,619)	78,349	83,602
Turnaround expenditures	(555,697)	(144,759)	(214,431)
Other, net	(31,342)	32,291	(14,656)
Net cash provided by operating activities	2,297,235	3,777,159	406,682
Cash flows from investing activities:			
Additions to properties, plants and equipment	(353,451)	(485,043)	(725,073)
Additions to properties, plants and equipment – HEP	(31,962)	(38,964)	(88,336)
Acquisitions, net of cash acquired	—	(251,448)	(624,332)
Proceeds from sale of assets	17,361	3,344	106,357
HEP investment in Osage Pipe Line Company LLC	(7,482)	(13,000)	—
Distributions in excess of equity in earnings of equity investments	4,211	10,623	4,165
Net cash used for investing activities	(371,323)	(774,488)	(1,327,219)
Cash flows from financing activities:			
Borrowings under credit agreements	60,000	510,000	555,500
Repayments under credit agreements	(272,500)	(682,000)	(629,000)
Proceeds from issuance of senior notes – HEP	—	400,000	—
Redemption of senior notes	(307,827)	(41,420)	—
Purchase of treasury stock	(999,282)	(1,371,700)	(7,058)
Dividends	(340,736)	(255,928)	(57,663)
Distributions to noncontrolling interest	(102,523)	(96,192)	(75,395)
Contribution from noncontrolling interests	—	—	23,194
Payments on finance leases	(11,923)	(11,713)	(3,990)
HEP Merger Transaction consideration	(267,592)	—	—
Deferred financing costs	(899)	(9,273)	(14,500)
Other, net	(600)	(2,533)	(2,891)
Net cash provided by (used for) financing activities	(2,243,882)	(1,560,759)	(211,803)
Effect of exchange rate on cash flow	6,651	(11,290)	(1,534)
Cash and cash equivalents:			
Increase (decrease) for the period	(311,319)	1,430,622	(1,133,874)
Beginning of period	1,665,066	234,444	1,368,318

End of period	\$ 1,353,747	\$ 1,665,066	\$ 234,444
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Supplemental disclosure of cash flow information:

Cash (paid) received during the period for:

Interest	\$ (203,063)	\$ (160,409)	\$ (136,429)
Income taxes, net	\$ (250,815)	\$ (816,379)	\$ 19,760
Decrease in accrued and unpaid capital expenditures	\$ (5,924)	\$ (31,714)	\$ (15,319)

See accompanying notes.

HF SINCLAIR CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

HF Sinclair Stockholders' Equity

	Common Stock					Treasury Stock				Non-controlling Interest	Total Equity		
			Accumulated Other Comprehensive Income (Loss)										
	Shares	Amount	Additional Capital	Retained Earnings	Income (Loss)	Shares	Amount						
Balance at December 31, 2020	256,046	\$ 2,560	\$ 4,207,672	\$ 3,913,179	\$ 13,462	93,632	\$ (2,968,512)	\$ 553,842	\$ 5,722,203				
Net income	—	—	—	558,324	—	—	—	—	104,930	663,254			
Dividends (\$0.35 declared per common share)	—	—	—	(57,663)	—	—	—	—	—	(57,663)			
Other comprehensive loss, net of tax	—	—	—	—	(10,791)	—	—	—	—	(10,791)			
Issuance of common shares under incentive compensation plans	—	—	(24,313)	—	—	(804)	24,313	—	—	—			
Equity-based compensation	—	—	36,716	—	—	—	—	—	2,557	39,273			
Purchase of treasury stock	—	—	—	—	—	217	(7,058)	—	—	(7,058)			
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(75,395)	(75,395)			
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	23,194	23,194			
Purchase of HEP units for equity grants	—	—	—	—	—	—	—	—	(2,548)	(2,548)			
Other	—	—	—	(4)	—	—	—	—	—	(4)			
Balance at December 31, 2021	256,046	\$ 2,560	\$ 4,220,075	\$ 4,413,836	\$ 2,671	93,045	\$ (2,951,257)	\$ 606,580	\$ 6,294,465				
Net income	—	—	—	2,922,668	—	—	—	—	118,506	3,041,174			
Dividends (\$1.20 declared per common share)	—	—	—	(255,928)	—	—	—	—	—	(255,928)			
Other comprehensive loss, net of tax	—	—	—	—	(24,684)	—	—	—	—	(24,684)			
Issuance of common shares for HFC Transactions	60,230	602	2,148,406	—	—	—	—	—	—	2,149,008			
Issuance of common shares under incentive compensation plans	—	—	(42,962)	—	—	(849)	42,962	—	—	—			
Equity-based compensation	—	—	28,474	—	—	—	—	—	1,844	30,318			
Purchase of treasury stock	—	—	—	—	—	27,001	(1,378,390)	—	—	(1,378,390)			
Retirement of treasury stock	(93,045)	(930)	—	(2,950,324)	—	(93,045)	2,951,254	—	—	—			
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(96,192)	(96,192)			
Purchase of HEP units for equity grants	—	—	—	—	—	—	—	—	(2,363)	(2,363)			
Equity attributable to HEP common unit issuance, net of tax	—	—	95,047	—	—	—	—	—	223,392	318,439			
Acquisition of remaining UNEV interests	—	—	19,735	—	—	—	—	—	(78,010)	(58,275)			
Balance at December 31, 2022	223,231	\$ 2,232	\$ 6,468,775	\$ 4,130,252	\$ (22,013)	26,152	\$ (1,335,431)	\$ 773,757	\$ 10,017,572				
Net income	—	—	—	1,589,666	—	—	—	—	121,229	1,710,895			
Dividends (\$1.80 declared per common share)	—	—	—	(340,736)	—	—	—	—	—	(340,736)			
Other comprehensive income, net of tax	—	—	—	—	10,229	—	—	—	—	10,229			
HEP Merger Transaction	—	—	(465,596)	—	—	(21,072)	1,084,593	(725,079)	(106,082)				
Issuance of common shares under incentive compensation plans	—	—	(49,229)	—	—	(957)	49,229	—	—	—			
Equity-based compensation	—	—	39,711	—	—	—	—	—	1,424	41,135			
Purchase of treasury stock, inclusive of excise tax	—	—	—	—	—	19,113	(992,592)	—	—	(992,592)			
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	—	(102,523)	(102,523)			
Purchase of HEP units for equity grants	—	—	—	—	—	—	—	—	(600)	(600)			
Balance at December 31, 2023	223,231	\$ 2,232	\$ 5,993,661	\$ 5,379,182	\$ (11,784)	23,236	\$ (1,194,201)	\$ 68,208	\$ 10,237,298				

See accompanying notes.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Description of Business and Summary of Significant Accounting Policies

Description of Business: References herein to HF Sinclair Corporation ("HF Sinclair") include HF Sinclair and its consolidated subsidiaries. In these financial statements, the words "we," "our," "ours" and "us" refer only to HF Sinclair and its consolidated subsidiaries or to HF Sinclair or an individual subsidiary and not to any other person, with certain exceptions. References herein to HF Sinclair "we," "our," "ours" and "us" with respect to time periods prior to March 14, 2022 refer to HollyFrontier Corporation ("HollyFrontier") and its consolidated subsidiaries and do not include Hippo Holding LLC (now known as Sinclair Holding LLC), the parent company of Sinclair Oil LLC, Sinclair Transportation Company LLC or their respective consolidated subsidiaries (collectively, the "Acquired Sinclair Businesses"). References herein to HF Sinclair "we," "our," "ours" and "us" with respect to time periods from and after March 14, 2022 include the operations of the Acquired Sinclair Businesses. Unless otherwise specified, the financial statements included herein include financial information for HF Sinclair, which for the time period from March 14, 2022 to December 31, 2023 includes the combined business operations of HollyFrontier and the Acquired Sinclair Businesses. References herein to Holly Energy Partners, L.P. ("HEP") with respect to time periods prior to the closing of the HEP Merger Transaction (as defined below) on December 1, 2023 refer to HEP and its consolidated subsidiaries.

We are an independent energy company that produces and markets high-value light products such as gasoline, diesel fuel, jet fuel, renewable diesel and other specialty products. We own and operate refineries located in Kansas, Oklahoma, New Mexico, Wyoming, Washington and Utah. We provide petroleum product and crude oil transportation, terminalling, storage and throughput services to our refineries and the petroleum industry. We market our refined products principally in the Southwest United States, the Rocky Mountains extending into the Pacific Northwest and in other neighboring Plains states and we supply high-quality fuels to more than 1,500 branded stations and license the use of the Sinclair brand at more than 300 additional locations throughout the country. We produce renewable diesel at two of our facilities in Wyoming and our facility in New Mexico. In addition, our subsidiaries produce and market base oils and other specialized lubricants in the United States, Canada and the Netherlands, and export products to more than 80 countries.

On December 1, 2023, pursuant to the Agreement and Plan of Merger dated as of August 15, 2023 (the "Merger Agreement") by and among HEP, HF Sinclair, Navajo Pipeline Co., L.P., a Delaware limited partnership and an indirect wholly owned subsidiary of HF Sinclair ("HoldCo"), Holly Apple Holdings LLC, a Delaware limited liability company and a wholly owned subsidiary of HoldCo ("Merger Sub"), HEP Logistics Holdings, L.P., a Delaware limited partnership and the general partner of HEP ("HLH"), and Holly Logistic Services, L.L.C., a Delaware limited liability company and the general partner of HLH, Merger Sub merged with and into HEP, with HEP surviving as an indirect, wholly owned subsidiary of HF Sinclair (the "HEP Merger Transaction").

Under the terms of the Merger Agreement, each outstanding common unit representing a limited partner interest in HEP (an "HEP common unit"), other than the HEP common units already owned by HF Sinclair and its subsidiaries, was converted into the right to receive 0.315 shares of HF Sinclair common stock and \$4.00 in cash, without interest. The Merger Agreement consideration totaled \$ 267.6 million in cash and resulted in the issuance of 21,072,326 shares of HF Sinclair common stock from treasury stock.

The HEP Merger Transaction was accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, "Consolidation." Since we controlled HEP both before and after the HEP Merger Transaction, the changes in our ownership interest in HEP resulting from the HEP Merger Transaction were accounted for as an equity transaction, and no gain or loss was recognized in our Consolidated Statements of Income. The tax effects of the HEP Merger Transaction were recorded as adjustments to deferred income taxes and additional capital consistent with ASC 740, "Income Taxes."

For a description of our existing indebtedness, as well as changes thereto associated with the HEP Merger Transaction, see Note 13.

In connection with the HEP Merger Transaction, for the year ended December 31, 2023, we incurred \$ 23.5 million in incremental direct acquisition and integration costs that principally relate to legal, advisory and other professional fees and are presented as selling, general and administrative expenses in our statements of income.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

On May 4, 2021, HollyFrontier Puget Sound Refining LLC (now known as HF Sinclair Puget Sound Refining LLC), a wholly owned subsidiary of HollyFrontier, entered into a sale and purchase agreement with Equilon Enterprises LLC d/b/a Shell Oil Products US ("Shell") to acquire Shell's Puget Sound refinery and related assets, including the on-site cogeneration facility and related logistics assets (the "Puget Sound Refinery"). The acquisition closed on November 1, 2021. See Note 2 for additional information.

On April 27, 2021, our wholly owned subsidiary, 7037619 Canada Inc., entered into a contract for sale of real property in Mississauga, Ontario for base consideration of \$98.8 million, or CAD 125 million. The transaction closed on September 15, 2021, and we recorded a gain on sale of assets totaling \$ 86.0 million for the year ended December 31, 2021, which was recognized in "Gain on sale of assets and other" on our consolidated statements of income.

During the first quarter of 2021, we initiated a restructuring within our Lubricants & Specialties segment. As a result of this restructuring, we recorded \$7.8 million in employee severance costs for the year ended December 31, 2021, which were recognized primarily as selling, general and administrative expenses in our Lubricants & Specialties segment.

In the third quarter of 2020, we permanently ceased petroleum refining operations at our Cheyenne, Wyoming refinery (the "Cheyenne Refinery") and subsequently began converting certain assets at our Cheyenne Refinery to renewable diesel production. In connection with the cessation of petroleum refining operations at our Cheyenne Refinery, we recognized \$1.7 million and \$25.8 million in decommissioning expense for the years ended December 31, 2022 and 2021, respectively. We also recognized \$1.0 million in employee severance costs for the year ended December 31, 2021. These charges were all recognized in operating expenses in our Corporate and Other segment.

Principles of Consolidation: Our consolidated financial statements include our accounts and the accounts of partnerships and joint ventures that we control through an ownership interest greater than 50% or through a controlling financial interest with respect to variable interest entities. All significant intercompany transactions and balances have been eliminated.

Variable Interest Entities: A variable interest entity ("VIE") is a legal entity whose equity owners do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the equity holders lack the power, through voting rights, to direct the activities that most significantly impact the entity's financial performance, the obligation to absorb the entity's expected losses or rights to expected residual returns. See Note 4 for additional information.

Use of Estimates: The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents: We consider all highly liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value and are primarily invested in highly-rated instruments issued by government or municipal entities with strong credit standings.

Balance Sheet Offsetting: We purchase and sell inventories of crude oil with certain same-parties that are net settled in accordance with contractual net settlement provisions. Our policy is to present such balances on a net basis since it presents our accounts receivables and payables consistent with our contractual settlement provisions.

Accounts Receivable: Our accounts receivable primarily consist of amounts due from customers that are primarily from sales of refined products and renewable diesel. Credit is extended based on our evaluation of the customer's financial condition, and in certain circumstances collateral, such as letters of credit or guarantees, is required. We reserve for expected credit losses based on our historical loss experience as well as expected credit losses from current economic conditions and management's expectations of future economic conditions. Credit losses are charged to the allowance for expected credit losses when an account is deemed uncollectible. Our allowance for expected credit losses was \$3.2 million at December 31, 2023 and \$ 7.7 million at December 31, 2022.

Accounts receivable attributable to crude oil resales generally represent the sale of excess crude oil to other purchasers and / or users in cases when our crude oil supplies are in excess of our immediate needs as well as certain reciprocal buy / sell exchanges of crude oil. At times we enter into such buy / sell exchanges to facilitate the delivery of quantities to certain locations. In many cases, we enter into net settlement agreements relating to the buy / sell arrangements, which may mitigate credit risk.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

Inventories: Inventories related to our refining operations are stated at the lower of cost, using the last-in, first-out ("LIFO") method for crude oil and unfinished and finished refined products, or market. Inventories related to our renewable business are stated at the lower of cost, using the LIFO method for feedstock and unfinished and finished renewable products, or market. Cost, consisting of raw material, transportation and conversion costs, is determined using the LIFO inventory valuation methodology and market is determined using current replacement costs. Under the LIFO method, the most recently incurred costs are charged to cost of sales and inventories are valued at the earliest acquisition costs. In periods of rapidly declining prices, LIFO inventories may have to be written down to market value due to the higher costs assigned to LIFO layers in prior periods. In addition, the use of the LIFO inventory method may result in increases or decreases to cost of sales in years that inventory volumes decline as the result of charging cost of sales with LIFO inventory costs generated in prior periods. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final year-end LIFO inventory valuation.

Inventories of our Petro-Canada Lubricants and Sonneborn businesses are stated at the lower of cost, using the first-in, first-out ("FIFO") method, or net realizable value.

