



# BUILT ON DIVERSIFICATION. POWERED BY INNOVATION.

2020 ANNUAL REPORT

# About Us

Founded in 2001, Delek US Holdings, Inc. is a diversified downstream energy company with assets in petroleum refining, logistics, asphalt, renewable fuels and convenience store retailing.

## REFINING SEGMENT

Delek US' subsidiaries own and operate refineries in Tyler and Big Spring, Texas, El Dorado, Arkansas and Krotz Springs, Louisiana with a combined nameplate crude throughput capacity of 302,000 barrels per day. Delek US' refining system processes primarily light crude oil sourced from the Permian Basin, Cushing, Oklahoma, East Texas, Gulf Coast and local production near the refinery locations.

## LOGISTICS SEGMENT

The logistics operations consist of Delek Logistics Partners, LP (NYSE:DKL) ("Delek Logistics"). Delek US and its affiliates also own the general partner and an approximate 80 percent limited partner interest in Delek Logistics. Delek Logistics is a growth-oriented master limited partnership focused on owning and operating midstream energy infrastructure assets. Our logistics segment reflects 100 percent of the performance of Delek Logistics Partners, LP. Adjustments for minority interest are made on a consolidated basis.

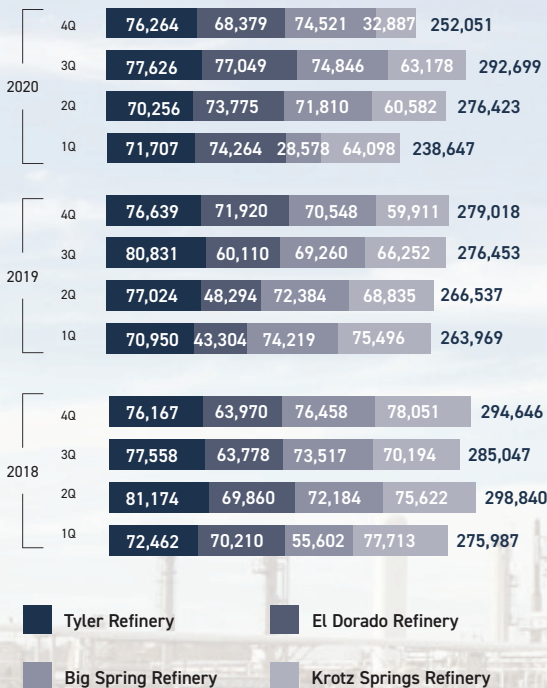
## RETAIL SEGMENT

The convenience store retail business operates approximately 253 convenience stores in central and west Texas and New Mexico.

# Financial Highlights

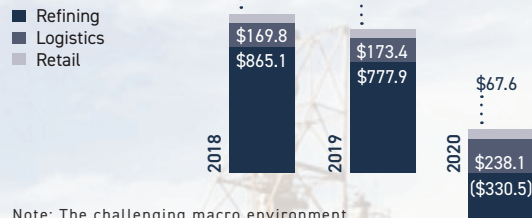
## TOTAL REFINING THROUGHPUTS

Barrels Per Day



## SEGMENT CONTRIBUTION MARGIN

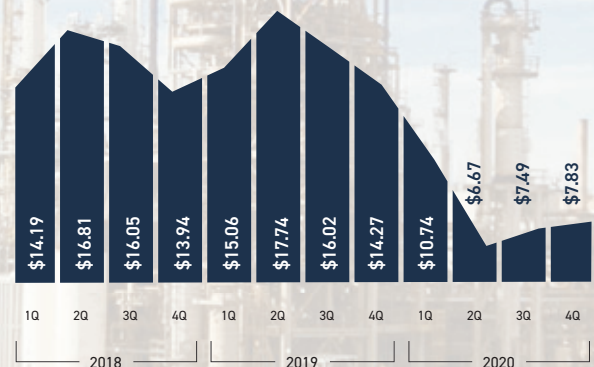
Dollars in Millions



Note: The challenging macro environment, influenced by the pandemic, had a negative impact on the refining industry and this area of our business. Despite these challenges, our company successfully navigated through the year with an improved cash flow break-even profile.

## ULSD 5-3-2 GULF COAST CRACK SPREAD

Dollars Per Barrel



# Fellow Shareholders

When the pandemic created unprecedented challenges in 2020, our company acted early and swiftly to protect our employees, their families and the communities where we operate. Safety is a core value at Delek, and we adopted protocols that allowed us to maintain continuity in our operations while safely delivering products and services to our customers. We continue to utilize enhanced sanitation, social distancing, remote work and other measures to protect our employees, contractors and the public – and we deeply appreciate our team’s commitment to safety and to delivering for our clients in a very difficult environment.

Despite macro headwinds, we continue to build for the future through diversification, powered by innovation. Our successes last year included the drop-down of both the Big Spring Gathering System and Trucking Assets to Delek Logistics Partners LP (DKL), providing strong EBITDA growth and supporting our equity stake in DKL. We also divested the Bakersfield refinery, creating a source of proceeds and cost savings. The Wink to Webster Pipeline JV announced the startup of the main segment of the pipeline, and this asset is poised to deliver midstream EBITDA contribution over the coming years. Within Delek Logistics, the Red River pipeline expansion was completed, offering crude sourcing optionality and incremental EBITDA potential. Overall, our asset diversification strategy provided stability, as the midstream and retail businesses delivered strong performance in the face of COVID-19.

The company made significant strides in improving its cash flow profile with a combination of cost reduction initiatives and capital spending reductions. We expect additional momentum in efficiency and cost optimization over the medium to longer term, through ongoing innovation, which is now one of our core values, and implementation of new technologies. Another success in 2020 was the publishing of our updated sustainability report, which demonstrated our commitment to innovation in environmental, social and governance (ESG) efforts and yielded improved rankings from third parties.



## **EZRA UZI YEMIN**

Chairman, President and  
Chief Executive Officer



## Priorities for 2021

As we move forward, we are increasingly optimistic about our outlook, and we have identified five strategic priorities for 2021: maintain and enhance our safe operations; improve EBITDA and cash flow; develop and utilize systems, processes and technology to improve operations; maintain an ongoing commitment to ESG efforts; and lay the foundation for future growth.

- **Maintain and Continue to Enhance Our Safe Operations.** We are proud of our commitment to safety as a core value of the company, and this commitment is reflected in our continuous improvement in days away, restricted or transferred (DART) and total recordable incident rate (TRIR) metrics since 2016. According to the American Fuel & Petrochemical Manufacturers trade association, Delek ranks second overall in these safety metrics among companies operating multiple refineries. The retail business unit's TRIR is half the industry average.
- **Drive EBITDA and Cash Flow Improvement.** In 2020, the company acted decisively by adapting to the challenging macro environment and delivering significant cost savings. We plan to maintain and enhance our cost containment efforts in 2021. Simultaneously, initiatives for margin improvements through optimization are underway. The combination of these improvements along with a diverse asset base should lead to a lower cash flow break-even profile in the future.
- **Develop and Utilize Systems, Processes and Technology to Improve Operations.** Recognizing that the energy industry remains behind the curve in terms of technological advancements, and that Delek has a long history of being nimble, we have added innovation to our core values. Our vision is to use select technologies and implement advanced systems and processes to achieve further, more structural cost reductions, operational improvements and asset optimization over the medium to longer term. Through our focus on innovation, we expect to enhance the competitiveness of the portfolio within the industry.

## Delek's Commitment to ESG

Delek has long recognized our responsibility to address environmental, social and governance (ESG) topics, and the company formalized its commitment through the publishing of its 2019-2020 sustainability report. The report included our first disclosure of company-wide Scope 1 & 2 emissions, refining business unit carbon intensity measurements, a diversity, equity and inclusion (DE&I) policy, our human rights policy, supplier social standards, disclosure of whistleblower statistics, and workforce demographic disclosures. Our consecutive, multi-year improvements in both DART and TRIR metrics demonstrate that our dedication to health and safety is producing tangible results and that our goal of ZERO recordable injuries is possible. In the area of governance, Delek's goal is to have no less than 30% of the board of directors comprised of females or racially diverse members by 2022. We are proud of what we have accomplished and excited about where our holistic ESG program will take Delek in the future. Our full 2019-2020 ESG report can be found at [www.delekus.com/social-commitment/](http://www.delekus.com/social-commitment/).



## VISION

Creating long-term value through sustainable energy solutions in an evolving world.

## MISSION

We are a company led by innovation, committed to safety leadership, diversity, and the pursuit of growth and excellence for the benefit of all of our stakeholders.



## OUR CORE VALUES UPDATE

Our values are core to what we do and how we do it. They describe our desired culture and serve as our behavioral compass. When Delek embarked on its transformational journey, we realized that our growth required a change in mindset. This led us to review and refresh our core values. While the core framework remains, we have made minor updates to support a sharpened focus on innovation, learning, organizational agility and the environment.

- **Ongoing Commitment to ESG.** At Delek, we understand the importance of ESG and the growing role it plays with all stakeholders, as well as within an investment management framework. Therefore, we were pleased that the sustainability report we published in 2020 was well-received, yielding improved scoring from multiple rating agencies. However, we are still relatively early in our ESG journey, and we are striving for progressive improvements over time in terms of underlying performance metrics and disclosure in all ESG categories. We are taking a holistic approach to addressing the evolving and challenging requirements of ESG by gleaning fresh ideas and feedback from business leaders and employees throughout the organization. One example is the de-carbonization steering committee that involves members of each business unit and attempts to generate leading-edge solutions to improve our carbon footprint while maximizing long-term returns on our capital investments. Additional ESG highlights can be found in the sidebar of this report.
- **Laying the Foundation for Future Growth.** Delek was built through a history of strategic acquisitions, with a strong track record of seamless integration. We understand that difficult macro environments often create acquisition opportunities or prospects to pivot strategically. After focusing mainly on improving our cash flow break-even profile through reduced capital expenditures and operating costs in 2020, we are emerging from this downturn with an improved cost structure, a healthy balance sheet and opportunities to pursue future growth. We are constantly evaluating the optimal investment options available in our various business units and comparing the potential returns of both organic and inorganic opportunities. In the constantly evolving energy landscape, Delek remains strong, nimble and well-positioned to capture opportunities.



In conclusion, our company successfully navigated through a difficult 2020 environment with safe operations, continuity of products and services, and an improved cash flow break-even profile. We are well-positioned to capture the benefits of an improving macroeconomic backdrop with a laser focus toward delivering on our strategic priorities. As always, I would like to thank the employees of our company who make Delek what it is today, as well as the board and our shareholders for their trust and support in our team.

Sincerely,

**EZRA UZI YEMIN**

Chairman, President and Chief Executive Officer  
Delek US Holdings, Inc.

## OPERATIONS MAP



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**Form 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 18 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended **December 31, 2020**

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 **001-38142**

**DELEK US HOLDINGS, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation or organization)*



**35-2581557**

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

**7102 Commerce Way**

*(Address of principal executive offices)*

**Brentwood Tennessee**

**37027**

*(Zip Code)*

**(615) 771-6701**

*(Registrant's telephone number, including area code)*

**Not Applicable**

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01	DK	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock, par value \$0.01		New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 (Section 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 4262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the common stock held by non-affiliates as of June 30, 2020 was approximately \$1,265,400,000, based upon the closing sale price of the registrant's common stock on the New York Stock Exchange on that date. For purposes of this calculation only, all directors and officers subject to Section 16(b) of the Securities Exchange Act of 1934 are deemed to be affiliates.

At February 19, 2021, there were 73,781,666 shares of the registrant's common stock, \$.01 par value, outstanding (excluding securities held by, or for the account of, the Company or its subsidiaries).

**Documents incorporated by reference**

Portions of the registrant's definitive Proxy Statement to be delivered to stockholders in connection with the 2021 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2020, are incorporated by reference into Part III of this Annual Report on Form 10-K.

**Delek US Holdings, Inc.**  
**Annual Report on Form 10-K**  
**For the Annual Period Ending December 31, 2020**

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Delek US Holdings, Inc. is a registrant pursuant to the Securities Act of 1933 and is listed on the New York Stock Exchange ("NYSE" under the ticker symbol "DK." Effective July 1, 2017, we acquired the outstanding common stock of Alon USA Energy, Inc. ("Alon" (the "Delek/Alon Merger", as further discussed in Note 3 of the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, resulting in a new post-combination consolidated registrant renamed as Delek US Holdings, Inc.

Unless otherwise noted or the context requires otherwise, the terms "we," "our," "us," "Delek" and the "Company" are used in this report to refer to Delek US Holdings, Inc. and its consolidated subsidiaries for all periods presented. Our business consists of three operating segments: refining, logistics and retail.

As of December 31, 2020, we owned an 80.0% limited partner interest as well as a non-economic general partner interest in Delek Logistics Partners, LP ("Delek Logistics", a publicly-traded master limited partnership that we formed in April 2012. By virtue of the Delek/Alon Merger, we acquired an 81.6% limited partner interest as well as a non-economic general partner interest in Alon USA Partners, LP (the "Alon Partnership", then a publicly-traded limited partnership. On February 7, 2018, we acquired the remaining outstanding units in the Alon Partnership.

Statements in this Annual Report on Form 10-K, other than purely historical information, including statements regarding our plans, strategies, objectives, beliefs, expectations and intentions are forward-looking statements. Forward-looking statements include, among other things, statements regarding the effect, impact, potential duration or other implications of, or expectations expressed with respect to, the outbreak of COVID-19 and its development into a pandemic in March 2020 (the "COVID-19 Pandemic" or the "Pandemic" and the actions of members of the Organization of Petroleum Exporting Countries ("OPEC" and other leading oil producing countries (together with OPEC, "OPEC+" with respect to oil production and pricing, and statements regarding our efforts and plans in response to such events, the information concerning our possible future results of operations, business and growth strategies, financing plans, expectations that regulatory developments or other matters will or will not have a material adverse effect on our business or financial condition, our competitive position and the effects of competition, the projected growth of the industry in which we operate, and the benefits and synergies to be obtained from our completed and any future acquisitions, statements of management's goals and objectives, and other similar expressions concerning matters that are not historical facts. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "appears," "projects" and similar expressions, as well as statements in future tense, identify forward-looking statements. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, including those discussed below and in Item 1A. Risk Factors, which may cause actual results to differ materially from the forward-looking statements. See also "Forward-Looking Statements" included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Annual Report on Form 10-K.

See the "Glossary of Terms" beginning on page 4 of this Annual Report on Form 10-K for definitions of certain business and industry terms used herein.

### ***Available Information***

Our Internet website address is [www.DelekUS.com](http://www.DelekUS.com) and Twitter account is @DelekUSHoldings. Information contained on our website is not part of this Annual Report on Form 10-K. Our reports, proxy and information statements, and any amendments to such documents are filed electronically with the Securities and Exchange Commission ("SEC" and are available on our Internet website in the "Investor Relations" section ([ir.delekus.com](http://ir.delekus.com)), free of charge, as soon as reasonably practicable after we file or furnish such material to the SEC. We also post our Governance Guidelines, Code of Business Conduct & Ethics and the charters of our Board of Directors' committees in the "Corporate Governance" section of our website, accessible by navigating to the "About Us" section on our Internet website. We will provide any of these documents to any stockholder that makes a written request to the Corporate Secretary, Delek US Holdings, Inc., 7102 Commerce Way, Brentwood, Tennessee 37027.

## Glossary of Terms

The following are definitions of certain industry terms used in this Annual Report on Form 10-K:

**Alkylation Unit** - A refinery unit utilizing an acid catalyst to combine smaller hydrocarbon molecules to form larger molecules in the gasoline boiling range to produce a high octane gasoline blendstock, which is referred to as alkylate.

**Barrel** - A unit of volumetric measurement equivalent to 42 U.S. gallons.

**Biodiesel** - A renewable fuel produced from vegetable oils or animal fats that can be blended with petroleum-derived diesel to produce biodiesel blends for use in diesel engines. Pure biodiesel is referred to as B100, whereas blends of biodiesel are referenced by how much biodiesel is in the blend (e.g., a B5 blend contains five volume percent biodiesel and 95 volume percent ULSD).

**Blendstocks** - Various products or intermediate streams that are combined with other components of similar type and distillation range to produce finished gasoline, diesel fuel or other refined products. Blendstocks may include natural gasoline, hydrotreated Fluid Catalytic Cracking Unit gasoline, alkylate, ethanol, reformate, butane, diesel, biodiesel, kerosene, light cycle oil or slurry, among others.

**Bpd/bpd** - Barrels per calendar day.

**Brent Crude (Brent)** - A light, sweet crude oil, though not as light as WTI. Brent is the leading global price benchmark for Atlantic basin crude oil.

**CBOB** - Motor gasoline blending components intended for blending with oxygenates, such as ethanol, to produce finished conventional motor gasoline.

**CERCLA** - Comprehensive Environmental Response, Compensation and Liability Act.

**Colonial Pipeline** - A pipeline owned and operated by the Colonial Pipeline Company that originates near Houston, Texas and terminates near New York, New York, connecting the U.S. refinery region of the Gulf Coast with customers throughout the southern and eastern United States.

**Complexity Index** - A measure of secondary conversion capacity of a refinery relative to its primary distillation capacity used to quantify and rank the complexity of various refineries. Generally, more complex refineries have a higher index number.

**Contribution margin** - Net revenues less costs of materials and other and operating expenses, excluding depreciation and amortization.

**Crack spread** - The crack spread is a measure of the difference between market prices for crude oil and refined products and is commonly used proxy within the industry to estimate or identify trends in refining margins.

**Crude Distillation Capacity, Nameplate Capacity or Production Capacity** - The maximum sustainable capacity for a refinery or process unit for a given feedstock quality and severity level, measured in barrels per day.

**Cushing** - Cushing, Oklahoma.

**Delayed Coking Unit (Coker)** - A refinery unit that processes ("cracks") heavy oils, such as the bottom cuts of crude oil from the crude or vacuum units, to produce blendstocks for light transportation fuels or feedstocks for other units and petroleum coke.

**Direct operating expenses** - Operating expenses attributed to the respective segment.

**EISA** - Energy Independence and Security Act of 2007.

**Enterprise Pipeline System** - A major product pipeline transport system that reaches from the Gulf Coast into the northeastern United States.

**EPA** - The Environmental Protection Agency.

**Ethanol** - An oxygenated blendstock that is blended with sub-grade (CBOB) or conventional gasoline to produce a finished gasoline.

**E-10** - A 90% gasoline-10% ethanol blend.

**E-15** - An 85% gasoline-15% ethanol blend.

**E-85** - A blend of gasoline and 70%-85% ethanol.

**Feedstocks** - Crude oil and petroleum products used as inputs in refining processes.

**FERC** - The Federal Energy Regulatory Commission.

**FIFO** - First-in, first-out inventory accounting method.

**Fluid Catalytic Cracking Unit or FCC Unit** - A refinery unit that uses fluidized catalyst at high temperatures to crack large hydrocarbon molecules into smaller, higher-valued molecules (LPG, gasoline, LCO, etc.).

**Gulf Coast 2-1-1 crack spread** - A crack spread, expressed in dollars per barrel, reflecting the approximate gross margin resulting from processing, or "cracking", one barrel of crude oil into one-half barrel of gasoline and one-half barrel of high sulfur diesel, utilizing the market prices of LLS crude oil, Gulf Coast Pipeline conventional gasoline and Gulf Coast Pipeline No. 2 Heating Oil.

**Gulf Coast 3-2-1 crack spread** - A crack spread, expressed in dollars per barrel, reflecting the approximate gross margin resulting from processing, or "cracking", one barrel of crude oil into two-thirds barrel of gasoline and one-third barrel of ultra-low sulfur diesel, utilizing the market prices of WTI crude oil, Gulf Coast Pipeline conventional gasoline and Gulf Coast Pipeline ultra-low sulfur diesel.

**Gulf Coast 5-3-2 crack spread** - A crack spread, expressed in dollars per barrel, reflecting the approximate gross margin resulting from processing, or "cracking", one barrel of crude oil into three-fifths barrel of gasoline and two-fifths barrel of high sulfur diesel, utilizing the market prices of WTI crude oil, Gulf Coast Pipeline CBOB and Gulf Coast Pipeline No. 2 Heating Oil.

**Gulf Coast Pipeline CBOB** - A grade of gasoline blendstock that must be blended with 10% biofuels in order to be marketed as Regular Unleaded at retail locations.

**Gulf Coast Pipeline No. 2 Heating Oil** - A petroleum distillate that can be used as either a diesel fuel or a fuel oil. This is the standard by which other Gulf Coast distillate products (such as ultra-low sulfur diesel) are priced.

**Gulf Coast Region** - Commonly referred to as PADD III, includes the states of Texas, Arkansas, Louisiana, Mississippi, Alabama and New Mexico.

**HLS** - Heavy Louisiana Sweet crude oil; typical API gravity of 33° and sulfur content of 0.35%.

**Hydrotreating Unit** - A refinery unit that removes sulfur and other contaminants from hydrocarbons at high temperatures and moderate to high pressure in the presence of catalysts and hydrogen. When used to process fuels, this unit reduces the sulfur dioxide emissions from these fuels.

**Isomerization Unit** - A refinery unit altering the arrangement of a molecule in the presence of a catalyst and hydrogen to produce a more valuable molecule, typically used to increase the octane of gasoline blendstocks.

**Jobbers** - Retail stations owned by third parties that sell products purchased from or through us.

**LIFO** - Last-in, first-out inventory accounting method.

**Light/Medium/Heavy Crude Oil** - Terms used to describe the relative densities of crude oil, normally represented by their API gravities. Light crude oils (those having relatively high API gravities) may be refined into a greater number of valuable products and are typically more expensive than a heavier crude oil.

**LLS** - Louisiana Light Sweet crude oil; typical API gravity of 38° and sulfur content of 0.34%.

**LPG** - Liquefied petroleum gas.

**LSR** - Light straight run naphtha.

**Mid-Continent Region** - Commonly referred to as PADD II, includes the states of North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Michigan, Indiana, Ohio, Kentucky and Tennessee.

**Midland** - Midland, Texas.

**MMBTU** - One Million British Thermal Units.

**MSCF/d** - Abbreviation for a thousand standard cubic feet per day, a common measure for volume of natural gas.

**Naphtha** - A hydrocarbon fraction that is used as a gasoline blending component, a feedstock for reforming and as a petrochemical feedstock.

**New York Mercantile Exchange (NYMEX)** - A commodities futures exchange.

**NGL** - Natural gas liquids.

**OSHA** - The Occupational Safety and Health Administration.

**Petroleum Administration for Defense District (PADD)** - Any of five regions in the United States as set forth by the Department of Energy and used throughout the oil industry for geographic reference. Our refineries operate in PADD III, commonly referred to as the Gulf Coast Region.

**Petroleum Coke** - A coal-like substance produced as a byproduct during the Delayed Coking refining process.

**Per barrel of sales** - Calculated by dividing the applicable income statement line item (operating margin or operating expenses) by the total barrels sold during the period.

**PPB** - Parts per billion.

**PPM** - Parts per million.

**RCRA** - Resource Conservation and Recovery Act.

**Refining margin, refined product margin** - Refining margin or refined product margin is measured as the difference between net refining revenues and total refining cost of materials and other and is used as a metric to assess a refinery's product margins against market crack spread trends.

**Reforming Unit** - A refinery unit that uses high temperature, moderate pressure and catalyst to create petrochemical feedstocks, high octane gasoline blendstocks and hydrogen.

**Renewable Fuels Standard 2 (RFS-2)** - An EPA regulation promulgated pursuant to the EISA, which requires most refineries to blend increasing amounts of renewable fuels (including biodiesel and ethanol) with refined products.

**Renewable Identification Number (RIN)** - A renewable fuel credit used to satisfy requirements for blending renewable fuels under RFS-2.

**Roofing flux** - An asphalt-like product used to make roofing shingles for the housing industry.

**Straight run** - Product produced off of the crude or vacuum unit and not further processed.

**Sweet/Sour crude oil** - Terms used to describe the relative sulfur content of crude oil. Sweet crude oil is relatively low in sulfur content; sour crude oil is relatively high in sulfur content. Sweet crude oil requires less processing to remove sulfur and is typically more expensive than sour crude oil.

**Throughput** - The quantity of crude oil and feedstocks processed through a refinery or a refinery unit.

**Turnaround** - A periodic shutdown of refinery process units to perform routine maintenance to restore the operation of the equipment to its former level of performance. Turnaround activities normally include cleaning, inspection, refurbishment, and repair and replacement of equipment and piping. It is also common to use turnaround periods to change catalysts or to implement capital project improvements.

**Ultra-Low Sulfur Diesel (ULSD)** - Diesel fuel produced with a lower sulfur content (15 ppm) to reduce sulfur dioxide emissions. ULSD is the only diesel fuel that may be used for on-road and most other applications in the U.S.

**UST** - Underground storage tank.

**Vacuum Distillation Unit** - A refinery unit that distills heavy crude oils under deep vacuum to allow their separation without coking.

**West Texas Intermediate Crude Oil (WTI)** - A light, sweet crude oil characterized by an API gravity between 38° and 44° and a sulfur content of less than 0.4 wt% that is used as a benchmark for other crude oil.

**West Texas Sour Crude Oil (WTS)** - A sour crude oil, characterized by an API gravity between 30° and 33° and a sulfur content of approximately 1.28 wt% that is used as a benchmark for other sour crude.



## Summary of Risk Factors

An investment in us involves a high degree of risk. Numerous factors, including those discussed below in Item 1A. Risk Factors, may limit our ability to successfully execute our business and growth strategies. You should carefully consider all of the information set forth and incorporated by reference in this Annual Report in deciding whether to invest in the Company. Among these important risks are the following:

- A substantial or extended decline in refining margins would reduce our operating results and cash flows and could materially and adversely impact our future rate of growth and the carrying value of our assets.
- The current COVID-19 Pandemic, any related subsequent waves of the COVID-19 Pandemic or an additional regional or global disease outbreak, and certain developments in the global oil markets have had, may continue to have, or may have an adverse impact on our business, our future results of operations and our overall financial performance.
- We have suspended our quarterly dividend and cannot assure you when we will declare dividends in the future.
- We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future laws, regulations and other requirements could significantly increase our costs of doing business, thereby adversely affecting our profitability.
- The availability and cost of RINs and other required credits could have a material adverse effect on our financial condition and results of operations.
- Increased supply of and demand for alternative transportation fuels, increased fuel economy standards and increased use of alternative means of transportation could lead to a decrease in transportation fuel prices and/or a reduction in demand for petroleum-based transportation fuels.
- Competition in the industries and segments in which we do business is intense and an increase in competition, loss of market share, or pressure to reduce prices could adversely affect our earnings and profitability.
- We may seek to diversify and expand our retail fuel and convenience store operations, which may present operational and competitive challenges.
- Decreases in commodity prices may lessen our borrowing capacities, increase collateral requirements for derivative instruments or cause a write-down of inventory.
- A terrorist attack on our assets, or threats of war or actual war, may hinder or prevent us from conducting our business.
- Legislative and regulatory measures to address climate change and GHG emissions could increase our operating costs or decrease demand for our refined products.
- Increasing attention to environmental, social and governance matters may impact our business, financial results or stock price.
- We are particularly vulnerable to disruptions to our refining operations because our refining operations are concentrated in four facilities. Our operations are subject to business interruptions and casualty losses. Failure to manage risks associated with business interruptions and casualty losses could adversely impact our operations, financial condition, results of operations and cash flows.
- The costs, scope, timelines and benefits of our refining projects may deviate significantly from our original plans and estimates.
- We depend upon our logistics segment for a substantial portion of the crude oil supply and refined product distribution networks that serve our Tyler, Big Spring and El Dorado refineries. Interruptions or limitations in the supply and delivery of crude oil, or the supply and distribution of refined products, may negatively affect our refining operations and inhibit the growth of our refining operations.
- We are subject to risks associated with significant investments in the Permian Basin.
- We have made investments in joint ventures which subject us to additional risks, over which we do not have full control and which have unique risks.
- Our retail segment is dependent on fuel sales, which makes us susceptible to increases in the cost of gasoline and interruptions in fuel supply.
- General economic conditions may adversely affect our business, operating results and financial condition.
- The termination or expiration of, or periodic price adjustment settlements in, the J. Aron & Company ("J. Aron") Supply and Offtake Agreements could have a material adverse effect on our liquidity.
- If there is negative publicity concerning our brand names or the brand names of our suppliers, fuel and merchandise sales in our retail segment may suffer.
- Wholesale cost increases, vendor pricing programs and tax increases applicable to tobacco products, as well as campaigns to discourage their use, could adversely impact our results of operations in our retail segment.
- Our insurance policies do not cover all losses, costs or liabilities that we may experience, and insurance companies that currently insure companies in the energy industry may cease to do so or substantially increase premiums.
- We may not be able to successfully execute our strategy of growth through acquisitions.

- Acquisitions involve risks that could cause our actual growth or operating results to differ adversely compared with our expectations.
- Our future results will suffer if we do not effectively manage our expanded operations.
- We may incur significant costs and liabilities with respect to investigation and remediation of environmental conditions at our facilities.
- We could incur substantial costs or disruptions in our business if we cannot obtain or maintain necessary permits and authorizations or otherwise comply with health, safety, environmental and other laws and regulations.
- An increase in the price of feedstocks, or an increase in competition, and/or reduction in demand in the markets in which we purchase feedstocks and sell our refined products, could increase our costs and/or lower prices and adversely affect our cost structure, sales and profitability.
- Compliance with and changes in tax laws could adversely affect our performance.
- Adverse weather conditions or other unforeseen developments could damage our facilities, reduce customer traffic and impair our ability to produce and deliver refined petroleum products or receive supplies for our retail fuel and convenience stores.
- Our operating results are seasonal and generally lower in the first and fourth quarters of the year for our refining and logistics segments and in the first quarter of the year for our retail segment. We depend on favorable weather conditions in the spring and summer months.
- A substantial portion of the workforce at our refineries is unionized, and we may face labor disruptions that would interfere with our operations.
- We rely on information technology in our operations, and any material failure, inadequacy, interruption, cyber-attack or security failure of that technology could harm our business.
- If we lose any of our key personnel, our ability to manage our business and continue our growth could be negatively impacted.
- If we are, or become, a United States real property holding corporation, special tax rules may apply to a sale, exchange or other disposition of common stock, and non-U.S. holders may be less inclined to invest in our stock, as they may be subject to United States federal income tax in certain situations.
- Loss of or reductions to tax incentives for biodiesel production may have a material adverse effect on earnings, profitability and cash flows relating to our renewable fuels facilities.
- The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.
- Stockholder activism may negatively impact the price of our common stock, results of operations, financial conditions, and cash flows.
- Future sales of shares of our common stock could depress the price of our common stock, and could result in substantial dilution to our stockholders.
- We depend upon our subsidiaries for cash to meet our obligations and pay any dividends.
- The stockholder rights plan adopted by our Board of Directors may impair an attempt to acquire control of Delek.
- Provisions of Delaware law and our organizational documents may discourage takeovers and business combinations that our stockholders may consider in their best interests, which could negatively affect our stock price.
- Changes in our credit profile could affect our relationships with our suppliers, which could have a material adverse effect on our liquidity and our ability to operate our refineries at full capacity.
- Our commodity and interest rate derivative activity may limit potential gains, increase potential losses, result in earnings volatility and involve other risks.
- We are exposed to certain counterparty risks which may adversely impact our results of operations.
- From time to time, our cash and credit needs may exceed our internally generated cash flow and available credit, and our business could be materially and adversely affected if we are not able to obtain the necessary cash or credit from financing sources.
- Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.
- Our debt agreements contain operating and financial restrictions that might constrain our business and financing activities.
- Fluctuations in interest rates could materially affect our financial results.
- We may refinance a significant amount of indebtedness and otherwise require additional financing; we cannot guarantee that we will be able to obtain the necessary funds on favorable terms or at all.
- We recorded goodwill and other intangible assets that could become impaired and result in material non-cash charges to our results of operations in the future.