Inventories consisting of process chemicals, materials and maintenance supplies and RINs are stated at the lower of weighted-average cost or net realizable value.

Leases: At inception, we determine if an arrangement is or contains a lease. Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our payment obligation under the leasing arrangement. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our estimated incremental borrowing rate ("IBR") to determine the present value of lease payments as most of our leases do not contain an implicit rate. Our IBR represents the interest rate which we would pay to borrow, on a collateralized basis, an amount equal to the lease payments over a similar term in a similar economic environment. We use the implicit rate when readily determinable.

Operating leases are recorded in "Operating lease right-of-use assets" and current and noncurrent "Operating lease liabilities" on our consolidated balance sheets. Finance leases are included in "Properties, plants and equipment, at cost" and "Accrued liabilities" and "Other long-term liabilities" on our consolidated balance sheets.

Our lease term includes an option to extend the lease when it is reasonably certain that we will exercise that option. Leases with a term of 12 months or less are not recorded on our balance sheets. For certain equipment leases, we apply a portfolio approach for the operating lease ROU assets and liabilities. Also, as a lessee, we separate non-lease components that are identifiable and exclude them from the determination of net present value of lease payment obligations. In addition, as a lessor, we do not separate the non-lease (service) component in contracts in which the lease component is the dominant component. We treat these combined components as an operating lease. We bifurcate the consideration received for sales-type lease contracts between lease and service revenue, with the service component accounted for within the scope of ASC 606, "Revenue from Contracts with Customers".

Derivative Instruments: All derivative instruments are recognized as either assets or liabilities on our consolidated balance sheets and are measured at fair value. Changes in the derivative instrument's fair value are recognized in earnings unless specific hedge accounting criteria are met. Cash flows from all our derivative activity are reported in the operating section on our consolidated statements of cash flows. See Note 14 for additional information.

Properties, Plants and Equipment: Properties, plants and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, primarily 15 to 32 years for refining, pipeline and terminal facilities, 10 to 40 years for buildings and improvements, 5 to 30 years for other fixed assets and 5 years for vehicles.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

Asset Retirement Obligations: We record legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and / or the normal operation of long-lived assets. The fair value of the estimated cost to retire a tangible long-lived asset is recorded as a liability with the associated retirement costs capitalized as part of the asset's carrying amount in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. If a reasonable estimate cannot be made at the time the liability is incurred, we record the liability when sufficient information is available to estimate the liability's fair value. Certain of our refining assets have no recorded liability for asset retirement obligations since the timing of any retirement and related costs are currently indeterminable.

Our asset retirement obligations were \$64.6 million and \$61.8 million at December 31, 2023 and 2022, respectively, which are included in "Other long-term liabilities" on our consolidated balance sheets. Accretion expense was insignificant for the years ended December 31, 2023, 2022 and 2021. Asset retirement obligations assumed in the Sinclair Transactions, as defined in Note 2, were \$6.2 million.

Intangibles, Goodwill and Long-lived Assets: Intangible assets are assets (other than financial assets) that lack physical substance, and goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired and liabilities assumed. Goodwill acquired in a business combination and intangibles with indefinite useful lives are not amortized, whereas intangible assets with finite useful lives are amortized on a straight-line basis. Goodwill and intangible assets that are not subject to amortization are tested for impairment annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our goodwill impairment testing first entails either a quantitative assessment or an optional qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that based on the qualitative factors that it is more likely than not that the carrying amount of the reporting unit is greater than its fair value, a quantitative test is performed in which we estimate the fair value of the related reporting unit. If the carrying amount of a reporting unit exceeds its fair value, the goodwill of that reporting unit is impaired, and we measure goodwill impairment as the excess of the carrying amount of the reporting unit over the related fair value. The carrying amount of our intangible assets and goodwill may fluctuate from period to period due to the effects of foreign currency translation adjustments on goodwill and intangible assets assigned to our Lubricants & Specialties segment.

For purposes of long-lived asset impairment evaluation, we group our long-lived assets as follows: (i) our refinery asset groups, which include certain logistics assets, (ii) our renewables products asset groups, (iii) our Lubricants & Specialties asset groups, (iv) our Marketing assets and (v) our Midstream asset groups, which is comprised of logistics assets not included in our refinery asset groups. These asset groups represent the lowest level for which independent cash flows can be identified. Our long-lived assets are evaluated for impairment by identifying whether indicators of impairment exist and, if so, assessing whether such long-lived assets are recoverable from estimated future undiscounted cash flows. The actual amount of impairment loss measured, if any, is equal to the amount by which the asset group's carrying value exceeds its fair value.

See Note 11 for additional information regarding goodwill and intangible assets.

Equity Method Investments: We account for investments in which we have a noncontrolling interest, yet have significant influence over the entity, using the equity method of accounting, whereby we record our pro-rata share of earnings of these companies and contributions to and distributions from the joint ventures as adjustments to our investment balance.

The following table summarizes our recorded investment compared to its share of underlying equity for each of its investee. The differences are being amortized as adjustments to our pro-rata share of earnings in the joint ventures.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

	Balance at December 31, 2023		
	Recorded		
	Underlying Equity	Investment Balance	Difference
(In thousands)			
Equity Method Investments			
Osage Pipe Line Company, LLC	\$ 1,144	\$ 27,135	\$ (25,991)
Cheyenne Pipeline, LLC	30,508	41,985	(11,477)
Cushing Connect Terminal Holdings LLC	48,135	32,474	15,661
Pioneer Investments Corp.	24,188	131,244	(107,056)
Saddle Butte Pipeline III, LLC	66,436	33,107	33,329
Total	\$ 170,411	\$ 265,945	\$ (95,534)

	Balance at December 31, 2022		
	Recorded		
	Underlying Equity	Investment Balance	Difference
(In thousands)			
Equity Method Investments			
Osage Pipe Line Company, LLC	\$ 2,901	\$ 29,773	\$ (26,872)
Cheyenne Pipeline, LLC	27,655	40,019	(12,364)
Cushing Connect Terminal Holdings LLC	49,915	34,746	15,169
Pioneer Investments Corp.	23,835	133,182	(109,347)
Saddle Butte Pipeline III, LLC	67,349	32,884	34,465
Total	\$ 171,655	\$ 270,604	\$ (98,949)

Revenue Recognition: Revenues on refined product, branded fuel sales, renewable diesel and excess crude oil sales are recognized when delivered (via pipeline, in-tank or rack) and the customer obtains control of such inventory, which is typically when title passes and the customer is billed. All revenues are reported inclusive of shipping and handling costs billed and exclusive of any taxes billed to customers. Shipping and handling costs incurred are reported as cost of products sold.

Our lubricants and specialties business has sales agreements with marketers and distributors that provide certain rights of return or provisions for the repurchase of products previously sold to them. Under these agreements, revenues and cost of revenues are deferred until the products have been sold to end customers. Our lubricants and specialties business also has agreements that create an obligation to deliver products at a future date for which consideration has already been received and recorded as deferred revenue. This revenue is recognized when the products are delivered to the customer.

Our midstream business recognizes revenues as products are shipped through its pipelines and terminals and as other services are rendered. Additionally, we have certain throughput agreements that specify minimum volume requirements, whereby we bill a customer for a minimum level of shipments in the event a customer ships below their contractual requirements. If there are no future performance obligations, we recognize these deficiency payments as revenue. In certain of these throughput agreements, a customer may later utilize such shortfall billings as credit towards future volume shipments in excess of its minimum levels within its respective contractual shortfall make-up period. Such amounts represent an obligation to perform future services, which may be initially deferred and later recognized as revenue based on estimated future shipping levels, including the likelihood of a customer's ability to utilize such amounts prior to the end of the contractual shortfall make-up period. We recognize the service portion of these deficiency payments as revenue when we do not expect it will be required to satisfy these performance obligations in the future based on the pattern of rights exercised by the customer. Payment terms under our contracts with customers are consistent with industry norms and are typically payable within 30 days of the date of invoice.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

Cost Classifications: Costs of products sold include the cost of crude oil, other feedstocks, blendstocks and purchased finished products, inclusive of transportation costs. We purchase crude oil that at times exceeds the supply needs of our refineries. Quantities in excess of our needs are sold at market prices to purchasers of crude oil that are recorded on a gross basis with the sales price recorded as revenues and the corresponding acquisition cost as cost of products sold. Additionally, we enter into buy / sell exchanges of crude oil with certain parties to facilitate the delivery of quantities to certain locations that are netted at cost. Operating expenses include direct costs of labor, maintenance materials and services, utilities and other direct operating costs. Selling, general and administrative expenses include compensation, professional services and other support costs.

Deferred Maintenance Costs: Our refinery units require regular major maintenance and repairs which are commonly referred to as "turnarounds." Catalysts used in certain refinery processes also require regular "change-outs." The required frequency of the maintenance varies by unit and by catalyst, but generally occurs no less than once every five years. Turnaround costs are deferred and amortized over the period until the next scheduled turnaround. Other repairs and maintenance costs are expensed when incurred. Deferred turnaround and catalyst amortization expense was \$ 238.7 million, \$159.3 million and \$136.9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Environmental Costs: Environmental costs are charged to operating expenses if they relate to an existing condition caused by past operations and do not contribute to current or future revenue generation. We have ongoing investigations of environmental matters at various locations and routinely assess our recorded environmental obligations, if any, with respect to such matters. Liabilities are recorded when site restoration and environmental remediation, cleanup and other obligations are either known or considered probable and can be reasonably estimated. Such estimates are undiscounted and require judgment with respect to costs, time frame and extent of required remedial and clean-up activities and are subject to periodic adjustments based on currently available information. Recoveries of environmental costs through insurance, indemnification arrangements or other sources are included in other assets to the extent such recoveries are considered probable.

Contingencies: We are subject to proceedings, lawsuits and other claims related to environmental, labor, product and other matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. We accrue for contingencies when it is probable that a loss has occurred and when the amount of that loss is reasonably estimable. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

Foreign Currency Translation: Assets and liabilities recorded in foreign currencies are translated into U.S. dollars using exchange rates in effect as of the balance sheet date. Revenue and expense accounts are translated using the weighted-average exchange rates during the period presented. Foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income.

We have intercompany notes that were issued to fund certain of our foreign businesses. Remeasurement adjustments resulting from the conversion of such intercompany financing amounts to functional currencies are recorded as gains or losses as a component of other income (expense) on our consolidated statements of income. Such adjustments are not recorded to the Lubricants & Specialties segment operations, but to Corporate and Other. See Note 20 for additional information on our segments.

Income Taxes: Provisions for income taxes include deferred taxes resulting from temporary differences in income for financial and tax purposes, using the liability method of accounting for income taxes. The liability method requires the effect of tax rate changes on deferred income taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized. We account for U.S. tax on global intangible low-taxed income in the period in which it is incurred.

Potential interest and penalties related to income tax matters are recognized in income tax expense. We believe we have appropriate support for the income tax positions taken and to be taken on our income tax returns and that our accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

Inventory Repurchase Obligations: We periodically enter into same-party sell / buy transactions, whereby we sell certain refined product inventory and subsequently repurchase the inventory in order to facilitate delivery to certain locations. Such sell / buy transactions are accounted for as inventory repurchase obligations under which proceeds received under the initial sell is recognized as inventory repurchase obligations that are subsequently reversed when the inventories are repurchased. For the years ended December 31, 2023, 2022 and 2021, we received proceeds of \$ 25.7 million, \$42.1 million and \$43.5 million, respectively, and subsequently repaid \$ 27.4 million, \$42.8 million and \$45.4 million, respectively, under these sell / buy transactions.

Accounting Pronouncements - Recently Adopted

In October 2021, Accounting Standards Update ("ASU") 2021-08, "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," was issued requiring that an acquiring entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, "Revenue from Contracts with Customers." We adopted this standard effective January 1, 2023, but did not have a business combination under the scope of ASC 805, "Business Combinations" for the year ended December 31, 2023.

Accounting Pronouncements - Not Yet Adopted

In November 2023, ASU 2023-07, "Improvements to Reportable Segment Disclosures" was issued. ASU 2023-07 requires, among other updates, enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker, as well as the aggregate amount of other segment items included in the reported measure of segment profit or loss. This aims to provide more decision-useful information to stakeholders by giving a clearer picture of the costs incurred by each reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective adoption. Early adoption is permitted. We are assessing the impact of this guidance on our disclosures.

In December 2023, ASU 2023-09, "Improvements to Income Tax Disclosures" was issued. ASU 2023-09 requires enhanced annual disclosures regarding the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 and may be adopted on a prospective or retrospective basis. Early adoption is permitted. We are assessing the impact of this guidance on our disclosures.

NOTE 2: Acquisitions

On March 14, 2022 (the "Closing Date"), HollyFrontier and HEP announced the establishment of HF Sinclair as the new parent holding company of HollyFrontier and HEP and their subsidiaries, and the completion of their respective acquisitions of Sinclair Oil Corporation (now known as Sinclair Oil LLC) and Sinclair Transportation Company LLC ("STC") from The Sinclair Companies (now known as REH Company and referred to herein as "REH Company"). On the Closing Date, pursuant to that certain Business Combination Agreement, dated as of August 2, 2021 (as amended on March 14, 2022, the "Business Combination Agreement"), by and among HollyFrontier, HF Sinclair, Hippo Merger Sub, Inc., a wholly owned subsidiary of HF Sinclair ("Parent Merger Sub"), REH Company, and Hippo Holding LLC (now known as Sinclair Holding LLC), a wholly owned subsidiary of REH Company (the "Target Company"), HF Sinclair completed its previously announced acquisition of the Target Company by effecting (a) a holding company merger in accordance with Section 251(g) of the Delaware General Corporation Law whereby HollyFrontier merged with and into Parent Merger Sub, with HollyFrontier surviving such merger as a direct wholly owned subsidiary of HF Sinclair (the "HFC Merger") and (b) immediately following the HFC Merger, a contribution whereby REH Company contributed all of the equity interests of the Target Company to HF Sinclair in exchange for shares of HF Sinclair, resulting in the Target Company becoming a direct wholly owned subsidiary of HF Sinclair (the "HFC Transactions").

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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In connection with the closing of the HFC Transactions, HF Sinclair issued 60,230,036 shares of HF Sinclair common stock, par value \$ 0.01 per share, to REH Company, representing 27% of the pro forma equity of HF Sinclair with a value of approximately \$ 2,149 million based on HollyFrontier's fully diluted shares of common stock outstanding and closing stock price on March 11, 2022. Pursuant to the Business Combination Agreement, REH Company made a \$77.5 million cash payment to HF Sinclair, inclusive of final working capital adjustments, which reduced the aggregate transaction value to approximately \$2,072 million. Of the 60,230,036 shares of HF Sinclair common stock, 2,570,000 shares were held in escrow to secure REH Company's RINs credit obligations under Section 6.22 of the Business Combination Agreement. As of December 31, 2023, REH Company had satisfied their RINs credit obligations to HF Sinclair and the corresponding shares were released from escrow in January 2024. Additionally, on the Closing Date, and immediately prior to the consummation of the HFC Transactions, HEP completed its acquisition of STC, REH Company's integrated crude and refined products midstream business, and issued 21,000,000 HEP common units and paid cash consideration of \$ 329.0 million, inclusive of final working capital adjustments, to REH Company in exchange for all the outstanding equity interests of STC (the "HEP Transaction" and together with the HFC Transactions, the "Sinclair Transactions"). Of these 21,000,000 HEP common units, 5,290,000 units were held in escrow and were released to REH Company in April 2023 upon their satisfaction of the corresponding RINs credit obligations to HF Sinclair under Section 6.22 of the Business Combination Agreement.