## PART I

### ITEMS 1 and 2. BUSINESS and PROPERTIES

#### Company Overview

We are an integrated downstream energy business focused on petroleum refining ("Refining" or our "refining segment"), the transportation, storage and wholesale distribution of crude oil, intermediate and refined products ("Logistics" or our "logistics segment") and convenience store retailing ("Retail" or our "retail segment"). Delek US Holdings, Inc., a Delaware corporation formed in 2016 (a successor to the original Delek US Holdings, Inc. which was a Delaware corporation originally formed in 2001), operates through its consolidated subsidiaries, which include Delek US Energy, Inc. (and its subsidiaries) ("Delek Energy") and Alon USA Energy, Inc. ("Alon" as previously defined) (and its subsidiaries).

The following map outlines the geography of our integrated downstream energy structure as of December 31, 2020:



Refining	Logistics	Retail
302,000 barrels per day ("bpd") total capacity: Tyler, TX El Dorado, AR Big Spring, TX Krotz Springs, LA WTI primary crude oil supply - 260,000 bpd Biodiesel facilities with 40 million gallons total annual capacity: Crossett, AR Cleburne, TX New Albany, MS	10 terminals Approximately 1,570 miles of pipeline <sup>(1)</sup> 10.2 million barrels of storage capacity Crude oil pipeline joint ventures: Red River Pipeline Company LLC Caddo Pipeline LLC Andeavor Logistics RIO Pipeline LLC West Texas wholesale: Sale of refined products through terminals	253 stores as of December 31, 2020 Southwest U.S. locations Primary source of fuel is Big Spring, TX refinery

<sup>(1)</sup> Includes approximately 240 miles of leased capacity.

The principal activities of our refining, logistics and retail segments are described below:

Refining Segment	
<b>Inputs:</b>	crude oil and other feedstocks
<b>Products:</b>	transportation motor fuels, including various grades of gasoline, diesel fuel and aviation fuel, asphalt and other petroleum-based products
<b>Nameplate Capacity (bpd):</b>	302,000
<b>Primary Refinery Operations (and bpd capacity):</b>	
Tyler, Texas refinery (the "Tyler refinery")	75,000
El Dorado, Arkansas refinery (the "El Dorado refinery")	80,000
Big Spring, Texas refinery (the "Big Spring refinery")	73,000
Krotz Springs, Louisiana refinery (the "Krotz Springs refinery")	74,000
<b>Other Refinery Operations/Assets:</b>	
Renewables facilities	approximately 40 million gallons of annual biodiesel production capacity across three facilities located in Crossett, Arkansas, Cleburne, Texas and New Albany, Mississippi
Bakersfield, California refinery assets	non-operating
<b>Primary Distribution Channels:</b>	
Tyler refinery	majority of production is distributed through a refined products terminal located at the refinery that is owned and operated by our logistics segment to supply the local market in the East Texas area
El Dorado refinery	majority of production is shipped into the Enterprise Pipeline System and our logistics segment's El Dorado Pipeline system to supply a combination of pipeline bulk sales and wholesale rack sales at terminal locations along the pipeline in Louisiana, Arkansas, Tennessee, Missouri and Indiana
Big Spring refinery	signification portion of production is distributed across the refinery truck terminal into local markets and by pipeline through various terminals to supply Delek or Alon branded retail sites focused on Central and West Texas, Oklahoma, New Mexico and Arizona
Krotz Springs refinery	majority of production is distributed through pipeline and barge bulk sales and wholesale rack sales at terminals located on the Colonial Pipeline system in the southeastern United States

Logistics Segment	
<b>Primary Operations:</b>	owns and operates crude oil and refined products logistics and marketing assets for the use in providing logistics and marketing services to customers; the primary customer is Delek and inter-company revenues and costs are eliminated in consolidation
<b>Fee-Based Revenue Sources:</b>	gathering, transporting and storing crude oil and for marketing, distributing, transporting and storing intermediate and refined products in select regions of the southeastern United States and West Texas for both our refining segment and third parties
<b>Other Revenue Sources:</b>	sales of wholesale products in the West Texas market
<b>Owned or Leased Pipeline Capacities (in approximate miles):</b>	
Crude oil transportation pipelines	400
Refined product pipelines	450
Crude oil gathering system <sup>(1)</sup>	900
<b>Other Logistics Assets/Facilities:</b>	
Gathering system crude oil capacity, intermediate and refined products storage tanks	Approximately 10.2 million barrels of active shell capacity
Other storage tanks	various other storage tanks located at our terminals
Terminals	operates ten light product distribution terminals located in Tennessee, Texas, Oklahoma and Arkansas
Joint venture investments	strategic investments in pipelines/pipeline systems servicing various areas including the Permian Basin

<sup>(1)</sup> In addition to the 700-mile crude oil gathering system, our logistics segment is also managing construction of the approximately 250-mile gathering system in the Permian Basin connecting to our Big Spring, Texas terminal and will operate the gathering system as it is completed. As of December 31, 2020, approximately 178 miles of the gathering system were completed and operational. See further discussion in our 'Recent Strategic Developments' section below.



Retail Segment	
<b>Number of Stores at December 31, 2020 (owned and leased):</b>	253
<b>Geographic Areas Served:</b>	Central and West Texas and New Mexico
<b>Branding:</b>	Delek (under "DK") and Alon branding on certain locations which will continue to increase as we re-brand existing 7-Eleven locations <sup>(1)</sup>
<b>Fuel Offerings at Retail Locations:</b>	various grades of gasoline and diesel under the DK or Alon brand name, primarily sourced by our Big Spring refinery
<b>Merchandise Offerings at Convenience Store Retail Locations:</b>	food products, food service, tobacco products, non-alcoholic and alcoholic beverages, general merchandise as well as money orders

<sup>(1)</sup> In November 2018, we terminated a license agreement with 7-Eleven, Inc. and must remove all 7-Eleven branding on a store-by-store basis by December 31, 2023. Merchandise at our convenience store sites will continue to be sold under the 7-Eleven brand name until 7-Eleven branding is removed at each convenience store site. As of December 31, 2020, we had removed the 7-Eleven brand name at 57 of our store locations.

### Significant Acquisitions and Dispositions

Historically, we have grown through acquisitions in all of our segments. Our business strategy has been focused on growing our integrated business model that allows us to participate in all phases of the downstream production process, from transporting crude oil to our refineries for processing into refined products to selling fuel to customers. This growth may come from acquisitions as well as investments in our existing businesses, as we continue to broaden our existing geographic presence and integrated business model. Our strategy also includes evaluating certain under-performing and non-core business lines and assets and divesting of those when doing so helps us achieve our strategic objectives.

#### Significant Acquisitions

Effective July 1, 2017, we acquired all of the outstanding stock of Alon. See further discussion in Note 3 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. The Delek/Alon Merger continues to have a significant impact on our revenue and profitability as well as earnings per share, our net asset position, our purchasing position in the marketplace, our footprint in the refining industry, especially in the Gulf Coast Region and Permian Basin, and our ability to secure financing.

Below is a tabular summary of our most recent significant acquisitions, including the Delek/Alon Merger:

Date	Acquired Company/Assets	Acquired From	Approximate Purchase Price <sup>(1)</sup>
July 2017	Purchased the remaining approximately 53% ownership in Alon that Delek did not already own, in an all-stock transaction.	Shareholders of Alon USA Energy, Inc.	\$530.7 million
February 2018	Purchased the remaining 18.4% ownership in the Alon Partnership that Delek did not already own, in an all-equity transaction.	LP unit holders of Alon USA Partners, LP	\$184.7 million
May 2019	Acquired a 33% membership interest in Red River Pipeline Joint Venture.	Plains Pipeline, L.P.	\$124.7 million
July 2019	Acquired a 15% membership interest in Wink to Webster ("WWP") Joint Venture. <sup>(2)</sup>	Wink to Webster Pipeline LLC	\$145.6 million

<sup>(1)</sup> Includes amounts paid through the date of this Annual Report on Form 10-K, excluding transaction costs. Excludes future commitments on the WWP Joint Venture, where total capital investments are expected to be \$340 million to \$380 million by the time construction of the pipeline is completed.

<sup>(2)</sup> On February 21, 2020, we, through our wholly-owned direct subsidiary Delek Energy, entered into the W2W Holdings LLC Agreement ("HoldCo LLC Agreement") with MPLX Operations LLC ("MPLX") (collectively, with its wholly-owned subsidiaries, the "WWP Project Financing Joint Venture" or the "WWP Project Financing JV"). In connection with the arrangement, both Delek Energy and MPLX contributed their respective 15% ownership interests to the WWP Project Financing JV as collateral for and in service of the related project financing. See further discussion in Note 7 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

### Significant Dispositions

#### Sale of Bakersfield Non-Operating Refinery

On May 7, 2020, we sold our equity interests in Alon Bakersfield Property, Inc., an indirect wholly-owned subsidiary that owns our non-operating refinery located in Bakersfield, California, to a subsidiary of Global Clean Energy Holdings, Inc. ("GCE") for total cash consideration of \$40.0 million. GCE intends to repurpose the refinery into a renewable diesel plant. As part of the transaction, GCE granted a call option to Delek to acquire up to a 33 1/3% limited member interest in the acquiring subsidiary of GCE for \$400 per unit (up to \$13.3 million), subject to certain adjustments. Such option is exercisable by Delek through the 90th day after GCE demonstrates commercial operations, as contractually defined. See further discussion in Note 4 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

## Recent Strategic Developments

### Midstream Investments

In 2019, we made the following strategic midstream investments in pipeline joint ventures, which provided for returns on completed and operational segments and is expected to provide increasing returns in future years, as planned expansions and construction projects are completed.

- In May 2019, Delek Logistics acquired a 33% membership interest in Red River Pipeline Company LLC (the "Red River Pipeline Joint Venture") which initially had pipeline capacity of 150,000 bpd, and which completed a planned expansion to 235,000 bpd with operations commencing October 1, 2020.
- Additionally, in July 2019, we acquired a 15% ownership interest in Wink to Webster Pipeline LLC (the "WWP Joint Venture"), which we subsequently contributed to a non-recourse financing joint venture with MPLX (who likewise contributed their 15% interest in the WWP Joint Venture) (the "WWP Project Financing JV") effective February 21, 2020, in exchange for a 50% interest in the WWP Project Financing JV. The WWP Joint Venture is constructing and will operate a crude oil pipeline system from Wink, Texas to Webster, Texas along with certain pipelines from Webster, Texas to other destinations in the Texas Gulf Coast area that are expected to span approximately 650 miles at completion. Construction of the crude oil pipeline system remains on schedule, and the main segment of the pipeline system commenced operations in the fourth quarter of 2020, with additional segments expected to be placed in service throughout 2021.

See further discussion in Note 7 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Additionally, since the Delek/Alon Merger and through 2019, we have also focused efforts on developing a 250-mile gathering system in the Permian Basin with existing connectivity to our Big Spring, Texas refinery as well as a third party pipeline system accessing Colorado City and future direct connectivity to Midland, Texas ("Midland") (the "Big Spring Gathering System"). This gathering system provides Delek with access to crude directly from wellheads which we expect to provide improvement in refining performance and cost structure while also providing a foundation for continuing to build new midstream income sources. As of December 31, 2019, approximately 178 miles of the gathering system were completed and operational. Effective March 31, 2020, we sold the Big Spring Gathering System to Delek Logistics, which allowed us to integrate the operation of the system into our logistics segment and enhance our return from our controlling ownership in Delek Logistics. See further discussion in Note 6 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Finally, on August 13, 2020, we completed a transaction with Delek Logistics to eliminate the incentive distribution rights ("IDRs") held by Delek through our general partner interest, and convert our 2.0% economic general partner interest into a non-economic general partner interest in exchange for total consideration consisting of \$45.0 million cash and 14.0 million newly issued common limited partner units (the "IDR Simplification"). In August 2020, Delek Logistics filed a shelf registration statement to register our 14.0 million newly issued common limited partner units providing the option to divest them under the registration statement. These registered units provide another key potential source of liquidity for Delek and provides us the opportunity to monetize our investment when strategic opportunities arise.

### Asset Optimization

During 2020, we continued executing on our strategy of divesting non-strategic or underperforming assets. After making significant divestitures of underperforming stores in Retail during 2019, in 2020 we focused on divesting our remaining non-operating refinery located in Bakersfield, California. As a result, on May 7, 2020, we sold our equity interests in our non-operating refinery located in Bakersfield to a subsidiary of Global Clean Energy Holdings, Inc. ("GCE") for total cash consideration of \$40.0 million and resulting in a realized gain on the sale of \$56.8 million. Additionally, as part of the transaction, we received a call option to acquire up to a 33 1/3% limited member interest in GCE's acquiring subsidiary, which intends to repurpose the refinery into a renewable diesel plant, for \$400 per unit (up to \$13.3 million), subject to certain adjustments. Such option is exercisable by Delek through the 90th day after GCE demonstrates commercial operations, as contractually defined. See further discussion in Note 4 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

### Operating in the COVID-19 Pandemic Environment

During the year ended December 31, 2020, and without losing focus on our core business operations, managing risk and operational challenges in the COVID-19 Pandemic economic environment became our most critical focus. Like others in our industry, Delek experienced the impact on demand and pricing of these unprecedented conditions, most notably in our refining segment, and our 2020 results reflect the impact of decreased demand combined with decreased crack spreads. Cost control and ensuring adequate and alternative available sources of liquidity became paramount, and so one of our first areas of focus was to significantly cut back our original planned capital expenditures. Shifting our focus away from capital growth projects also provided us with the opportunity to focus our team's considerable efforts and talent on process improvement initiatives, cost control measures, and opportunities for innovation. As a result, we have implemented new technologies, processes and other changes that are already having a positive effect on safety (e.g., we now have more structured safety protocols), our costs (e.g., operating expenses significantly declined in the fourth quarter 2020 compared to the prior year quarter), and our operational effectiveness (e.g., our cost and contractor management process and system improvements are positively impacting our ability to monitor and manage our capital expenditures). Additionally, we expect these changes to continue helping us mitigate ongoing risks and economic impacts

of the Pandemic, and to provide a more solid operational foundation as we look forward to an economic recovery.

Additionally, the economic effects of the Pandemic on our sector and on the market in general has caused us to consider how we manage liquidity and capital resources to ensure operational continuity and sustainability. Our ability to manage our liquidity and capital resources successfully, and to instill confidence about our continued ability to do so, is of critical importance to our shareholders as they make investment decisions, as well as to our other stakeholders, in this period of historical levels of uncertainty. For these reasons, more than ever, we are not only very focused on liquidity and capital resources, we also are committed to transparency around our efforts and strategies in this area. Some of our principal areas of focus during 2020 included the following:

- suspension of non-critical capital expenditures;
- a comprehensive cost reduction initiative that involved significant process improvements;
- continued focus on managing collections of receivables and monitoring the credit worthiness of customers;
- completion of divestiture and dropdown transactions that generated cash and value;
- suspension of our stock repurchase program and dividend payments;
- pursuing extensions and expansions of available capital resources with existing lenders/partners; and
- monitoring market conditions for other capital sources and opportunities including (but not limited to):
  - evaluating the potential sale of some of our interest in Delek Logistics common limited partner units;
  - asset monetization through product financings;
  - consideration of sale-leaseback opportunities; and
  - evaluating the potential for new debt and equity offerings.

As a result of our efforts, we believe we have maintained a strong cash position with capital resources flexibility that positions us well as we look forward to an expected economic recovery from the Pandemic, where crack spread forecasts and forward curves indicate the market's expectation for significant recovery in 2022 and stabilization by 2023.

See further discussion regarding our specific Strategic Goals and Recent Developments in the 'Executive Summary and Strategic Overview' section located in Item 7. Management's Discussion and Analysis, of this Annual Report on Form 10-K. Additionally, see also our 'Liquidity and Capital Resources' section, also located in Item 7. Management's Discussion and Analysis, of this Annual Report on Form 10-K.

## Information About Our Segments

Delek operates in three reportable operating segments: the refining segment, the logistics segment and the retail segment, which are discussed below. Additional segment and financial information is contained in our segment results included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and in Note 4, Segment Data, of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

### Refining Segment

#### Overview

We own and operate four independent refineries located in Tyler, Texas, El Dorado, Arkansas, Big Spring, Texas and Krotz Springs, Louisiana, currently representing a combined 302,000 bpd of crude throughput capacity. Our refining system produces a variety of petroleum-based products used in transportation and industrial markets, which are sold to a wide range of customers located principally in inland, domestic markets and which comply with current Environmental Protection Agency ("EPA") clean fuels standards. All four of these refineries are located in the U.S. Gulf Coast ("Gulf Coast") Region (PADD III), which is one of the five Petroleum Administration for Defense District ("PADD") regional zones established by the U.S. Department of Energy where refined products are produced and sold. Refined product prices generally differ among each of the five PADDs.

Our refining segment also includes three biodiesel facilities we own and operate that are engaged in the production of biodiesel fuels and related activities, located in Crossett, Arkansas, Cleburne, Texas and New Albany, Mississippi.

#### Refining System Feedstock Purchases

We purchase more crude oil than our refineries process, generally through a combination of long-term acreage dedication agreements and short-term crude oil purchase agreements. This provides us with the opportunity to optimize the supply cost to the refineries while also maximizing the value of the volumes purchased directly from oil producers. The majority of the crude oil we purchase is sourced from inland domestic sources, primarily in areas of Texas, Arkansas, and Louisiana, although we can also purchase crude delivered via rail from other regions, including Oklahoma and Canada. Existing agreements with third-party pipelines and Delek Logistics allow us to deliver approximately 180,000 bpd of crude oil from West Texas (principally Midland) directly to our refineries. Typically, approximately 260,000 bpd of the crude oil we deliver to our four operating refineries is priced as a differential to the price of West Texas Intermediate ("WTI") crude oil. In most cases, the differential is established in the month prior to the month in which the crude oil is delivered to the refineries for processing.

#### Refining System Production Slate

Our refining system processes a combination of light sweet and medium sour crude oil, which, when refined, results in a product mix consisting principally of higher-value transportation fuels such as gasoline, distillate and jet fuel. A lesser portion of our overall production consists of residual products, including paving asphalt, roofing flux and other products with industrial applications.

#### Refined Product Sales and Distribution

Our refineries sell products on a wholesale and branded basis to inter-company and third-party customers located in Texas, Oklahoma, New Mexico, Arizona, Arkansas, Tennessee and the Ohio River Valley, including Gulf Coast markets and areas along the Enterprise Pipeline System and the Colonial Pipeline System, through terminals and exchanges.

#### Refining Segment Seasonality

Demand for gasoline and asphalt products is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic and road and home construction. Varying vapor pressure requirements between the summer and winter months also tighten summer gasoline supply. As a result, the operating results of our refining segment are generally lower for the first and fourth quarters of the calendar year.

#### Refining Segment Competition

The refining industry is highly competitive and includes fully integrated national and multinational oil companies engaged in many segments of the petroleum business, including exploration, production, transportation, refining, marketing and retail fuel and convenience stores, along with independent refiners. Our principal competitors are petroleum refiners in the Mid-Continent and Gulf Coast Regions, in addition to wholesale distributors operating in these markets.

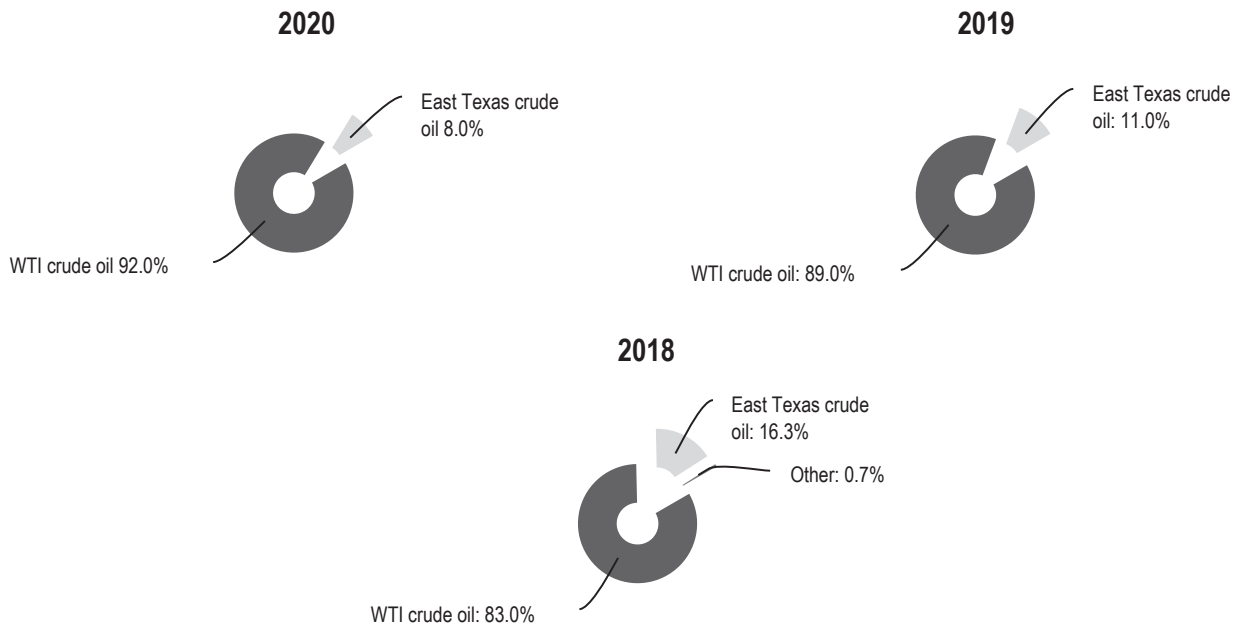
The principal competitive factors affecting our refinery operations are crude oil and other feedstock costs, the differential in price between various grades of crude oil, refinery product margins, refinery reliability and efficiency, refinery product mix, and distribution and transportation costs.



**Tyler Refinery**

Our Tyler refinery has a nameplate crude throughput capacity of 75,000 bpd, and is designed to process mainly light, sweet crude oil, which is typically a higher quality of crude than heavier sour crude. Its property consists of approximately 600 contiguous acres of land that we own in Tyler, Texas and adjacent areas, of which the main plant and associated tank farms adjacent to the refinery sit on approximately 100 acres. Additionally, it has access to crude oil pipeline systems that allow us access to East Texas, West Texas and, to a limited extent, the Gulf of Mexico and foreign crude oil. Most of the crude supplied to the Tyler refinery is delivered by third-party pipelines and through pipelines owned by our logistics segment.

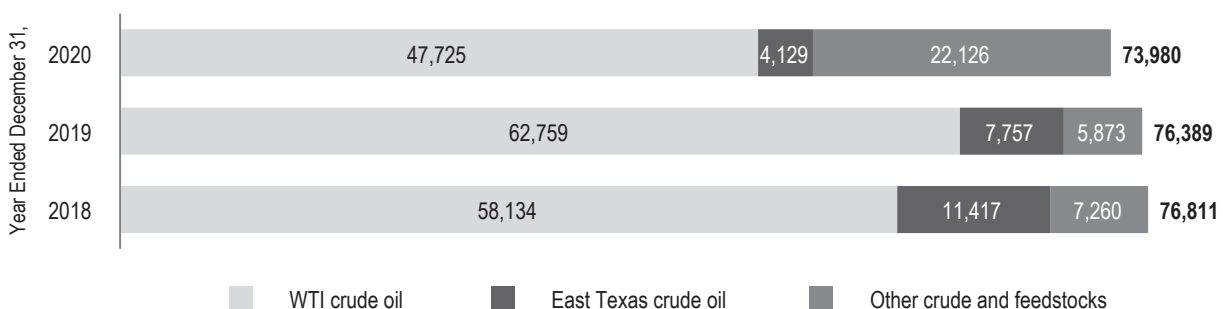
The charts below set forth information concerning crude oil received based on purchases at the Tyler refinery for the years ended December 31, 2020, 2019 and 2018:



Major processes at our Tyler refinery include crude distillation, vacuum distillation, naphtha reforming, naphtha and diesel hydrotreating, fluid catalytic cracking, alkylation, and delayed coking. The Tyler refinery has a Complexity Index of 8.7.

The chart below sets forth information concerning the throughput at the Tyler refinery:

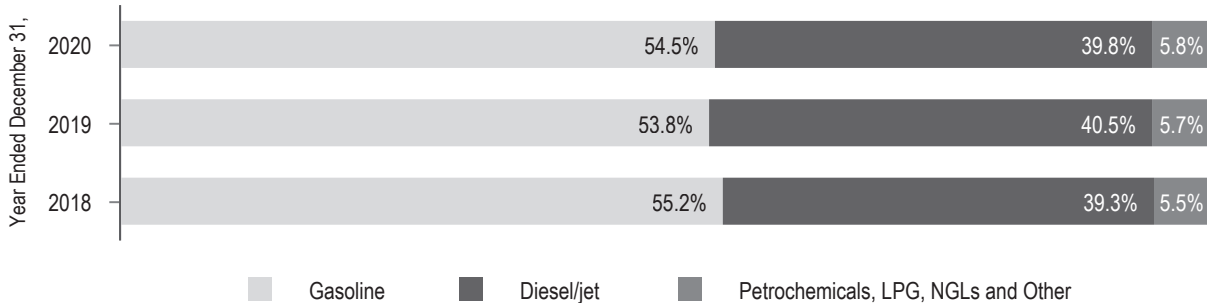
**Tyler Refinery Throughput (BPD)**



The Tyler refinery primarily produces two grades of gasoline (E10 premium 93 and E10 regular 87), as well as aviation gasoline, and also offers both E-10 and biodiesel blended products. Diesel and jet fuel products produced at the Tyler refinery include military specification jet fuel, commercial jet fuel and ultra-low sulfur diesel. In addition to higher-value gasoline and distillate fuels, the Tyler refinery produces small quantities of propane, refinery grade propylene and butanes, petroleum coke, slurry oil, sulfur and other blendstocks. The Tyler refinery produces both low-sulfur gasoline and ultra-low sulfur diesel fuel, both on-road and off-road, pursuant to the current EPA clean fuels standards.

The chart below sets forth information concerning the Tyler refinery's production slate:

### Tyler Refinery Production Slate (% of total)



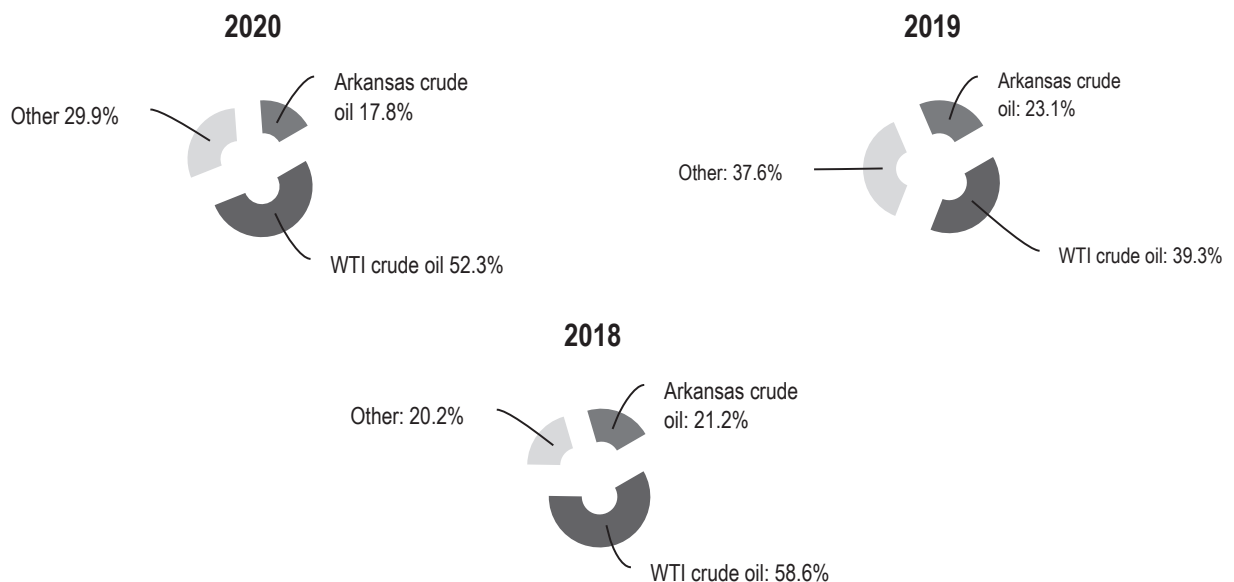
The Tyler refinery is currently the only major distributor of a full range of refined petroleum products within a radius of approximately 100 miles of its location. The vast majority of our transportation fuels and other products produced at the Tyler refinery are sold directly from a refined products terminal owned by Delek Logistics and located at the refinery. We believe this allows our customers to benefit from lower transportation costs compared to alternative sources. Our customers include major oil companies, independent refiners and marketers, jobbers, distributors in the U.S. and Mexico, utility and transportation companies, the U.S. government and independent retail fuel operators.

Taking into account the Tyler refinery's crude and refined product slate, as well as the refinery's location near the Gulf Coast Region, we apply the Gulf Coast 5-3-2 crack spread to calculate the approximate refined product margin resulting from processing one barrel of crude oil into three-fifths barrel of gasoline and two-fifths barrel of low sulfur diesel.

### El Dorado Refinery

Our El Dorado refinery has a nameplate crude throughput capacity of 80,000 bpd, and is designed mainly to process a wide variety of crude oil, ranging from light sweet to heavy sour. The refinery site consists of approximately 460 acres of land that we own in El Dorado, Arkansas, of which the main plant and associated tank farms adjacent to the refinery sit on approximately 335 acres, and is the largest refinery in Arkansas, representing more than 90% of state-wide refining capacity. The refinery receives crude by several delivery points, including from local sources as well as other third-party pipelines that connect directly into Delek Logistics' El Dorado Pipeline System, which runs from Magnolia, Arkansas, to the El Dorado refinery (the "El Dorado Pipeline System"), and rail at third-party terminals. We also purchase crude oil for the El Dorado refinery from inland sources in East and West Texas, as well as in south Arkansas and north Louisiana through a crude oil gathering system owned and operated by Delek Logistics (the "SALA Gathering System").

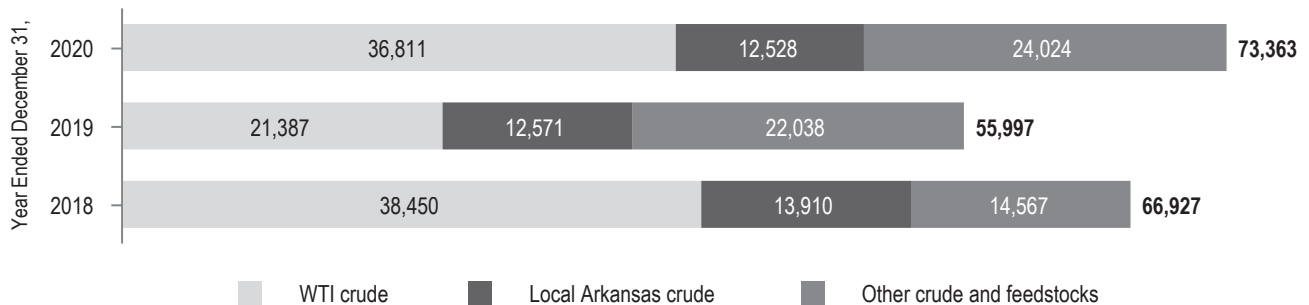
The charts below set forth information concerning crude oil received at the El Dorado refinery for the years ended December 31, 2020, 2019 and 2018:



Major processes at our El Dorado refinery include crude distillation, vacuum distillation, naphtha isomerization and reforming, naphtha and diesel hydrotreating, gas oil hydrotreating, fluid catalytic cracking and alkylation. The El Dorado refinery has a Complexity Index of 10.2.

The chart below sets forth information concerning the throughput at the El Dorado refinery:

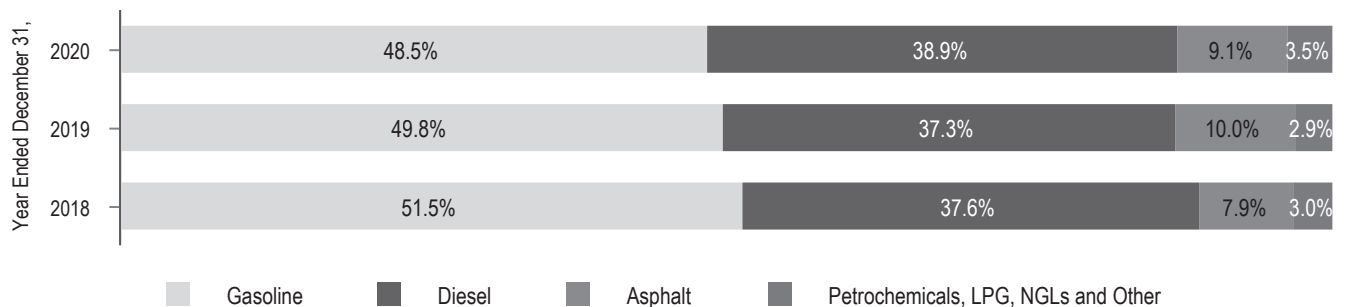
### El Dorado Refinery Throughput (BPD)



The El Dorado refinery produces a wide range of refined products, from multiple grades (E-10 premium 93 and E-10 regular 87) of gasoline and ultra-low sulfur diesel fuels, liquefied petroleum gas ("LPG"), refinery grade propylene and a variety of asphalt products, including paving grade asphalt and roofing flux. The El Dorado refinery offers both E-10 and biodiesel blended products. The El Dorado refinery produces both low-sulfur gasoline and ultra-low sulfur diesel fuel, both on-road and off-road, pursuant to the current EPA clean fuels standards.

The chart below sets forth information concerning the El Dorado refinery's production slate:

### El Dorado Refinery Production Slate (% of total)



Products manufactured at the El Dorado refinery are sold to wholesalers and retailers through spot sales, commercial sales contracts and exchange agreements in markets in Arkansas, Memphis, Tennessee and north into the Ohio River Valley region as well as in Mexico. The El Dorado refinery connection via the logistics segment to the Enterprise Pipeline System is a key means of product distribution for the refinery, because it provides access to third-party terminals in multiple Mid-Continent markets located adjacent to the system, including Shreveport, Louisiana, North Little Rock, Arkansas, Memphis, Tennessee, and Cape Girardeau, Missouri. The El Dorado refinery also supplies products to these markets through product exchanges on the Colonial Pipeline.

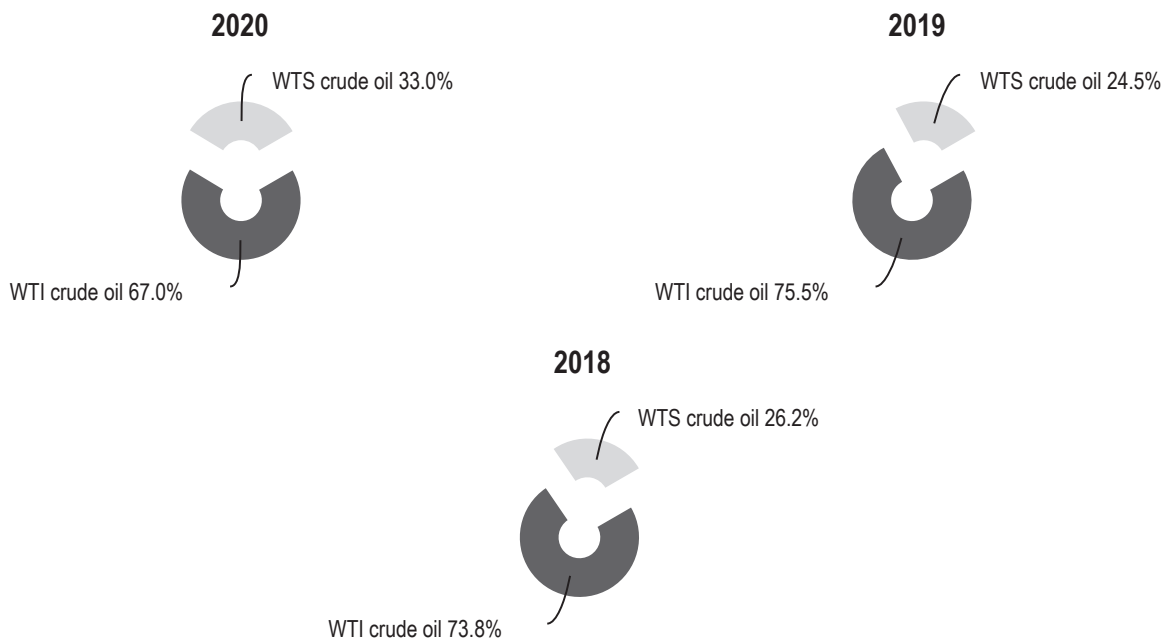
The crude oil and product slate flexibility of the El Dorado refinery allows us to take advantage of changes in the crude oil and product markets; therefore, we anticipate that the quantities and varieties of crude oil processed and products manufactured at the El Dorado refinery will continue to vary. While there is variability in the crude slate and the product output at the El Dorado refinery, we compare our per barrel refined product margin to the Gulf Coast 5-3-2 crack spread because we believe it to be the most closely aligned benchmark.

**Big Spring Refinery**

Our Big Spring refinery has a nameplate crude throughput capacity of 73,000 bpd and is located on 1,306 acres of land that we own in the Permian Basin in West Texas. The main plant and associated tank farms adjacent to the refinery sit on approximately 330 acres. It is the closest refinery to Midland, which allows us to efficiently source West Texas Sour ("WTS") and WTI Midland crude. Additionally, the Big Spring refinery has the ability to source locally-trucked crude as well as crude locally gathered from our own developing gathering system, which enables us to better control quality and eliminate the cost of transporting the crude supply from Midland.

The Big Spring refinery is designed to process a variety of crude, ranging from light sweet to medium sour, with the flexibility to convert its production to one or the other based on market pricing conditions. Our Big Spring refinery receives WTS and WTI crude by truck from local gathering systems and regional common carrier pipelines. Other feedstocks, including butane, isobutane and asphalt blending components, are delivered by truck and railcar. A majority of the natural gas we use to run the refinery is delivered by a pipeline in which we own a majority interest.

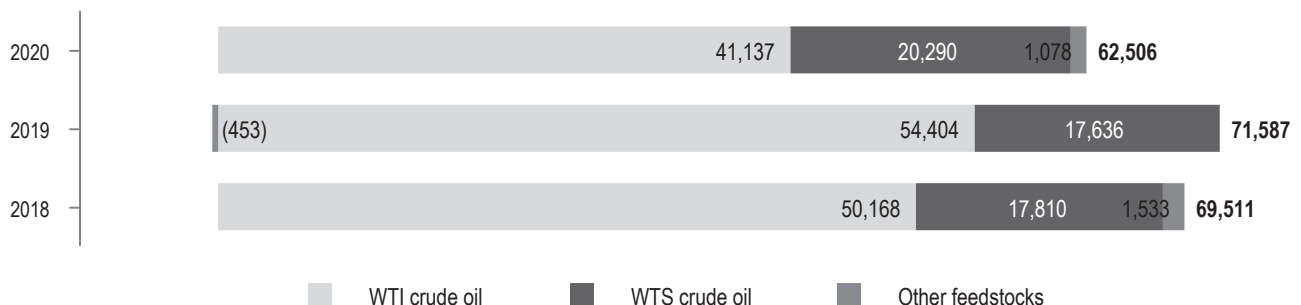
The charts below set forth information concerning crude oil received at the Big Spring refinery for the years ended December 31, 2020, 2019 and 2018:



Major processes at our Big Spring refinery include crude distillation, vacuum distillation, naphtha reforming, naphtha and diesel hydrotreating, aromatic extraction, propane de-asphalting, fluid catalytic cracking, and alkylation. The Big Spring refinery has a Complexity Index of 10.5.

The chart below sets forth information concerning the throughput at the Big Spring refinery for the years ended December 31, 2020, 2019 and 2018:

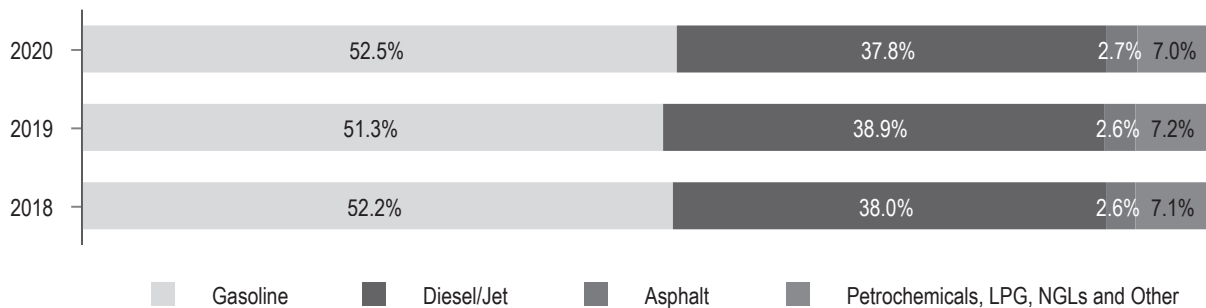
**Big Spring Refinery Throughput (BPD)**



The Big Spring refinery primarily produces two grades of gasoline (E10 premium 91 and E10 regular 87). Diesel and jet fuel products produced at the Big Spring refinery include military specification jet fuel, commercial jet fuel and ultra-low sulfur diesel. We also produce propane, propylene, certain aromatics, specialty solvents and benzene for use as petrochemical feedstocks, and asphalt along with other by-products such as sulfur and carbon black oil. The Big Spring refinery produces both low-sulfur gasoline and ultra-low sulfur diesel fuel, both on-road and off-road, pursuant to current EPA clean fuels standards, and certain boutique fuels supplied to the El Paso, Texas, and Phoenix, Arizona, markets.

The chart below sets forth information concerning the Big Spring refinery's production slate for the year ended December 31, 2020, 2019 and 2018:

### Big Spring Refinery Production Slate (% of total)



Our Big Spring refinery sells products in both the wholesale rack and bulk markets. We sell motor fuels under both the Alon brand and on an unbranded basis through various terminals to supply numerous locations, including the convenience stores in Delek's retail segment. We sell transportation fuel production in excess of our branded and unbranded marketing needs through bulk sales and exchange channels entered into with various oil companies and trading companies which are transported through a product pipeline network or truck deliveries, depending on location, and through terminals located in Texas (Abilene, Wichita Falls, El Paso), Arizona (Tucson, Phoenix), and New Mexico (Albuquerque, Moriarty).

For our Big Spring refinery, we compare our per barrel refined product margin to the Gulf Coast 3-2-1 crack spread, which is the approximate refined product margin resulting from processing one barrel of crude oil into two-thirds barrel of gasoline and one-third barrel of ultra low sulfur diesel. Our Big Spring refinery is capable of processing substantial volumes of both sour crude oil or sweet crude oil, which we optimize based on price differentials. We measure the cost advantage of refining sour crude oil by calculating the difference between the price of WTI Cushing crude oil and the price of WTS, a medium, sour crude oil, taking into account differences in production yield. We refer to this differential as the WTI Cushing/WTS, or sweet/sour, spread. A widening of the sweet/sour spread can favorably influence the operating margin for our Big Spring refinery. The WTI Cushing less WTI Midland spread represents the differential between the average per barrel price of WTI Cushing crude oil and the average per barrel price of WTI Midland crude oil.

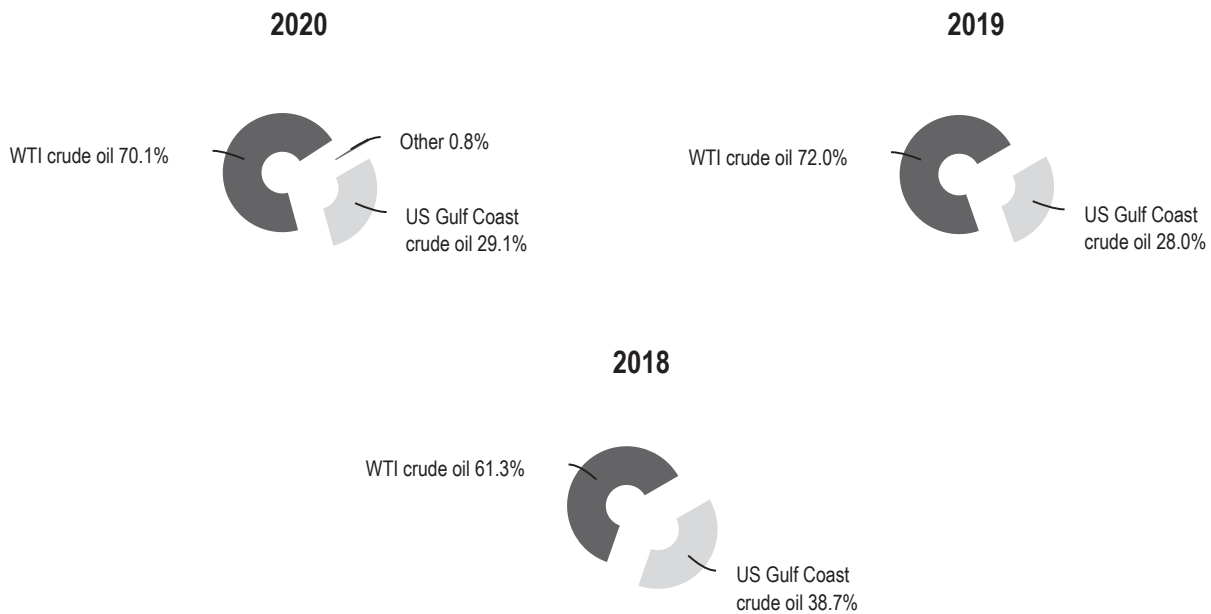
### Krotz Springs Refinery

Our Krotz Springs refinery has a nameplate crude throughput capacity of 74,000 bpd, and is located on 381 acres of land that we own on the Atchafalaya River in central Louisiana. The main plant and associated tank farms adjacent to the refinery sit on approximately 250 acres. This location provides access to crude from barge, pipeline, railcar and truck. This combination of logistics assets provides us with diversified access to locally-sourced, domestic and foreign crude.

The Krotz Springs refinery is designed mainly to process light sweet crude oil. We are capable of receiving WTI Midland, Louisiana Light Sweet ("LLS"), Heavy Louisiana Sweet ("HLS") and foreign crude from the EMPCo Northline System (the "Northline System") and the Crimson Pipeline. The Northline System delivers LLS, HLS and foreign crude oil from the St. James, Louisiana, crude oil terminalling complex. The Crimson Pipeline connects the Krotz Spring refinery to the Baton Rouge, Louisiana area. Additionally, the Krotz Springs refinery has the ability to receive crude oil sourced from West Texas. WTI crude oil is transported through the Energy Transfer Amdel pipeline to the Nederland terminal located near the Gulf Coast and from there is transported to the Krotz Springs refinery by barge via the Intracoastal Canal and the Atchafalaya River. The Krotz Springs refinery also receives approximately 20% of its crude by barge and truck from inland Louisiana and Mississippi and other locations.



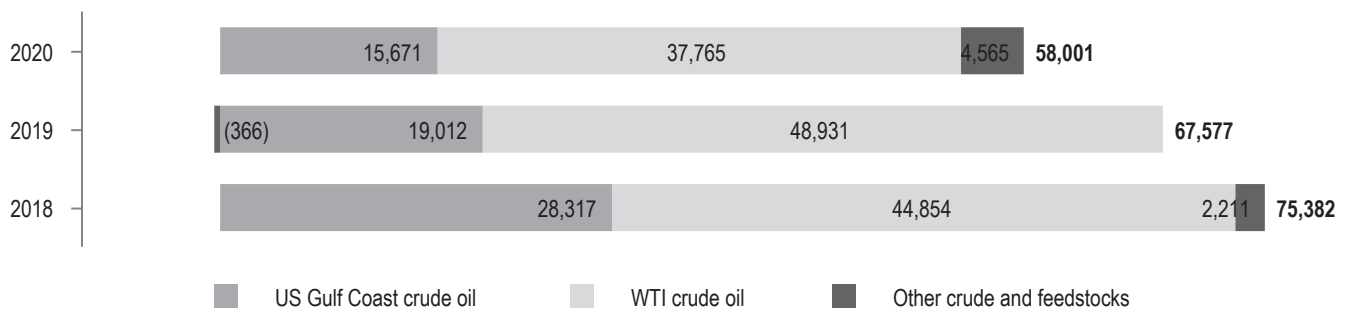
The charts below set forth information concerning crude oil received at the Krotz Springs refinery for the years ended December 31, 2020, 2019 and 2018:



Major processes at the Krotz Springs refinery include crude distillation, vacuum distillation, naphtha hydrotreating, naphtha isomerization and reforming, and gas oil/residual catalytic cracking to minimize low quality black oil production and to produce higher light product yields. The Krotz Springs refinery has a Complexity Index of 8.8. Additionally, in April 2019, the Krotz Springs refinery completed construction of an alkylation unit with anticipated 6,000-bpd capacity that is designed to combine isobutane and butylene into alkylate and enable multiple grades of gasoline to be produced, including premium octane gasoline.

The chart below sets forth information concerning the throughput at the Krotz Springs refinery for the years ended December 31, 2020, 2019 and 2018:

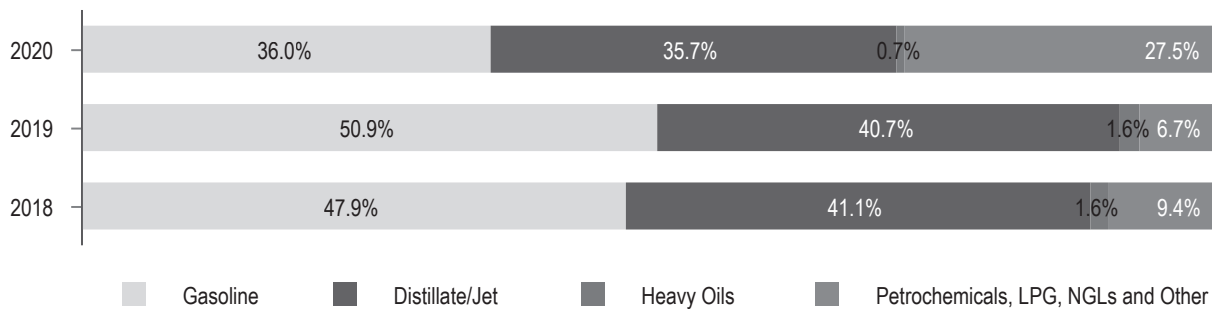
### Krotz Springs Refinery Throughput (BPD)



The Krotz Springs refinery produces CBOB 84 grade gasoline as well as high sulfur diesel, light cycle oil, jet fuel, petrochemical feedstocks, LPG and slurry oil. The Krotz Springs refinery produces low-sulfur gasoline, pursuant to the current EPA clean fuels standards.

The chart below sets forth information concerning the Krotz Springs refinery's production slate for the years ended December 31, 2020, 2019 and 2018:

**Krotz Springs Refinery Production Slate (% of total)**



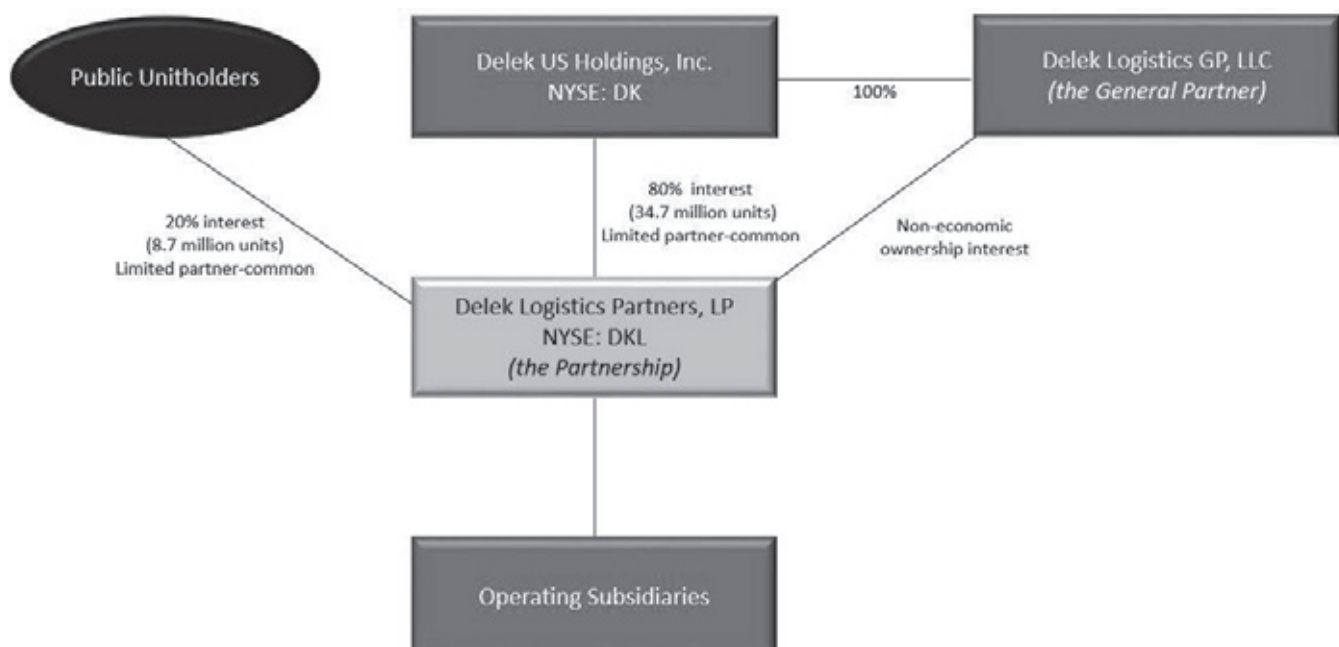
The Krotz Springs refinery markets transportation fuel substantially through bulk sales and exchange channels. These bulk sales and exchange arrangements are entered into with various oil companies and trading companies and are transported to markets on the Mississippi River and the Atchafalaya River as well as to the Colonial Pipeline.

For our Krotz Springs refinery, we compare our per barrel refined product margin to the Gulf Coast 2-1-1 high sulfur diesel crack spread, which is the approximate refined product margin calculated assuming that one barrel of LLS crude oil is converted into one-half barrel of Gulf Coast conventional gasoline and one-half barrel of Gulf Coast high sulfur diesel. The Krotz Springs refinery has the capability to process substantial volumes of sweet crude oil to produce a high percentage of refined light products.

**Logistics Segment**

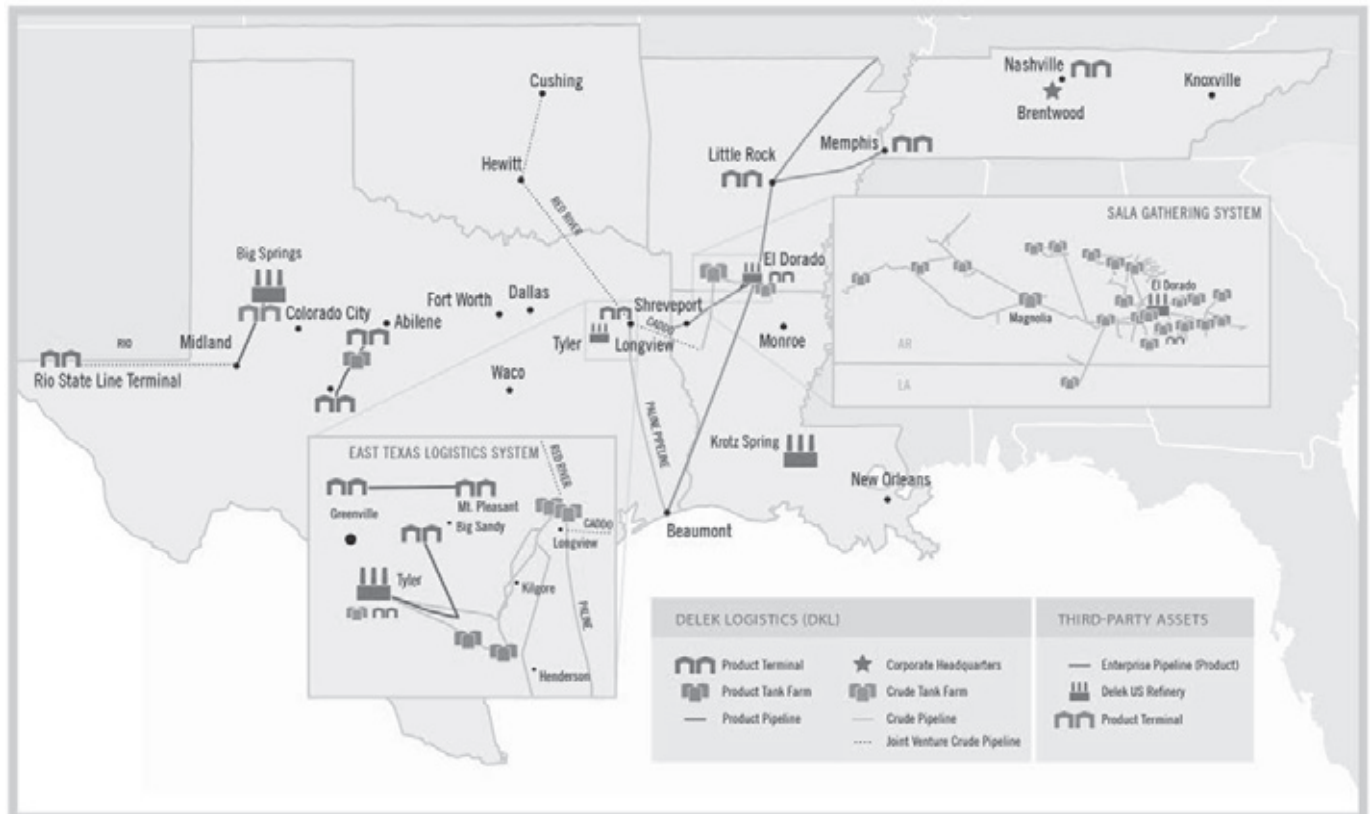
*Overview*

Our logistics segment consists of Delek Logistics, a publicly-traded master limited partnership, and its subsidiaries. Our consolidated financial statements include its consolidated financial results. As of December 31, 2020, we owned an 80.0% limited partner interest in Delek Logistics, consisting of 34,745,868 common limited partner units, and the non-economic general partner interest. Delek Logistics is a variable interest entity as defined under United States generally accepted accounting principles ("GAAP"). Intercompany transactions with Delek Logistics and its subsidiaries are eliminated in our consolidated financial statements.



Our logistics segment generates revenue by charging fees for gathering, transporting, offloading and storing crude oil; for storing intermediate products and feedstocks; for distributing, transporting and storing refined products; and for wholesale marketing. A majority of Logistics' existing assets are both integral to and dependent on the successful operation of Refining's assets, as our logistics segment gathers, transports and stores crude oil, and markets, distributes, transports and stores refined products in select regions of the southeastern United States and East Texas primarily in support of the Tyler and El Dorado refineries, and in Central and West Texas and New Mexico, primarily in support of the Big Spring refinery. In addition, the logistics segment also provides crude oil, intermediate and refined products transportation services for, and terminalling and marketing services to, third parties primarily in Texas, New Mexico, Tennessee and Arkansas.

The following provides an overview of our logistics segment assets and operations:



The logistics segment network includes the following locations/properties:

Terminal Locations	Pipelines (owned or leased)	Storage Tanks Locations
<b>Tennessee</b>	<b>Louisiana and Arkansas</b>	<b>Tennessee</b>
Nashville	SALA Gathering System	Nashville
Memphis	El Dorado Pipeline System	Memphis
<b>Texas</b>	Magnolia Pipeline System	<b>Arkansas</b>
Tyler	<b>Tennessee</b>	North Little Rock
Big Sandy	Memphis Pipeline	El Dorado
San Angelo	<b>Texas</b>	<b>Texas</b>
Abilene	Paline Pipeline System	Tyler
Mount Pleasant	McMurrey Pipeline System	Greenville
<b>Arkansas</b>	Nettleton Pipeline	Big Sandy
North Little Rock	Tyler-Big Sandy Product Pipeline	Big Spring
El Dorado	Greenville-Mount Pleasant Pipeline	San Angelo
<b>Oklahoma</b>	Big Spring Pipeline (and adjacent pipelines)	Abilene
Duncan		Mount Pleasant

All of the above properties/assets are located on real property owned by Delek. Additionally, all of the pipeline systems set forth above run across fee owned land, leased land, easements and rights-of-way. The logistics segment also owns a fleet of trucks and trailers used to transport crude oil, asphalt and other hydrocarbon products.