HollyFrontier's (now HF Sinclair's) senior management team continues to operate the combined company. Pursuant to that certain stockholders agreement (the "Stockholders Agreement") by and among HF Sinclair, REH Company and the stockholders of REH Company (together with REH Company and each of their permitted transferees, the "REH Parties"), REH Company was granted the right to nominate, and has nominated, two directors to our Board of Directors at the Closing Date who continued to serve on our Board of Directors as of December 31, 2023. The REH Company stockholders also agreed to certain customary lock up (which expired in June 2023), voting and standstill restrictions, as well as customary registration rights, for the HF Sinclair common stock issued to the stockholders of REH Company. HF Sinclair is headquartered in Dallas, Texas, with combined business offices in Salt Lake City, Utah.

Under the terms of the Business Combination Agreement, HF Sinclair acquired REH Company's refining, branded marketing, renewables, and midstream businesses. At the time of closing, the branded marketing business supplied high-quality fuels to more than 1,300 Sinclair branded stations and licensed the use of the Sinclair brand at more than 300 additional locations throughout the United States. The renewables business includes the operation of a renewable diesel unit located in Sinclair, Wyoming. The refining business includes two Rocky Mountains-based refineries located in Casper, Wyoming and Sinclair, Wyoming. Under the terms of the Contribution Agreement, HEP acquired STC, REH Company's integrated crude and refined products pipelines and terminal assets, including approximately 1,200 miles of integrated crude and refined product pipeline supporting the Sinclair refineries and third parties, eight product terminals and two crude terminals with approximately 4.5 million barrels of operated storage. In addition, HEP acquired STC's interests in three pipeline joint ventures for crude gathering and product offtake including: Saddle Butte Pipeline III, LLC (at the time of closing, a 25.06%, and currently, a 25.12% non-operated interest); Pioneer Investments Corp. (49.995% non-operated interest); and UNEV Pipeline (the 25% non-operated interest not already owned by HEP, resulting in UNEV Pipeline, LLC ("UNEV") becoming a wholly owned subsidiary of HEP). The addition of the Acquired Sinclair Businesses to the HollyFrontier business created a combined company with increased scale and ability to diversify and is expected to drive growth through the expanded refining and renewables business. In addition, the HFC Transactions added an integrated branded wholesale distribution network to our business.

The Sinclair Transactions were accounted for as a business combination using the acquisition method of accounting, with the assets acquired and liabilities assumed at their respective acquisition date fair values at the effective date, with the excess consideration recorded as goodwill.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following tables present the purchase consideration and final purchase price allocation of the assets acquired and liabilities assumed on March 14, 2022:

Purchase Consideration (in thousands except for per share amounts)

Shares of HF Sinclair common stock issued	60,230
Closing price per share of HFC common stock ⁽¹⁾	\$ 35.68
Purchase consideration paid in HF Sinclair common stock	2,149,008
Shares of HEP common units issued to REH Company	21,000
Closing price per share of HEP common units ⁽²⁾	\$ 16.62
Purchase consideration paid in HEP common units	349,020
Total equity consideration	2,498,028
Cash consideration paid by HEP	328,955
Cash consideration received by HF Sinclair	(77,507)
Total cash consideration	251,448
Total purchase consideration	<u><u>\$ 2,749,476</u></u>

(1) Based on the HollyFrontier closing stock price on March 11, 2022.

(2) Based on the HEP closing unit price on March 11, 2022.

(In thousands)

Assets Acquired

Accounts receivable	\$ 467,530
Inventories: Crude oil and refined products	906,461
Inventories: Materials, supplies and other	39,350
Properties, plants and equipment	1,242,549
Operating lease right-of-use assets	4,585
Other assets: Intangibles and other	495,621
Total assets acquired	<u><u>\$ 3,156,096</u></u>

Liabilities Assumed

Accounts payable	\$ 564,385
Operating lease liabilities	1,030
Accrued liabilities	84,298
Noncurrent operating lease liabilities	3,554
Deferred income taxes	351,189
Other long-term liabilities	88,098
Total liabilities assumed	<u><u>\$ 1,092,554</u></u>
Net assets acquired	<u><u>\$ 2,063,542</u></u>
Goodwill	<u><u>\$ 685,934</u></u>

The final purchase price allocation resulted in the recognition of \$ 685.9 million in goodwill. Our Refining, Renewables, Marketing and Midstream segments recognized \$244.0 million, \$159.0 million, \$163.8 million and \$119.1 million of goodwill, respectively. The goodwill recognized was primarily attributable to operating and administrative synergies and net deferred tax liabilities arising from the differences between the estimated fair values of assets and liabilities and the tax basis of these assets and liabilities. There are qualitative assumptions of long-term factors that this acquisition creates for our stockholders, including increased scale and diversification that is expected to drive growth through the expanded refining and renewables businesses and the addition of an integrated branded wholesale distribution network. This goodwill was not deductible for income tax purposes.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

The fair value measurements for properties, plants and equipment were based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements.

The fair value of properties, plants and equipment was based on the combination of the cost and market approaches. Key assumptions in the cost approach include determining the replacement cost by evaluating recent published data and adjusting replacement cost for physical deterioration, functional, and economic obsolescence. We used the market approach to measure the value of certain assets through an analysis of recent sales or offerings of comparable properties. The fair value of crude oil and refined products inventory was based on market prices as of the acquisition date.

Intangibles include the Sinclair trade name, fuel agreements and customer relationships totaling \$ 221.4 million that are being amortized on a straight-line basis over a range of four to twenty-year period. The intangible assets were valued using the income approach.

The fair value of equity method investments totaled \$ 234.3 million and was based on a combination of valuation methods including discounted cash flows and the guideline public company method.

Accrued liabilities included \$70.6 million of RINs credit obligations, including 2022 obligations through the Closing Date, which were valued based on market prices for RINs at the effective date, a Level 2 input. REH Company is financially responsible for satisfaction of RINs credit obligations for all periods prior to the closing. This receivable totaled \$68.4 million and was valued based on market prices for RINs at the effective date.

During the year ended December 31, 2023, we purchased RINs for an aggregate amount of \$36.0 million, on behalf of REH Company from third parties at applicable market prices in connection with our provision of services to REH Company under the transition services agreement that we and REH Company entered into at the closing of the Sinclair Transactions. We acted as an agent in these RINs transactions and did not recognize sales or cost of products sold as a result. During the year ended December 31, 2023, we recognized sales of \$21.2 million related to the sale of RINs to REH Company based on applicable market prices.

All other fair values discussed above were based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements.

The fair values of all other current receivable and payables were equivalent to their carrying values due to their short-term nature.

Our consolidated financial and operating results reflect the Acquired Sinclair Businesses operations beginning March 14, 2022. Our results of operations included revenue and income from operations of \$9,835.0 million and \$865.1 million, respectively, for the period from March 14, 2022 through December 31, 2022 related to the Acquired Sinclair Businesses operations.

During the years ended December 31, 2023 and 2022, we incurred \$ 15.8 million and \$52.9 million, respectively, in incremental direct acquisition and integration costs that principally relate to legal, advisory and other professional fees and are presented as selling, general and administrative expenses in our consolidated statements of income.

Puget Sound Refinery

On May 4, 2021, HollyFrontier Puget Sound Refining LLC (now known as HF Sinclair Puget Sound Refining LLC), a wholly owned subsidiary of HollyFrontier, entered into a sale and purchase agreement with Shell to acquire the Puget Sound Refinery. The acquisition closed on November 1, 2021 for aggregate cash consideration of \$624.3 million, which consists of a base cash purchase price of \$ 350.0 million, hydrocarbon inventory of \$277.9 million and other closing adjustments and accrued liabilities of \$3.6 million (the "Puget Sound Acquisition").

This transaction was accounted for as a business combination, using the acquisition method, with the aggregate cash consideration allocated to the acquisition date fair value of assets and liabilities acquired.

In connection with the Puget Sound Acquisition, we incurred \$ 12.2 million of acquisition and integration costs during the year ended December 31, 2021, which are included in selling, general and administrative expenses on the consolidated statements of income.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Our consolidated financial and operating results reflect the Puget Sound Refinery operations beginning November 1, 2021. Our results of operations include revenue and loss from operations of \$603.1 million and \$8.3 million, respectively, for the period from November 1, 2021 through December 31, 2021 related to these operations.

NOTE 3: Leases

Lessee

We have operating and finance leases for land, buildings, pipelines, storage tanks, transportation and other equipment for our operations. Our leases have remaining terms of one to 56 years, some of which include options to extend the leases for up to 10 years. Certain of our leases for pipeline assets include provisions for variable payments which are based on a measure of throughput and also contain a provision for the lessor to adjust the rate per barrel periodically over the life of the lease. These variable costs are not included in the initial measurement of ROU assets and lease liabilities.

The following table presents the amounts and balance sheet locations of our operating and financing leases recorded on our consolidated balance sheets.

	December 31,	
	2023	2022
(In thousands)		
Operating leases:		
Operating lease right-of-use assets	\$ 348,006	\$ 351,068
Operating lease liabilities	106,973	109,926
Noncurrent operating lease liabilities	249,479	254,215
Total operating lease liabilities	\$ 356,452	\$ 364,141
Finance leases:		
Properties, plants and equipment, at cost	\$ 108,746	\$ 81,454
Accumulated amortization	(25,271)	(21,434)
Properties, plants and equipment, net	\$ 83,475	\$ 60,020
Accrued liabilities	\$ 10,842	\$ 10,722
Other long-term liabilities	74,860	50,361
Total finance lease liabilities	\$ 85,702	\$ 61,083

Supplemental balance sheet information related to our leases was as follows:

	December 31,	
	2023	2022
Weighted average remaining lease term (in years)		
Operating leases	7.9	7.2
Finance leases	8.7	7.8
Weighted average discount rate		
Operating leases	5.0 %	4.2 %
Finance leases	5.8 %	4.2 %

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

The components of lease expense were as follows:

	Years Ended December 31,		
	2023	2022	2021
(In thousands)			
Operating lease expense	\$ 120,552	\$ 116,769	\$ 117,292
Finance lease expense:			
Amortization of right-of-use assets	13,007	13,003	4,295
Interest on lease liabilities	3,156	2,593	733
Variable lease cost	12,968	4,448	3,645
Total lease expense	<u><u>\$ 149,683</u></u>	<u><u>\$ 136,813</u></u>	<u><u>\$ 125,965</u></u>

Supplemental cash flow information related to leases was as follows:

	Years Ended December 31,		
	2023	2022	2021
(In thousands)			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 127,923	\$ 126,048	\$ 129,577
Operating cash flows from finance leases	3,156	2,593	733
Financing cash flows from finance leases	11,923	11,713	3,990
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	\$ 103,352	\$ 61,403	\$ 147,718
Finance leases	38,061	6,149	64,334

As of December 31, 2023, minimum future lease payments of our operating and finance lease obligations were as follows:

	Operating	Finance
	(In thousands)	(In thousands)
2024	\$ 118,006	\$ 15,375
2025	65,436	13,650
2026	50,145	12,537
2027	31,644	11,442
2028	24,398	10,766
Thereafter	<u><u>163,651</u></u>	<u><u>46,869</u></u>
Future minimum lease payments	453,280	110,639
Less: imputed interest	96,828	24,937
Total lease obligations	356,452	85,702
Less: current obligations	106,973	10,842
Long-term lease obligations	<u><u>\$ 249,479</u></u>	<u><u>\$ 74,860</u></u>

As of December 31, 2023, we entered into certain leases that have not yet commenced. Such leases include a 15-year lease for a manufacturing and distribution facility, with estimated future undiscounted lease payments of \$62.8 million, expected to commence in the first quarter of 2024.

Lessor

Our consolidated statements of income reflect lease revenue recognized by our midstream operations for contracts with third parties in which we are the lessor.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Continued

Substantially all of the assets supporting contracts meeting the definition of a lease have long useful lives, and we believe these assets will continue to have value when the current agreements expire due to our risk management strategy for protecting the residual fair value of the underlying assets by performing ongoing maintenance during the lease term.

Lease income recognized was as follows:

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Operating lease revenues	\$ 16,879	\$ 14,346	\$ 15,281
Sales-type lease interest income	\$ 1,634	\$ 2,515	\$ 2,545
Lease revenues relating to variable lease payments not included in measurement of the sales-type lease receivable	\$ 1,325	\$ 1,782	\$ 2,162

For our sales-type leases, we included customer obligations related to minimum volume requirements in guaranteed minimum lease payments. Portions of our minimum guaranteed pipeline tariffs for assets subject to sales-type lease accounting are recorded as interest income with the remaining amounts recorded as a reduction in net investment in leases. We recognized any billings for throughput volumes in excess of minimum volume requirements as variable lease payments, and these variable lease payments were recorded in lease revenues.

Annual minimum undiscounted lease payments in which we are a lessor to third-party contracts as of December 31, 2023 were as follows:

	Operating	Sales-type
	(In thousands)	
2024	\$ 12,994	\$ 2,170
2025	3,441	2,170
2026	—	2,170
2027	—	2,170
2028	—	2,170
Thereafter	—	13,560
Total lease payment receipts	\$ 16,435	24,410
Less: imputed interest		(15,945)
		8,465
Unguaranteed residual assets at end of leases		25,180
Net investment in leases	\$ 33,645	

Net investment in sales-type leases recorded on our consolidated balance sheets was composed of the following:

	December 31, 2023	December 31, 2022
	(In thousands)	
Lease receivables	\$ 18,830	\$ 23,797
Unguaranteed residual assets	14,815	10,383
Net investment in leases	\$ 33,645	\$ 34,180

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4: Cushing Connect Joint Venture

In 2019, HEP Cushing LLC, then a wholly owned subsidiary of HEP and now a wholly owned subsidiary of HF Sinclair, and Plains Marketing, L.P., a wholly owned subsidiary of Plains All American Pipeline, L.P. ("Plains") formed a 50/50 joint venture, Cushing Connect Pipeline & Terminal LLC ("Cushing Connect"), for (i) the development, construction, ownership and operation of a new 160,000 barrel per day common carrier crude oil pipeline (the "Cushing Connect Pipeline") that connects the Cushing, Oklahoma crude oil hub to our Tulsa refineries and (ii) the ownership and operation of 1.5 million barrels of crude oil storage in Cushing, Oklahoma (the "Cushing Connect Terminal" and together with Cushing Connect and the Cushing Connect Pipeline, the "Cushing Connect Joint Venture"). The Cushing Connect Terminal was fully in-service beginning in April 2020, and the Cushing Connect Pipeline was placed in service during the third quarter of 2021. Long-term commercial agreements have been entered into to support the Cushing Connect assets. Cushing Connect entered into a contract with an affiliate of HEP, now a subsidiary of HF Sinclair, to manage the operation of the Cushing Connect Pipeline and with an affiliate of Plains to manage the operation of the Cushing Connect Terminal. The total investment in Cushing Connect was generally shared proportionately among the partners. However, HEP was solely responsible for any Cushing Connect Pipeline construction costs that exceeded the budget by more than 10%. HEP's share of the cost of the Cushing Connect Terminal contributed by Plains and Cushing Connect Pipeline construction costs was approximately \$74.0 million.