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#### ***Logistics Segment - Wholesale Marketing and Terminalling***

The logistics segment's wholesale marketing and terminalling business provides wholesale marketing and terminalling services to the refining segment and to independent third parties from whom it receives fees for marketing, transporting, storing and terminalling refined products and to whom it wholesale markets refined products. It generates revenue by (i) providing marketing services for the refined products output of the Tyler and Big Spring refineries, (ii) engaging in wholesale activity at owned terminals in Abilene and San Angelo, Texas, as well as at terminals owned by third parties in Texas, whereby it purchases light products for sale and exchange to third parties, and (iii) providing terminalling services to independent third parties and the refining segment. Three terminals, located in El Dorado, Arkansas, Memphis, Tennessee and North Little Rock, Arkansas, throughput refined product produced at the El Dorado refinery. Three terminals, located in Tyler, Big Sandy and Mount Pleasant Texas, throughput refined product produced at the Tyler refinery.

#### ***Logistics Segment - Pipelines and Transportation***

The logistics segment's pipelines and transportation business owns or leases capacity on approximately 400 miles of operable crude oil transportation pipelines, approximately 450 miles of refined product pipelines, an approximately 900-mile crude oil gathering system and associated crude oil storage tanks with an aggregate of approximately 10.2 million barrels of active shell capacity. These assets are primarily divided into the following operating systems:

- the El Dorado Pipeline System, which transports crude oil to, and refined products from the El Dorado Pipeline System;
- the SALA Gathering System, which gathers and transports crude oil production in southern Arkansas and northern Louisiana, primarily for the El Dorado refinery;
- the Paline Pipeline System, which primarily transports crude oil from Longview, Texas to third-party facilities in Nederland, Texas;
- the East Texas Crude Logistics System, which currently transports a portion of the crude oil delivered to the Tyler refinery (the "East Texas Crude Logistics System");
- the Tyler-Big Sandy Product Pipeline, which is a pipeline between the Tyler refinery and the Big Sandy Terminal;
- the Tyler Tanks;
- the El Dorado Tanks;
- the Greenville-Mount Pleasant Pipeline and Greenville Storage Facility;
- the North Little Rock Tanks;
- the El Dorado Rail Offloading Racks;
- the Tyler Crude Tank;
- the Memphis Pipeline;
- the Big Spring Pipeline;
- Big Spring Truck Unloading Station;
- Big Spring Tanks; and
- Big Spring Gathering Assets

In addition to these operating systems, the logistics segment owns or leases approximately 264 tractors and 353 trailers used to haul primarily crude oil and other products for related and third parties.

#### ***Joint Ventures***

The logistics segment owns a portion of three joint ventures (accounted for as equity method investments) that have logistics assets, which serve third parties and the refining segment. These assets include the following:

JV Name	Ownership Interest	Description
RIO Pipeline	33%	Joint venture operates a 109-mile crude oil pipeline with a capacity of 120,000 bpd, that originates in north Loving County, Texas near the Texas-New Mexico border and terminates in Midland, Texas ("RIO Pipeline")
Caddo Pipeline	50%	Joint venture operates an 80-mile crude oil pipeline with a capacity of 80,000 bpd that originates in Longview, Texas, with destinations in the Shreveport, Louisiana area ("Caddo Pipeline")
Red River Pipeline	33%	Joint venture operates a 16-inch crude oil pipeline between Cushing, Oklahoma and Longview, Texas with prior capacity of 150,000 bpd and increased capacity of 235,000 bpd after completion of the expansion project in October 2020 ("Red River Pipeline")

### ***Logistics Segment Supply Agreement***

As of January 1, 2018, Delek Logistics purchased products from Delek and third parties at our Abilene and San Angelo terminals. To facilitate these purchases, Delek Logistics constructed a pipeline into our Abilene Terminal to receive product from the pipeline owned by Holly Energy Partners, L.P. (NYSE: HEP) through which Delek shipped product that was produced at the Big Spring Refinery. Delek Logistics is currently constructing a connection to a Magellan Midstream Partners, L.P. ("Magellan") pipeline that will allow Magellan to supply our Abilene and San Angelo terminals with product transported from the Gulf Coast. Delek Logistics also has active connections to the Magellan Orion Pipeline that enable us to ship product to our terminals and to acquire product from other shippers. Products purchased from Delek are generally based on daily market prices at the time of purchase limiting exposure to fluctuating prices. Products purchased from third parties are generally based on market prices at the time of purchase requiring price hedging risk management activities between the time of purchase and sale. Existing price risk hedging programs have been adjusted to correspond to the volume of product purchased from third parties.

### ***Logistics Segment Operating Agreements With Delek***

Delek Logistics has a number of long-term, fee-based commercial agreements with Delek and its subsidiaries that, among other things, establish fees for certain administrative and operational services provided by Delek and its subsidiaries to Delek Logistics, provide certain indemnification obligations and establish terms for fee-based commercial agreements for Delek Logistics to provide certain pipeline transportation, terminal throughput, finished product marketing and storage services to Delek. Most of these agreements have an initial term ranging from five to ten years, which may be extended for various renewal terms at the option of Delek. The current terms for agreements effective in November 2012 extend through March 2024. In the case of the marketing agreement with Delek, the initial term has been extended through 2026. Each of these agreements requires Delek or a Delek subsidiary to pay for certain minimum volume commitments or certain minimum storage capacities. Delek Logistics also entered into an agreement to manage the construction of the 250-mile gathering system in the Permian Basin connecting to our Big Spring, Texas terminal and to operate the gathering system as it is completed. The majority of the gathering system has been constructed, however, additional costs pertaining to a pipeline connection continue to be incurred and are still subject to the terms of the agreement. That agreement extends through December 2022.

### ***Logistics Segment Customers***

In addition to certain of our subsidiaries, our logistics segment has various types of customers, including major oil companies, independent refiners and marketers, jobbers, distributors, utility and transportation companies and independent retail fuel operators.

### ***Logistics Segment Seasonality***

The volume and throughput of crude oil and refined products transported through our pipelines and sold through our terminals and to third parties is directly affected by the level of supply and demand for all of such products in the markets served directly or indirectly by our assets. Supply and demand for such products fluctuates during the calendar year. Demand for gasoline, for example, is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic. Varying vapor pressure requirements between the summer and winter months also tighten summer gasoline supply. In addition, our refining segment often performs planned maintenance during the winter, when demand for their products is lower. Accordingly, these factors can diminish the demand for crude oil or finished products by our customers, and therefore limit our volumes or throughput during these periods, and we expect that our operating results will generally be lower during the first and fourth quarters of the calendar year.

### ***Logistics Segment Competition***

Our logistics segment faces competition for the transportation of crude oil from other pipeline owners whose pipelines (i) may have a location advantage over our pipelines, (ii) may be able to transport more desirable crude oil to third parties, (iii) may be able to transport crude oil or finished product at a lower tariff, or (iv) may be able to store more crude oil or finished product. In addition, the wholesale marketing and terminalling business in general is also very competitive. Our owned refined product terminals, as well as the other third-party terminals we use to sell refined products, compete with other independent terminal operators as well as integrated oil companies on the basis of terminal location, price, versatility and services provided. The costs associated with transporting products from a loading terminal to end users limit the geographic size of the market that can be competitively served by any terminal.



### Logistics Segment Activity

The following table summarizes our activity in the wholesale marketing and terminalling portion of our logistics segment:

<b>Wholesale Marketing and Terminalling</b>			
	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Information: Throughputs (average bpd)</b>			
West Texas marketing	11,264	11,075	13,323
Terminalling <sup>(1)</sup>	147,251	160,075	161,284
East Texas marketing	71,182	74,206	77,487
Big Spring marketing <sup>(2)</sup>	76,345	82,695	81,117

<sup>(1)</sup> Consists of terminalling throughputs at our Tyler, Big Sandy and Mount Pleasant, Texas, El Dorado and North Little Rock, Arkansas and Memphis and Nashville, Tennessee terminals.

<sup>(2)</sup> Throughputs for the year ended December 31, 2018 are for the 306 days we marketed certain finished products produced at or sold from the Big Spring Refinery following the execution of the Big Spring Marketing Agreement, effective March 1, 2018.

The following table summarizes our most significant activity in the pipelines and transportation portion of our logistics segment:

<b>Pipelines and Transportation</b>			
	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Information: Throughputs (average bpd)</b>			
Lion Pipeline System:			
Crude pipelines (non-gathered)	74,179	49,485	51,992
Refined products pipelines to Enterprise Pipelines Systems	53,702	37,716	45,728
SALA Gathering System	13,466	15,325	16,571
East Texas Crude Logistics System	15,960	19,927	15,696
Big Spring Gathering System <sup>(1)</sup>	82,817	—	—
Plains Connection System <sup>(1)</sup>	104,770	—	—

<sup>(1)</sup> Throughputs for the Big Spring Gathering System and the Plains Connection System are for approximately 275 days we owned the assets following the Big Spring Gathering Assets Acquisition effective March 31, 2020.

### Retail Segment

#### Overview

Delek's retail segment includes the operations of owned and leased convenience store sites as described below:

<b>Retail Segment Properties/Locations</b>	
Number of Stores (owned and leased) <sup>(1)</sup>	253
Number of Leased Locations <sup>(1)</sup>	112
Minimum Lease Payments Due 2021 (in millions) <sup>(1)</sup>	\$7.2
Fuel Offerings	Various grades of gasoline and diesel under the DK or Alon brand names
Merchandise Offerings	Food service, tobacco products, non-alcoholic and alcoholic beverages, general merchandise as well as money orders to the public
Convenience Store Branding <sup>(2)</sup>	Delek (under "DK") and Alon branding on certain locations which will continue to increase as we re-brand existing 7-Eleven locations
Locations	Central and West Texas and New Mexico

<sup>(1)</sup> As of December 31, 2020.

<sup>(2)</sup> In November 2018, we terminated a license agreement with 7-Eleven, Inc. and must remove all 7-Eleven branding on a store-by-store basis by December 31, 2023. See further discussion below.

We believe that we have established strong market presence in the major retail markets in which we operate. Our retail strategy employs localized marketing tactics that account for the unique demographic characteristics of each region that we serve. We introduce customized product offerings and promotional strategies to address the unique tastes and preferences of our customers on a market-by-market basis. Furthermore, we are actively implementing strategic initiatives to optimize our performance across our retail stores and reduce our reliance on external brand recognition, while developing and optimizing the use of our own brands and evaluating retail opportunities in current and emerging geographic and strategic markets. As a result of these efforts, in November 2018, we terminated a license agreement with 7-Eleven, Inc. This agreement was amended in January 2021 to extend the date required for the removal of all 7-Eleven branding on a store-by-store basis to December 31, 2023. Merchandise sales at our convenience store sites will continue to be sold under the 7-Eleven brand name until 7-Eleven branding is removed pursuant to the termination. As of December 31, 2020, we had removed the 7-Eleven brand name at 57 of our store locations. Additionally, we closed or sold 46 under-performing or non-strategic store locations since our initiative began in fourth quarter 2018.

### **Fuel Operations**

For the year ended December 31, 2020 fuel revenues were 52.5% of total net sales for our retail segment.

The following table highlights certain information regarding our fuel operations for the years ended December 31, 2020, 2019 and 2018:

<b>Fuel Operations</b>			
	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
Number of fuel stores (end of period)	248	247	271
Average number of fuel stores (during period)	248	259	271
Total fuel revenue (in thousands)	\$ 357,878	\$ 524,866	\$ 571,596
Retail fuel revenues (thousands of gallons)	176,924	214,094	217,118
Average retail gallons per store (based on average number of stores) (thousands of gallons)	715	827	801
Retail fuel margin (\$ per gallon)	\$ 0.35	\$ 0.28	\$ 0.24

Substantially all of the motor fuel sold through our retail segment is supplied by our Big Spring refinery, which is transferred to the retail segment at prices substantially determined by reference to recent published commodity pricing information.

### **Merchandise Operations**

For the year ended December 31, 2020, our merchandise revenues were 47.5% of total net sales for our retail segment.

The following table highlights certain information regarding our merchandise operations for the years ended December 31, 2020, 2019 and 2018:

<b>Merchandise Operations</b>			
	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
Number of merchandise stores (end of period)	253	252	279
Average number of merchandise stores (during period)	253	266	295
Merchandise margin percentage	31.0 %	30.8 %	30.9 %
Total merchandise revenues (in thousands)	\$ 323,801	\$ 313,100	\$ 339,000
Average merchandise sales per store (in thousands)	\$ 1,282	\$ 1,177	\$ 1,149

### **Retail Segment Seasonality**

Demand for gasoline and convenience merchandise is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic. As a result, the operating results of our retail segment are generally lower for the first quarter of the calendar year. Weather conditions in our operating area also have a significant effect on our operating results. Customers are more likely to purchase higher profit margin items at our retail fuel and convenience stores, such as fast foods, fountain drinks and other beverages, as well as additional gasoline, during the spring and summer months.

### **Retail Segment Competition**

The retail fuel and convenience store business is highly competitive. We compete on a store-by-store basis with other independent convenience store chains, independent owner-operators, major petroleum companies, supermarkets, drug stores, discount stores, club stores, mass merchants, fast food operations and other retail outlets. Major competitive factors affecting us include location, ease of access, pricing, timely deliveries, product and service selections, customer service, fuel brands, store appearance, cleanliness and safety. We believe we are able to

compete effectively in the markets in which we operate because our geographic concentration allows us to improve buying power with our vendors. Our retail segment strategy centers on operating a high concentration of sites in a similar geographic region to promote operational efficiencies. Finally, we believe that leveraging the integration between our retail and refining segments provides advantageous fuel supply to our retail stores. Our major retail competitors include Chevron, Murphy USA, Sunoco LP (Stripes® brand), Alimentation Couche-Tard Inc. (Circle K® brand and CST brand), Marathon Petroleum and various other independent operators.

### ***Information Technology***

In 2020, we continued our efforts to improve several areas of information technology ("IT"), including infrastructure, security, and enterprise software systems. Much of the effort was dictated by the transition to a remote work operating model due to the COVID-19 Pandemic, resulting in a shift in worker locations and usage patterns. We also worked to improve our business continuity to reduce both recovery time objectives and recovery point objectives. In addition, significant steps were made to consolidate and move toward a consistent, scalable security architecture. We have continued to enhance our cybersecurity posture within both of our IT and Operating Technology and Control Network environments. These efforts, coupled with actions to reduce the number and complexity of systems, are expected to enable growth, maximize our IT investment, and improve our overall security posture in these "new normal" times. Also in 2020, we continued development of an Enterprise Information Management and Master Data Governance vision, intended to increase the efficiency, security, and effectiveness of our data use as a company. Additionally, we continued to leverage our retail experience to improve data assurance and compliance with payment card industry requirements, while adding new functionality to support enhanced store performance reporting and use of advanced retail technologies. Finally, we continued to consistently evaluate and improve the confidentiality, integrity, and availability of our information and technology assets.

### ***Governmental Regulation and Environmental Matters***

#### ***Rate Regulation of Petroleum Pipelines***

The rates and terms and conditions of service on certain of our pipelines are subject to regulation by the Federal Energy Regulatory Commission ("FERC"), under the Interstate Commerce Act (the "ICA"), and by the state regulatory commissions in the states in which we transport crude oil, intermediate and refined products. Certain of our pipeline systems are subject to such regulation and have filed tariffs with the appropriate authorities. We also comply with the reporting requirements for these pipelines. Some of our other pipeline systems have received a waiver from application of the FERC's tariff requirements, but comply with other applicable regulatory requirements.

The FERC regulates interstate transportation under the ICA, the Energy Policy Act of 1992 and the rules and regulations promulgated under those laws. The ICA, and its implementing regulations, require that tariff rates for interstate service on oil pipelines, including pipelines that transport crude oil, intermediate and refined products in interstate commerce, be just and reasonable and non-discriminatory, and that such rates and terms and conditions of service be filed with the FERC. Under the ICA, shippers may challenge new or existing rates or services. The FERC is authorized to suspend the effectiveness of a challenged rate for up to seven months, though rates are typically not suspended for the maximum allowable period. Our tariff rates are typically contractually subject to increase or decrease on July 1 of each year, by the amount of any change in various inflation-based indices, including the FERC oil pipeline index, the consumer price index and the producer price index; provided, however, that in no event will the fees be adjusted below the amount initially set forth in the applicable agreement.

#### ***Environmental Health and Safety***

We are subject to extensive federal, state and local environmental and safety laws and regulations enforced by various agencies, including the EPA, the United States Department of Transportation (the "DOT"), and the Occupational Safety and Health Administration ("OSHA"), as well as numerous state, regional and local environmental, safety and pipeline agencies.

These laws and regulations govern the discharge of materials into the environment, waste management practices, pollution prevention measures and the composition of the fuels we produce, as well as the safe operation of our plants, pipelines and trucks, and the safety of our workers and the public. Numerous permits or other authorizations are required under these laws and regulations for the operation of our refineries, renewable fuel facilities, terminals, pipelines, underground storage tanks, trucks, rail cars and related operations, and may be subject to revocation, modification and renewal.

These laws and permits raise potential exposure to future claims and lawsuits involving environmental and safety matters, which could include soil and water contamination, air pollution, personal injury and property damage allegedly caused by substances which we manufactured, handled, used, released or disposed of, transported, or that relate to pre-existing conditions for which we have assumed responsibility. We believe that our current operations are in substantial compliance with existing environmental and safety requirements. However, there have been and will continue to be ongoing discussions about environmental and safety matters between us and federal and state authorities, including notices of violations, citations and other enforcement actions, some of which have resulted, or may result in, changes to operating procedures and in capital expenditures. While it is often difficult to quantify future environmental or safety related expenditures, we anticipate that continuing capital investments and changes in operating procedures will be required for the foreseeable future to comply with existing and new requirements, as well as evolving interpretations and more strict enforcement of existing laws and regulations. We anticipate that compliance with environmental, health and safety regulations will require us to make nominal capital investments in 2021 and 2022. These estimates do not include amounts related to capital investments that management has deemed to be strategic investments. These amounts could materially change as a result of governmental and regulatory actions.

We generate wastes that may be subject to the Resource Conservation and Recovery Act ("RCRA") and comparable state and local requirements. The EPA and various state agencies have limited the approved methods of managing, transporting, recycling and disposal of hazardous and certain non-hazardous wastes. Our refineries are large quantity generators of hazardous waste and require hazardous waste permits issued by the EPA or state agencies. Our other facilities, such as terminals and renewable fuel plants, generate lesser quantities of hazardous wastes.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as Superfund, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. Analogous state laws impose similar responsibilities and liabilities on responsible parties. In the course of our ordinary operations, our various businesses generate 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 require future cleanup under Superfund. At this time, our El Dorado refinery has been named as a minor potentially responsible party at one Superfund site, for which we believe future costs will not be material.

As of December 31, 2020, we have recorded an environmental liability of approximately \$112.6 million, primarily related to the estimated probable costs of remediating, or otherwise addressing, certain environmental issues of a non-capital nature at the Tyler, El Dorado, Big Spring and Krotz Springs refineries as well as terminals, some of which we no longer own. This liability includes estimated costs for ongoing investigation and remediation efforts, which were already being performed by the former operators of the refineries and terminals prior to our acquisition of those facilities, for known contamination of soil and groundwater, as well as estimated costs for additional issues which have been identified subsequent to the acquisitions.

Approximately \$5.2 million of the total liability is expected to be expended over the next 12 months, with most of the balance expended by 2032, although some costs may extend up to 30 years. In the future, we could be required to extend the expected remediation period or undertake additional investigations of our refineries, pipelines and terminal facilities, which could result in additional remediation liabilities.

Our operations are subject to certain requirements of the Federal Clean Air Act ("CAA"), as well as related state and local laws and regulations governing air emission. Certain CAA regulatory programs applicable to our refineries, terminals and other operations require capital expenditures for the installation of air pollution control devices, operational procedures to minimize emissions and monitoring and reporting of emissions. A consent decree was entered in the United States District Court for the Northern District of Texas in June 2019 resolving alleged historical violations of the CAA at our Big Spring refinery. In addition to a civil penalty of \$0.5 million that we paid in June 2019, the Company will be required to expend capital for pollution control equipment that may be significant over the next 10 years.

In 2015, EPA finalized reductions in the National Ambient Air Quality Standard ("NAAQS") for ozone, from 75 ppb to 70 ppb. Our Tyler refinery is located in an area that had the potential to be reclassified as non-attainment with the new standard. However, this area has not been classified as non-attainment with the new standard, so we do not anticipate an impact at our Tyler refinery. If air quality near our facilities worsens in the future or the EPA further reduces the NAAQS levels, it is possible that these area(s) could be reclassified as non-attainment for the new ozone standard which could require Delek to install additional air pollution control equipment for ozone forming emissions in the future. Additionally, the new standard could change the formulation of gasoline we make for use in some areas. We do not believe such capital expenditures, or the changes in our operation, will result in a material adverse effect on our business, financial condition or results of operations.

In December 2020, the EPA designated a portion of Howard County, Texas surrounding the Delek Big Spring Refinery and a neighboring carbon black plant as non-attainment for the sulfur dioxide (SO<sub>2</sub>) 1-hour primary NAAQS of 75 ppb. The Texas Commission on Environmental Quality (TCEQ) must take steps to control SO<sub>2</sub> emissions from industrial facilities in the non-attainment area to bring the area into compliance with the SO<sub>2</sub> NAAQS by 2025. The TCEQ has 18 months after the effective date of final non-attainment designation to develop and submit a State Implementation Plan (SIP) to the EPA which demonstrates how they will meet the SO<sub>2</sub> standard by 2025. Although, SO<sub>2</sub> emissions from the carbon black plant are significantly greater than from the Big Spring Refinery and are the primary cause of SO<sub>2</sub> non-attainment, the SIP may require that additional SO<sub>2</sub> emission controls are installed at the Big Spring Refinery. Additionally, non-attainment areas are subject to Nonattainment New Source Review (NNSR) which is a permitting program for industrial facilities to ensure that new and modified sources of SO<sub>2</sub> emissions do not impede progress toward cleaner air. Delek does not anticipate that SO<sub>2</sub> NNSR will significantly impact the Big Spring Refinery.

On December 1, 2015, the EPA published final rules under the Risk and Technology Review provisions of the Clean Air Act to further regulate refinery air emissions through additional New Source Performance Standard ("NSPS") and Maximum Achievable Control Technology requirements. Refineries have up to three years from the effective date of the final rule to come into compliance with certain requirements of the rule, while other aspects of the rule require compliance to be achieved at an earlier date. Additionally, the new rules will require changes to the way we operate, shut-down, start-up and maintain some process units. These rules also require that we monitor property line benzene concentrations beginning in January 2018 and provide the results to the EPA quarterly, which will make the results available to the public beginning in 2019. Even though the concentrations are not expected to exceed regulatory or health-based standards, the availability of such data may increase the likelihood of lawsuits against our refineries by the local public or organized public interest groups. We have obtained 1-year compliance extensions to certain provisions of the rule. These rules require capital expenditures for additional controls at our refineries' relief systems, flares, tanks, other sources at our refineries, and a coker located at the Tyler refinery. Most of the capital cost needed to comply with these new rules has already been spent. We do not anticipate that any additional capital costs or future operating costs will be material, and do not believe compliance will affect our production capacities or have a material adverse effect upon our business, financial condition or results of operations.



The EPA missed the statutory deadline on November 30, 2020 to finalize the renewable fuel obligation for 2021, with the exception of the biomass-based diesel volumes which were set on December 19, 2019. Therefore the 2021 renewable fuel obligation is unknown at this time. The required ethanol volumes exceed the 10% ethanol "blendwall", requiring increased usage of higher ethanol blends such as E15 and E85. We are unable to blend sufficient quantities of ethanol and biodiesel to meet our renewable fuel obligations ("RINs Obligation") and have to purchase renewable identification numbers ("RINs"), primarily for our El Dorado and Krotz Springs refineries. In March 2018, the El Dorado and Krotz Springs refineries both received approval from the EPA exempting them from the requirements of the renewable fuel standard ("RIN Waivers") for the 2017 calendar year. During the first quarter 2019, the Tyler and Big Spring refineries received RIN Waivers for the 2017 calendar year, which had an immaterial impact on our results of operations. During the third quarter of 2019, the Tyler, El Dorado and Krotz Springs refineries received approval from the EPA for RIN Waivers for the 2018 calendar year. There were no RIN Waivers obtained for 2020.

The EPA issued final rules for gasoline formulation that required the reduction of annual average benzene content by July 1, 2012. In the past, it has been necessary for us to purchase credits to fully comply with these content requirements for the Tyler refinery. However, with the addition of the Big Spring and Krotz Springs refineries, we believe we will self-generate most, if not all, credits that are required.

The EPA finalized Tier 3 gasoline sulfur standards in March 2014. The final Tier 3 rule required a reduction in annual average gasoline sulfur content from 30 ppm to 10 ppm while retaining the maximum per-gallon sulfur content of 80 ppm. Refineries were required to comply with the 10 ppm sulfur standard by January 1, 2017, but the final rule provided a three-year waiver period, to January 1, 2020, for small volume refineries that processed less than 75,000 bpd of crude oil in 2012. In April 2016, EPA issued a revised rule requiring small volume refineries that increase their annual average crude oil processing above the 75,000 barrel per day level to comply with the Tier 3 requirements within 30 months from the time that processing level was exceeded. We have not exceeded the 75,000 barrel per day crude oil processing level at any of our refineries during this period, and all of our refineries met the criteria for the waiver for its full duration. We have spent \$12.9 million through the end of 2020 in order to comply with the Tier 3 regulations. Compliance is not expected to have a material adverse effect on our business, financial condition, or results of operations.

Our operations are also subject to the Federal Clean Water Act ("CWA"), the Oil Pollution Act of 1990 ("OPA-90") and comparable state and local requirements. The CWA, and similar laws, prohibit any discharge into surface waters, ground waters, injection wells and publicly-owned treatment works, except as allowed by pre-treatment permits and National Pollutant Discharge Elimination System ("NPDES") permits issued by federal, state and local governmental agencies. The OPA-90 prohibits the discharge of oil into "Waters of the U.S." and requires that affected facilities have plans in place to respond to spills and other discharges. The CWA also regulates filling or discharges to wetlands and other "Waters of the U.S." In 2015, the EPA, in conjunction with the Army Corps of Engineers, issued a final rule expanding the definition of "Waters of the U.S." The rule, which was subject to litigation, and judicial stays, was repealed in December 2019. On April 21, 2020 the EPA and U.S. Army Corps of Engineers published the Navigable Waters Protection Rule to finalize a revised definition of "Waters of the U.S.," and the rule became effective on June 22, 2020 resulting in a more streamlined definition which narrows regulatory reach. However, legal challenges continue and the ultimate resolution is uncertain at this time. To date, these rules have not materially impacted our business, however, if the scope of the CWA's jurisdiction is expanded through new regulatory amendments or legal challenges, we could face increased operating costs or other impediments that could alter the way we conduct our business, which could in turn have a material adverse effect on our business, financial condition and results of operations.

In recent years, various legislative and regulatory measures to address climate change and greenhouse gas ("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 fixed sources, such as our refineries, power plants and oil and gas production operations, as well as mobile transportation sources and fuels. EPA rules require us to report GHG emissions from our refinery operations and 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 the rule may be used in the future to support additional regulation of GHG. 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 for GHG emissions above a certain threshold if emissions of other pollutants would otherwise require PSD permitting.

The Pipeline and Hazardous Materials Safety Administration ("PHMSA") of the DOT regulates the design, construction, testing, operation, maintenance, reporting and emergency response of crude oil, petroleum product and other hazardous liquids pipelines and other facilities, including certain tank facilities used in the transportation of such liquids. These requirements are complex, subject to change and, in certain cases, can be costly to comply with. We believe our operations are in substantial compliance with these regulations, but we cannot be certain that substantial expenditures will not be required to remain in compliance. Moreover, certain of these rules are difficult to insure adequately, and we cannot assure that we will have adequate insurance to address costs and damages from any noncompliance.

The United States Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 ("Pipeline Safety Act"), finalized in January 2012, increased the maximum civil penalties for certain violations from \$100,000 to \$200,000 per violation per day and from a total cap of \$1 million to \$2 million. A number of the provisions of the Pipeline Safety Act have the potential to cause owners and operators of pipeline facilities to incur significant capital expenditures and/or operating costs. In January 2017, PHMSA finalized a new regulation that imposes additional responsibilities concerning the operation, maintenance, and inspection of hazardous liquid pipelines; the reporting of pipeline incidents; reference standards for in-line pipeline inspection and the direct assessment of stress corrosion cracking; and other requirements. Additional potential new regulations of pipelines have been proposed by PHMSA and we are monitoring these developments to the extent applicable to our operations. The DOT has issued guidelines with respect to securing regulated facilities such as our bulk terminals against terrorist attack.



We have instituted security measures and procedures in accordance with such guidelines to enhance the protection of certain of our facilities. We cannot provide any assurance that these security measures would fully protect our facilities from an attack.

The Federal Motor Carrier Safety Administration of the DOT regulates safety standards and monitors drivers and equipment of commercial motor carrier fleets. Such standards include vehicle and maintenance inspection requirements, limitations on the number of hours drivers may operate vehicles and financial responsibility requirements. We believe that the operations of our fleet of crude oil and finished products truck transports are substantially in compliance with these regulations and safety requirements.

We have experienced several crude oil releases from pipelines owned by our logistics segment, including, but not limited to, a release at one of our pipelines near Sulphur Springs, Texas.

On October 3, 2019, a release of diesel fuel involving one of our pipelines occurred near Sulphur Springs, Texas (the "Sulphur Springs Release"). Cleanup operations and site maintenance and remediation on this release have been substantially completed and costs related to the release totaled \$7.1 million during 2019. Booms were removed from the site in the fourth quarter of 2020. Ground water wells for monitoring activities were installed in the third quarter of 2020 and will be monitored quarterly until the site is closed. Additionally, during the third quarter of 2020 we conducted creek bed sediment sampling and the results indicated no issues with the groundwater. In the fourth quarter of 2020 we submitted an actual property assessment report ("APAR") that assessed site conditions and recommends closure of the site. We filed suit in January 2020 against a third party contractor, seeking damages related to this release. As of the date of this filing, we have not received notification that any legal action with respect to fines and penalties will be pursued by the regulatory agencies.

### ***Human Capital Management***

As of December 31, 2020, we had 3,532 employees, 15.3% of which (540 employees) were subject to a collective bargaining agreement. We recognize that the key to a successful future for Delek depends on the success of our employees. We are committed to providing a safe and healthy working environment for our employees, and have adopted a number of policies and programs to support and advance our human capital resources as discussed below.