Cushing Connect and its two subsidiaries, Cushing Connect Pipeline and Cushing Connect Terminal are each VIEs as defined under GAAP. A VIE is a legal entity whose equity owners do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the equity holders lack the power, through voting rights, to direct the activities that most significantly impact the entity's financial performance, the obligation to absorb the entity's expected losses or rights to expected residual returns. Cushing Connect and its two subsidiaries are each VIE's because they did not originally have sufficient equity at risk to finance their activities without additional financial support. We are the primary beneficiary of two of these entities as HEP constructed and operates the Cushing Connect Pipeline, and we have more ability to direct the activities that most significantly impact the financial performance of Cushing Connect and Cushing Connect Pipeline. Therefore, we consolidate these two entities. We are not the primary beneficiary of Cushing Connect Terminal, which we account for using the equity method of accounting. Our maximum exposure to loss as a result of our involvement with Cushing Connect Terminal is not expected to be material due to the long-term terminalling agreements in place to support operations.

With the exception of the assets of HEP Cushing, creditors of the Cushing Connect Joint Venture legal entities have no recourse to our assets. Any recourse to HEP Cushing would be limited to the extent of HEP Cushing's assets, which other than its investment in Cushing Connect Joint Venture, are not significant. Furthermore, our creditors have no recourse to the assets of the Cushing Connect Joint Venture legal entities. The most significant assets of Cushing Connect and Cushing Connect Pipeline that are available to settle only their obligations, along with their most significant liabilities for which their creditors do not have recourse to our general credit, were:

	Years Ended December 31,	
	2023	2022
	(In thousands)	(In thousands)
Cash and cash equivalents	1,536	2,147
Properties, plants and equipment, at cost	102,936	102,635
Less accumulated depreciation	(8,022)	(4,484)
Intangibles and other	32,473	34,746

NOTE 5: Revenues

Substantially all revenue-generating activities relate to sales of refined product, branded fuel, renewable diesel and excess crude oil inventories sold at market prices (variable consideration) under contracts with customers. Additionally, we have revenues attributable to logistics services provided under petroleum product and crude oil pipeline transportation, processing, storage and terminalling agreements with third parties.

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Disaggregated revenues were as follows:

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Revenues by type			
Refined product revenues			
Transportation fuels ⁽¹⁾	\$ 19,867,388	\$ 25,895,867	\$ 13,414,543
Specialty lubricant products ⁽²⁾	2,521,025	2,826,206	2,322,242
Asphalt, fuel oil and other products ⁽³⁾	2,167,049	2,147,710	948,581
Total refined product revenues	24,555,462	30,869,783	16,685,366
Excess crude oil revenues ⁽⁴⁾	2,147,466	2,342,288	1,547,696
Renewable diesel revenues ⁽⁵⁾	781,309	654,893	—
Transportation and logistic services	117,749	109,200	103,646
Marketing revenues ⁽⁶⁾	4,146,292	3,911,922	—
Other revenues ⁽⁷⁾	216,117	316,753	52,434
Total sales and other revenues	<u><u>\$ 31,964,395</u></u>	<u><u>\$ 38,204,839</u></u>	<u><u>\$ 18,389,142</u></u>

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Refined product revenues by market			
United States			
Mid-Continent	\$ 9,362,688	\$ 13,924,566	\$ 9,094,885
Southwest	3,814,142	4,965,298	3,477,562
Rocky Mountains	9,131,345	9,533,476	2,118,619
Northeast	959,239	1,037,771	824,900
Canada	1,022,174	1,063,961	836,317
Europe, Asia and Latin America	265,874	344,711	333,083
Total refined product revenues	<u><u>\$ 24,555,462</u></u>	<u><u>\$ 30,869,783</u></u>	<u><u>\$ 16,685,366</u></u>

- (1) Transportation fuels revenues are attributable to our Refining segment wholesale marketing of gasoline, diesel and jet fuel.
- (2) Specialty lubricant products consist of base oil, waxes, finished lubricants and other specialty fluids.
- (3) Asphalt, fuel oil and other products revenue include revenues attributable to our Refining and Lubricants & Specialties segments of \$1,928.6 million and \$238.4 million, respectively, for the year ended December 31, 2023. For the year ended December 31, 2022 such revenues attributable to our Refining and Lubricants & Specialties were \$1,827.3 million and \$314.8 million, respectively. For the year ended December 31, 2021 such revenue attributable to our Refining and Lubricants & Specialties segments were \$724.3 million and \$224.3 million, respectively.
- (4) Excess crude oil revenues represent sales of purchased crude oil inventory that at times exceeds the supply needs of our refineries.
- (5) Renewable diesel revenues are attributable to our Renewables segment.
- (6) Marketing segment revenues consist primarily of branded gasoline and diesel fuel.
- (7) Other revenues are principally attributable to our Refining segment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Our consolidated balance sheets reflect contract liabilities related to unearned revenues attributable to future service obligations under our third-party transportation agreements and production agreements from our Sonneborn operations. The following table presents changes to contract liabilities:

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Balance at January 1	\$ 10,722	\$ 9,278	\$ 6,738
Increase	21,381	32,040	32,301
Recognized as revenue	(24,570)	(30,596)	(29,761)
Balance at December 31	<u><u>\$ 7,533</u></u>	<u><u>\$ 10,722</u></u>	<u><u>\$ 9,278</u></u>

As of December 31, 2023, we have long-term contracts with customers that specify minimum volumes of gasoline, diesel, lubricants and specialties to be sold ratably at market prices through 2032. Future prices are subject to market fluctuations and therefore, we have elected the exemption to exclude variable consideration under these contracts under ASC 606-10-50-14A. Aggregate minimum volumes expected to be sold (future performance obligations) under our long-term product sales contracts with customers are as follows, which include branded sales volumes assumed upon our acquisition of the Acquired Sinclair Businesses:

	2024	2025	2026	Thereafter	Total
	(In thousands)				
Refined product sales volumes (barrels)	35,563	25,506	17,891	47,240	126,200

Additionally, we have long-term contracts with third-party customers that specify minimum volumes of product to be transported through our pipelines and terminals that result in fixed-minimum annual revenues through 2033. Annual minimum revenues attributable to our third-party contracts as of December 31, 2023 are presented below:

	2024	2025	2026	Thereafter	Total
	(In thousands)				
Midstream operations contractual minimum revenues	\$ 20,656	\$ 11,097	\$ 7,656	\$ 42,592	\$ 82,001

For the years ended December 31, 2023, 2022 and 2021, we had one customer, Shell, together with certain of its affiliates, that accounted for 10% or more of our total annual revenues at approximately 12%, 15% and 13%, respectively, which were primarily generated through our Refining segment operations.

NOTE 6: Fair Value Measurements

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

- (Level 1) Quoted prices in active markets for identical assets or liabilities.
- (Level 2) Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- (Level 3) Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes valuation techniques that involve significant unobservable inputs.

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The carrying amounts of derivative instruments and RINs receivable and credit obligations at December 31, 2023 and 2022 were as follows:

	Carrying Amount	Fair Value by Input Level			
		Level 1	Level 2	Level 3	
(In thousands)					
December 31, 2023					
Assets:					
NYMEX futures contracts	\$ 836	\$ 836	\$ —	\$ —	
Commodity forward contracts	2,908	—	2,908	—	
Total assets	<u>\$ 3,744</u>	<u>\$ 836</u>	<u>\$ 2,908</u>	<u>\$ —</u>	
Liabilities:					
Commodity price swaps	\$ 7,808	\$ —	\$ 7,808	\$ —	
Commodity forward contracts	1,848	—	1,848	—	
Foreign currency forward contracts	7,893	—	7,893	—	
Total liabilities	<u>\$ 17,549</u>	<u>\$ —</u>	<u>\$ 17,549</u>	<u>\$ —</u>	

	Carrying Amount	Fair Value by Input Level			
		Level 1	Level 2	Level 3	
(In thousands)					
December 31, 2022					
Assets:					
Commodity price swaps	\$ 342	\$ —	\$ 342	\$ —	
Commodity forward contracts	2,949	—	2,949	—	
RINs receivable ⁽¹⁾	81,232	—	81,232	—	
Foreign currency forward contracts	15,359	—	15,359	—	
Total assets	<u>\$ 99,882</u>	<u>\$ —</u>	<u>\$ 99,882</u>	<u>\$ —</u>	
Liabilities:					
NYMEX futures contracts	\$ 2,750	\$ 2,750	\$ —	\$ —	
Commodity collar contracts	6,275	—	6,275	—	
Commodity forward contracts	2,987	—	2,987	—	
RINs credit obligations ⁽¹⁾	81,232	—	81,232	—	
Total liabilities	<u>\$ 93,244</u>	<u>\$ 2,750</u>	<u>\$ 90,494</u>	<u>\$ —</u>	

(1) REH Company was financially responsible for satisfaction of RINs credit obligations for all periods prior to the closing of the Sinclair Transactions. See Note 2 for additional information on RINs credit obligations assumed in the Sinclair Transactions.

Level 1 Fair Value Measurements

Our New York Mercantile Exchange ("NYMEX") futures contracts are exchange traded and are measured and recorded at fair value using quoted market prices, a Level 1 input.

HF SINCLAIR CORPORATION
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Level 2 Fair Value Measurements

Derivative instruments consisting of foreign currency forward contracts, commodity price swaps, commodity collar contracts and forward sales and purchase contracts are measured and recorded at fair value using Level 2 inputs. The fair value of the commodity price swap contracts is based on the net present value of expected future cash flows related to both variable and fixed rate legs of the respective swap agreements. The measurements are computed using market-based observable input and quoted forward commodity prices with respect to our commodity price swaps. The fair value of the commodity collar contracts is based on forward natural gas prices. The fair value of the forward sales and purchase contracts are computed using quoted forward commodity prices. The fair value of foreign currency forward contracts are based on values provided by a third party, which were derived using market quotes for similar type instruments, a Level 2 input.

Nonrecurring Fair Value Measurements

During the years ended December 31, 2022 and 2021, we recognized assets and liabilities based on fair value measurements for the Sinclair Transactions and the acquisition of Puget Sound Refinery (see Note 2). The fair value measurements were based on a combination of valuation methods including discounted cash flows, the guideline public company and guideline transaction methods and obsolescence adjusted replacement costs, all of which are Level 3 inputs.

NOTE 7: Earnings Per Share

Basic earnings per share is calculated as net income attributable to HF Sinclair stockholders, adjusted for participating securities' share in earnings divided by the average number of shares of common stock outstanding. Diluted earnings per share includes the incremental shares resulting from certain share-based awards. The following is a reconciliation of the denominators of the basic and diluted per share computations for net income attributable to HF Sinclair stockholders:

	Years Ended December 31,		
	2023	2022	2021
(In thousands, except per share data)			
Net income attributable to HF Sinclair stockholders	\$ 1,589,666	\$ 2,922,668	\$ 558,324
Participating securities' share in earnings ⁽¹⁾	14,045	29,465	7,465
Net income attributable to common shares	<u>\$ 1,575,621</u>	<u>\$ 2,893,203</u>	<u>\$ 550,859</u>
Average number of shares of common stock outstanding	190,035	202,566	162,569
Average number of shares of common stock outstanding assuming dilution	<u>190,035</u>	<u>202,566</u>	<u>162,569</u>
Basic earnings per share	<u>\$ 8.29</u>	<u>\$ 14.28</u>	<u>\$ 3.39</u>
Diluted earnings per share	<u>\$ 8.29</u>	<u>\$ 14.28</u>	<u>\$ 3.39</u>

- (1) Unvested restricted stock unit awards and unvested performance share units that settle in HF Sinclair common stock represent participating securities because they participate in nonforfeitable dividends or distributions with the common stockholders of HF Sinclair. Participating earnings represent the distributed and undistributed earnings of HF Sinclair attributable to the participating securities. Unvested restricted stock unit awards and performance share units do not participate in undistributed net losses as they are not contractually obligated to do so.

HF SINCLAIR CORPORATION
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NOTE 8: Stock-Based Compensation

We have a principal share-based compensation plan (the HF Sinclair Corporation Amended and Restated 2020 Long Term Incentive Plan, the "2020 Plan"). The 2020 Plan provides for the grant of unrestricted and restricted stock, restricted stock units, other stock-based awards, stock options, performance awards, substitute awards, cash awards and stock appreciation rights. Subject to adjustment for certain events, an aggregate of 6,368,930 of these awards may be issued pursuant to awards granted under the 2020 Plan. We also have a stock compensation deferral plan which allows non-employee directors to defer settlement of vested stock granted under our share-based compensation plan. Our accounting policy for the recognition of compensation expense for awards with pro-rata vesting is to expense the costs ratably over the vesting periods. Share-based awards paid in cash upon vesting are accounted for as liability awards and recorded at fair value at the end of each reporting period with a mark-to-market adjustment recognized in earnings.

The stock-based compensation expense and associated tax benefit were as follows:

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Compensation expense:			
Restricted stock units	\$ 30,067	\$ 27,264	\$ 29,453
Performance stock units	12,145	8,683	12,591
Total compensation expense	\$ 42,212	\$ 35,947	\$ 42,044
Tax benefit recognized on compensation expense	\$ 10,203	\$ 8,918	\$ 10,545

Additionally, prior to the HEP Merger Transaction, HEP maintained an equity-based compensation plan for Holly Logistic Services, L.L.C.'s non-employee directors and certain executives and employees (the "HEP LTIP"). Compensation cost attributable to HEP's equity-based compensation plan was \$1.5 million, \$1.9 million and \$2.6 million for the years ended December 31, 2023, 2022 and 2021, respectively. In connection with the HEP Merger Transaction, on December 4, 2023, HF Sinclair registered additional shares of HF Sinclair common stock under the 2020 Plan pursuant to General Instruction E of Form S-8, which authorized the 2020 Plan's assumption of authorized but unissued HEP common units remaining under the HEP LTIP at the time of the HEP Merger Transaction, adjusted to reflect the applicable exchange rate pursuant to the HEP Merger Transaction.

Restricted Stock Units

Under the 2020 Plan, we grant certain officers and other key employees restricted stock unit awards, which are payable in stock or cash and generally vest over a period of one to three years. Restricted stock unit award recipients have the right to receive dividends, however, restricted stock units do not have any other rights of absolute ownership. Upon vesting, restrictions on the restricted stock units lapse at which time they convert to common shares or cash. In addition, we grant non-employee directors restricted stock unit awards, which typically vest over a period of one year and are payable in stock. The fair value of each restricted stock unit award is measured based on the grant date market price of our common shares and is amortized over the respective vesting period. We account for forfeitures on an estimated basis.