#### ***Diversity and Inclusion***

Delek is committed to fostering, cultivating and preserving a culture of diversity, equity and inclusion, as described in our Diversity, Equity and Inclusion Policy, Code of Business Conduct and Ethics, Employee Handbook, and Human Rights Policy. In 2021, we expect that over 600 people leaders in our organization will complete unconscious bias training provided by Delek to help foster a more inclusive and diverse environment for all of our employees. We recognize that a diverse, extensive talent pool provides the best opportunity to acquire unique perspectives, experiences, ideas and solutions to drive our business forward. We have implemented a number of initiatives directed specifically to fostering relationships and providing support among our diverse talent, including employee resource groups for Delek Millennials, Delek Veterans, Delek Female Leadership, and, expected to launch in the third quarter of 2021, Delek LGBTQ.

We provide an Executive Leadership Mentor Program that gives access to executive-level mentorship for ethnically and culturally diverse employees. This program provides diverse Delek employees with a mentor from executive leadership, fostering their opportunities for growth at Delek. It also improves our business by expanding options for executive succession planning. Additionally, our 2021 Talent Acquisition Strategy identifies colleges and universities with a high percentage of minority students focusing on education programs that match our required hiring qualifications to build influential relationships and recruit more diverse talent.

#### ***Turnover and Talent Management***

Delek recognizes the importance of attracting and retaining the best employees to make the most of its assets. While there is great talent in the current pool of industry workers, Delek sees the value in tapping into the potential of recent graduates within the region as well. In recent years, Delek has gone to great lengths to establish relationships with local colleges and universities, increasing interest in our organization and industry among upcoming graduates, and Delek will continue to foster these relationships through our 2021 Talent Acquisition Strategy.

The continued success of Delek is not only contingent upon seeking out the best possible candidates but retaining and developing the talent that lies within the organization as well. Delek is proud to offer opportunities for employees to improve their skills to achieve their career goals.

Delek strives to maintain a work environment in which people are treated with dignity, decency and respect, which is why we have a commitment to a discrimination-free work environment, as described in our Sexual Harassment Policy, Code of Business Conduct and Ethics, and Employee Handbook. Delek also has a variety of programs dedicated to ensuring our employees are appropriately trained and aligned on expectations regarding safety and environmental performance. These programs utilize behavior-based techniques which embrace a partnership among management, employees and the contract workforce to continually focus attention and actions on daily safety behavior. This is accomplished through an evergreen approach with constant evaluation and adaptation for employee, safety and business needs.

#### ***Benefits and Wellness Programs***

Delek promotes a lifestyle of wellness — physically, financially, emotionally, and socially. Our benefits package and employee programs are designed to create a healthy balance of work and life. We offer a benefits package designed to promote the health and wellness of our employees, which includes employer-contributions for medical coverage, and a 30% rebate of paid health premiums for completing annual preventative screening. Other physical health benefits include the telemedicine program, tobacco cessation program, access to onsite or local fitness centers, and active outings and step challenges.

Delek also recognizes the importance of our employees' financial health and provides competitive base salaries. We also offer a long-term equity plan, life insurance and AD&D insurance, disability insurance, a tuition reimbursement program, dependent scholarship program, financial planning resources, professional and leadership development, and employee service awards.

Delek believes in a healthy balance between work and life and offers a variety of programs and resources to ensure every team member can be at their best. We provide a variety of programs to promote this balance such as paid time off and holidays, parental leave, dependent care flexible spending accounts, the employee assistance program, and the Delek Employee Care Fund. We also believe in investing in our employees' social and community health. To foster a better community for our employees, we provide programs such as at-work socials, after-hours company sponsored recreation events, the Delek Day of Caring, which provides community volunteer opportunities, and the Delek Fund for Hope, which supports 501(c)(3) non-profits in the communities where our employees live and work.

### ***Health and Safety Initiatives***

Delek is committed to creating a safe work environment through programs in personal safety, process safety, health and wellness programs, and facility and employee security. In 2018, we launched the "I Own It" program to emphasize the importance of individual responsibility and accountability for a safe workplace. Under this program, every employee at every level is encouraged to sign on to four tiers of commitment: 1. Act Safe, Be Safe (commitment to self), 2. See Something, Say Something (commitment to others), 3. Enable and Support Safety (commitment to direct reports) and 4. Support the Safety Culture (commitment to the company). Participation in these safety initiatives is incentivized by Delek incorporating Health and Safety metrics as part of our bonus structure. We continuously strive to improve our safety performance with the goal of preventing all environmental spills and releases, fires, explosions, injuries and illnesses, and other accidents. We use sound maintenance and work practices, safe design, employee training, and incident investigations to minimize risks to our employees and our communities. We train our employees how to respond effectively to safety issues at our facilities and our retail outlets. Delek adheres to OSHA's process safety management standards, the EPA's Risk Management Program, as well as other government and industry safety standards such as those published by the American Petroleum Institute.

Fundamentally, daily safety meetings, job safety analyses and empowerment to stop work foster a culture of health, safety, and environmental awareness and accountability embraced at all levels of Delek; from manual laborers and retail employees to management and executive leadership. In addition to our culture and continual assessment, Delek expects all employees and leadership to meet safety expectations and Delek empowers our employees to make adjustments or stop work as needed in order to correct, or prevent, adverse safety or environmental conditions. Delek expects all of our contract workforce to meet the training requirements outlined by OSHA and other governing agencies. The safety content is published on the corporate website to allow service providers constant access to Delek's message of empowerment and accountability.

Additionally, emergency response plans are developed for all Delek locations and operations. The plans are reviewed for effectiveness regularly and are communicated to affected employees through safety meetings and training. Drills and emergency exercises are conducted to ensure all employees understand their roles and responsibilities during an actual event. Delek works with local municipalities and emergency responders to ensure they are fluent in our plan and procedures. This proactive approach gives emergency responders the opportunity to ask questions and understand Delek protocols so they are prepared in the case of an emergency.

In line with our commitment to creating a healthy and safe working environment, amidst the COVID-19 Pandemic, we have adopted remote working where possible and, in addition to regular site cleaning and disinfecting, have mandated masks and social distance protocols where on-site operations are required.

### ***Community Relations***

Delek operates a 501(c)(3) non-profit called the Delek Fund for Hope that supports nonprofits alongside our employees and business partners in the communities where we live and work. Employees are able to give a portion of their paycheck to the Fund for Hope and/or complete volunteer hours within their local community. The Delek Day of Caring encourages employees to take paid and after hour time to volunteer with their local nonprofits. See further discussion in Note 23 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

### ***Corporate Headquarters***

We lease our corporate headquarters at 7102 Commerce Way, Brentwood, Tennessee. The lease is for 54,000 square feet of office space. The lease term expires in May 2022.

### ***Liens and Encumbrances***

The majority of the assets described in this Form 10-K are pledged and encumbered under certain of our debt facilities. See Note 11 of the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for further information.

## ITEM 1A. RISK FACTORS

We are subject to numerous known and unknown risks, many of which are presented below and elsewhere in this Annual Report on Form 10-K. You should carefully consider each of the following risks and all of the other information contained in this Annual Report on Form 10-K in evaluating us and our common stock. Any of the risk factors described below, or additional risks and uncertainties not presently known to us, or that we currently deem immaterial, could have a material adverse effect on our business, financial condition, cash flows and results of operations. The headings provided in this Item 1A are for convenience and reference purposes only and shall not limit or otherwise affect the extent or interpretation of the risk factors.

### **Risks Relating to Our Industries**

**The current COVID-19 Pandemic, any related subsequent waves of the COVID-19 Pandemic or an additional regional or global disease outbreak, and certain developments in the global oil markets have had, may continue to have, or may have an adverse impact on our business, our future results of operations and our overall financial performance.**

The COVID-19 Pandemic could materially adversely affect our business and operations beyond 2020. In early 2020, global health care systems and economies began to experience strain from the spread of the COVID-19 Pandemic. As the virus spread, global economic activity began to slow and future economic activity was forecast to slow with a resulting forecast of a decline in oil and gas demand. The global pandemic has resulted in a dramatic reduction in airline flights and has reduced the number of vehicles on the road. Governmental actions in response to the COVID-19 Pandemic have resulted in significant business and operational disruptions, including business closures, supply chain disruptions, travel restrictions, stay-at-home orders, and limitations on the availability and effectiveness of the workforce. These impacts have negatively impacted and will likely continue to negatively impact worldwide economic and commercial activity, financial markets, and demand for and prices of oil and gas products for the foreseeable future. These impacts may also precipitate a prolonged economic slowdown and recession.

In response to the decline in demand, OPEC participating countries agreed to adjust downwards their overall production of crude oil through April 30, 2022, with the agreement to be reassessed in December 2021. The impact of the declines in demand have been exacerbated by a production dispute between Russia and the members of OPEC, particularly Saudi Arabia, and the subsequent actions taken by such countries as a result thereof. Despite an expected rise in global crude oil demand in 2021, there remains considerable tension in the OPEC-Russia relationship and uncertainty in the global oil markets. A sustained reduction in crude oil production will potentially affect the global supply of oil and the prices of oil and refined products in our market. Additionally, a significant reduction or freeze in crude oil production in the United States will adversely affect our suppliers and source of crude oil.

Global economic growth drives demand for energy from all sources, including fossil fuels. Should the U.S. and global economies experience weakness, demand for energy may decline. Similarly, should growth in global energy production outstrip demand, excess supplies may arise. Declines in demand and excess supplies may result in accompanying declines in commodity prices and deterioration of our financial position along with our ability to operate profitably and our ability to obtain financing to support operations. With respect to our business, we have experienced periodic declines in demand thought to be associated with slowing economic growth in certain markets, including the effects of the COVID-19 Pandemic, coupled with new oil and gas supplies coming on line and other circumstances beyond our control that resulted in oil and gas supply exceeding global demand which, in turn, resulted in steep declines in prices of oil and natural gas. There can be no assurance as to how long the current price decline will persist or that a recurrence of price weakness will not arise in the future.

The COVID-19 Pandemic has resulted in modifications to our business practices, including limiting employee and contractor presence at certain work locations, limiting travel, and reducing capital expenditures. We may take further actions as required by government authorities or that we determine are in the best interests of our employees, contractors, customers, suppliers and communities. However, there is no assurance that such measures will be sufficient to mitigate the risks posed by the virus, and our ability to successfully execute our business operations could be adversely impacted. In addition, while we have recorded goodwill impairment of \$126.0 million to date, the continued effects of the COVID-19 Pandemic could result in additional impairments of long-lived or indefinite-lived assets, including goodwill, at some point in the future. Such impairment charges could be material.

The full impact of the ongoing COVID-19 Pandemic is unknown and continues to rapidly evolve. It is difficult to predict how significant the impact of the COVID-19 Pandemic, any related subsequent waves of the COVID-19 Pandemic, an additional regional or global disease outbreak, and any responses to such events, will be on the United States and global economies and our business or for how long disruptions are likely to continue. The extent of such impact will depend on future developments and factors outside of our control, including new information which may emerge concerning the severity or duration of the COVID-19 Pandemic, the evolving governmental and private sector actions to contain the pandemic or treat its health, economic, and other impacts, and the timing and effectiveness of the ongoing rollout of currently available vaccines.

The ultimate extent of the impact of the volatile conditions in the oil and gas industry on our business, financial condition, results of operation and liquidity will also depend largely on future developments, including the extent and duration of any price reductions, any additional decisions by OPEC and disputes between the members of OPEC+.

To the extent COVID-19 and the developments in the global oil markets adversely affects our business, financial condition, results of operation and liquidity, they may also have the effect of heightening many of the other risks described below.

***A substantial or extended decline in refining margins would reduce our operating results and cash flows and could materially and adversely impact our future rate of growth and the carrying value of our assets.***

Our earnings, cash flow and profitability from our refining operations are substantially determined by the difference between the market price of refined products and the market price of crude oil, which often move independently of each other and are referred to as the crack spread, refining margin or refined products margin. Refining margins historically have been volatile, and we believe they will continue to be volatile. Although we monitor our refinery operating margins and seek to optimize results by adjusting throughput volumes, throughput types and product slates, there are inherent limitations on our ability to offset the effects of adverse market conditions.

Many of the factors influencing changes in crack spreads and refining margins are beyond our control. These factors include:

- changes in global and local economic conditions, e.g., as a result of the outbreak of the COVID-19 Pandemic;
- domestic and foreign supply and demand for crude oil and refined products;
- the level of foreign and domestic production of crude oil and refined petroleum products;
- increased regulation of feedstock production activities, such as hydraulic fracturing;
- infrastructure limitations that restrict, or events that disrupt, the distribution of crude oil, other feedstocks and refined petroleum products;
- excess or overbuilt infrastructure;
- an increase or decrease of infrastructure limitations (or the perception that such an increase or decrease could occur) on the distribution of crude oil, other feedstocks or refined products;
- investor speculation in commodities;
- worldwide political conditions, particularly in significant oil producing regions such as the Middle East, Africa, the former Soviet Union and South America;
- the ability or inability of the members of OPEC to maintain oil price and production controls;
- pricing and other actions taken by competitors that impact the market;
- the level of crude oil, other feedstocks and refined petroleum products imported into and exported out of the United States;
- excess capacity and utilization rates of refineries worldwide;
- development and marketing of alternative and competing fuels, such as ethanol and biodiesel;
- changes in fuel specifications required by environmental and other laws, particularly with respect to oxygenates and sulfur content;
- local factors, including market conditions, adverse weather conditions and the level of operations of other refineries and pipelines in our markets;
- volatility in the costs of natural gas and electricity used by our refineries;
- accidents, interruptions in transportation, inclement weather or other events, including cyber-attacks, that can cause unscheduled shutdowns or otherwise adversely affect our refineries or the supply and delivery of crude oil from third parties; and
- United States government regulations.

Some of these factors can vary by region and may change quickly, adding to market volatility, while others may have longer-term effects. The long-term effects of these and other factors on prices for crude oil, refinery feedstocks and refined products could be substantial.

The crude oil we purchase, and the refined products we sell, are commodities whose prices are mainly determined by market forces beyond our control. While an increase or decrease in the price of crude oil will often result in a corresponding increase or decrease in the wholesale price of refined products, a change in the price of one commodity does not always result in a corresponding change in the other. A substantial or prolonged increase in crude oil prices without a corresponding increase in refined product prices, or a substantial or prolonged decrease in refined product prices without a corresponding decrease in crude oil prices, could also have a significant negative effect on our results of operations and cash flows. This is especially true for non-transportation refined products, such as asphalt, butane, coke, sulfur, propane and slurry, whose prices are less likely to correlate to fluctuations in the price of crude oil, all of which we produce at our refineries.

Also, the price for a significant portion of the crude oil processed at our refineries is based upon the WTI benchmark for such oil rather than the Brent benchmark. While the prices for WTI and Brent historically correlate to one another, elevated supply of WTI-priced crude oil in the Mid-Continent region has caused WTI prices to fall significantly below Brent prices at different points in time in recent years. During the years ended December 31, 2019 and December 31, 2020, this daily differential ranged from highs of \$10.99 and \$9.81, respectively, to lows of \$3.53 and \$(0.16), respectively. Our ability to purchase and process favorably priced crude oil has allowed us to achieve higher net income and cash flow in recent years; however, we cannot assure that these favorable conditions will continue.

The narrowing, and in some cases inversion, in the price differential between WTI and Brent benchmarks in 2020 and 2019 has negatively impacted our results of operations. Continued narrowing or inversion in the price differential between the WTI and Brent benchmarks for any reason, including, without limitation, increased crude oil distribution capacity from the Permian Basin, crude oil exports from the United States or



actual or perceived reductions in Mid-Continent crude oil inventories, could further negatively impact our earnings and cash flows, which could have a material adverse effect on our business, financial condition and results of operations. In addition, because the premium or discount we pay for a portion of the crude oil processed at our refineries is established based upon this differential during the month prior to the month in which the crude oil is processed, rapid decreases in the differential may negatively affect our results of operations and cash flows.

Additionally, governmental and regulatory actions, including continued resolutions by OPEC to restrict crude oil production levels and executive actions by the immediately past U.S. presidential administration to advance certain energy infrastructure projects may continue to impact crude oil prices and crude oil differentials. Any increase in crude oil prices or unfavorable movements in crude oil differentials due to such actions or changing regulatory environment may negatively impact our ability to acquire crude oil at economical prices and could have a material adverse effect on our business, financial condition and results of operations.

***We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future laws, regulations and other requirements could significantly increase our costs of doing business, thereby adversely affecting our profitability.***

Our industry is subject to extensive laws, regulations, permits and other requirements including, but not limited to, those relating to the environment, fuel composition, safety, transportation, pipeline tariffs, employment, labor, immigration, minimum wages, overtime pay, health care benefits, working conditions, public accessibility, retail fuel pricing, the sale of alcohol and tobacco and other requirements. These permits, laws and regulations are enforced by federal agencies including the EPA, DOT, PHMSA, Federal Motor Carrier Safety Administration ("FMCSA"), Federal Railroad Administration ("FRA"), OSHA, National Labor Relations Board ("NLRB"), Equal Employment Opportunity Commission ("EEOC"), Federal Trade Commission ("FTC") and the FERC, and numerous other state and federal agencies. We anticipate that compliance with environmental, health and safety regulations could require us to spend significant amounts in capital costs during the next five years. These estimates do not include amounts related to capital investments that management has deemed to be strategic investments. These amounts could materially change as a result of governmental and regulatory actions.

Various permits, licenses, registrations and other authorizations are required under these laws for the operation of our refineries, biodiesel facilities, terminals, pipelines, retail locations and related operations, and these permits are subject to renewal and modification that may require operational changes involving significant costs. If key permits cannot be renewed or are revoked, the ability to continue operation of the affected facilities could be threatened.

Ongoing compliance with, or violation of, laws, regulations and other requirements could also have a material adverse effect on our business, financial condition and results of operations. We face potential exposure to future claims and lawsuits involving environmental matters, including, but not limited to, soil, groundwater and waterway contamination, air pollution, personal injury and property damage allegedly caused by substances we manufactured, handled, used, released or disposed. We are, and have been, the subject of various state, federal and private proceedings relating to environmental regulations, conditions and inquiries.

In addition, new legal requirements, new interpretations of existing legal requirements, increased legislative activity and governmental enforcement and other developments could require us to make additional unforeseen expenditures. Companies in the petroleum industry, such as us, are often the target of activist and regulatory activity regarding pricing, safety, environmental compliance, derivatives trading and other business practices, which could result in price controls, fines, increased taxes or other actions affecting the conduct of our business. The specific impact of laws and regulations or other actions may vary depending on a number of factors, including the age and location of operating facilities, marketing areas, crude oil and feedstock sources and production processes.

We generate wastes that may be subject to RCRA and comparable state and local requirements. The EPA and various state agencies have limited the approved methods of managing, transporting, recycling and disposal of hazardous and certain non-hazardous wastes. Our refineries are large quantity generators of hazardous waste and require hazardous waste permits issued by the EPA or state agencies. Additionally, certain of our other facilities, such as terminals and biodiesel plants, generate lesser quantities of hazardous wastes.

Under RCRA, CERCLA and other federal, state and local environmental laws, as the owner or operator of refineries, biodiesel plants, bulk terminals, pipelines, tank farms, rail cars, trucks and retail locations, we may be liable for the costs of removal or remediation of contamination at our existing or former locations, whether we knew of, or were responsible for, the presence of such contamination. We have incurred such liability in the past, and several of our current and former locations are the subject of ongoing remediation projects. The failure to timely report and properly remediate contamination may subject us to liability to third parties and may adversely affect our ability to sell or rent our property or to borrow money using our property as collateral. Additionally, persons who arrange for the disposal or treatment of hazardous substances also may be liable for the costs of removal or remediation of these substances at sites where they are located, regardless of whether the site is owned or operated by that person. We typically arrange for the treatment or disposal of hazardous substances generated by our refining and other operations. Therefore, we may be liable for removal or remediation costs associated with releases of these substances at third party locations, as well as other related costs, including fines, penalties and damages resulting from injuries to persons, property and natural resources. Our El Dorado refinery is a minor potentially responsible party at a Superfund site, for which we expect our costs to be non-material. In the future, we may incur substantial expenditures for investigation or remediation of contamination that has not been discovered at our current or former locations or locations that we may acquire or at third party sites where hazardous substances from these locations have been treated or disposed.



Our operations are subject to certain requirements of the CAA, as well as related state and local laws and regulations governing air emissions. Certain CAA regulatory programs applicable to our refineries, terminals and other operations require capital expenditures for the installation of air pollution control devices, operational procedures to minimize emissions and monitoring and reporting of emissions.

A consent decree was entered in the United States District Court for the Northern District of Texas in June 2019 resolving alleged historical violations of the CAA at our Big Spring refinery. In addition to a civil penalty of \$0.5 million that we paid in June 2019, we will be required to expend capital for pollution control equipment that may be significant over the next 10 years. According to the EPA, approximately 95% of the nation's refining capacity has entered into "global" settlements under the EPA National Refinery Initiative.

In 2015, the EPA finalized reductions in the NAAQS for ozone, from 75 ppb to 70 ppb. Our Tyler refinery is located near areas classified as being in non-attainment with the new standard. However, the refinery area has not been classified as being in non-attainment with the new standard. If air quality near our facilities worsens in the future, it is possible that these area(s) could be reclassified as being in non-attainment for the new ozone standard which could require us to install additional air pollution control equipment for ozone forming emissions in the future. We do not believe such capital expenditures, or the changes in our operation, will result in a material adverse effect on our business, financial condition or results of operations.

In late 2015, the EPA finalized additional rules regulating refinery air emissions from a variety of sources (such as cokers, flares, tanks and other process units) through additional NSPS and National Emission Standards for Hazardous Air Pollutants and changing the way emissions from startup, shutdown and malfunction operations are regulated (the "Refinery Risk and Technology Review Rules" or "RTR"). The RTR rule also requires that we monitor property line benzene concentrations at our refineries, and report those concentrations quarterly to the EPA, which will make the results available to the public. Even though the concentrations are not expected to exceed regulatory or health-based standards, the availability of such data may increase the likelihood of lawsuits against our refineries by the local public or organized public interest groups.

In addition to our operations, many of the fuel products we manufacture are subject to requirements of the CAA, as well as related state and local laws and regulations. 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 2007, the EPA issued final Mobile Source Air Toxic II rules for gasoline formulation that required the reduction of annual average benzene content by July 1, 2012. We have purchased credits in the past to comply with these content requirements for two of our refineries. Although credits have been readily available, there can be no assurance that such credits will continue to be available for purchase at reasonable prices, or at all, and we could have to implement capital projects in the future to reduce benzene levels.

Our operations are also subject to the CWA, the OPA-90 and comparable state and local requirements. The CWA, and similar laws, prohibit any discharge into surface waters, ground waters, injection wells and publicly-owned treatment works, except as allowed by pre-treatment permits and NPDES permits issued by federal, state and local governmental agencies. The OPA-90 prohibits the discharge of oil into "Waters of the U.S." and requires that affected facilities have plans in place to respond to spills and other discharges. The CWA also regulates filling or discharges to wetlands and other "Waters of the U.S." In 2015, the EPA, in conjunction with the Army Corps of Engineers, issued a final rule expanding the definition of "Waters of the U.S." The rule, which was subject to litigation and judicial stays, was repealed in December 2019. On April 21, 2020 the EPA and U.S. Army Corps of Engineers published the Navigable Waters Protection Rule to finalize a revised definition of "Waters of the U.S.," and the rule became effective on June 22, 2020 resulting in a more streamlined definition which narrows regulatory reach. However, legal challenges continue and the ultimate resolution is uncertain at this time. To the extent a final rule expands the scope of the CWA's jurisdiction, we could face increased operating costs or other impediments that could alter the way we conduct our business, which could in turn have a material adverse effect on our business, financial condition and results of operations.

We are subject to regulation by the DOT and various state agencies in connection with our pipeline, trucking and rail transportation operations. These regulatory authorities exercise broad powers, governing activities such as the authorization to operate hazardous materials pipelines and engage in motor carrier operations. There are additional regulations specifically relating to the transportation industry, including integrity management of pipelines, testing and specification of equipment, product handling and labeling requirements and personnel qualifications. The transportation industry is subject to possible regulatory and legislative changes that may affect the economics of our business by requiring changes in operating practices or pipeline construction or by changing the demand for common or contract carrier services or the cost of providing trucking services. Possible changes include, among other things, increasingly stringent environmental regulations, increased frequency and stringency for testing and repairing pipelines, replacement of older pipelines, changes in the hours of service regulations that govern the amount of time a driver may drive in any specific period, on-board black box recorder devices or limits on vehicle weight and size and properties of the materials that can be shipped. Required changes to the specifications governing rail cars carrying crude oil will eliminate the most commonly used tank cars or require that such cars be upgraded. In January 2017, PHMSA announced they were considering limits on the volatility of crude oil that could be shipped by rail and other modes of transportation. On May 20, 2020, PHMSA withdrew its advance notice of proposed rulemaking ("ANPRM") relating to the January 18, 2017 ANPRM concerning vapor pressure for crude oil transported by rail. Additionally, the PHMSA announced that it is no longer considering vapor pressure limits for the transportation of crude oil, other unrefined petroleum-based products, and Class 3 flammables products, by rail or any other mode. In addition to the substantial remediation costs that could be caused by leaks or spills from our pipelines, regulators could prohibit our use of affected portions of the pipeline for extended periods, thereby interrupting the delivery of crude oil to, or the distribution of refined products from, our refineries.

In addition, the DOT has issued guidelines with respect to securing regulated facilities such as our bulk terminals against terrorist attack. We have instituted security measures and procedures in accordance with such guidelines to enhance the protection of certain of our facilities. We cannot provide any assurance that these security measures would fully protect our facilities from an attack.

Our operations are subject to various laws and regulations relating to occupational health and safety and process safety administered by OSHA, the EPA and various state equivalent agencies. We maintain safety, training, design standards, mechanical integrity and maintenance programs as part of our ongoing efforts to ensure compliance with applicable laws and regulations and to protect the safety of our workers and the public. 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.

Health and safety legislation and regulations change frequently. We cannot predict what additional 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 applicable health and safety laws and regulations has required, and continues to require, substantial expenditures. Future process safety rules could also mandate changes to the way we operate, the processes and chemicals we use and the materials from which our process units are constructed. Such regulations could have a significant negative effect on our operations and profitability. In January 2017, the EPA finalized changes to process safety requirements in its Risk Management Program rules that require evaluation of safer alternatives and technologies, expanded routine audits, independent third-party audits following certain process safety events and increased sharing of information with the public and emergency response organizations. In January 2017, OSHA announced changes to its National Emphasis Program, and specifically identified oil refineries as facilities for increased inspections. The changes also instruct inspectors to use data gathered from EPA Risk Management Plan inspections to identify refiners for additional Process Safety Management inspections.

Environmental regulations are becoming more stringent, and new environmental and safety laws and regulations are continuously being enacted or proposed. Compliance with any future legislation or regulation of our produced fuels, including renewable fuel or carbon content; GHG emissions; sulfur, benzene or other toxic content; vapor pressure; octane; or other fuel characteristics, may result in increased capital and operating costs and may have a material adverse effect on our business, financial conditions or results of operations. While it is impractical to predict the impact that potential regulatory and activist activity may have, such future activity may result in increased costs to operate and maintain our facilities, as well as increased capital outlays to improve our facilities. Such future activity could also adversely affect our ability to expand production, result in damaging publicity about us, or reduce demand for our products. Our need to incur costs associated with complying with any resulting new legal or regulatory requirements that are substantial and not adequately provided for, could have a material adverse effect on our business, financial condition and results of operations.

Our operating responsibility for bulk product terminals and refined product pipelines includes responsibility to ensure the quality and purity of the products loaded at our loading racks. If our quality control measures were to fail, we may have contaminated or off-specification products in pipelines and storage tanks or off-specification product could be sent to public gasoline stations. These types of incidents could result in product liability claims from our customers, as well as negative publicity. Product liability is a significant commercial risk. Substantial damage awards have been made in certain jurisdictions against manufacturers and resellers based upon claims for injuries caused by the use of or exposure to various products. There can be no assurance that product liability claims against us would not have a material adverse effect on our business or results of operations or our ability to maintain existing customers or retain new customers.

***The availability and cost of RINs and other required credits could have an adverse effect on our financial condition and results of operations.***

Pursuant to the 2007 Energy Independence and Security Act, the EPA promulgated the RFS-2 regulations reflecting the increased volume of renewable fuels mandated to be blended into the nation's fuel supply. The regulations, in part, require refiners to add annually increasing amounts of "renewable fuels" to their petroleum products or purchase credits, known as "RINs" in lieu of such blending. While we are able to obtain many of the RINs required for compliance by blending renewable fuels manufactured by third parties or by our own biodiesel plants, we must also purchase RINs on the open market in order to comply with the quantity of renewable fuels we are required to blend under the RFS-2 regulations. Since the EPA first began mandating biofuels in excess of the "blend wall" (the 10% ethanol limit prescribed by most automobile warranties), the price of RINs has been extremely volatile. While we cannot predict the future prices of RINs, the costs to obtain the necessary number of RINs could be material. If we are unable to pass the costs of compliance with the RFS-2 regulations on to our customers, if sufficient RINs are unavailable for purchase, if we have to pay a significantly higher price for RINs or if we are otherwise unable to meet the RFS-2 mandates, our financial condition and results of operations could be adversely affected.

In the past, we have received small refinery exemptions under the RFS-2 program for certain of our refineries. However, there is no assurance that such an exemption will be obtained for any of our refineries in future years. For example, the EPA has recently indicated it plans to more closely align the agency's criteria for granting small refinery exemptions with the recommendation of the Department of Energy, which could result in fewer such exemptions being granted. The failure to obtain such exemptions for certain of our refineries could result in the need to purchase more RINs than we currently have estimated and accrued for in our consolidated financial statements. The EPA recently promulgated new Renewable Fuel Standards regulations that could require the agency to increase the volume of renewable fuel or RINs that refiners are required to purchase if the agency anticipates it will grant small refinery exemptions. This could also increase the number of RINs we need to purchase. Additionally, recent decisions by the U.S. Court of Appeals for the 10th Circuit have vacated small refinery exemptions granted in

past years for other refiners. On January 24, 2021, the U.S. Supreme Court agreed to hear the appeal. Arguments are expected in April 2021 and a decision as soon as June 2021. It is not clear at this time what steps the EPA will take with respect to those vacated small refinery exemptions, or how the case will impact small refinery exemptions granted to other refineries or future small refinery exemptions.