A summary of restricted stock unit activity during the year ended December 31, 2023 is presented below:

Restricted Stock Units	Grants	Weighted Average Grant Date Fair Value	
		Fair Value	Number of Units
Outstanding at January 1, 2023	1,055,875	\$ 39.46	
Granted	529,559	\$ 52.59	
Vested	(641,944)	\$ 33.17	
Forfeited	(65,952)	\$ 38.55	
Converted from performance share units	225,217	\$ 45.46	
Outstanding at December 31, 2023	<u>1,102,755</u>	<u>\$ 50.71</u>	

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For the years ended December 31, 2023, 2022 and 2021, restricted stock units vested having a grant date fair value of \$ 21.3 million, \$26.5 million and \$28.4 million, respectively. For the years ended December 31, 2022 and 2021, we granted restricted stock units having a weighted average grant date fair value of \$59.41 and \$33.95, respectively. As of December 31, 2023, there was \$ 28.9 million of total unrecognized compensation cost related to non-vested restricted stock unit grants. That cost is expected to be recognized over a weighted-average period of 1.5 years. For the years ended December 31, 2023, 2022 and 2021, we paid \$3.9 million, \$5.8 million and \$3.4 million, respectively, in cash equal to the value of the stock award on the vest date to certain employees to settle 71,589, 96,005 and 105,459 restricted stock units, respectively.

Performance Share Units

Under the 2020 Plan, we grant certain officers and other key employees performance share units, which are payable in stock or cash upon meeting certain criteria over the service period, and generally vest over a period of three years. Under the terms of our performance share unit grants, awards are subject to "financial performance" and "market performance" criteria. Financial performance is based on our financial performance compared to a peer group of independent refining companies, while market performance is based on the relative standing of total shareholder return achieved by HF Sinclair compared to peer group companies. The number of shares ultimately issued or cash paid under these awards can range from zero to 200% of target award amounts. Holders of performance share units have the right to receive dividend equivalents and other distributions with respect to such performance share units based on the target level of payout.

A summary of performance share unit activity and changes during the year ended December 31, 2023 is presented below:

Performance Share Units	Grants	Weighted Average Grant Date	
			Fair Value
Outstanding at January 1, 2023	771,197	\$ 41.78	
Granted	263,881	\$ 67.73	
Vested	(298,978)	\$ 24.47	
Forfeited	(25,352)	\$ 40.76	
Converted to restricted stock units	(225,217)	\$ 52.44	
Outstanding at December 31, 2023	<u>485,531</u>	<u>\$ 61.66</u>	

For the year ended December 31, 2023, we issued 375,376 shares of common stock, representing a payout of up to 125% on vested performance share units having a grant date fair value of \$7.3 million. For the years ended December 31, 2022 and 2021, we issued common stock upon the vesting of the performance share units having a grant date fair value of \$6.2 million and \$4.5 million, respectively. As of December 31, 2023, there was \$ 20.1 million of total unrecognized compensation cost related to non-vested performance share units. That cost is expected to be recognized over a weighted-average period of 2.2 years. For the years ended December 31, 2023 and 2022, we paid \$ 1.2 million and \$0.7 million, respectively, in cash equal to the value of the stock award on the vest date to certain employees to settle 23,587 and 12,108 performance share units, respectively.

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NOTE 9: Inventories

Inventories consist of the following components:

	December 31,	
	2023	2022
		(In thousands)
Crude oil	\$ 858,411	\$ 818,737
Other raw materials and unfinished products ⁽¹⁾	683,066	842,855
Finished products ⁽²⁾	1,435,817	1,252,984
Lower of cost or market reserve	(331,570)	(61,151)
Process chemicals ⁽³⁾	50,917	53,900
Repairs and maintenance supplies and other ⁽⁴⁾	225,190	307,203
Total inventory	\$ 2,921,831	\$ 3,214,528

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

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

(3) Process chemicals include additives and other chemicals.

(4) Includes RINs.

Our Refining segment inventories that are valued at the lower of LIFO cost or market reflect a new market reserve of \$ 220.6 million that was established as of December 31, 2023 based on market conditions and prices at that time. The effect of the change in the lower of cost or market reserve was an increase to cost of products sold totaling \$220.6 million for the year ended December 31, 2023. The excess replacement cost over the LIFO value of our Refining segment inventories was \$39.0 million at December 31, 2022. For the year ended December 31, 2021, we recorded a decrease to cost of products sold of \$318.9 million due to the effect of the change in the lower of cost or market reserve recorded on our Refining segment inventories at that time.

Our Renewables segment inventories that are valued at the lower of LIFO cost or market reflect a valuation reserve of \$ 111.0 million and \$61.2 million at December 31, 2023 and 2022, respectively. A new market reserve of \$111.0 million as of December 31, 2023 was based on market conditions and prices at that time. The effect of the change in the lower of cost or market reserve was an increase of cost of products sold totaling \$49.9 million and \$52.4 million for the years ended December 31, 2023 and 2022, respectively.

NOTE 10: Properties, Plants and Equipment

The components of properties, plants and equipment are as follows:

	December 31,	
	2023	2022
		(In thousands)
Land, buildings and improvements	\$ 765,826	\$ 741,874
Refining facilities	6,593,768	6,346,422
Pipelines and terminals	2,300,781	2,267,052
Transportation vehicles	37,870	43,801
Other fixed assets	543,966	422,583
Construction in progress	291,221	324,920
	10,533,432	10,146,652
Accumulated depreciation	(3,906,600)	(3,457,747)
	\$ 6,626,832	\$ 6,688,905

We capitalized interest attributable to construction projects of \$4.3 million, \$6.2 million and \$15.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Depreciation expense was \$474.3 million, \$442.2 million and \$329.4 million for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 11: Goodwill and Intangibles

Goodwill

As of December 31, 2023, our goodwill balance was \$3.0 billion. The carrying amount of our goodwill may fluctuate from period to period due to the effects of foreign currency translation adjustments on goodwill assigned to our Lubricants & Specialties segment.

The following is a summary of our goodwill by segment:

	Refining	Renewables	Marketing	Lubricants & Specialties	Midstream	Total
(In thousands)						
Balance at December 31, 2022	\$ 1,977,435	\$ 159,020	\$ 163,839	\$ 246,036	\$ 431,985	\$ 2,978,315
Goodwill disposal and other changes	—	—	—	(943)	—	(943)
Foreign currency translation adjustment	—	—	—	372	—	372
Balance at December 31, 2023	\$ 1,977,435	\$ 159,020	\$ 163,839	\$ 245,465	\$ 431,985	\$ 2,977,744
Balance at December 31, 2023						
Goodwill	\$ 2,286,753	\$ 159,020	\$ 163,839	\$ 480,044	\$ 431,985	\$ 3,521,641
Accumulated impairment losses	(309,318)	—	—	(234,579)	—	(543,897)
	\$ 1,977,435	\$ 159,020	\$ 163,839	\$ 245,465	\$ 431,985	\$ 2,977,744

We performed our annual goodwill impairment testing quantitatively as of July 1, 2023 and determined there was no impairment of goodwill attributable to our reporting units. Furthermore, there was no impairment of goodwill during the years ended December 31, 2022 and 2021.

Intangibles

The carrying amounts of our intangible assets presented in "Intangibles and other" on our consolidated balance sheets are as follows:

	Useful Life	December 31	
		2023	2022
(In thousands)			
Customer relationships	10 - 20 years	\$ 347,567	\$ 346,354
Transportation agreements	30 years	59,933	59,933
Trademarks, patents and other	10 - 20 years	263,855	261,678
		671,355	667,965
Accumulated amortization		(260,723)	(204,239)
Total intangibles, net		\$ 410,632	\$ 463,726

Amortization expense was \$55.1 million, \$51.0 million and \$35.6 million for the years ended December 31, 2023, 2022 and 2021, respectively. Estimated future amortization expense related to the intangible assets at December 31, 2023 is as follows:

HF SINCLAIR CORPORATION
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	(In thousands)
2024	\$ 55,261
2025	\$ 55,261
2026	\$ 46,499
2027	\$ 40,753
2028	\$ 34,253

NOTE 12: Environmental

We expensed \$26.5 million, \$13.4 million and \$7.8 million for the years ended December 31, 2023, 2022 and 2021, respectively, for environmental remediation obligations. The accrued environmental liability reflected on our consolidated balance sheets was \$195.4 million and \$192.3 million at December 31, 2023 and 2022, respectively, of which \$161.4 million and \$170.0 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. Accrued environmental liabilities assumed in the Sinclair Transactions were \$72.2 million at the acquisition date and an associated receivable from third parties of \$ 21.5 million. Estimated liabilities could increase in the future when the results of ongoing investigations become known, are considered probable and can be reasonably estimated.

NOTE 13: Debt

HF Sinclair Credit Agreement

We have a \$1.65 billion senior unsecured revolving credit facility maturing in April 2026 (the "HF Sinclair Credit Agreement"). The HF Sinclair Credit Agreement may be used for revolving credit loans and letters of credit from time to time and is available to fund general corporate purposes. At December 31, 2023, we were in compliance with all covenants, had no outstanding borrowings and had outstanding letters of credit totaling \$0.3 million under the HF Sinclair Credit Agreement.

Indebtedness under the HF Sinclair Credit Agreement bears interest, at our option based on the currency of such indebtedness at either (a) a base rate equal to the highest of the Federal Funds Effective Rate (as defined in the HF Sinclair Credit Agreement) plus half of 1%, Spread Adjusted Term SOFR (as defined in the HF Sinclair Credit Agreement) for a one-month interest period plus 1% and the prime rate (as publicly announced from time to time by the administrative agent), as applicable, plus an applicable margin (ranging from 0.25% - 1.125%), (b) the CDOR Rate (as defined in the HF Sinclair Credit Agreement) plus an applicable margin (ranging from 1.25% to 2.125%), (c) the Spread Adjusted Term SOFR (as defined in the HF Sinclair Credit Agreement) plus an applicable margin (ranging from 1.25% to 2.125%) or (d) the Daily Simple RFR (as defined in the HF Sinclair Credit Agreement) plus an applicable margin (ranging from 1.25% to 2.125%). In each case, the applicable margin is based on HF Sinclair's debt rating assigned by Standard & Poor's Financial Services LLC and Moody's Investors Service, Inc.

HEP Credit Agreement

Our wholly owned subsidiary, HEP, has a \$ 1.2 billion senior secured revolving credit facility maturing in July 2025 (the "HEP Credit Agreement"). In connection with the consummation of the HEP Merger Transaction, we amended the HEP Credit Agreement to, among other things, (a) provide a guaranty from us and terminated all guaranties from subsidiaries of HEP, (b) amended the definition of "Investment Grade Rating" (as defined in the HEP Credit Agreement) to reference the credit rating of our senior unsecured indebtedness, (c) eliminated the requirement to deliver separate audited and unaudited financial statements for HEP and its subsidiaries and only provide certain segment-level reporting for HEP with any compliance certificate delivered in accordance with the HEP Credit Agreement and (d) amended certain covenants to eliminate certain restrictions on (i) amendments to intercompany contracts, (ii) transactions with us and our subsidiaries and (iii) investments in and contributions, dividends, transfers and distributions to us and our subsidiaries.

The HEP Credit Agreement is available to fund capital expenditures, investments, acquisitions, distribution payments, working capital and for general corporate purposes. It is also available to fund letters of credit up to a \$50 million sub-limit and has an accordion feature that allows us to increase the commitments under the HEP Credit Agreement up to a maximum amount of \$1.7 billion. At December 31, 2023, we were in compliance with all of its covenants, had outstanding borrowings of \$455.5 million and no outstanding letters of credit under the HEP Credit Agreement.

HF SINCLAIR CORPORATION
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Prior to the Investment Grade Date (as defined in the HEP Credit Agreement), indebtedness under the HEP Credit Agreement bears interest, at our option, at either (a) the Alternate Base Rate (as defined in the HEP Credit Agreement) plus an applicable margin (ranging from 0.75% - 1.75%) or (b) Adjusted Term SOFR (as defined in the HEP Credit Agreement) plus an applicable margin (ranging from 1.75% - 2.75%). In each case, the applicable margin is based upon the Total Leverage Ratio (as defined in the HEP Credit Agreement). The weighted average interest rate in effect under the HEP Credit Agreement on our borrowings was 7.08% and 6.32% as of December 31, 2023 and 2022, respectively.

HEP Senior Notes Exchange

On December 4, 2023, we completed our offers to exchange any and all outstanding HEP 5.000% senior notes maturing February 2028 (the "HEP 5.000% Senior Notes") and HEP 6.375% senior notes maturing April 2027 (the "HEP 6.375% Senior Notes" and, collectively with the HEP 5.000% Senior Notes, the "HEP Senior Notes") for the HF Sinclair 5.000% senior notes maturing February 2028 (the "HF Sinclair 5.000% Senior Notes") and the HF Sinclair 6.375% senior notes maturing April 2027 (the "HF Sinclair 6.375% Senior Notes", and, collectively with the HF Sinclair 5.000% Senior Notes, the "New HF Sinclair Senior Notes") to be issued by HF Sinclair with registration rights and cash. In connection with the exchange offers, HEP amended the indenture governing the HEP Senior Notes to eliminate (i) substantially all of the restrictive covenants, (ii) certain of the events which may lead to an "Event of Default", (iii) the SEC reporting covenant and (iv) the requirement of HEP to offer to purchase the HEP Senior Notes upon a change of control.

The New HF Sinclair Senior Notes are unsecured and unsubordinated obligations of ours and rank equally with all our other existing and future unsecured and unsubordinated indebtedness. Each series of the New HF Sinclair Senior Notes has the same interest rate, interest payment dates, maturity date and redemption terms as the corresponding series of HEP Senior Notes. The New HF Sinclair Senior Notes were issued in exchange for the HEP Senior Notes pursuant to a private exchange offer exempt from registration under the Securities Act of 1933, as amended.

Senior Notes

At December 31, 2023, our senior notes consisted of the following:

- \$202.900 million in aggregate principal amount of 5.875% senior notes maturing April 2026 (the "HollyFrontier 5.875% Senior Notes"),
- \$74.966 million in aggregate principal amount of 4.500% senior notes maturing October 2030 (the "HollyFrontier 4.500% Senior Notes" and, collectively with the HollyFrontier 5.875% Senior Notes, the "HollyFrontier Senior Notes"),
- \$797.100 million in aggregate principal amount of 5.875% senior notes maturing April 2026 (the "HF Sinclair 5.875% Senior Notes"),
- \$325.034 million in aggregate principal amount of 4.500% senior notes maturing October 2030 (the "HF Sinclair 4.500% Senior Notes"),
- \$498.879 million in aggregate principal amount of HF Sinclair 5.000% Senior Notes,
- \$399.875 million in aggregate principal amount of HF Sinclair 6.375% Senior Notes (collectively with the HF Sinclair 5.875% Senior Notes, HF Sinclair 4.500% Senior Notes and HF Sinclair 5.000% Senior Notes, the "HF Sinclair Senior Notes"),
- \$1.121 million in aggregate principal amount of HEP 5.000% Senior Notes and
- \$0.125 million in aggregate principal amount of HEP 6.375% Senior Notes.

Our senior notes are unsecured and unsubordinated obligations of ours and rank equally with all future unsecured and unsubordinated indebtedness.

In October 2023, we repaid at maturity our \$ 59.6 million aggregate principal amount HollyFrontier 2.625% senior notes maturing October 2023 (the "HollyFrontier 2.625% Senior Notes") and \$ 248.2 million aggregate principal amount HF Sinclair 2.625% senior notes maturing October 2023 (the "HF Sinclair 2.625% Senior Notes").

During the fourth quarter of 2022, we made open market repurchases of HF Sinclair 2.625% Senior Notes and HollyFrontier 2.625% Senior Notes that resulted in the extinguishment of \$42.2 million in principal of the HF Sinclair 2.625% Senior Notes and fifteen thousand dollars in principal of the HollyFrontier 2.625% Senior Notes. Total cash consideration paid to repurchase the principal amount outstanding, excluding accrued interest, totaled \$41.4 million, and we recognized a \$ 0.6 million gain on the extinguishment of debt during the year ended December 31, 2022.

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Further, we may from time to time seek to retire some or all of our outstanding debt or debt agreements through cash purchases, and/or exchanges, open market purchases, privately negotiated transactions, tender offers or otherwise. Such transactions, if any, may be material and will depend on prevailing market conditions, our liquidity requirements and other factors.

HF Sinclair Financing Arrangements

Certain of our wholly owned subsidiaries entered into financing arrangements whereby such subsidiaries sold a portion of their precious metals catalyst to a financial institution and then leased back the precious metals catalyst in exchange for cash. The volume of the precious metals catalyst and the lease rate are fixed over the term of each lease, and the lease payments are recorded as interest expense. The current leases mature in one year or less. Upon maturity, we must either satisfy the obligation at fair market value or refinance to extend the maturity. These financing arrangements are recorded at a Level 2 fair value totaling \$37.0 million and \$39.8 million at December 31, 2023 and 2022, respectively, and are included in "Accrued liabilities" on our consolidated balance sheets. See Note 6 for additional information on Level 2 inputs.

HF Sinclair may, from time to time, issue letters of credit pursuant to uncommitted letters of credit facilities with its lenders. At December 31, 2023, there were no letters of credit outstanding under such credit facilities.

The carrying amounts of outstanding debt are as follows:

	December 31,	
	2023	2022
(In thousands)		
HollyFrontier		
2.625% Senior Notes	\$ —	\$ 59,637
5.875% Senior Notes	202,900	202,900
4.500% Senior Notes	74,966	74,966
	<u>277,866</u>	<u>337,503</u>
HF Sinclair		
2.625% Senior Notes	\$ —	\$ 248,190
5.875% Senior Notes	797,100	797,100
4.500% Senior Notes	325,034	325,034
5.000% Senior Notes	498,879	—
6.375% Senior Notes	399,875	—
	<u>2,020,888</u>	<u>1,370,324</u>
HEP		
5.000% Senior Notes	1,121	500,000
6.375% Senior Notes	125	400,000
	<u>1,246</u>	<u>900,000</u>
HEP Credit Agreement	455,500	668,000
Less current debt ⁽¹⁾	—	(306,959)
Unamortized discount and debt issuance costs ⁽¹⁾	<u>(16,417)</u>	<u>(20,355)</u>
Total long-term debt ⁽²⁾	\$ 2,739,083	\$ 2,948,513

(1) The 2.625% HollyFrontier Senior Notes and HF Sinclair 2.625% Senior Notes, inclusive of unamortized discount and debt issuance costs of \$0.9 million at December 31, 2022 were due October 2023 and were classified as current debt on our consolidated balance sheets.

(2) At December 31, 2022, total HF Sinclair standalone long-term debt, which excluded HEP long-term debt, was \$ 1.4 billion.

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The fair values of the senior notes are as follows:

	December 31,	
	2023	2022
	(In thousands)	
HollyFrontier and HF Sinclair Senior Notes	\$ 2,270,668	\$ 1,655,726
HEP Senior Notes	\$ 1,188	\$ 852,658

These fair values are based on a Level 2 input. See Note 6 for additional information on Level 2 inputs.

Principal maturities of outstanding debt as of December 31, 2023 are as follows:

Years Ending December 31,	(In thousands)
2024	\$ —
2025	455,500
2026	1,000,000
2027	400,000
2028	500,000
Thereafter	400,000
Total	\$ 2,755,500

NOTE 14: Derivative Instruments and Hedging Activities

Commodity Price Risk Management

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

Foreign Currency Risk Management

We are exposed to market risk related to the volatility in foreign currency exchange rates. We periodically enter into derivative contracts in the form of foreign exchange forward contracts to mitigate the exposure associated with fluctuations on intercompany notes with our foreign subsidiaries that are not denominated in the U.S. dollar.

Accounting Hedges

We had swap contracts serving as cash flow hedges against price risk on forecasted purchases of natural gas that matured as of December 31, 2021. We also periodically have swap contracts to lock in basis spread differentials on forecasted purchases of crude oil and forward sales contracts that lock in the prices of future sales of crude oil and refined product. These contracts have been designated as accounting hedges and are measured at fair value with offsetting adjustments (gains/losses) recorded directly to other comprehensive income (loss). These fair value adjustments are later reclassified to earnings as the hedging instruments mature.

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The following table presents the pre-tax effect on other comprehensive income ("OCI") and earnings due to fair value adjustments and maturities of hedging instruments under hedge accounting:

Derivatives Designated as Cash Flow Hedging Instruments	Net Unrealized Gain Recognized in OCI			Gain (Loss) Reclassified into Earnings		
	Years Ended December 31,			Years Ended December 31,		
	2023	2022	2021	Income Statement Location	2023	2022
(In thousands)						
Commodity contracts	\$ —	\$ 326	\$ 31	Sales and other revenues	\$ (3,236)	\$ (5,288)
				Operating expenses	—	—
Total	\$ —	\$ 326	\$ 31		\$ (3,236)	\$ (5,288)
						\$ (17,579)

Economic Hedges

We have commodity contracts including NYMEX futures contracts to lock in prices on forecasted purchases and sales of inventory and basis swap contracts to mitigate exposure to natural gas price volatility and forward purchase and sell contracts of refined products, as well as periodically have contracts to lock in basis spread differentials on forecasted purchases of crude oil and collar contracts to mitigate exposure to natural gas price volatility, that serve as economic hedges (derivatives used for risk management, but not designated as accounting hedges). We also have forward currency contracts to fix the rate of foreign currency. In addition, our catalyst financing arrangements discussed in Note 13 could require repayment under certain conditions based on the future pricing of platinum, which is an embedded derivative. These contracts are measured at fair value with offsetting adjustments (gains/losses) recorded directly to earnings.

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

Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized in Earnings		
	Years Ended December 31,		
	2023	2022	2021
(In thousands)			
Commodity contracts	\$ 10,162	\$ (17,189)	\$ (22,909)
	(20,783)	(13,780)	—
	2,050	(4,420)	11,816
Foreign currency contracts	(7,414)	27,826	(4,013)
Total	\$ (15,985)	\$ (7,563)	\$ (15,106)

As of December 31, 2023, we have the following notional contract volumes related to outstanding derivative instruments (all maturing in 2024):

	Total Outstanding Notional	Unit of Measure
Derivatives not designated as hedging instruments:		
NYMEX futures (WTI) - short	640,000	Barrels
Forward gasoline contracts - long	800,000	Barrels
Foreign currency forward contracts	387,613,367	U. S. dollar
Forward commodity contracts (platinum)	36,969	Troy ounces
Natural gas price swaps (basis spread) - long	6,667,000	MMBTU

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

	Derivatives in Net Asset Position				Derivatives in Net Liability Position							
	Gross Assets	Sheet	Gross Liabilities	Net Assets	Gross Assets	Sheet	Gross Liabilities	Net Liabilities				
			Offset in Balance	Recognized in Balance Sheet			Offset in Balance	Recognized in Balance Sheet				
(In thousands)												
December 31, 2023												
Derivatives not designated as cash flow hedging instruments:												
NYMEX futures contracts	\$ 836	\$ —	\$ 836	\$ —	\$ —	\$ —	\$ —	\$ —				
Commodity price swap contracts	—	—	—	—	7,808	—	—	7,808				
Commodity forward contracts	2,908	—	2,908	—	1,848	—	—	1,848				
Foreign currency forward contracts	—	—	—	—	7,893	—	—	7,893				
	\$ 3,744	\$ —	\$ 3,744	\$ 17,549	\$ —	\$ —	\$ 17,549	\$ 17,549				
Total net balance			\$ 3,744					\$ 17,549				
Balance sheet classification:		Prepayment and other	\$ 3,744			Accrued liabilities		\$ 17,549				
December 31, 2022												
Derivatives not designated as cash flow hedging instruments:												
NYMEX futures contracts	\$ —	\$ —	\$ —	\$ 2,750	\$ —	\$ —	\$ —	\$ 2,750				
Commodity price swap contracts	342	—	342	—	—	—	—	—				
Commodity collar contracts	—	—	—	6,275	—	—	—	6,275				
Commodity forward contracts	2,949	—	2,949	2,987	—	—	—	2,987				
Foreign currency forward contracts	15,359	—	15,359	—	—	—	—	—				
	\$ 18,650	\$ —	\$ 18,650	\$ 12,012	\$ —	\$ —	\$ 12,012	\$ 12,012				
Total net balance			\$ 18,650					\$ 12,012				
Balance sheet classification:		Prepayments and other	\$ 18,650			Accrued liabilities		\$ 12,012				

HF SINCLAIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15: Income Taxes

The provision for income taxes is comprised of the following:

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Current			
Federal	\$ 179,677	\$ 674,977	\$ (33,206)
State	24,419	108,993	(1,802)
Foreign	44,966	57,734	30,336
Deferred			
Federal	154,996	38,535	94,353
State	31,285	21,121	1,386
Foreign	6,269	(6,488)	32,831
	<u>\$ 441,612</u>	<u>\$ 894,872</u>	<u>\$ 123,898</u>

The statutory federal income tax rate applied to pre-tax book income reconciles to income tax expense as follows:

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Tax computed at statutory rate	\$ 452,027	\$ 826,570	\$ 165,302
State income taxes, net of federal tax benefit	55,734	123,442	13,588
Noncontrolling interest in net income	(29,386)	(28,726)	(25,931)
Effect of change in state rate	—	(15,800)	(13,342)
Nontaxable permanent differences	(49,420)	—	—
CARES Act benefits	—	—	(10,384)
Foreign rate differential	5,753	6,608	331
Federal tax credits	(5,344)	(23,853)	(29,777)
US tax on non-US operations	7,239	12,920	18,547
Other	5,009	(6,289)	5,564
	<u>\$ 441,612</u>	<u>\$ 894,872</u>	<u>\$ 123,898</u>

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Our deferred income tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

	December 31, 2023		
	Assets	Liabilities	Total
(In thousands)			
Deferred income taxes			
Properties, plants, equipment and intangibles (due primarily to tax in excess of book depreciation)	\$ —	\$ (1,171,633)	\$ (1,171,633)
Lease obligation	106,161	—	106,161
Accrued employee benefits	20,260	—	20,260
Accrued post-retirement benefits	9,985	—	9,985
Accrued environmental costs	42,916	—	42,916
Hedging instruments	1,791	—	1,791
Inventory differences	—	(164,178)	(164,178)
Deferred turnaround costs	—	(155,833)	(155,833)
Net operating loss and tax credit carryforwards	35,294	—	35,294
Valuation allowance	—	(10,614)	(10,614)
Other	—	(11,279)	(11,279)
Total	\$ 216,407	\$ (1,513,537)	\$ (1,297,130)

	December 31, 2022		
	Assets	Liabilities	Total
(In thousands)			
Deferred income taxes			
Properties, plants, equipment and intangibles (due primarily to tax in excess of book depreciation)	\$ —	\$ (1,032,048)	\$ (1,032,048)
Lease obligation	129,727	—	129,727
Accrued employee benefits	17,665	—	17,665
Accrued post-retirement benefits	9,951	—	9,951
Accrued environmental costs	37,868	—	37,868
Hedging instruments	3,260	—	3,260
Inventory differences	—	(230,112)	(230,112)
Deferred turnaround costs	—	(88,574)	(88,574)
Net operating loss and tax credit carryforwards	27,963	—	27,963
Investment in HEP	—	(134,160)	(134,160)
Valuation allowance	—	(3,691)	(3,691)
Other	—	(14)	(14)
Total	\$ 226,434	\$ (1,488,599)	\$ (1,262,165)

We have tax benefits attributable to net operating losses of \$17.6 million in Luxembourg that can be carried forward 16 years which will begin expiring in 2034. We also have tax benefits attributable to net operating losses of \$11.2 million in the Netherlands that can be carried forward indefinitely, and tax benefits attributable to net operating losses in China of \$3.5 million which can be carried forward five years. We have reflected a valuation allowance of \$10.6 million in 2023 and \$3.7 million in 2022, with respect to net operating carryforwards that primarily relate to losses in Luxembourg and China.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Years Ended December 31,		
	2023	2022	2021
(In thousands)			
Balance at January 1	\$ 1,354	\$ 54,605	\$ 54,899
Reductions for tax positions of prior years	—	(53,023)	(49)
Settlements	—	—	(125)
Lapse of statute of limitations	(129)	(228)	(120)
Balance at December 31	<u><u>\$ 1,225</u></u>	<u><u>\$ 1,354</u></u>	<u><u>\$ 54,605</u></u>

At December 31, 2023, 2022 and 2021, there were \$1.2 million, \$1.4 million, and \$54.6 million, respectively, of unrecognized tax benefits that, if recognized, would affect our effective tax rate. Unrecognized tax benefits are adjusted in the period in which new information about a tax position becomes available or the final outcome differs from the amount recorded.

Approximately \$0.7 million of the unrecognized tax benefits relates to claims filed with the U.S. Internal Revenue Service ("IRS") on the federal income tax treatment of refundable biodiesel/ethanol blending tax credits for prior years. We filed suit related to these claims in the Federal District Court of Dallas in March of 2022; the suit was stayed pending the outcome of controlling cases in the U.S. Court of Appeals for the Fifth Circuit, which were decided in favor of the IRS and were not appealed. As such precedent is controlling for us, we intend to file a motion to dismiss those claims controlled by such precedent in the Federal District Court of Dallas during 2024.

We recognize interest and penalties relating to liabilities for unrecognized tax benefits as an element of tax expense. We have not recorded any penalties related to our uncertain tax positions as we believe that it is more likely than not that there will not be any assessment of penalties.

We are subject to U.S. and Canadian federal income tax, Oklahoma, Oregon, Kansas, New Mexico, Iowa, Arizona, Utah, Colorado and Nebraska income tax and to income tax of multiple other state and local jurisdictions. We have substantially concluded all state and local income tax matters for tax years through 2019. Other than the federal claim noted above and to the extent of the federal net operating loss carried back to 2015 from 2020, we have materially concluded all U.S. federal income tax matters for tax years through December 31, 2019. We are currently under audit with the Canada Revenue Agency for the 2018, 2019, and 2020 tax years and the IRS for the 2020 and 2021 tax years.

NOTE 16: Stockholders' Equity

In September 2022, our Board of Directors approved a \$ 1.0 billion share repurchase program (the "September 2022 Share Repurchase Program"), which replaced all existing share repurchase programs at that time, authorizing us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company were also authorized under the September 2022 Share Repurchase Program, subject to REH Company's interest in selling its shares and other limitations. As of August 15, 2023, we had repurchased \$995.0 million under the September 2022 Share Repurchase Program.