In addition, the RFS-2 regulations are highly complex and evolving, requiring us to periodically update our compliance systems. The RFS-2 regulations require the EPA to determine and publish the applicable annual volume and percentage standards for each compliance year by November 30 for the forthcoming year, and such blending percentages could be higher or lower than amounts estimated and accrued for in our consolidated financial statements. The future cost of RINs is difficult to estimate until such time as the EPA finalizes the applicable standards for the forthcoming compliance year. Moreover, in addition to increased price volatility in the RINs market, there have been multiple instances of RINs fraud occurring in the marketplace over the past several years. The EPA has initiated several enforcement actions against refiners who purchase fraudulent RINs, resulting in substantial costs to the refiner. While the EPA promulgated a rule in June 2019 aiming to improve transparency in the market for RINs, we cannot predict with certainty our exposure to increased RINs costs in the future, nor can we predict the extent by which costs associated with RFS-2 regulations will impact our future results of operations.

***Increased supply of and demand for alternative transportation fuels, increased fuel economy standards and increased use of alternative means of transportation could lead to a decrease in transportation fuel prices and/or a reduction in demand for petroleum-based transportation fuels.***

In addition, as regulatory initiatives have required an increase in the consumption of renewable transportation fuels, such as ethanol and biodiesel, consumer acceptance of electric, hybrid and other alternative vehicles is increasing. Increased use of renewable fuels and alternative vehicles may result in a decrease in demand for petroleum-based transportation fuels. Increased use of renewable fuels may also result in an increase in transportation fuel supply relative to decreased demand and a corresponding decrease in margins. A significant decrease in transportation fuel margins or demand for petroleum-based transportation fuels could have an adverse impact on our financial results. As described above, RFS-2 requires replacement of increasing amounts of petroleum-based transportation fuels with biofuels through 2022. RFS-2 and widespread use of E-15 or E-85 could cause decreased crude runs and materially affect our profitability, unless fuel demand rises at a comparable rate or other outlets are found for the displaced petroleum products.

In 2012, the EPA and the National Highway Traffic Safety Administration finalized rules raising the required Corporate Average Fuel Economy and GHG standards for passenger vehicles beginning with 2017 model year vehicles and increasing to the equivalent of 54.5 mpg by 2025. These standards were reaffirmed by the EPA in January 2017, but that action was subsequently withdrawn on April 13, 2018. Additional increases in fuel efficiency standards for medium and heavy-duty vehicles were finalized in 2016. Such increases in fuel economy standards and potential electrification of the vehicle fleet, along with mandated increases in use of renewable fuels discussed above, could result in decreasing demand for petroleum fuels, which, in turn, could materially affect profitability at our refineries.

To meet higher fuel efficiency and GHG emission standards for passenger vehicles, automobile manufacturers are increasingly using technologies, such as turbocharging, direct injection and higher compression ratios that require high octane gasoline. Many auto manufacturers have expressed a desire that only a high-octane grade of gasoline be allowed in order to maximize fuel efficiency, rather than the three octane grades common now. Regulatory changes allowing only one high-octane grade, or significant increases in market demand for high-octane fuel, could result in a shift to high-octane ethanol blends containing 25% - 30% ethanol, the need for capital expenditures at our refineries to increase octane or reduced demand for petroleum fuels, which could materially affect profitability of our refineries.

***Competition in the refining and logistics industry is intense, and an increase in competition in the markets in which we sell our products could adversely affect our earnings and profitability.***

We compete with a broad range of companies in our refining and petroleum product marketing operations. Many of these competitors are integrated, multinational oil companies that are substantially larger than us. Because of their diversity, integration of operations, larger capitalization, larger and more complex refineries and greater resources, these companies may be better able to withstand volatile market conditions relating to crude oil and refined product pricing, to compete on the basis of price and to obtain crude oil in times of shortage.

We do not engage in petroleum exploration or production, and therefore do not produce any of our crude oil feedstocks. Certain of our competitors, however, obtain a portion of their feedstocks from company-owned production activities. Competitors that have their own crude oil production are at times able to offset losses from refining operations with profits from producing operations and may be better positioned to withstand periods of depressed refining margins or feedstock shortages. If we are unable to compete effectively with these competitors, there could be a material adverse effect on our business, financial condition and results of operations.

***Our retail segment is subject to loss of market share or pressure to reduce prices in order to compete effectively with a changing group of competitors in a fragmented retail industry.***

The markets in which we operate our retail fuel and convenience stores are highly competitive and characterized by ease of entry and constant change in the number and type of retailers offering the products and services found in our stores. We compete with other convenience store chains, gas stations, supermarkets, drug stores, discount stores, dollar stores, club stores, mass merchants, fast food operations, independent owner-operators and other retail outlets. In some of our markets, our competitors have been in existence longer and have greater financial, marketing and other resources than us. In addition, independent owner-operators can generally operate stores with lower overhead costs than ours. As a result, our competitors may be able to respond better to changes in the economy and new opportunities within the industry.

Several non-traditional retailers, such as supermarkets, club stores and mass merchants, have affected the convenience store industry by entering the retail fuel business and/or selling merchandise traditionally found in convenience stores. Many of these competitors are substantially larger than we are. Because of their diversity, integration of operations and greater resources, these companies may be better able to withstand volatile market conditions or levels of low or no profitability. In addition, these retailers may use promotional pricing or discounts, both at the pump and in the store, to encourage in-store merchandise sales. These activities by our competitors could adversely affect our profit margins. Additionally, our convenience stores could lose market share, relating to both gasoline and merchandise, to these and other retailers, which could adversely affect our business, results of operations and cash flows. Our convenience stores compete in large part based on their ability to offer convenience to customers. Consequently, changes in traffic patterns and the type, number and location of competing stores could result in the loss of customers and reduced sales and profitability at affected stores. These non-traditional gasoline and/or convenience merchandise retailers may obtain a significant share of the retail fuels market, may obtain a significant share of the convenience store merchandise market and their market share in each market is expected to grow.

***We may seek to diversify and expand our retail fuel and convenience store operations, which may present operational and competitive challenges.***

We may seek to grow by selectively operating stores in geographic areas other than those in which we currently operate, or in which we currently have a relatively small number of stores. This growth strategy would present numerous operational and competitive challenges to our senior management and employees and would place significant pressure on our operating systems. In addition, we cannot assure that consumers located in the regions in which we may expand our operations would be as receptive to our stores as consumers in our existing markets. The success of any such growth plans will depend in part upon our ability to:

- select, and compete successfully in, new markets;
- obtain suitable sites at acceptable costs;
- realize an acceptable return on the capital invested in new facilities;
- hire, train, and retain qualified personnel;
- integrate new retail fuel and convenience stores into our existing distribution, inventory control, and information systems;
- expand relationships with our suppliers or develop relationships with new suppliers; and
- secure adequate financing, to the extent required.

We cannot assure that we will achieve our development goals, manage our growth effectively, or operate our existing and new retail fuel and convenience stores profitably. The failure to achieve any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

***Decreases in commodity prices may lessen our borrowing capacities, increase collateral requirements for derivative instruments or cause a write-down of inventory.***

The nature of our business requires us to maintain substantial quantities of crude oil, refined petroleum product and blendstock inventories. Because these inventories are commodities, we have no control over their changing market value. For example, reductions in the value of our inventories or accounts receivable as a result of lower commodity prices could result in a reduction in our borrowing base calculations and a reduction in the amount of financial resources available to meet the refineries' credit requirements. Further, if at any time our availability under certain of our revolving credit facilities falls below certain thresholds, we may be required to take steps to reduce our utilization under those credit facilities. In addition, changes in commodity prices may require us to utilize substantial amounts of cash to settle or cash collateralize some or all of our existing commodity hedges. Finally, because our inventory is valued at the lower of cost or market value, we would record a write-down of inventory and a non-cash charge to cost of sales if the market value of the inventory were to decline to an amount below our cost.

***A terrorist attack on our assets, or threats of war or actual war, may hinder or prevent us from conducting our business.***

Terrorist attacks (including cyber-attacks) in the United States, as well as events occurring in response to or in connection with them, including political instability in significant oil producing regions such as the Middle East, Africa, the former Soviet Union and South America, may harm our business. Energy-related assets (which could include refineries, pipelines and terminals such as ours) may be at greater risk of future terrorist attacks than other possible targets in the United States.

A direct attack on our assets, or the assets of others used by us, could have a material adverse effect on our business, financial condition and results of operations. Uncertainty surrounding continued global hostilities or other sustained military campaigns, and the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror, may affect our operations in unpredictable ways, including disruptions of crude oil supplies and markets for refined products. In addition, any terrorist attack or political instability in significant oil producing regions such as the Middle East, Africa, the former Soviet Union and South America could have an adverse impact on energy prices, including prices for crude oil, other feedstocks and refined petroleum products, and an adverse impact on the margins from our refining and petroleum product marketing operations. The long-term impacts of terrorist attacks and the threat of future terrorist on the energy transportation industry in general, and on us in particular, are unknown. Increased security measures taken by us as a precaution against possible terrorist attacks or vandalism could result in increased costs to our business. In addition, disruption or significant increases in energy prices could result



in government-imposed price controls. Any one of, or a combination of, these occurrences could have a material adverse effect on our business, financial condition and results of operations.

***Legislative and regulatory measures to address climate change and GHG emissions could increase our operating costs or decrease demand for our refined products.***

Various legislative and regulatory measures to address climate change and GHG emissions (including carbon dioxide, methane and nitrous oxides) are in various phases of discussion or implementation and could affect our operations. 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 fixed sources, such as our refineries, coal-fired power plants and oil and gas production operations, as well as mobile transportation sources and fuels. Many states and regions have implemented, or are in the process of implementing, measures to reduce emissions of GHGs, primarily through cap and trade programs or low carbon fuel standards.

In December 2009, the EPA published its findings that emissions of GHGs present a danger to public health and the environment because emissions of such gases are, according to the EPA, contributing to the warming of the Earth's atmosphere and other climatic conditions. Based on these findings, the EPA adopted two sets of regulations that restrict emissions of GHGs under existing provisions of the federal CAA, including one that requires a reduction in emissions of GHGs from motor vehicles and another that regulates GHG emissions from certain large stationary sources under the PSD and Title V permitting programs. Congress has also from time to time considered legislation to reduce emissions of GHGs. Efforts have been made, and continue to be made, in the international community toward the adoption of international treaties or protocols that would address global climate change issues. In April 2016, the United States became a signatory to the 2015 United Nations Conference on Climate Change, which led to the creation of the Paris Agreement. The Paris Agreement, which became effective by its terms on November 4, 2016, will require countries to review and "represent a progression" in their intended nationally determined contributions, which set GHG emission reduction goals, every five years, beginning in 2020. On August 4, 2017, the United States formally communicated to the United Nations its intent to withdraw from participating in the Paris Agreement, which entails a four-year process. In response to the announced withdrawal plan, a number of state and local governments in the United States have expressed intentions to take GHG-related actions. In December 2020, President-elect Biden announced plans for the U.S. to rejoin the Paris Agreement. Effective as of February 19, 2021, the U. S. rejoined the Paris Agreement.

Although it is not possible to predict the requirements of any GHG legislation that may be enacted, any laws or regulations that have been or may be adopted to restrict or reduce GHG emissions will likely require us to incur increased operating and capital costs and/or increased taxes on GHG emissions and petroleum fuels, and any increase in the prices of refined products resulting from such increased costs, GHG cap and trade programs or taxes on GHGs, could result in reduced demand for our petroleum fuels. If we are unable to maintain sales of our refined products at a price that reflects such increased costs, there could be a material adverse effect on our business, financial condition and results of operations. GHG regulation, including taxes on the GHG content of fuels, could also impact the consumption of refined products, thereby affecting our refinery operations.

***Increasing attention to environmental, social and governance matters may impact our business, financial results or stock price.***

In recent years, increasing attention has been given to corporate activities related to environmental, social and governance ("ESG") matters in public discourse and the investment community. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. These activities include increasing attention and demands for action related to climate change, promoting the use of substitutes to fossil fuel products, and encouraging the divestment of companies in the fossil fuel industry. These activities could reduce demand for our products, reduce our profits, increase the potential for investigations and litigation, impair our brand and have negative impacts on our stock price and access to capital markets.

In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings systems for evaluating companies on their approach to ESG matters. These ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us and our industry and to the diversion of investment to other industries, which could have a negative impact on our stock price and our access to and costs of capital.

***Risks Relating to Our Business***

***We are particularly vulnerable to disruptions to our refining operations because our refining operations are concentrated in four facilities.***

Because all of our refining operations are concentrated in the Tyler, El Dorado, Big Spring and Krotz Springs refineries, significant disruptions at one of these facilities could have a material adverse effect on our consolidated financial results.

Our refineries consist of many processing units, a number of which have been in operation for many years. These processing units undergo periodic shutdowns, known as turnarounds, during which routine maintenance is performed to restore the operation of the equipment to a higher level of performance. Depending on which units are affected, all or a portion of a refinery's production may be halted or disrupted during a maintenance turnaround. In March 2019, we completed a shortened maintenance turnaround at our El Dorado refinery that allowed work to be completed on the majority of the process units, and a maintenance turnaround is scheduled to begin March 1, 2021. We completed a maintenance turnaround at our Tyler refinery in 2015. In addition, we began our planned maintenance turnaround for our Big Spring refinery



January 1, 2020 which was completed during 2020, and we began our Krotz Springs maintenance turnaround in the fourth quarter of 2020. We are also subject to unscheduled down time for unanticipated maintenance or repairs.

Refinery operations may also be disrupted by external factors, such as a suspension of feedstock deliveries, cyber-attacks, or an interruption of electricity, natural gas, water treatment or other utilities or a global pandemic such as the outbreak of the COVID-Pandemic. A large number of positive COVID-19 cases at one or more of our refineries could substantially impact our business, financial condition, results of operations and liquidity. Other potentially disruptive factors include natural disasters, severe weather conditions, workplace or environmental accidents, interruptions of supply, work stoppages, losses of permits or authorizations or acts of terrorism.

***Our operations are subject to business interruptions and casualty losses. Failure to manage risks associated with business interruptions could adversely impact our operations, financial condition, results of operations and cash flows.***

Our refining and logistics operations are subject to significant hazards and risks inherent in transporting, storing and processing crude oil and intermediate and finished petroleum products. These hazards and risks include, but are not limited to, natural or weather-related disasters, fires, explosions, pipeline ruptures and spills, trucking accidents, train derailments, third-party interference, mechanical failure of equipment and other events beyond our control. The occurrence of any of these events could result in production and distribution difficulties and disruptions, personal injury or death, environmental pollution and other damage to our properties and the properties of others.

If any facility were to experience an interruption in operations, earnings from the facility could be materially adversely affected (to the extent not recoverable through insurance, if insured) because of lost production and repair costs. A significant interruption in one or more of our facilities could also lead to increased volatility in prices for feedstocks and refined products and could increase instability in the financial and insurance markets, making it more difficult for us to access capital and to obtain insurance coverage that we consider adequate.

Because of these inherent dangers, our refining and logistics operations are subject to various laws and regulations relating to occupational health and safety, process and operating safety, environmental protection and transportation safety. Continued efforts to comply with applicable laws and regulations related to health, safety and the environment, or a finding of non-compliance with current regulations, could result in additional capital expenditures or operating expenses, as well as fines and penalties.

In addition, our refineries, pipelines and terminals are located in populated areas and any release of hazardous material, or catastrophic event, could affect our employees and contractors, as well as persons and property outside our property. Our pipelines, trucks and rail cars carry flammable and toxic materials on public railways and roads and across populated and/or environmentally sensitive areas and waterways that could be severely impacted in the event of a release. An accident could result in significant personal injuries and/or cause a release that results in damage to occupied areas, as well as damage to natural resources. It could also affect deliveries of crude oil to our refineries, resulting in a curtailment of operations. The costs to remediate such an accidental release and address other potential liabilities, as well as the costs associated with any interruption of operations, could be substantial. Although we maintain significant insurance coverage for such events, it may not cover all potential losses or liabilities.

In the event that personal injuries or deaths result from such events, or there are natural resource damages, we would likely incur substantial legal costs and liabilities. The extent of these costs and liabilities could exceed the limits of our available insurance. As a result, any such event could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***The costs, scope, timelines and benefits of our refining projects may deviate significantly from our original plans and estimates.***

We may experience unanticipated increases in the cost, scope and completion time for our improvement, maintenance and repair projects at our refineries. Refinery projects are generally initiated to increase the yields of higher-value products, increase our ability to process a variety of crude oil, increase production capacity, meet new regulatory requirements or maintain the safe and reliable operations of our existing assets. Equipment that we require to complete these projects may be unavailable to us at expected costs or within expected time periods. Additionally, employee or contractor labor expense may exceed our expectations. Due to these or other factors beyond our control, we may be unable to complete these projects within anticipated cost parameters and timelines.

In addition, the benefits we realize from completed projects may take longer to achieve and/or be less than we anticipated. Large-scale capital projects are typically undertaken in anticipation of achieving an acceptable level of return on the capital to be employed in the project. We base these forecasted project economics on our best estimate of future market conditions that are not within our control. Most large-scale projects take many years to complete, and during this multi-year period, market and other business conditions can change from those we forecast. Our inability to complete, and/or realize the benefits of refinery projects in a cost-efficient and timely manner, could have a material adverse effect on our business, financial condition and results of operations.

***We depend upon our logistics segment for a substantial portion of the crude oil supply and refined product distribution networks that serve our Tyler, Big Spring and El Dorado refineries.***

Our logistics segment consists of Delek Logistics, a publicly-traded master limited partnership, and our consolidated financial statements include its consolidated financial results. As of December 31, 2020, we owned an 80.0% limited partner interest in Delek Logistics, consisting of 34,745,868 common limited partner units and the non-economic general partner interest. Delek Logistics operates a system of crude oil and refined product pipelines, distribution terminals and tankage in Arkansas, Louisiana, Tennessee and Texas. Delek Logistics generates revenues by charging tariffs for transporting crude oil and refined products through its pipelines, by leasing pipeline capacity to third parties, by charging fees for terminalling refined products and other hydrocarbons and storing and providing other services at its terminals.

Our Tyler, El Dorado and Big Spring refineries are substantially dependent upon Delek Logistics' assets and services under several long-term pipeline and terminal, tankage and throughput agreements expiring in 2024 through 2033. Delek Logistics is subject to its own operating and regulatory risks, including, but not limited to:

- its reliance on significant customers, including us;
- macroeconomic factors, such as commodity price volatility that could affect its customers' utilization of its assets;
- its reliance on us for near-term growth;
- sufficiency of cash flow for required distributions;
- counterparty risks, such as creditworthiness and force majeure;
- competition from third-party pipelines and terminals and other competitors in the transportation and marketing industries;
- environmental regulations;
- operational hazards and risks;
- pipeline tariff regulations;
- limitations on additional borrowings and other restrictions in its debt agreements; and
- other financial, operational and legal risks.

The occurrence of any of these factors could directly or indirectly affect Delek Logistics' financial condition, results of operations and cash flows. Because Delek Logistics is our consolidated subsidiary, the occurrence of any of these risks could also affect our financial condition, results of operations and cash flows. Additionally, if any of these risks affect Delek Logistics' viability, its ability to serve our supply and distribution needs may be jeopardized.

For additional information about Delek Logistics, see "Logistics Segment" under Item 1 & 2. Business and Properties, of this Annual Report on Form 10-K.

***Interruptions or limitations in the supply and delivery of crude oil, or the supply and distribution of refined products, may negatively affect our refining operations and inhibit the growth of our refining operations.***

We rely on Delek Logistics and third-party transportation systems for the delivery of crude oil to our refineries. For example, during the year ended December 31, 2020, we relied upon the West Texas Gulf pipeline for the delivery of approximately 74.4% of the crude oil processed by our Tyler and El Dorado refineries. We could experience an interruption or reduction of supply and delivery, or an increased cost of receiving crude oil, if the ability of these systems to transport crude oil is disrupted because of accidents, adverse weather conditions, governmental regulation, terrorism, maintenance or failure of pipelines or other delivery systems, other third-party action or other events beyond our control. The unavailability for our use, for a prolonged period of time, of any system of delivery of crude oil could have a material adverse effect on our business, financial condition and results of operations. Pipeline suspensions like these could require us to operate at reduced throughput rates.

Moreover, interruptions in delivery or limitations in delivery capacity may not allow our refining operations to draw sufficient crude oil to support current refinery production or increases in refining output. In order to maintain or materially increase refining output, existing crude delivery systems may require upgrades or supplementation, which may require substantial additional capital expenditures.

In addition, the El Dorado, Big Spring and Krotz Springs refineries distribute most of their light product production through a third-party pipeline system. An interruption to, or change in, the operation of the third-party pipeline system may result in a material restriction to our distribution channels. Because demand in the local markets is limited, a material restriction to each of the refinery's distribution channels may cause us to reduce production and may have a material adverse effect on our business, financial condition and results of operations.

We could experience an interruption or reduction of supply or delivery of refined products if our suppliers partially or completely ceased operations, temporarily or permanently. The ability of these refineries and our suppliers to supply refined products to us could be temporarily disrupted by anticipated events, such as scheduled upgrades or maintenance, as well as events beyond their control, such as unscheduled maintenance, fires, floods, storms, explosions, power outages, accidents, acts of terrorism or other catastrophic events, labor difficulties and work stoppages, governmental or private party litigation, or legislation or regulation that adversely impacts refinery operations. In addition, any reduction in capacity of other pipelines that connect with our suppliers' pipelines or our pipelines due to testing, line repair, reduced operating pressures, or other causes could result in reduced volumes of refined product supplied to our logistics segment's West Texas terminals. A reduction in the volume of refined products supplied to our West Texas terminals could adversely affect our sales and earnings.

***We are subject to risks associated with significant investments in the Permian Basin.***

We and our joint ventures have made and are continuing to make significant investments in infrastructure to gather crude oil from the Permian Basin in West Texas. Similar investments have been made and additional investments may be made in the future by us, our competitors or by new entrants to the markets we serve. The success of these and similar projects largely relies on the realization of anticipated market demand and growth in production in the Permian Basin. These projects typically require significant development periods, during which time demand for such infrastructure may change, production in the Permian Basin may decrease, or additional investments by competitors may be made. Lower production in the Permian Basin, or further investments by us or others in new pipelines, storage or dock capacity could result

in capacity that exceeds demand, which could reduce the utilization of our gathering system and midstream assets and the related services or the prices we are able to charge for those services. There are several projects currently underway that are expected to increase pipeline capacity from the Permian Basin beyond current production. This excess capacity could decrease the differential between the Permian and end markets, resulting in a highly competitive environment for transportation services and reducing the rates for those services. When infrastructure investments in the markets we serve result in capacity that exceeds the demand in those markets, our facilities or investments could be underutilized, and rates could be unfavorably impacted, which could materially adversely affect our results of operations, financial position or cash flows, as well as our ability to pay cash distributions.

***We have made investments in joint ventures which subject us to additional risks, over which we do not have full control and which have unique risks.***

We have made investments in several joint ventures, and we may enter into other joint venture arrangements in the future. Generally, we have limited control over the activities of the joint venture, including the cash distribution policies of each of the joint ventures. We also have financial obligations related to our joint venture investments, some of which may be contingent on the activities of the joint ventures and the abilities of the joint ventures to obtain their own financing for their activities. Construction delays, cost increases, changes in market conditions, and other factors may result in a change in our expectations for the results of our investments in these joint ventures, and may require additional contributions from us to a joint venture.

Additionally, the partners that we share ownership within these joint ventures may not always share our goals and objectives. Differences in views among the partners may result in delayed decisions or failures to agree on major matters, such as large expenditures or contractual commitments, the construction of assets or the borrowing of money, among others. Delay or failure to agree may prevent action with respect to such matters, even though such action may not serve our best interest or that of the joint venture. Accordingly, delayed decisions and disagreements could adversely affect the business and operations of the joint ventures and, in turn, our business and operations. From time to time, our joint ventures may be involved in disputes or legal proceedings which may negatively affect our investments. Accordingly, any such occurrences could adversely affect our financial condition, results of operations or cash flows.

***Our retail segment is dependent on fuel sales, which makes us susceptible to increases in the cost of gasoline and interruptions in fuel supply.***

Our dependence on fuel sales makes us susceptible to increases in the cost of gasoline and diesel fuel, and fuel profit margins have a significant impact on our earnings. The volume of fuel sold by us, and our fuel profit margins, are affected by numerous factors beyond our control, including the supply and demand for fuel, volatility in the wholesale fuel market and the pricing policies of competitors in local markets. Although we can rapidly adjust our pump prices to reflect higher fuel costs, a material increase in the price of fuel could adversely affect demand. A material, sudden increase in the cost of fuel that causes our fuel sales to decline could have a material adverse effect on our business, financial condition and results of operations.

In addition, credit card interchange fees are typically calculated as a percentage of the transaction amount rather than a percentage of gallons sold. Higher refined product prices often result in negative consequences for our retail operations, such as higher credit card expenses, lower retail fuel gross margin per gallon and reduced demand for gasoline and diesel. These conditions could result in fewer retail gallons sold and fewer retail merchandise transactions, which could have a material adverse effect on our business, financial condition and results of operations.

Our dependence on fuel sales also makes us susceptible to interruptions in fuel supply. Gasoline sales generate customer traffic to our retail fuel and convenience stores, and any decrease in gasoline sales, whether due to shortage or otherwise, could adversely affect our merchandise sales. A serious interruption in the supply of gasoline to our retail fuel and convenience stores could have a material adverse effect on our business, financial condition and results of operations.

***General economic conditions may adversely affect our business, operating results and financial condition.***

Economic slowdowns may have serious negative consequences for our business and operating results, because our performance is subject to domestic economic conditions and their impact on levels of consumer spending. Some of the factors affecting consumer spending include general economic conditions, unemployment, consumer debt, reductions in net worth based on declines in equity markets and residential real estate values, adverse developments in mortgage markets, taxation, energy prices, interest rates, consumer confidence and other macroeconomic factors. Political instability and global health crises, such as the COVID-19 Pandemic, can also impact the global economy and decrease worldwide demand for oil and refined products. During a period of economic weakness or uncertainty, current or potential customers may travel less, reduce or defer purchases, go out of business or have insufficient funds to buy or pay for our products and services. Moreover, a financial market crisis may have a material adverse impact on financial institutions and limit access to capital and credit. This could, among other things, make it more difficult for us to obtain (or increase our cost of obtaining) capital and financing for our operations. Our access to additional capital may not be available on terms acceptable to us or at all.

Also, because all of our operating refineries are located in the Gulf Coast Region, we primarily market our refined products in a relatively limited geographic area. As a result, we are more susceptible to regional economic conditions compared to our more geographically diversified competitors, and any unforeseen events or circumstances that affect the Gulf Coast Region could also materially and adversely affect our revenues and cash flows. The primary factors include, among other things, changes in the economy, weather conditions, demographics and

population, increased supply of refined products from competitors and reductions in the supply of crude oil or other feedstocks. In the event of a shift in the supply/demand balance in the Gulf Coast Region due to changes in the local economy, an increase in aggregate refining capacity or other reasons, resulting in supply exceeding the demand in the region, our refineries may have to deliver refined products to more customers outside of the Gulf Coast Region and thus incur considerably higher transportation costs, resulting in lower refining margins, if any.

Additionally, general economic conditions in West Texas are highly dependent upon the price of crude oil. When crude oil prices exceed certain dollar per barrel thresholds, demand for people and equipment to support drilling and completion activities for the production of crude oil is robust, which supports overall economic health of the region. If crude oil prices fall below certain dollar per barrel thresholds, economic activity in the region may slow down, which could have a material adverse impact on the profitability of our business in West Texas.

***The termination or expiration of, or periodic price adjustment settlements in, the J. Aron Supply and Offtake Agreements could have a material adverse effect on our liquidity.***

In April 2020, we amended and restated our three supply and offtake agreements with J. Aron to renew and extend the terms to December 30, 2022, with J. Aron having the sole discretion to further extend to May 30, 2025 by providing at least six months prior notice to the current maturity date. Pursuant to the agreements, J. Aron purchases a substantial portion of the crude oil and refined products for three of our refineries' inventory at market prices. Upon any termination of the agreements, including at expiration or in connection with a force majeure or default, the parties are required to negotiate with third parties for the assignment to us of certain contracts, commitments and arrangements, including procurement contracts, commitments for the sale of product and pipeline, terminalling, storage and shipping arrangements. As part of the amendment, there were changes to the underlying market index, annual fee, the crude purchase fee, crude roll fees and timing of cash settlements related to periodic price adjustments ("PPA") on the differentials. The PPA are calculated semi-annually on October 1 and May 1 ("Re-pricing dates") and will result in cash settlements, (either payments to J. Aron or receipts of additional funds from J. Aron), based on the market value of the underlying commodity differential compared to the contractual differential, subject to a set threshold amount. In the event that the periodic price adjustments are triggered on the Re-pricing dates, we may be required to make earlier cash payments within three months following the Re-pricing date.

***If there is negative publicity concerning our brand names or the brand names of our suppliers, fuel and merchandise sales in our retail segment may suffer.***

Negative publicity, regardless of whether the concerns are valid, concerning food, beverage, fuel or other product quality, food, beverage or other product safety or other health concerns, facilities, employee relations or other matters may materially and adversely affect demand for products offered at our stores and could result in a decrease in customer traffic to our stores. We offer food products in our stores that are marketed under our brand names and certain nationally recognized brands. These nationally recognized brands have significant operations at facilities owned and operated by third parties and negative publicity concerning these brands as a result of events that occur at facilities that we do not control could also adversely affect customer traffic to our stores. Additionally, we may be the subject of complaints or litigation arising from food or beverage-related illness or injury in general which could have a negative impact on our business. Health concerns, poor food, beverage, fuel or other product quality or operating issues stemming from one store or a limited number of stores can materially and adversely affect the operating results of some or all of our stores and harm our proprietary brands.

***Wholesale cost increases, vendor pricing programs and tax increases applicable to tobacco products, as well as campaigns to discourage their use, could adversely impact our results of operations in our retail segment.***

Increases in the retail price of tobacco products as a result of increased taxes or wholesale costs could materially impact our cigarette sales volume and/or revenues, merchandise gross profit and overall customer traffic. Cigarettes are subject to substantial and increasing excise taxes at both a state and federal level. In addition, national and local campaigns to discourage the use of tobacco products may have an adverse effect on demand for these products. A reduction in cigarette sales volume and/or revenues, merchandise gross profit from tobacco products or overall customer demand for tobacco products could have a material adverse effect on the business, financial condition and results of operations of our retail segment.

In addition, major cigarette manufacturers currently offer substantial rebates to us; however, there can be no assurance that such rebate programs will continue. We include these rebates as a component of our gross margin from sales of cigarettes. In the event these rebates are decreased or eliminated, or we fail to earn the rebates, our wholesale cigarette costs will increase. For example, certain major cigarette manufacturers have offered rebate programs that provide rebates only if we follow the manufacturer's retail pricing guidelines. If we do not receive the rebates, because we do not participate in the program or if the rebates we receive by participating in the program do not offset or surpass the revenue lost as a result of complying with the manufacturer's pricing guidelines, our cigarette gross margin will be adversely impacted. In general, we attempt to pass wholesale price increases on to our customers. However, competitive pressures in our markets may adversely impact our ability to do so. In addition, reduced retail display allowances on cigarettes offered by cigarette manufacturers negatively impact gross margins. These factors could materially impact our retail price of cigarettes, cigarette sales volume and/or revenues, merchandise gross profit and overall customer traffic, which could in turn have a material adverse effect on our business, financial condition and results of operations.