On August 15, 2023, our Board of Directors approved a new \$1.0 billion share repurchase program (the "August 2023 Share Repurchase Program"), which replaced all existing share repurchase programs, including the \$5.0 million remaining authorization under the September 2022 Share Repurchase Program. The August 2023 Share Repurchase Program authorizes us to repurchase common stock in the open market or through privately negotiated transactions. Privately negotiated repurchases from REH Company are also authorized under the August 2023 Share Repurchase Program, subject to REH Company's interest in selling its shares and other limitations. The timing and amount of share repurchases, including those from REH Company, will depend on market conditions and corporate, tax, regulatory and other relevant considerations. In addition, we are authorized by our Board of Directors to repurchase shares in an amount sufficient to offset shares issued under our compensation programs. The August 2023 Share Repurchase Program may be discontinued at any time by our Board of Directors.

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On January 3, 2024, we repurchased 454,380 shares of our outstanding common stock from REH Company in a privately negotiated transaction under the August 2023 Share Repurchase Program and pursuant to the Stock Purchase Agreement, dated January 3, 2024 (the "January Stock Purchase Agreement"), between us and REH Company. The price paid by us under the January Stock Purchase Agreement was \$55.02 per share resulting in an aggregate purchase price of \$25.0 million. The purchase price was funded with cash on hand.

On February 8, 2024, we repurchased 1,061,946 shares of our outstanding common stock from REH Company in a privately negotiated transaction under the August 2023 Share Repurchase Program and pursuant to the Stock Purchase Agreement, dated February 8, 2024 (the "February Stock Purchase Agreement"), between us and REH Company. The price paid by us under the February Stock Purchase Agreement was \$56.50 per share resulting in an aggregate purchase price of \$60.0 million. The purchase price was funded with cash on hand. As of February 15, 2024, we had remaining authorization to repurchase up to \$591.4 million under the August 2023 Share Repurchase Program.

The following table presents total open market and privately negotiated purchases of shares under our share repurchase programs for the years ended December 31, 2023 and 2022.

	Years Ended December 31,	
	2023	2022
Number of shares repurchased ⁽¹⁾	18,779,880	25,716,042
Cash paid for shares repurchased (in thousands)	\$ 974,474	\$ 1,313,006

(1) During the years ended December 31, 2023 and 2022, 15,515,302 and 14,407,274 shares, respectively, were repurchased for \$810.6 million and \$750.0 million, respectively, pursuant to privately negotiated repurchases from REH Company.

On December 14, 2022, we agreed to repurchase an aggregate of 1,000,000 shares of our outstanding common stock from a registered broker for an aggregate purchase price of \$48.6 million (the "December 2022 Repurchase"). The purchase price was funded with cash on hand. The shares repurchased are held as treasury stock.

The December 2022 Repurchase was made in connection with the sale by REH Company of approximately 5,000,000 shares of common stock, inclusive of the 1,000,000 shares we repurchased, in an unregistered block trade permitted under applicable securities laws (such sale, the "Sale"). In connection with the Sale, REH Company agreed to customary "lock-up" restrictions that expired 60 days following the date of the Sale, subject to waiver by the broker and certain exceptions, including, but not limited to, privately negotiated sales or transfers of common stock to us from REH Company.

The December 2022 Repurchase was made pursuant to separate authorization from our Board of Directors and not as part of the September 2022 Share Repurchase Program, and accordingly, did not reduce the remaining authorization thereunder.

During the years ended December 31, 2023, 2022 and 2021, we withheld 332,741, 278,025, and 217,151 shares, respectively, of our common stock from certain employees in the amounts of \$18.1 million, \$16.5 million and \$7.1 million, respectively. These withholdings were made under the terms of restricted stock unit and performance share unit agreements upon vesting, at which time, we concurrently made cash payments to fund payroll and income taxes on behalf of officers and employees who elected to have shares withheld from vested amounts to pay such taxes.

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NOTE 17: Other Comprehensive Income (Loss)

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

	Before-Tax	Tax Expense		After-Tax
		(Benefit)	(In thousands)	
Year Ended December 31, 2023				
Net change in foreign currency translation adjustment	\$ 13,161	\$ 2,760	\$ 10,401	
Net change in pension and other post-retirement benefit obligations	101	273	(172)	
Other comprehensive income attributable to HF Sinclair stockholders	\$ 13,262	\$ 3,033	\$ 10,229	
Year Ended December 31, 2022				
Net change in foreign currency translation adjustment	\$ (32,383)	\$ (6,817)	\$ (25,566)	
Net unrealized gain on hedging instruments	326	67	259	
Net change in pension and other post-retirement benefit obligations	789	166	623	
Other comprehensive loss attributable to HF Sinclair stockholders	\$ (31,268)	\$ (6,584)	\$ (24,684)	
Year Ended December 31, 2021				
Net change in foreign currency translation adjustment	\$ (13,336)	\$ (2,793)	\$ (10,543)	
Net unrealized gain on hedging instruments	31	8	23	
Net change in pension and other post-retirement benefit obligations	(457)	(186)	(271)	
Other comprehensive loss attributable to HF Sinclair stockholders	\$ (13,762)	\$ (2,971)	\$ (10,791)	

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

AOCI Component	Gain (Loss) Reclassified From AOCI			Income Statement Line Item	
	Years Ended December 31,				
	2023	2022	2021		
(In thousands)					
Hedging instruments:					
Commodity price swaps	\$ (3,236)	\$ (5,288)	\$ (19,239)	Sales and other revenues	
	—	—	1,660	Operating expenses	
	(3,236)	(5,288)	(17,579)		
	(784)	(1,282)	(4,430)	Income tax expense (benefit)	
	(2,452)	(4,006)	(13,149)	Net of tax	
Other post-retirement benefit obligations:					
Pension obligations	(1,378)	208	407	Other, net	
	(334)	50	103	Income tax expense (benefit)	
	(1,044)	158	304	Net of tax	
Post-retirement healthcare obligations	3,859	3,440	3,328	Other, net	
	935	834	839	Income tax expense (benefit)	
	2,924	2,606	2,489	Net of tax	
Retirement restoration plan	(11)	(39)	(39)	Other, net	
	(3)	(9)	(10)	Income tax expense (benefit)	
	(8)	(30)	(29)	Net of tax	
Total reclassifications for the period	\$ (580)	\$ (1,272)	\$ (10,385)		

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

	Years Ended December 31,	
	2023	2022
(In thousands)		
Foreign currency translation adjustment	\$ (23,026)	\$ (33,427)
Unrealized gain (loss) on pension obligations	619	(2,661)
Unrealized gain on post-retirement benefit obligations	10,623	14,075
Accumulated other comprehensive loss	<u>\$ (11,784)</u>	<u>\$ (22,013)</u>

NOTE 18: Pension and Post-retirement Plans

Certain Petro-Canada Lubricants Inc. ("PCLI") employees are participants in union and non-union pension plans, which are closed to new entrants. Effective June 30, 2022, we ceased to accrue additional benefits under these plans, at which time the plan was fully frozen. During 2023, we had partial settlements in the union and non-union pension plans. We expect the remaining benefits will be settled by the end of 2024. In addition, Sonneborn employees in the Netherlands have a defined benefit pension plan which was frozen and all plan participants became inactive in 2016. The plan assets are in the form of a third-party insurance contract that is valued based on the assets held by the insurer and insures a value which approximates the accrued benefits related to the plan's accumulated benefit obligation. At that time, a new plan was established to provide future indexation benefits to participants who had accrued benefits under the expiring arrangements.

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The following table sets forth the changes in the benefit obligation and plan assets of our PCLI pension plans and Sonneborn Netherlands plans for the years ended December 31, 2023 and 2022.

	Years Ended December 31,	
	2023	2022
(In thousands)		
Change in plans' benefit obligations		
Pension plans benefit obligation - beginning of period	\$ 90,443	\$ 120,414
Service cost	—	1,839
Interest cost	3,781	3,086
Actuarial gain	2,097	(25,605)
Benefits paid	(5,472)	(2,306)
Settlements	(24,090)	—
Transfer from other plans	3,849	164
Foreign currency exchange rate changes	2,032	(7,149)
Pension plans benefit obligation - end of year	<u>\$ 72,640</u>	<u>\$ 90,443</u>
Change in pension plans assets		
Fair value of plans assets - beginning of period	\$ 87,466	\$ 119,325
Return on plans assets	7,146	(26,218)
Employer contributions	1,324	3,486
Benefits paid	(4,697)	(2,306)
Transfer payments	3,849	164
Settlements	(24,090)	—
Foreign currency exchange rate changes	2,020	(6,985)
Fair value of plans assets - end of year	<u>\$ 73,018</u>	<u>\$ 87,466</u>
Funded status		
Over (Under)-funded balance	<u>\$ 378</u>	<u>\$ (2,977)</u>
Amounts recognized in consolidated balance sheets		
Intangibles and other	\$ 1,149	\$ —
Other long-term liabilities	(771)	(2,977)
	<u>\$ 378</u>	<u>\$ (2,977)</u>
Amounts recognized in accumulated other comprehensive loss		
Cumulative actuarial loss	<u>\$ (607)</u>	<u>\$ (3,872)</u>

The accumulated benefit obligation was \$ 72.6 million and \$90.4 million at December 31, 2023 and 2022, respectively, which are also the measurement dates used for our pension plans.

The following tables provide information regarding pension plans with a projected benefit obligation and accumulated benefit obligation in excess of the fair value of plan assets:

	December 31,	
	2023	2022
(In thousands)		
Projected benefit obligation	\$ 24,579	\$ 90,443
Fair value of plan assets	\$ 23,808	\$ 87,466
(In thousands)		
Accumulated benefit obligation	\$ 24,579	\$ 90,443
Fair value of plan assets	\$ 23,808	\$ 87,466

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The weighted average assumption used to determine the end of period benefit obligation for the PCLI plans for the year ended December 31, 2023 were discount rates of 4.60% to 4.65%. The weighted average assumptions used to determine the end of period benefit obligation for the PCLI plans for the year ended December 31, 2022 were discount rates of 3.70% to 4.44%. For the years ended December 31, 2023 and 2022, the weighted average assumption used to determine end of period benefit obligations for Sonneborn were discount rates of 3.60% and 4.20%, respectively.

Net periodic pension expense consisted of the following components:

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Service cost - benefit earned during the period	\$ —	\$ 1,839	\$ 4,455
Interest cost on projected benefit obligations	3,781	3,086	2,740
Expected return on plans assets	(3,140)	(3,223)	(3,031)
Amortization of gain	—	(208)	(407)
Settlements	1,378	—	—
Net periodic pension expense	\$ 2,019	\$ 1,494	\$ 3,757

The components, other than service cost, of our net periodic pension expense are recorded in Other, net on our consolidated statements of income.

The following table presents the fair values of PCLI's pension plans' assets, by level within the fair value hierarchy, as of December 31, 2023 and 2022.

	December 31, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Fixed income	822	48,387	—	49,209	457	66,295	—	66,752
	<u>\$ 822</u>	<u>\$ 48,387</u>	<u>\$ —</u>	<u>\$ 49,209</u>	<u>\$ 457</u>	<u>\$ 66,295</u>	<u>\$ —</u>	<u>\$ 66,752</u>

See Note 6 for additional information on Level 1 and 2 inputs.

The expected long-term rate of return on plan assets is 4.60% to 4.65% for the PCLI pension plans and is based on a target investment of 100% in fixed income.

We expect to contribute \$0.2 million to the Sonneborn pension plans in 2024. PCLI and Sonneborn pension plan benefit payments, which reflect expected future service, are expected to be paid as follows: \$1.9 million in 2024, \$0.8 million in 2025, \$0.9 million in 2026, \$0.9 million in 2027, \$1.0 million in 2028 and \$6.0 million in 2029 to 2033. Benefit payments expected to be paid in 2024 include the estimate of the net present value of all expected benefit payments to be paid out once the PCLI union and non-union pension plans windup has been finalized.

Post-retirement Healthcare Plans

We have post-retirement healthcare and other benefits plans that are available to certain of our employees who satisfy certain age and service requirements. These plans are unfunded and provide differing levels of healthcare benefits dependent upon hire date and work location. Not all of our employees are covered by these plans at December 31, 2023.

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The following table sets forth the changes in the benefit obligation and plan assets of our post-retirement healthcare plans for the years ended December 31, 2023 and 2022:

	Years Ended December 31,	
	2023	2022
(In thousands)		
Change in plans' benefit obligation		
Post-retirement plans' benefit obligation - beginning of year	\$ 28,678	\$ 34,816
Service cost	1,604	2,081
Interest cost	1,340	990
Benefits paid	(613)	(582)
Actuarial gain	(761)	(7,884)
Foreign currency exchange rate changes	249	(743)
Post-retirement plans' benefit obligation - end of year	<u>\$ 30,497</u>	<u>\$ 28,678</u>
Change in plan assets		
Fair value of plan assets - beginning of year	\$ —	\$ —
Employer contributions	603	572
Participant contributions	10	10
Benefits paid	(613)	(582)
Fair value of plan assets - end of year	<u>\$ —</u>	<u>\$ —</u>
Funded status		
Under-funded balance	<u>\$ (30,497)</u>	<u>\$ (28,678)</u>
Amounts recognized in consolidated balance sheets		
Accrued liabilities	\$ (1,701)	\$ (1,706)
Other long-term liabilities	(28,796)	(26,972)
	<u>\$ (30,497)</u>	<u>\$ (28,678)</u>
Amounts recognized in accumulated other comprehensive loss		
Cumulative actuarial gain	\$ 8,020	\$ 7,603
Prior service credit	8,069	11,550
Total	<u>\$ 16,089</u>	<u>\$ 19,153</u>

Benefit payments, which reflect expected future service, are expected to be paid as follows: \$ 1.7 million in 2024; \$2.5 million in 2025; \$2.5 million in 2026; \$2.5 million in 2027; \$2.7 million in 2028; and \$13.2 million in 2029 through 2033.

The weighted average assumptions used to determine end of period benefit obligations:

	December 31,	
	2023	2022
Discount rate	4.60% - 4.81%	4.95% - 5.10%
Current health care trend rate	6.00% - 6.75%	6.00% - 7.00%
Ultimate health care trend rate	4.00% - 4.00%	4.00% - 4.00%
Year rate reaches ultimate trend rate	2035 - 2041	2027 - 2041

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Net periodic post-retirement credit consisted of the following components:

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Service cost – benefit earned during the year	\$ 1,604	\$ 2,081	\$ 2,324
Interest cost on projected benefit obligations	1,340	990	782
Amortization of prior service credit	(3,481)	(3,472)	(3,481)
Amortization of (gain) loss	(378)	32	153
Net periodic post-retirement credit	<u>\$ (915)</u>	<u>\$ (369)</u>	<u>\$ (222)</u>

The components, other than service cost, of our net periodic post-retirement credit are recorded in Other, net on our consolidated statements of income. Prior service credits are amortized over the average remaining effective period to obtain full benefit eligibility for participants.

Defined Contribution Plans

We have defined contribution plans that cover substantially all qualified employees in the U.S., Canada and the Netherlands. Our contributions are based on an employee's eligible compensation and years of service. We also partially match our employees' contributions. We expensed \$80.8 million, \$73.7 million and \$45.0 million for the years ended December 31, 2023, 2022 and 2021, respectively, in connection with these plans.

NOTE 19: Contingencies and Contractual Commitments

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

During the year ended December 31, 2023, we recognized a gain of \$ 15.0 million, which is reflected in our Refining segment, from the settlement of a preservation of property claim related to winter storm Uri that occurred in the first quarter of 2021. Additionally, during the year ended December 31, 2022, we recognized a gain of \$15.2 million, which is reflected in our Corporate and Other segment, from the settlement of our business interruption claim related to winter storm Uri that occurred in the first quarter of 2021.

Pursuant to the Business Combination Agreement, all pre-closing RINs obligations of REH Company's subsidiaries (which are now subsidiaries of HF Sinclair as a result of the HFC Transactions) remained with REH Company. REH Company was required to transfer to HF Sinclair the number of each applicable type of RIN required for REH Company to demonstrate compliance for any pre-closing obligations it retained by the deadlines set forth in the Business Combination Agreement. If REH Company did not deliver all the required RINs by the applicable deadline, then, within five days following the delivery of an invoice therefor, REH Company was required to pay to HF Sinclair the amount of all out-of-pocket costs and expenses incurred by HF Sinclair to comply with REH Company's pre-closing obligations prior to such deadline, including the price of any RINs purchased by HF Sinclair. In relation to this, 2,570,000 shares of HF Sinclair common stock, out of the purchase consideration paid to REH Company, were held in escrow to secure REH Company's RINs credit obligations under Section 6.22 of the Business Combination Agreement and were released in January 2024 upon their satisfaction of the RINs credit obligation relating thereto. The 5,290,000 HEP common units that were also held in escrow to secure REH Company's RINs credit obligations were released to REH Company in April 2023 upon their satisfaction of the RINs credit obligations relating thereto.

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During 2017 and 2019, the EPA granted the Cheyenne Refinery and the refinery in Woods Cross, Utah (the "Woods Cross Refinery") each a one-year small refinery exemption from the Renewable Fuel Standard ("RFS") program requirements for the 2016 and 2018, respectively, compliance years. As a result, the Cheyenne Refinery's and Woods Cross Refinery's gasoline and diesel production are not subject to the Renewable Volume Obligation for the respective years. Upon each exemption granted, we increased our inventory of RINs and reduced our cost of products sold. On April 7, 2022, the EPA issued a decision reversing the grant of small refinery exemptions for our Woods Cross and Cheyenne refineries for the 2018 compliance year. On June 3, 2022, the EPA issued a decision reversing the grant of small refinery exemptions for our Woods Cross and Cheyenne refineries for the 2016 compliance year and denying small refinery exemption petitions for our Woods Cross and Cheyenne refineries for the 2019 and 2020 compliance years. Various subsidiaries of HollyFrontier are currently pursuing legal challenges to the EPA's decisions to reverse its grant of small refinery exemptions for the 2016 and 2018 compliance years. The first lawsuit, filed against the EPA on May 6, 2022 and currently pending before the U.S. Court of Appeals for the DC Circuit, seeks to have the EPA's reversal of our 2018 small refinery exemption petitions overturned. The second lawsuit, filed against the EPA on August 5, 2022 and currently pending before the U.S. Court of Appeals for the DC Circuit, seeks to have the EPA's reversal of our 2016 small refinery exemption petitions overturned and to have the EPA's denial of our 2019 and 2020 small refinery exemption petitions reversed. In addition, for both the 2016 and 2018 compliance years, pursuant to the June 2022 and April 2022 decisions, respectively, the EPA established an alternative compliance demonstration for small refineries pursuant to which the EPA is not imposing any obligations for the small refineries whose exemptions were reversed. On June 24, 2022, Growth Energy filed two lawsuits in the U.S. Court of Appeals for the DC Circuit against the EPA challenging the alternative compliance demonstration for the 2016 and 2018 compliance years. On July 25, 2022, various subsidiaries of HollyFrontier intervened on behalf of the EPA to aid the defense of the EPA's alternative compliance demonstration decision. It is too early to predict the outcome of these matters. We are unable to estimate the costs we may incur, if any, at this time.

We have been party to multiple proceedings before the Federal Energy Regulatory Commission ("FERC") challenging the rates charged by SFPP, L.P. ("SFPP") on its East Line pipeline facilities from El Paso, Texas to Phoenix, Arizona. In March 2018, FERC ruled that SFPP, as a master limited partnership, was prohibited from including an allowance for investor income taxes in the cost of service underlying its East Line rates. We reached a negotiated settlement with SFPP that provides for a payment to us of \$51.5 million. FERC approved the settlement on December 31, 2020 subject to a rehearing period that resulted in a settlement effective date of February 2, 2021. Under the terms of the settlement agreement, SFPP made the \$51.5 million payment to us on February 10, 2021 we recorded as "Gain on tariff settlement" on our consolidated statements of income for the year ended December 31, 2021.

Contractual Commitments

We have various long-term agreements (entered in the normal course of business) to purchase crude oil, natural gas, feedstocks and other resources to ensure we have adequate supplies to operate our refineries. The substantial majority of our purchase obligations are based on market prices or rates. These contracts expire in 2024 through 2028.

We also have long-term agreements with third parties for the transportation and storage of crude oil, natural gas and feedstocks to our refineries and for terminal and storage services that expire in 2024 through 2038. At December 31, 2023, the minimum future transportation and storage fees under transportation agreements having terms in excess of one year are as follows:

	(In thousands)
2024	\$ 237,534
2025	241,403
2026	203,316
2027	203,484
2028	207,742
Thereafter	1,079,956
Total	\$ 2,173,435

Transportation and storage costs incurred under these agreements totaled \$200.5 million, \$180.2 million and \$160.5 million for the years ended December 31, 2023, 2022 and 2021, respectively.

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NOTE 20: Segment Information

Our operations are organized into five reportable segments: Refining, Renewables, Marketing, Lubricants & Specialties and Midstream. Our operations that are not included in one of these five reportable segments are included in Corporate and Other. Intersegment transactions are eliminated on our consolidated financial statements and are included in Eliminations. Corporate and Other and Eliminations are aggregated and presented under the Corporate, Other and Eliminations column.

As a result of the Sinclair Transactions that closed on March 14, 2022, the operations of the Acquired Sinclair Businesses are reported in the Refining, Renewables, Marketing and Midstream segments.

The Refining segment represents the operations of our El Dorado, Tulsa, Navajo and Woods Cross refineries and HF Sinclair Asphalt Company LLC ("Asphalt"). Also, effective with our acquisition that closed on November 1, 2021, the Refining segment includes our Puget Sound Refinery, and effective with our acquisition that closed on March 14, 2022, includes our Parco and Casper refineries. Refining activities involve the purchase and refining of crude oil and wholesale marketing of refined products, such as gasoline, diesel fuel and jet fuel. These petroleum products are primarily marketed in the Mid-Continent, Southwest and Rocky Mountains extending into the Pacific Northwest geographic regions of the United States. Asphalt operates various asphalt terminals in Arizona, New Mexico and Oklahoma.

The Renewables segment represents the operations of our Cheyenne renewable diesel unit ("RDU"), which was mechanically complete in the fourth quarter of 2021 and operational in the first quarter of 2022, the pre-treatment unit at our Artesia, New Mexico facility, which was completed and operational in the first quarter of 2022 and the Artesia RDU, which was completed and operational in the second quarter of 2022. Also, effective with the Sinclair Transactions that closed on March 14, 2022, the Renewables segment includes the Sinclair RDU.

Effective with the Sinclair Transactions that closed on March 14, 2022, the Marketing segment represents branded fuel sales to Sinclair branded sites in the United States and licensing fees for the use of the Sinclair brand at additional locations throughout the country. The Marketing segment also includes branded fuel sales to non-Sinclair branded sites from legacy HollyFrontier agreements and revenues from other marketing activities. Our branded sites are located in several states across the United States with the highest concentration of the sites located in our West and Mid-Continent regions.

The Lubricants & Specialties segment represents PCLI production operations, located in Mississauga, Ontario, that includes lubricant products such as base oils, white oils, specialty products and finished lubricants, and the operations of our Petro-Canada Lubricants business that includes the marketing of products to both retail and wholesale outlets through a global sales network with locations in Canada, the United States and Europe. Additionally, the Lubricants & Specialties segment includes specialty lubricant products produced at our Tulsa refineries that are marketed throughout North America and are distributed in Central and South America and the operations of Red Giant Oil Company LLC, one of the largest suppliers of locomotive engine oil in North America. Also, the Lubricants & Specialties segment includes Sonneborn, a producer of specialty hydrocarbon chemicals such as white oils, petrolatums and waxes with manufacturing facilities in the United States and Europe.

The Midstream segment includes all of the operations of HEP, which owns and operates logistics and refinery assets consisting of petroleum product and crude oil pipelines, and terminals, tankage and loading rack facilities in the Mid-Continent, Southwest and Rocky Mountains geographic regions of the United States. The Midstream segment also includes 50% ownership interests in each of the Osage Pipeline, the Cheyenne Pipeline and Cushing Connect, and a 25.12% ownership interest in the Saddle Butte Pipeline and a 49.995% ownership interest in the Pioneer Pipeline. Revenues from the Midstream segment are earned through transactions with unaffiliated parties for pipeline transportation, rental and terminalling operations as well as revenues relating to pipeline transportation services provided for our refining operations.

The accounting policies for our segments are the same as those described in the summary of significant accounting policies (see Note 1).

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The following is a summary of the financial information of our reportable segments reconciled to the amounts reported in the consolidated financial statements.

	Refining	Renewables	Marketing	Lubricants & Specialties	Midstream	Corporate, Other and Eliminations	Consolidated Total
(In thousands)							
Year Ended December 31, 2023							
Sales and other revenues:							
Revenues from external customers	\$ 24,156,278	\$ 781,309	\$ 4,146,292	\$ 2,762,767	\$ 117,749	\$ —	\$ 31,964,395
Intersegment revenues and other ⁽¹⁾	4,516,326	407,681	—	12,566	466,398	(5,402,971)	—
	\$ 28,672,604	\$ 1,188,990	\$ 4,146,292	\$ 2,775,333	\$ 584,147	\$ (5,402,971)	\$ 31,964,395
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	\$ 24,042,807	\$ 1,080,919	\$ 4,050,759	\$ 2,009,281	\$ —	\$ (5,399,317)	\$ 25,784,449
Lower of cost or market inventory valuation adjustment	\$ 220,558	\$ 49,861	\$ —	\$ —	\$ —	\$ —	\$ 270,419
Operating expenses	\$ 1,879,656	\$ 109,056	\$ —	\$ 258,578	\$ 188,625	\$ 2,233	\$ 2,438,148
Selling, general and administrative expenses	\$ 199,547	\$ 5,117	\$ 34,413	\$ 164,311	\$ 26,453	\$ 68,399	\$ 498,240
Depreciation and amortization	\$ 460,962	\$ 77,100	\$ 24,599	\$ 84,928	\$ 82,158	\$ 40,826	\$ 770,573
Income (loss) from operations	\$ 1,869,074	\$ (133,063)	\$ 36,521	\$ 258,235	\$ 286,911	\$ (115,112)	\$ 2,202,566
Earnings of equity method investments	\$ —	\$ —	\$ —	\$ —	\$ 17,531	\$ (162)	\$ 17,369
Capital expenditures	\$ 223,495	\$ 18,154	\$ 27,630	\$ 37,431	\$ 31,692	\$ 47,011	\$ 385,413
	Refining	Renewables	Marketing	Lubricants & Specialties	Midstream	Corporate, Other and Eliminations	Consolidated Total
(In thousands)							
Year Ended December 31, 2022							
Sales and other revenues:							
Revenues from external customers	\$ 30,379,696	\$ 654,893	\$ 3,911,922	\$ 3,149,128	\$ 109,200	\$ —	\$ 38,204,839
Intersegment revenues and other ⁽¹⁾	4,033,213	360,606	—	9,472	430,547	(4,833,838)	—
	\$ 34,412,909	\$ 1,015,499	\$ 3,911,922	\$ 3,158,600	\$ 539,747	\$ (4,833,838)	\$ 38,204,839
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	\$ 28,350,823	\$ 974,167	\$ 3,845,625	\$ 2,339,031	\$ —	\$ (4,829,633)	\$ 30,680,013
Lower of cost or market inventory valuation adjustment	\$ —	\$ 52,412	\$ —	\$ —	\$ —	\$ —	\$ 52,412
Operating expenses	\$ 1,761,445	\$ 111,974	\$ —	\$ 277,522	\$ 170,891	\$ 13,061	\$ 2,334,893
Selling, general and administrative expenses	\$ 146,660	\$ 3,769	\$ 2,954	\$ 168,207	\$ 17,003	\$ 87,892	\$ 426,485
Depreciation and amortization	\$ 397,069	\$ 52,621	\$ 17,819	\$ 81,281	\$ 76,768	\$ 31,229	\$ 656,787
Income (loss) from operations	\$ 3,756,912	\$ (179,444)	\$ 45,524	\$ 292,559	\$ 275,085	\$ (136,387)	\$ 4,054,249
Loss of equity method investments	\$ —	\$ —	\$ —	\$ —	\$ (260)	\$ —	\$ (260)
Capital expenditures	\$ 168,173	\$ 225,274	\$ 9,275	\$ 34,887	\$ 33,071	\$ 53,327	\$ 524,007

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	Refining	Renewables	Lubricants & Specialties	Midstream	Corporate, Other and Eliminations	Consolidated Total
(In thousands)						
Year Ended December 31, 2021						
Sales and other revenues:						
Revenues from external customers	\$ 15,734,870	\$ —	\$ 2,550,624	\$ 103,646	\$ 2	\$ 18,389,142
Intersegment revenues and other ⁽¹⁾	623,688	—	9,988	327,021	(960,697)	—
	\$ 16,358,558	\$ —	\$ 2,560,612	\$ 430,667	\$ (960,695)	\$ 18,389,142
Cost of products sold (exclusive of lower of cost or market inventory valuation adjustment)	\$ 14,691,246	\$ —	\$ 1,821,677	\$ —	\$ (945,871)	\$ 15,567,052
Lower of cost or market inventory valuation adjustment	\$ (318,353)	\$ 8,739	\$ —	\$ —	\$ (509)	\$ (310,123)
Operating expenses	\$ 1,038,300	\$ 55,353	\$ 252,456	\$ 133,530	\$ 37,839	\$ 1,517,478
Selling, general and administrative expenses	\$ 127,563	\$ —	\$ 170,155	\$ 12,637	\$ 51,655	\$ 362,010
Depreciation and amortization	\$ 325,845	\$ 1,672	\$ 77,601	\$ 73,046	\$ 25,375	\$ 503,539
Income (loss) from operations	\$ 493,957	\$ (65,764)	\$ 238,723	\$ 211,454	\$ (129,184)	\$ 749,186
Earnings of equity method investments	\$ —	\$ —	\$ —	\$ 12,432	\$ —	\$ 12,432
Capital expenditures	\$ 162,670	\$ 510,836	\$ 30,878	\$ 86,097	\$ 22,928	\$ 813,409

(1) Includes income earned by certain of our subsidiaries in the Midstream segment related to intercompany transportation agreements with certain of our subsidiaries in the Refining and Lubricants & Specialties segments that represent leases. These transactions eliminate in consolidation.