***Our insurance policies do not cover all losses, costs or liabilities that we may experience, and insurance companies that currently insure companies in the energy industry may cease to do so or substantially increase premiums.***



We carry property, business interruption, pollution, casualty and cyber insurance, but we do not maintain insurance coverage against all potential losses, costs or liabilities. We could suffer losses for uninsurable, or uninsured, risks or in amounts in excess of existing insurance coverage. In addition, we purchase insurance programs with large self-insured retentions and large deductibles. For example, we retain a short period of our business interruption losses. Therefore, a significant part, or all, of a business interruption loss or other types of loss could be retained by us. The occurrence of a loss that is retained by us, or not fully covered by insurance, could have a material adverse effect on our business, financial condition and results of operations.

The energy industry is highly capital intensive, and the entire or partial loss of individual facilities or multiple facilities can result in significant costs to both energy industry companies, such as us, and their insurance carriers. Historically, large energy industry claims have resulted in significant increases in the level of premium costs and deductible periods for participants in the energy industry. For example, hurricanes have caused significant damage to energy companies operating along the Gulf Coast, in addition to numerous oil and gas production facilities and pipelines in that region. Insurance companies that have historically participated in underwriting energy-related risks may discontinue that practice, may reduce the insurance capacity they are willing to offer or demand significantly higher premiums or deductible periods to cover these risks. If significant changes in the number, or financial solvency, of insurance underwriters available to the energy industry occur, or if other adverse conditions over which we have no control prevail in the insurance market, we may be unable to obtain and maintain adequate insurance at reasonable cost.

In addition, we cannot assure that our insurers will renew our insurance coverage on acceptable terms, if at all, or that we will be able to arrange for adequate alternative coverage in the event of non-renewal. The unavailability of full insurance coverage to cover events in which we suffer significant losses could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to successfully execute our strategy of growth through acquisitions.***

A significant part of our growth strategy is to acquire assets, such as refineries, pipelines, terminals, and retail fuel and convenience stores that complement our existing assets and/or broaden our geographic presence. If attractive opportunities arise, we may also acquire assets in new lines of business that are complementary to our existing businesses. In the past we have acquired refineries, and we have developed our logistics segment through the acquisition of transportation and marketing assets. We expect to continue to acquire assets that complement our existing assets and/or broaden our geographic presence as a major element of our growth strategy. However, the occurrence of any of the following factors could adversely affect our growth strategy:

- We may not be able to identify suitable acquisition candidates or acquire additional assets on favorable terms;
- We usually compete with others to acquire assets, which competition may increase, and any level of competition could result in decreased availability or increased prices for acquisition candidates;
- We may experience difficulty in anticipating the timing and availability of acquisition candidates;
- We may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential acquisitions; and
- As a public company, we are subject to reporting obligations, internal controls and other accounting requirements with respect to any business we acquire, which may prevent or negatively affect the valuation of some acquisitions we might otherwise deem favorable or increase our acquisition costs.

***Acquisitions involve risks that could cause our actual growth or operating results to differ adversely compared with our expectations.***

Due to our emphasis on growth through acquisitions, we are particularly susceptible to transactional risks that could cause our actual growth or operating results to differ adversely compared with our expectations. For example:

- during the acquisition process, we may fail, or be unable, to discover some of the liabilities of companies or businesses that we acquire;
- we may assume contracts or other obligations in connection with particular acquisitions on terms that are less favorable or desirable than the terms that we would expect to obtain if we negotiated the contracts or other obligations directly;
- we may fail to successfully integrate or manage acquired assets;
- acquired assets may not perform as we expect, or we may not be able to obtain the cost savings and financial improvements we anticipate;
- acquisitions may require us to incur additional debt or issue additional equity;
- acquired assets may suffer a diminishment in fair value as a result of which we may need to record a write-down or impairment;
- we may fail to grow our existing systems, financial controls, information systems, management resources and human resources in a manner that effectively supports our growth;
- to the extent that we acquire assets in new lines of business, we may become subject to additional regulatory requirements and additional risks that are characteristic or typical of these lines of business; and
- to the extent that we acquire equity interests in entities that control assets (rather than acquiring the assets directly), we may become subject to liabilities that predate our ownership and control of the assets.



The occurrence of any of these factors could materially and adversely affect our business, financial condition or results of operations.

***Our future results will suffer if we do not effectively manage our expanded operations.***

The size and scope of operations of our business have increased. In addition, we may continue to expand our size and operations through additional acquisitions or other strategic transactions. Our future success depends, in part, upon our ability to manage our expanded business, which may pose substantial challenges for management, including challenges related to the management and monitoring of new operations including, without limitation, integrating new operations with those of our existing business, managing the increased scope or geographic diversity of our expanded business, and associated increased costs and complexity. There can be no assurance that we will be successful, or that we will realize the expected economies of scale, synergies and other benefits anticipated from any additional acquisitions or strategic transactions.

***We may incur significant costs and liabilities with respect to investigation and remediation of environmental conditions at our facilities.***

Prior to our purchase of our refineries, pipelines, terminals and other facilities, the previous owners had been engaged for many years in the investigation and remediation of hydrocarbons and other materials which contaminated soil and groundwater. Upon purchase of the facilities, we became responsible and liable for certain costs associated with the continued investigation and remediation of known and unknown impacted areas at the facilities. In the future, it may be necessary to conduct further assessments and remediation efforts at impacted areas at our facilities and elsewhere. In addition, we have identified and self-reported certain other environmental matters subsequent to our purchase of our facilities.

Based upon environmental evaluations performed internally and by third parties, we recorded and periodically update environmental liabilities and accrued amounts we believe are sufficient to complete remediation. We expect remediation at some properties to continue for the foreseeable future. The need to make future expenditures for these purposes that exceed the amounts we estimated and accrued for could have a material adverse effect on our business, financial condition and results of operations.

In addition, Alon indemnified certain parties, to which they sold assets, for costs and liabilities that may be incurred as a result of environmental conditions existing at the time of such sales. As a result of our purchase of Alon, if we are forced to incur costs or pay liabilities in connection with these indemnification obligations, such costs and payments could be significant.

In the future, we may incur substantial expenditures for investigation or remediation of contamination that has not been discovered at our current or former locations or locations that we may acquire, or at third party sites where hazardous substances from these locations have been treated or disposed. Our handling and storage of petroleum and hazardous substances may lead to additional contamination at our facilities or along our pipelines and at facilities to which we send or have sent wastes or by-products for treatment or disposal. In addition, new legal requirements, new interpretations of existing legal requirements, increased legislative activity and governmental enforcement and other developments could require us to make additional unforeseen expenditures. As a result, we may be subject to additional investigation and remediation costs, governmental penalties and third-party suits alleging personal injury and property damage. Liabilities for future remediation costs are recorded when environmental assessments and/or remedial efforts are probable and costs can be reasonably estimated as material. Other than for assessments, the timing and magnitude of these accruals generally are based on the completion of investigations or other studies or a commitment to a formal plan of action.

***We could incur substantial costs or disruptions in our business if we cannot obtain or maintain necessary permits and authorizations or otherwise comply with health, safety, environmental and other laws and regulations.***

Our operations require numerous permits and authorizations under various laws and regulations. These authorizations and permits are subject to revocation, renewal or modification, and can require operational changes to limit impacts or potential impacts on the environment and/or health and safety. A violation of authorization or permit conditions or other legal or regulatory requirements could result in substantial fines, criminal sanctions, permit revocations, injunctions and/or facility shutdowns. In addition, major modifications of our operations could require modifications to our existing permits or upgrades to our existing pollution control equipment. Any, or all, of these matters could have a negative effect on our business, results of operations and cash flows.

***Our Tyler refinery currently primarily distributes refined petroleum products via truck or rail. We do not have the ability to distribute these products into markets outside our local market via pipeline.***

In recent years, we have expanded our refined product distribution capabilities in northeast Texas with our acquisition of refined product terminals in Big Sandy and Mt. Pleasant, Texas and through the use of transloading facilities enabling the shipment of products by rail to distant markets, including Mexico. However, unlike most refineries, the Tyler refinery currently has limited ability to distribute refined products outside its local market in northeast Texas due to a lack of pipeline assets connecting the facility to other markets. This limited ability may limit the refinery's ability to increase the production of petroleum products, attract new customers for its refined petroleum products or increase sales of products from the refinery. In addition, if demand for petroleum products diminishes in northeast Texas, the refinery may be required to reduce production levels and our financial results may be adversely affected.

***An increase in competition, and/or reduction in demand in the markets in which we purchase feedstocks and sell our refined products, could increase our costs and/or lower prices and adversely affect our sales and profitability.***

Certain of our refineries operate in localized or niche markets. If competitors commence operations within these niche markets, we could lose our niche market advantage, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, where feedstocks are purchased in a localized market, disruptions in supply channels could significantly impact our ability to meet production demands in those facilities.

In addition, the maintenance, or replacement, of our existing customers depends on a number of factors outside of our control, including increased competition from other suppliers and demand for refined products in the markets we serve. The market for distribution of wholesale motor fuel is highly competitive and fragmented. Some of our competitors have significantly greater resources and name recognition than us. The loss of major customers, or a reduction in amounts purchased by major customers, could have a material adverse effect on us to the extent that we are not able to correspondingly increase sales to other purchasers.

***Compliance with and changes in tax laws could adversely affect our performance.***

We are subject to extensive tax liabilities, including federal and state income taxes and transactional taxes, such as excise, sales/use, payroll, franchise, withholding and ad valorem taxes. New tax laws and regulations, and changes in existing tax laws and regulations, are continuously being enacted or proposed that could result in increased expenditures for tax liabilities in the future. Certain of these liabilities are subject to periodic audits by the respective taxing authority, which could increase or otherwise alter our tax liabilities. Though we have applied reasonable interpretations and assumptions in determining our tax liabilities, it is possible that the IRS could issue subsequent guidance or take positions on audit that differ from our prior interpretations and assumptions, which could adversely impact our cash tax liabilities, results of operations, and financial condition. Subsequent changes to our tax liabilities as a result of these audits may also subject us to interest and penalties, and could have a material adverse effect on our business, financial condition and results of operations.

For example, the tax treatment of our logistics segment depends on its status as a partnership for federal income tax purposes. If a change in law, our failure to comply with existing law or other factors were to cause our logistics segment to be treated as a corporation for federal income tax purposes, it would become subject to entity-level taxation. As a result, our logistics segment would pay federal income tax on all of its taxable income at regular corporate income tax rates (subject to corporate alternative minimum tax for years ended prior to 2018), would likely pay additional state and local income taxes at varying rates, and distributions to unitholders, including us, would be generally treated as taxable dividends from a corporation. In such case, the logistics segment would likely experience a material reduction in its anticipated cash flow and after-tax return to its unitholders, and we would likely experience a substantial reduction in its value.

***Adverse weather conditions or other unforeseen developments could damage our facilities, reduce customer traffic and impair our ability to produce and deliver refined petroleum products or receive supplies for our retail fuel and convenience stores.***

The regions in which we operate are susceptible to severe storms, including hurricanes, thunderstorms, tornadoes, floods, extended periods of rain, ice storms and snow, all of which we have experienced in the past few years. Our facilities located in California and the related pipeline are located in areas with a history of earthquakes, some of which have been quite severe. In addition, for a variety of reasons, many members of the scientific community believe that climate changes are occurring that could have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our assets and operations.

Inclement weather conditions, earthquakes or other unforeseen developments could damage our facilities, interrupt production, adversely impact consumer behavior, travel and retail fuel and convenience store traffic patterns or interrupt or impede our ability to operate our locations. If such conditions prevail near our refineries, they could interrupt or undermine our ability to produce and transport products from our refineries and receive and distribute products at our terminals. Regional occurrences, such as energy shortages or increases in energy prices, fires and other natural disasters, could also hurt our business. The occurrence of any of these developments could have a material adverse effect on our business, financial condition and results of operations.

***Our operating results are seasonal and generally lower in the first and fourth quarters of the year for our refining and logistics segments and in the first quarter of the year for our retail segment. We depend on favorable weather conditions in the spring and summer months.***

Demand for gasoline, convenience merchandise and asphalt products is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic and road and home construction. Varying vapor pressure requirements between the summer and winter months also tighten summer gasoline supply. As a result, the operating results of our refining segment and logistics segment are generally lower for the first and fourth quarters of each year. Seasonal fluctuations in traffic also affect sales of motor fuels and merchandise in our retail fuel and convenience stores. As a result, the operating results of our retail segment are generally lower for the first quarter of the year.

Weather conditions in our operating area also have a significant effect on our operating results in our retail segment. Customers are more likely to purchase more gasoline and higher profit margin items such as fast foods, fountain drinks and other beverages during the spring and summer months. Unfavorable weather conditions during these months and a resulting lack of the expected seasonal upswings in traffic and sales could have a material adverse effect on our business, financial condition and results of operations.

***A substantial portion of the workforce at our refineries is unionized, and we may face labor disruptions that would interfere with our operations.***

As of December 31, 2020, approximately 15% of our employees were represented by unions and/or covered by a collective bargaining agreement. None of our employees in our logistics segment, retail segment or in our corporate office are represented by a union. We consider our relations with our employees to be satisfactory. Although the collective bargaining agreements contain provisions to discourage strikes or work stoppages, we cannot assure that strikes or work stoppages will not occur. A strike or work stoppage could have a material adverse effect on our business, financial condition and results of operations.

***We rely on information technology in our operations, and any material failure, inadequacy, interruption, cyber-attack or security failure of that technology could harm our business.***

We rely on information technology across our operations, including the control of our refinery processes, monitoring the movement of petroleum through our pipelines and terminals, the point of sale processing at our retail sites and various other processes and transactions. We utilize information technology systems and controls throughout our operations to capture accounting, technical and regulatory data for subsequent archiving, analysis and reporting. Disruption, failure, or cyber security breaches affecting or targeting our computer and telecommunications, our infrastructure, or the infrastructure of our cloud-based IT service providers may materially impact our business and operations. An undetected failure of these systems, because of power loss, unsuccessful transition to upgraded or replacement systems, unauthorized access or other cyber breach or attack could result in disruption to our business operations, access to or disclosure or loss of data and/or proprietary information, personal injuries and environmental damage, which could have an adverse effect on our business, reputation, and effectiveness. We could also be subject to resulting investigation and remediation costs as well as regulatory enforcement of private litigation and related costs, which could have a material adverse impact on our cash flow and results of operations.

We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as payment card and personal credit information.

In addition, the systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, may put certain payment card data at risk. These standards for determining the required controls applicable to these systems are mandated by credit card issuers and administered by the Payment Card Industry Security Standards Counsel and not by us. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. We have taken the necessary steps to comply with the Payment Card Industry Data Security Standards ("PCI-DSS") at all of our locations. However, compliance with these requirements may result in cost increases due to necessary systems changes and the development of new administrative processes.

In recent years, several retailers have experienced data breaches, resulting in the exposure of sensitive customer data, including payment card information. A breach could also originate from, or compromise, our customers' and vendors' or other third-party networks outside of our control. Any compromise or breach of our information and payment technology systems could cause interruptions in our operations, damage our reputation, reduce our customers' willingness to visit our sites and conduct business with them, or expose us to litigation from customers or sanctions for violations of the PCI-DSS. In addition, a compromise of our internal data network at any of our refining or terminal locations may have disruptive impacts similar to that of our retail operations. These disruptions could range from inconvenience in accessing business information to a disruption in our refining operations.

Despite our security measures, we experience attempts by external parties to penetrate and attack our networks and systems. Although such attempts to date have not, to our knowledge, resulted in any material breaches, disruptions, or loss of business-critical information, our systems and procedures for protecting against such attacks and mitigating such risks may prove to be insufficient in the future and such attacks could have an adverse impact on our business and operations, including damage to our reputation and competitiveness, remediation costs, litigation or regulatory actions. In addition, as technologies evolve, and cyber-attacks become more sophisticated, we may incur significant costs to upgrade or enhance our security measures to protect against such attacks and we may face difficulties in fully anticipating or implementing adequate preventive measures or mitigating potential harm. We could also be liable under laws that protect the privacy of personal information, subject to regulatory penalties, experience damage to our reputation or a loss of consumer confidence, or incur additional costs for remediation and modification or enhancement of our information systems to prevent future occurrences, all of which could adversely affect our reputation, business, operations or financial results.

***If we lose any of our key personnel, our ability to manage our business and continue our growth could be negatively impacted.***

Our future performance depends to a significant degree upon the continued contributions of our senior management team and key technical personnel. We do not currently maintain key person life insurance policies for any of our senior management team. The loss or unavailability to us of any member of our senior management team or a key technical employee could significantly harm us. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. To the extent that the services of members of our senior management team and key technical personnel would be unavailable to us for any reason, we would be required to hire other personnel to manage and operate our company and to develop our products and technology. We cannot assure that we would be able to locate or employ such qualified personnel on acceptable terms or at all.

***If we are, or become, a United States real property holding corporation, special tax rules may apply to a sale, exchange or other disposition of common stock, and non-U.S. holders may be less inclined to invest in our stock, as they may be subject to United States federal income tax in certain situations.***

A non-U.S. holder of our common stock may be subject to United States federal income tax with respect to gain recognized on the sale, exchange or other disposition of our common stock if we are, or were, a "U.S. real property holding corporation" ("USRPHC") at any time during the shorter of the five-year period ending on the date of the sale or other disposition and the period such non-U.S. holder held our common stock (the shorter period referred to as the "lookback period"). In general, we would be a USRPHC if the fair market value of our "U.S. real property interests," as such term is defined for United States federal income tax purposes, equals or exceeds 50% of the sum of the fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business. The test for determining USRPHC status is applied on certain specific determination dates and is dependent upon a number of factors, some of which are beyond our control (including, for example, fluctuations in the value of our assets). If we are or become a USRPHC, so long as our common stock is regularly traded on an established securities market such as the NYSE, only a non-U.S. holder who, actually or constructively, holds or held during the lookback period more than five percent of our common stock will be subject to United States federal income tax on the disposition of our common stock.

***Loss of or reductions to tax incentives for biodiesel production may have a material adverse effect on earnings, profitability and cash flows relating to our renewable fuels facilities.***

The biodiesel industry has historically been substantially aided by federal and state tax incentives. One tax incentive program that has been significant to our renewable fuels facilities is the federal blender's tax credit. The blender's tax credit (or biodiesel tax credit) provides a \$1.00 refundable tax credit per gallon of pure biodiesel, or B100, to the first blender of biodiesel with petroleum-based diesel fuel. The blender's tax credit has expired on several occasions, only to be reinstated on a retroactive basis. The blender's tax credit was re-enacted in December 2019 for the years 2020 through 2022 and was retroactively reinstated for 2018 and 2019. See Note 4 of the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for further information regarding the extension of this tax credit.

It is uncertain what action, if any, Congress may take with respect to enacting or reinstating the blender's tax credit beyond 2022 or when such action might be effective. If Congress does not enact or reinstate the credit for future years, it may result in a material adverse effect on the earnings, profitability and cash flows relating to our renewable fuels facilities.

### ***Risks Related to Ownership of Our Common Stock***

***The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.***

The market price of our common stock may be influenced by many factors, some of which may be beyond our control, including:

- our quarterly or annual earnings, or those of other companies in our industry;
- inaccuracies in, and changes to, our previously published quarterly or annual earnings;
- changes in accounting standards, policies, guidance, interpretations or principles;
- economic conditions within our industry, as well as general economic and stock market conditions;
- the failure of securities analysts to cover our common stock, or the cessation of such coverage;
- changes in financial estimates by securities analysts and the frequency and accuracy of such reports;
- future issuance or sales of our common stock;
- announcements by us or our competitors of significant contracts or acquisitions;
- sales of common stock by our senior officers or our affiliates; and
- the other factors described in these "Risk Factors."

In recent years, the stock market in general, and the market for energy companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The trading price of Delek common stock has been volatile over the past three years. The changes often occur without any apparent regard to the operating performance of these companies, and these fluctuations could materially reduce our stock price.



***Stockholder activism may negatively impact the price of our common stock.***

Our stockholders may from time to time engage in proxy solicitations, advance stockholder proposals or otherwise attempt to effect changes or acquire control over us. Campaigns by stockholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term stockholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases or sales of assets or the entire company. Responding to proxy contests and other actions by activist stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of our Board of Directors and senior management from the pursuit of business strategies. If individuals are elected or appointed to our Board of Directors who do not agree with our strategic plans, it may adversely affect the ability of our Board of Directors to function effectively and our ability to effectively and timely implement our strategic plans and create additional value for our stockholders. As a result, stockholder campaigns could adversely affect our results of operations, financial condition and cash flows.

On January 14, 2021, we received formal notice from CVR Energy, Inc. ("CVR Energy"), the owner of approximately 15% of our outstanding common stock, of their intention to propose three director candidates at our 2021 Annual Meeting. CVR Energy also proposed, among other things, that we cease refining operations at the Krotz Springs and El Dorado refineries, stop dropping down core refining assets to Delek Logistics, sell our retail business, exit non-core supply and trading activities, and simplify our corporate structure.

Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team arising from the proposals by CVR Energy or others could lead to the perception of a change in the direction of our business or instability which may be exploited by our competitors, result in the loss of potential business opportunities, and make it more difficult to pursue our strategic initiatives or attract and retain qualified personnel and business partners, any of which could have an adverse effect, which may be material, on our business and operating results.

In addition, actions such as those described above could cause significant fluctuations in the trading prices of our common stock based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. As we continue to engage in discussions with CVR Energy, the trading price of our common stock may be subject to significant fluctuations.

Likewise, to the extent that we implement any proposals made by CVR Energy or other proposals made by any of our shareholders, the resulting changes in our business, assets, results of operations and financial condition could be material and could have an impact, which may be material, on the market price of our common stock.

As a result of the contested director election, we expect to incur significant costs during 2021.

***Future sales of shares of our common stock could depress the price of our common stock, and could result in substantial dilution to our stockholders.***

We may sell securities in the public or private equity markets, regardless of our need for capital, and even when conditions are not otherwise favorable. The market price of our common stock could decline as a result of the introduction of a large number of shares of our common stock into the market or the perception that these sales could occur. Sales of a large number of shares of our common stock, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Our stockholders will suffer dilution if we issue currently unissued shares of our stock or sell our treasury holdings in the future. Our stockholders will also suffer dilution as stock, restricted stock units, stock options, stock appreciation rights, warrants or other equity awards, whether currently outstanding or subsequently granted, are exercised.

***We depend upon our subsidiaries for cash to meet our obligations and pay any dividends.***

We are a holding company. Our subsidiaries conduct substantially all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or pay dividends to our stockholders depend upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of dividends, distributions, tax sharing payments or otherwise. Our subsidiaries' ability to make any payments will depend on many factors, including their earnings, cash flows, the terms of any applicable credit facilities, tax considerations and legal restrictions.

***We have suspended our quarterly dividend and cannot assure our shareholders when we will declare dividends in the future.***

In the fourth quarter of 2020, we suspended our quarterly dividend on our common stock in order to conserve capital in response to the impact of the COVID-19 Pandemic and related market activity. We are not obligated to declare or pay any dividend. Any future declaration, amount and payment of dividends will be at the sole discretion of our Board of Directors; however, because the impact of the COVID-19 Pandemic and related market activity is difficult to predict, we cannot provide assurance as to when our Board of Directors will declare a dividend in the future. The declaration of future dividends on our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our results of operations, financial condition, earnings, capital requirements, restrictions in our debt agreements and legal requirements. As a result, if our Board of Directors does not declare or pay dividends, a shareholder may not receive any return on an investment in our common stock unless they sell our common stock for a price greater than that which they paid for it.

***The stockholder rights plan adopted by our Board of Directors may impair an attempt to acquire control of Delek.***



On March 20, 2020, our Board of Directors adopted a stockholder rights plan and declared a dividend of one preferred share purchase right for each outstanding share of our common stock to stockholders of record on March 30, 2020. In the event that a person or group acquires beneficial ownership of 15% or more of our then-outstanding common stock, subject to certain exceptions, each right would entitle its holder (other than such person or members of such group) to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock. In addition, at any time after a person or group acquires 15% or more of our common stock (unless such person or group acquires 50% or more), the Board may exchange one share of our common stock for each outstanding right (other than rights owned by such person or group, which would have become void). Unless extended by the Board of Directors prior to expiration, the rights will expire on March 19, 2021. The stockholder rights plan could make it more difficult for a third party to acquire control of Delek or a large block of our common stock without the approval of our Board of Directors.

***Provisions of Delaware law and our organizational documents may discourage takeovers and business combinations that our stockholders may consider in their best interests, which could negatively affect our stock price.***

Provisions of Delaware law, our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws may have the effect of delaying or preventing a change in control of our company or deterring tender offers for our common stock that other stockholders may consider in their best interests. For example, our Amended and Restated Certificate of Incorporation provides that:

- stockholder actions may only be taken at annual or special meetings of stockholders;
- members of our Board of Directors can be removed with or without cause by a supermajority vote of stockholders;
- the Court of Chancery of the State of Delaware is, with certain exceptions, the exclusive forum for certain legal actions;
- our bylaws, as may be in effect from time to time, can be amended only by a supermajority vote of stockholders; and
- certain provisions of our certificate of incorporation, as may be in effect from time to time, can be amended only by a supermajority vote of stockholders.

In addition, our Amended and Restated Certificate of Incorporation authorizes us to issue up to 10,000,000 shares of preferred stock in one or more different series, with terms to be fixed by our Board of Directors. Stockholder approval is not necessary to issue preferred stock in this manner. Issuance of these shares of preferred stock could have the effect of making it more difficult and more expensive for a person or group to acquire control of us and could effectively be used as an anti-takeover device. On the date of this report, no shares of our preferred stock are outstanding.

Finally, our Amended and Restated Bylaws provide for an advance notice procedure for stockholders to nominate director candidates for election or to bring business before an annual meeting of stockholders and require that special meetings of stockholders be called only by our chairman of the Board of Directors, president or secretary after written request of a majority of our Board of Directors. The advance notice provision requires disclosure of derivative positions, hedging transactions, short interests, rights to dividends and other similar positions of any stockholder proposing a director nomination, in order to promote full disclosure of such stockholder's economic interest in us.

The anti-takeover provisions of Delaware law and provisions in our organizational documents may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

***Financial Instrument and Credit Profile Risks***

***Changes in our credit profile could affect our relationships with our suppliers, which could have a material adverse effect on our liquidity and our ability to operate our refineries at full capacity.***

Changes in our credit profile could affect the way crude oil, feedstock and refined product suppliers view our ability to make payments. As a result, suppliers could shorten the payment terms of their invoices with us, or require us to provide significant collateral to them that we do not currently provide. Due to the large dollar amounts and volume of our crude oil and other petroleum product purchases, as well as the historical volatility of crude oil pricing, any imposition by our suppliers of more burdensome payment terms, or collateral requirements, may have a material adverse effect on our liquidity and our ability to make payments to our suppliers. This, in turn, could cause us to be unable to operate our refineries at desired capacities. A failure to operate our refineries at desired capacities could adversely affect our profitability and cash flows.

***Our commodity and interest rate derivative activity may limit potential gains, increase potential losses, result in earnings volatility and involve other risks.***

At times, we enter into commodity derivative contracts to manage our price exposure to our inventory positions, future purchases of crude oil, ethanol and other feedstocks, future sales of refined products, manage our RINs exposure or to secure margins on future production. At times we also enter into interest rate swap and cap agreements to manage our market exposure to changes in interest rates related to our floating rate borrowings. We expect to continue to enter into these types of transactions from time to time and have increased our use of commodity risk management activities in recent years.

While these transactions are intended to limit our exposure to the adverse effects of fluctuations in crude oil prices, refined products prices, RIN prices and interest rates, they may also limit our ability to benefit from favorable changes in market conditions, and may subject us to period-by-period earnings volatility in the instances where we do not seek hedge accounting for these transactions. Further, depending on the volume of commodity derivative activity as compared to our actual use of crude oil, production of refined products or total RINs exposure, our risk management activity may only partially limit our exposure to market volatility. Also, in connection with such derivative transactions, we may be required to make cash payments or provide letters of credit to maintain margin accounts and to settle the contracts at their value upon termination. Finally, this activity exposes us to potential risk of counterparties to our derivative contracts failing to perform under the contracts. As a result, the effectiveness of our risk management policies could have a material adverse impact on our business, results of operations and cash flows. For additional information about the nature and volume of these transactions, see Item 7A. Quantitative and Qualitative Disclosures about Market Risk, of this Annual Report on Form 10-K.

Additionally, it continues to be a strategic and operational objective to manage supply risk related to crude oil that is used in refinery production, and to develop strategic sourcing relationships. For that purpose, we often enter into purchase and sale contracts with vendors and customers or take physical or financial commodity positions for crude oil that may not be used immediately in production, but that may be used to manage the overall supply and availability of crude expected to ultimately be needed for production and/or to meet minimum requirements under strategic pipeline arrangements, and also to optimize and hedge availability risks associated with crude that we ultimately expect to use in production. Such transactions are inherently based on certain assumptions and judgments made about the current and possible future availability of crude. Therefore, when we take physical or financial positions for optimization purposes, our intent is generally to take offsetting positions in quantities and at prices that will advance these objectives while minimizing our positional and financial statement risk. However, because of the volatility of the market in terms of pricing and availability, it is possible that we may have material positions with timing differences or, more rarely, that we are unable to cover a position with an offsetting position as intended. Also, in connection with such transactions, we may be required to make cash payments or provide letters of credit to maintain margin accounts and to settle the contracts at their value upon termination. Finally, this activity exposes us to potential risk of counterparties to our derivative contracts failing to perform under the contracts.

As a result of the risks described above, the effectiveness of our risk management policies over these types of transactions and positions could have a material adverse impact on our business, results of operations and cash flows. For additional information about the nature and volume of these transactions, see Item 7A. Quantitative and Qualitative Disclosures about Market Risk, of this Annual Report on Form 10-K and in Note 12 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

***We are exposed to certain counterparty risks which may adversely impact our results of operations.***

We evaluate the creditworthiness of each of our various counterparties, but we may not always be able to fully anticipate or detect deterioration in a counterparty's creditworthiness and overall financial condition. The deterioration of creditworthiness or overall financial condition of a material counterparty (or counterparties) could expose us to an increased risk of nonpayment or other default under our contracts with them. If a material counterparty (or counterparties) defaults on their obligations to us, this could materially adversely affect our financial condition, results of operations or cash flows. For example, under the terms of the supply and offtake agreements with J. Aron, we grant J. Aron the exclusive right to store and withdraw crude and certain products in the tanks associated with the El Dorado, Big Spring and Krotz Springs refineries. These agreements also provide that the ownership of substantially all crude oil and certain other refined products in the tanks associated with these refineries will be retained by J. Aron, and that J. Aron will purchase substantially all of the specified refined products processed at these refineries. An adverse change in J. Aron's business, results of operations, liquidity or financial condition could adversely affect its ability to timely discharge its obligations to us, which could consequently have a material adverse effect on our business, results of operations or liquidity.

***From time to time, our cash and credit needs may exceed our internally generated cash flow and available credit, and our business could be materially and adversely affected if we are not able to obtain the necessary cash or credit from financing sources.***

We have significant short-term cash needs to satisfy working capital requirements, such as crude oil purchases which fluctuate with the pricing and sourcing of crude oil. We rely in part on our access to credit to purchase crude oil for our refineries. If the price of crude oil increases significantly, we may not have sufficient available credit, and may not be able to sufficiently increase such availability, under our existing credit facilities or other arrangements, to purchase enough crude oil to operate our refineries at desired capacities. Our failure to operate our refineries at desired capacities could have a material adverse effect on our business, financial condition and results of operations. We also have significant long-term needs for cash, including any capital expenditures for growth projects, sustaining maintenance, as well as projects necessary for regulatory compliance.

Depending on the conditions in the credit markets, it may become more difficult to obtain cash or credit from third-party sources. If we cannot generate cash flow or otherwise secure sufficient liquidity to support our short-term and long-term capital requirements, we may not be able to comply with regulatory deadlines or pursue our business strategies, in which case our operations may not perform as well as we currently expect.

***Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.***

As of December 31, 2020, we had total debt of \$2,348.4 million, including current maturities of \$33.4 million. In addition to our outstanding debt, as of December 31, 2020, our letters of credit issued under our various credit facilities were \$253.2 million. Our borrowing availability under our various credit facilities as of December 31, 2020 was \$850.2 million.

Our level of debt could have important consequences for us. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to service our debt and lease obligations, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage relative to our competitors that have less indebtedness or better access to capital by, for example, limiting our ability to enter into new markets, upgrade our fixed assets or pursue acquisitions or other business opportunities;
- limit our ability to borrow additional funds in the future; and
- increase interest costs for our borrowed funds and letters of credit.

In addition, a substantial portion of our debt has a variable rate of interest, which increases our exposure to interest rate fluctuations, to the extent we elect not to hedge such exposures.

If we are unable to meet our principal and interest obligations under our debt and lease agreements, we could be forced to restructure or refinance our obligations, seek additional equity financing or sell assets, which we may not be able to do on satisfactory terms or at all. Our default on any of those agreements could have a material adverse effect on our business, financial condition and results of operations. In addition, if new debt is added to our current debt levels, the related risks that we now face could intensify.

***Our debt agreements contain operating and financial restrictions that might constrain our business and financing activities.***

The operating and financial restrictions and covenants in our credit facilities and any future financing agreements could adversely affect our ability to finance future operations or capital needs or to engage in, expand or pursue our business activities. For example, to varying degrees our credit facilities restrict our ability to:

- declare dividends and redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- make loans and investments, issue guaranties and pledge assets;
- incur additional indebtedness or amend our debt and other material agreements;
- make capital expenditures;
- engage in mergers, acquisitions and asset sales; and
- enter into certain intercompany arrangements or make certain intercompany payments, which in some instances could restrict our ability to use the assets, cash flows or earnings of one operating segment to support another operating segment or Delek.

Other restrictive covenants require that we meet certain financial covenants, including leverage coverage, fixed charge coverage and net worth tests, as described in the applicable credit agreements. In addition, the covenant requirements of our various credit agreements require us to make many subjective determinations pertaining to our compliance thereto and exercise good faith judgment in determining our compliance.

Our ability to comply with the covenants and restrictions contained in our debt instruments may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants and restrictions may be impaired. If we breach any of the restrictions or covenants in our debt agreements, a significant portion of our indebtedness may become immediately due and payable, and our lenders' commitments to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these immediate payments. In addition, our obligations under our credit facilities are secured by substantially all of our assets. If we are unable to timely repay our obligations under our credit facilities, the lenders could seek to foreclose on the assets, or we may be required to contribute additional capital to certain of our subsidiaries. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

***Fluctuations in interest rates could materially affect our financial results.***

Because a significant portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense. The use of interest rate hedges, including of the types we have employed in the past, may not be effective at mitigating this risk.

Further, the London Interbank Offered Rate ("LIBOR") and certain other interest rate "benchmarks" are the subject of recent proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, has publicly announced that it intends to discontinue the reporting of certain LIBOR rates after 2021, with a complete cessation for all USD LIBOR rates after June 2023. Certain of our agreements

use LIBOR as a “benchmark” or “reference rate” for various terms. Some agreements contain an existing LIBOR alternative. Where there is not an alternative, we expect to replace the LIBOR benchmark with an alternative reference rate. While we do not expect the transition to an alternative rate to have a significant impact on our business or operations, it is possible that the move away from LIBOR could materially impact our borrowing costs on our variable rate indebtedness.

***We may refinance a significant amount of indebtedness and otherwise require additional financing; we cannot guarantee that we will be able to obtain the necessary funds on favorable terms or at all.***

We may elect to refinance certain of our indebtedness, even if not required to do so by the terms of such indebtedness. In addition, we may need, or want, to raise additional funds for our operations. We have been, and may continue to be, engaged in discussions with certain potential financing sources, which could provide a source of additional funds and liquidity for our operations. However, our ability to obtain such financing will depend on, among other factors, prevailing market conditions at the time of the proposed financing and other factors beyond our control. There is no assurance that we will be able to obtain additional financing on terms acceptable to us, or at all.

***We recorded goodwill and other intangible assets that could become impaired and result in material non-cash charges to our results of operations in the future.***

The Delek/Alon Merger has been accounted for as an acquisition, by us, of Alon in accordance with accounting principles generally accepted in the United States. Under the acquisition method of accounting, the assets and liabilities of Alon and its subsidiaries have been recorded, as of the completion of the Delek/Alon Merger, at their respective fair values. Under the acquisition method of accounting, the total purchase price has been allocated to Alon’s tangible assets and liabilities and identifiable intangible assets based on their estimated fair values as of the date of completion of the Delek/Alon Merger. The excess of the purchase price over the estimated fair values of reporting units has been recorded as goodwill, which was further allocated to other reporting units as permitted under GAAP. To the extent the value of goodwill or intangibles becomes impaired, we may be required to incur material non-cash charges relating to such impairment. Our financial condition and operating results may be significantly impacted from both the impairment and the underlying trends in the business that triggered the impairment. We recorded goodwill impairment of \$126.0 million during the year ended December 31, 2020.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 3. LEGAL PROCEEDINGS**

In the ordinary conduct of our business, we are from time to time subject to lawsuits, investigations and claims, including, environmental claims and employee-related matters.

Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, including civil penalties or other enforcement actions, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our business, financial condition or results of operations.

SEC regulations require disclosure of proceedings arising under federal, state or local provisions regulating the discharge of materials into the environment or protecting the environment, if we reasonably believe that such proceedings may result in monetary sanctions of \$0.3 million or more. There is no such pending litigation against us requiring disclosure.

On June 19, 2017, the Arkansas Teacher Retirement System filed a lawsuit in the Delaware Court of Chancery (Arkansas Teacher Retirement System v. Alon USA Energy, Inc., et al., Case No. 2017-0453), alleging breach of fiduciary duty claims. Specifically, it alleges that Delek used its position as a purportedly controlling stockholder of Alon's to obtain buyout terms from Alon at an unfairly discounted price, and that the defendant Alon directors breached their fiduciary duties allegedly owed to the plaintiff stockholder and purported class by engaging in conduct that led to the sale of Alon shares at an unfairly discounted price. The plaintiff has asked the Delaware Chancery Court to, among other things, award damages to the plaintiff and purported class in an amount to be determined at trial, award additional shares of our common stock to the plaintiff and purported class and award the plaintiff attorneys' and experts' fees. Although we believe the plaintiff's claims are without merit, we cannot predict the outcome of or estimate the possible loss or range of loss from this litigation. The parties are currently engaged in discovery and a trial date is currently scheduled in June 2021.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



## PART II

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information and Holders**

Our common stock is traded on the New York Stock Exchange under the symbol "DK." As of February 19, 2021, there were approximately 25 common stockholders of record. This number does not include beneficial owners of our common stock whose stock is held in nominee or "street name" accounts through brokers.

**Dividends**

In the fourth quarter of 2020, we suspended our quarterly dividend on our common stock. The Board of Directors will continue to monitor the Company's liquidity and will determine whether, and if so when, it is appropriate to resume paying dividends. There can be no assurance the Company will resume paying dividends on our common stock.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table sets forth information with respect to the purchase of shares of our common stock made during the three months ended December 31, 2020 by or on behalf of us or any "affiliated purchaser," as defined by Rule 10b-18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31, 2020	—	\$ —	—	\$ 229,724,248
November 1 - November 30, 2020	—	—	—	229,724,248
December 1 - December 31, 2020	—	—	—	229,724,248
Total	—	\$ —	—	N/A

<sup>(1)</sup> On November 6, 2018, the Board of Directors authorized the repurchase of \$500.0 million of Delek common stock. This authorization has no expiration. Any share repurchases under the repurchase program may be implemented through open market transactions or in privately negotiated transactions, in accordance with applicable securities laws. The timing, price, and size of repurchases will be made at the discretion of management and will depend on prevailing market prices, general economic and market conditions and other considerations. The repurchase program does not obligate us to acquire any particular amount of stock and does not expire.

**Performance Graph**

The following Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares cumulative total returns for our stockholders to the Standard and Poor's 500 Stock Index and a market capitalization weighted peer group selected by management for the five-year period commencing December 31, 2015 and ending December 31, 2020. The graph assumes a \$100 investment made on December 31, 2015. Each of the three measures of cumulative total return assumes reinvestment of dividends. The 2020 peer group is comprised of CVR Energy, Inc. (NYSE: CVI), HollyFrontier Corporation (NYSE: HFC), Marathon Petroleum Corporation (NYSE: MPC), PBF Energy, Inc. (NYSE: PBF), Phillips 66 (NYSE: PSX), and Valero Energy Corporation (NYSE: VLO). The stock performance shown on the graph below is not necessarily indicative of future price performance.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
 Among Delek US Holdings Inc., the S&P 500 Index,  
 and a Peer Group



\*\$100 invested on 12/31/15 in stock or index, including reinvestment of dividends.  
 Fiscal year ending December 31.

**ITEM 6. RESERVED**

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. These forward-looking statements reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, among other things, statements regarding the effect, impact, potential duration or other implications of, or expectations expressed with respect to, the outbreak of COVID-19 and the actions of members of the OPEC and Russia with respect to oil production and pricing, and statements regarding our efforts and plans in response to such events, the information concerning our planned capital expenditures by segment for 2021, possible future results of operations, business and growth strategies, financing plans, expectations that regulatory developments or other matters will or will not have a material adverse effect on our business or financial condition, our competitive position and the effects of competition, the projected growth of the industry in which we operate, and the benefits and synergies to be obtained from our completed and any future acquisitions, statements of management's goals and objectives, and other similar expressions concerning matters that are not historical facts. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "appears," "projects" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Important factors that, individually or in the aggregate, could cause such differences include, but are not limited to:

- volatility in our refining margins or fuel gross profit as a result of changes in the prices of crude oil, other feedstocks and refined petroleum products and the impact of the COVID-19 Pandemic on such demand;
- reliability of our operating assets;
- actions of our competitors and customers;
- changes in, or the failure to comply with, the extensive government regulations applicable to our industry segments, including current and future restrictions on commercial and economic activities in response to the COVID-19 Pandemic;
- our ability to execute our strategy of growth through acquisitions and capital projects and changes in the expected value of and benefits derived therefrom, including any inability to successfully integrate acquisitions, realize expected synergies or achieve operational efficiency and effectiveness;
- diminishment in value of long-lived assets may result in an impairment in the carrying value of the assets on our balance sheet and a resultant loss recognized in the statement of operations;
- the unprecedented market environment and economic effects of the COVID-19 Pandemic, including uncertainty regarding the timing, pace and extent of economic recovery in the United States due to the COVID-19 Pandemic;
- general economic and business conditions affecting the southern, southwestern and western United States, particularly levels of spending related to travel and tourism and the ongoing and future impacts of the COVID-19 Pandemic;
- volatility under our derivative instruments;
- deterioration of creditworthiness or overall financial condition of a material counterparty (or counterparties);
- unanticipated increases in cost or scope of, or significant delays in the completion of, our capital improvement and periodic turnaround projects;
- risks and uncertainties with respect to the quantities and costs of refined petroleum products supplied to our pipelines and/or held in our terminals;
- operating hazards, natural disasters, casualty losses and other matters beyond our control;
- increases in our debt levels or costs;
- possibility of accelerated repayment on a portion of the J. Aron supply and offtake liability if the purchase price adjustment feature triggers a change on the re-pricing dates;
- changes in our ability to continue to access the credit markets;
- compliance, or failure to comply, with restrictive and financial covenants in our various debt agreements;
- the suspension of our quarterly dividend;
- seasonality;
- acts of terrorism (including cyber-terrorism) aimed at either our facilities or other facilities that could impair our ability to produce or transport refined products or receive feedstocks;
- future decisions by OPEC+ members regarding production and pricing and disputes between OPEC+ members regarding such;
- disruption, failure, or cybersecurity breaches affecting or targeting our IT systems and controls, our infrastructure, or the infrastructure of our cloud-based IT service providers;
- changes in the cost or availability of transportation for feedstocks and refined products; and
- other factors discussed under Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and in our other filings with the SEC.

In light of these risks, uncertainties and assumptions, our actual results of operations and execution of our business strategy could differ materially from those expressed in, or implied by, the forward-looking statements, and you should not place undue reliance upon them. In addition, past financial and/or operating performance is not necessarily a reliable indicator of future performance, and you should not use our

historical performance to anticipate future results or period trends. We can give no assurances that any of the events anticipated by any forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise.

## ***Executive Summary and Strategic Overview***

### ***Business Overview***

We are an integrated downstream energy business focused on petroleum refining, the transportation, storage and wholesale distribution of crude oil, intermediate and refined products and convenience store retailing.

#### ***Business and Economic Environment***

The outbreak of the COVID-19 Pandemic has resulted in significant economic disruption globally, including in the U.S. and specific geographic areas where we operate. Actions taken by various governmental authorities, individuals and companies around the world to prevent the spread of COVID-19 through both voluntary and mandated social distancing, curfews, shutdowns and expanded safety measures have restricted travel, many business operations, public gatherings and the overall level of individual movement and in-person interaction across the globe. This has in turn significantly reduced global economic activity which has had a significant impact on the nature and extent of travel. The COVID-19 Pandemic has had a devastating impact on the airline industry, dramatically reducing the number of domestic flights and, due to foreign travel bans and immigration restrictions abroad as well as traveler concerns over exposure, virtually eliminating international travel originating from the U.S. to many parts of the world. Additionally, the COVID-19 Pandemic has had a significant negative impact on motor vehicle use. As a result, there has also been a decline in the demand for, and thus also the market prices of, crude oil and certain of our products, particularly our refined petroleum products and most notably gasoline and jet fuel. In April and June 2020, agreements were reached to cut oil production between the members of OPEC+ as part of the efforts to resolve the oil production disputes that significantly affected crude oil prices beginning in the first quarter of 2020 (the "OPEC Production Disputes"), and to provide stability in the oil markets. While OPEC+ have reached an agreement to cut oil production, the uncertainty about the duration of the COVID-19 Pandemic has caused storage constraints in the U.S. resulting from over-supply of produced oil. Based on these conditions and events, downward pressure on commodity prices, crack spreads and demand remains a significant risk and could continue for the foreseeable future.

During the latter part of 2020, governmental authorities in various states across the U.S., particularly those in our Permian Basin and U.S. Gulf Coast regions, began to lift many of the restrictions created by actions taken to slow down the spread of COVID-19. Additionally, during the fourth quarter 2020, the availability of multiple viable vaccines was announced and since have begun distribution. These actions have resulted in an increase in the level of individual movement and travel and, in turn, an increase in the demand for some of our products relative to earlier in the year, as well as an improvement in the forward curve and pricing outlooks for crude oil prices and crack spreads. These improvements have likewise led to improvement in the equity market capitalization of public companies in the midstream and downstream oil and gas sectors. However, many of the states where such restrictions were lifted also experienced a marked increase in the spread of COVID-19 and many governmental authorities in such areas have responded by reimposing certain restrictions they had previously lifted. This response, as well as the increased infection rates, impacts regions that we serve and could significantly impact demand in ways that we cannot predict. Additionally, increased infection rates could impact our refining, logistics and retail operations, particularly in high-infection states, if our employees are personally affected by the illness, both through direct infection and quarantine procedures.

#### ***Identified Uncertainties Impacting Delek***

During the year ended December 31, 2020, Delek experienced the impact on demand and pricing of these unprecedented conditions, most notably in our refining segment. Our business and our 2020 results reflect the impact of decreased demand combined with decreased crack spreads. We also experienced operational constraints, including COVID-19 infections at certain of our company locations that resulted in re-imposed or expanded remote work policies and quarantine protocols. And we continue to face risk from our suppliers and customers who are being affected by similar challenges.

We have identified the following known uncertainties resulting from the ongoing COVID-19 Pandemic:

- Significant declines and/or volatility in prices of refined products we sell and the feedstocks we purchase as well as in crack spreads resulting from the COVID-19 Pandemic could have a significant impact on our revenues, cost of sales, operating income and liquidity;
- A decline in the market prices of refined products and feedstocks below the carrying value in our inventory may result in the adjustment of the value of our inventories to the lower market price and a corresponding loss on the value of our inventories;
- The decline in demand for refined product could significantly impact the demand for throughput at our refineries, unfavorably impacting operating results at our refineries, and could impact the demand for storage, which could impact our logistics segment;
- The decline in demand and margins impacting current results and forecasts could result in impairments in certain of our long-lived or indefinite-lived assets, including goodwill, or have other financial statement impacts that cannot currently be anticipated (See further discussion in Note 2 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K);

- A significant reduction or suspension in U.S. crude oil production could adversely affect our suppliers and sources of crude oil;
- An outbreak in one of our refineries, exacerbated by a limited pool of qualified replacements as well as quarantine protocols, could cause significant disruption in our production or, worst case, temporary idling of the facility;
- The restrictions on travel and requirements for social distancing could significantly impact the traffic at our convenience stores, particularly the demand for fuel;
- Customers of the refining segment as well as third-party customers of the logistics segment may experience financial difficulties which could interrupt the volumes ordered by those customers and/or could impact the credit worthiness of such customers and the collectability of their outstanding receivables;
- The impact of COVID-19 or protocols implemented in response to COVID-19 by key or specialty suppliers may negatively affect our ability to obtain specialty equipment or services when needed;
- Equity method investees may be significantly impacted by the COVID-19 Pandemic which may increase the risk of impairment of those investments;
- Access to capital markets may be significantly impacted by the volatility and uncertainty in the oil and gas market specifically which could restrict our ability to raise funds; while our current liquidity needs are managed by existing facilities, sources of future liquidity needs may be impacted by the volatility in the debt market and the availability and pricing of such funds as a result of the COVID-19 Pandemic; and
- The U.S. Federal Government has enacted certain stimulus and relief measures, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") passed on March 27, 2020, and is continuing to consider additional relief legislation. Beyond the direct impact of existing legislation on Delek in the current period, the extent to which the provisions of the existing or any future legislation will achieve its intention to stimulate or provide relief to the greater U.S. economy and/or consumer, as well as the impact and success of such efforts, remains unknown.

Other uncertainties related to the impact of the COVID-19 Pandemic as well as global geopolitical factors may exist that have not been identified or that are not specifically listed above, and could impact our future results of operations and financial position, the nature of which and the extent to which are currently unknown. Actions taken by OPEC+ in April and June 2020, including the agreement for management of crude oil supply in the hopes of contributing to market stabilization (the "Oil Production Cuts"), as well as the U.S. Federal Government's passage and/or enactment of additional stimulus and relief measures, as well as their future actions may impact the extent to which the risk underlying these uncertainties are realized. To the extent these uncertainties have been identified and are believed to have an impact on our current period results of operations or financial position based on the requirements for assessing such financial statement impact under U.S. GAAP, we have considered them in the preparation of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

#### ***Delek's Response to the Continuing Impact of the Pandemic and the Identified Uncertainties***

In addition, management continues to actively respond to the continuing impact of the COVID-19 Pandemic on our business. Such efforts include (but are not limited to) the following:

- Reviewing planned production throughputs at our refineries and planning for optimization of operations;
- Coordinating planned maintenance or turnaround activities with possible downtime as a result of possible reductions in throughputs;
- Searching for additional storage capacity if needed to store potential builds in crude oil or refined product inventories;
- Finding additional suppliers for key or specialty items or securing inventory or priority status with existing vendors;
- Reducing planned capital expenditures as compared to pre-Pandemic levels;
- Suspending the share repurchase program and dividend distributions until our internal parameters are met for resuming such activities;
- Taking advantage of the income and payroll tax relief afforded to us by the CARES Act or other Pandemic relief legislation;
- Implementing regular site cleaning and disinfecting procedures;
- Adopting remote working where possible, and mandating masks and social distancing protocols where on-site operations are required;
- Identifying alternative financing solutions to enhance our access to sources of liquidity; and
- Enacting cost reduction measures across the organization, including reducing contract services, reducing overtime and other employee related costs, workforce reduction and reducing or eliminating non-critical travel.

The most significant of these efforts to date as well as specifically identified measures that are anticipated in the near term, in terms of realized or anticipated impact on our financial results, include the following:



- For the year ended December 31, 2020 pursuant to the provisions of the CARES Act, we recognized \$16.8 million of current federal income tax benefit attributable to anticipated tax refunds from net operating loss carryback to prior 35% tax rate years, and deferred \$10.9 million of payroll tax payments which will be payable in equal installments in December 2021 and December 2022. Additionally, we recorded an income tax receivable totaling \$156.2 million as of December 31, 2020 related to the net operating loss carryback, which we expect to collect \$135.6 million in the first half of 2021 and the remaining balance within eighteen months.
- Beginning in the second quarter 2020, we made significant efforts to reduce our capital spending, particularly on growth and non-critical sustaining maintenance projects. As a result, we spent \$239.6 million in capital expenditures (as discussed further in the "Capital Spending" section of the "Liquidity and Capital Resources" section of Item 7. Management's Discussion and Analysis) during the year ended December 31, 2020 compared to our initial full-year forecast included in our December 31, 2019 Annual Report on Form 10-K of \$325.7 million. See the "Liquidity and Capital Resources" section of Item 7. Management's Discussion and Analysis for further information.
- In light of the weak macro-economic environment, we elected to pull forward turnaround work into the fourth quarter of 2020 on certain units at the Krotz Springs refinery that is being conducted on a straight-time basis. This allowed us to continue running the more profitable units of the refinery and should help improve economics toward a break-even level. After this work is complete in the first quarter of 2021 and depending on market conditions, we have the flexibility to optimize operations at Krotz Springs by operating only the units that are producing favorable margins, thereby reducing unnecessary operating expenses, or moving back to full utilization at the facility, should the macro-economic environment and margins improve.
- Additionally, we have developed a cost savings plan for 2021 designed to significantly reduce operating expenses and general and administrative expenses. The majority of the expected operating expenses reduction is attributable to the temporary unit optimization at the Krotz Spring refinery, while other efforts such as targeted budgeting around outside contractor expenses and deferral of certain non-critical, non-capitalizable maintenance activities are also expected to have a favorable impact. Furthermore, both operating and general and administrative expenses have been and will continue to be favorably impacted by a cumulative reduction in workforce, the first of which began in the second quarter 2020 and was completed in the fourth quarter. Reductions in workforce are made possible in large part by significant efforts to improve process efficiency and leverage technology where cost-effective. For the year ended December 31, 2020, we have incurred incremental severance costs of \$8.5 million related to these workforce reductions.
- Finally, we elected to suspend dividends beginning in the fourth quarter 2020 in order to conserve capital. We expect this will help us maintain our liquidity and manage our cost of capital during periods impacted by the Pandemic, and we also believe it will provide us with flexibility to pursue opportunities to provide value to investors with respect to our stock price, which we believe is undervalued.

The combination of these efforts are expected to have a favorable impact on cash flows in 2021 as well as our operations process effectiveness, which will improve our liquidity positioning and operational flexibility and response in anticipation of the continued economic impacts of the COVID-19 Pandemic. See the "Liquidity and Capital Resources" section of Item 7. Management's Discussion and Analysis of this Annual Report on Form 10-K for further information.

The extent to which our future results are affected by the COVID-19 Pandemic will depend on various factors and consequences beyond our control, such as the duration and scope of the Pandemic; additional actions by businesses and governments in response to the Pandemic, and the speed and effectiveness of responses to combat the virus and any new variants. The COVID-19 Pandemic, and the volatile regional and global economic conditions stemming from the Pandemic, could also exacerbate the risk factors identified in the "Risk Factors" section located in Item 1A. of this Annual Report on Form 10-K. The COVID-19 Pandemic may also materially adversely affect our results in a manner that is either not currently known or that we do not currently consider to be a significant risk to our business.

### **Significant Subsequent Events**

During February 2021, the Company experienced a severe weather event at the Tyler, El Dorado and Krotz Springs refineries, resulting in units being temporarily shut down and damages to parts of the facilities due to extreme freezing conditions. The Company is currently determining the financial impact of the event and expects to incur certain recovery costs and repair costs. Additionally, the severe weather conditions and the resultant industry downtime have caused energy prices to rise in certain regions where we operate, which are expected to result in additional operating expenses for the refineries impacted until such time that supply is restored and energy prices stabilize. As a result of this event and the related outages at our El Dorado refinery, we expect to accelerate certain of our planned turnaround activities to coincide with repairs of any damaged units, therefore optimizing and limiting our downtime.

On February 27, 2021, our El Dorado refinery experienced a fire in its Penex unit, in which six Delek employees were injured. Our on-site emergency response team, with the assistance of the El Dorado Fire Department, extinguished the fire, and we immediately began to monitor the air quality within the refinery and the community and have detected no adverse impacts as of the date of this Annual Report on Form 10-K. Our most critical focus, however, is on the safety of our employees, contractors and neighbors. While all of our facilities have rigorous, well-documented safety controls, a full investigation will be launched as soon as possible, consistent with our dedication to Safety as a Core Value.

The facility was in the process of undergoing turnaround activity, so there are no operational disruptions as a result of the fire. Although we are in the preliminary stages of assessing the extent of damages, we do not believe that this incident will have a material adverse effect on our results of operations.

**Refining Overview**

The refining segment (or "Refining") processes crude oil and other feedstocks for the manufacture of transportation motor fuels, including various grades of gasoline, diesel fuel, aviation fuel, asphalt and other petroleum-based products that are distributed through owned and third-party product terminals. The refining segment has a combined nameplate capacity of 302,000 bpd as of December 31, 2020. A high-level summary of the refinery activities is presented below:

	Tyler Refinery	El Dorado Refinery	Big Spring Refinery	Krotz Springs Refinery
Total Nameplate Capacity (barrels per day ("bpd"))	75,000	80,000	73,000	74,000
Primary Products	Gasoline, jet fuel, ultra-low-sulfur diesel, liquefied petroleum gases, propylene, petroleum coke and sulfur	Gasoline, ultra-low-sulfur diesel, liquefied petroleum gases, propylene, asphalt and sulfur	Gasoline, jet fuel, ultra-low-sulfur diesel, liquefied petroleum gases, propylene, aromatics and sulfur	Gasoline, jet fuel, high-sulfur diesel, light cycle oil, liquefied petroleum gases, propylene and ammonium thiosulfate
Relevant Crack Spread Benchmark	Gulf Coast 5-3-2	Gulf Coast 5-3-2 <sup>(1)</sup>	Gulf Coast 3-2-1 <sup>(2)</sup>	Gulf Coast 2-1-1 <sup>(3)</sup>
Marketing and Distribution	The refining segment's petroleum-based products are marketed primarily in the south central, southwestern and western regions of the United States, and the refining segment also ships and sells gasoline into wholesale markets in the southern and eastern United States. Motor fuels are sold under the Alon or Delek brand through various terminals to supply Alon or Delek branded retail sites. In addition, we sell motor fuels through our wholesale distribution network on an unbranded basis.			

<sup>(1)</sup> While there is variability in the crude slate and the product output at the El Dorado refinery, we compare our per barrel refined product margin to the U.S. Gulf Coast 5-3-2 crack spread because we believe it to be the most closely aligned benchmark.

<sup>(2)</sup> Our Big Spring refinery is capable of processing substantial volumes of sour crude oil, which has historically cost less than intermediate, and/or substantial volumes of sweet crude oil, and therefore the WTI Cushing/WTS price differential, taking into account differences in production yield, is an important measure for helping us make strategic, market-responsive production decisions.

<sup>(3)</sup> The Krotz Springs refinery has the capability to process substantial volumes of light sweet crude oil to produce a high percentage of refined light products.

Our refining segment also owns and operates three biodiesel facilities involved in the production of biodiesel fuels and related activities, located in Crossett, Arkansas, Cleburne, Texas, and New Albany, Mississippi.

**Logistics Overview**

Our logistics segment (or "Logistics") gathers, transports and stores crude oil and markets, distributes, transports and stores refined products in select regions of the southeastern United States and West Texas for our refining segment and third parties. It is comprised of the consolidated balance sheet and results of operations of Delek Logistics (NYSE: DKL), where we owned an 80.0% interest at December 31, 2020. Delek Logistics was formed by Delek in 2012 to own, operate, acquire and construct crude oil and refined products logistics and marketing assets, and a substantial majority of its assets are currently integral to our refining and marketing operations. Logistics' pipelines and transportation business owns or leases capacity on approximately 400 miles of crude oil transportation pipelines, approximately 450 miles of refined product pipelines, and approximately 900-mile crude oil gathering system and associated crude oil storage tanks with an aggregate of approximately 10.2 million barrels of active shell capacity. It also owns and operates nine light product terminals and markets light products using third-party terminals. Logistics has strategic investments in pipeline joint ventures that provide access to pipeline capacity as well as the potential for earnings from joint venture operations. On March 31, 2020, Logistics acquired from another of our segments approximately 200 miles of gathering and ancillary assets located in Howard, Borden and Martin Counties, Texas. In May 2020, Logistics acquired from another of our segments certain leased and owned tractors and trailers and related assets, and subsequently owns or leases approximately 264 tractors and 353 trailers used to haul primarily crude oil and other products for related and third parties.

**Retail Overview**

Our retail segment (or "Retail") at December 31, 2020 includes the operations of 253 owned and leased convenience store sites located primarily in Central and West Texas and New Mexico. Our convenience stores typically offer various grades of gasoline and diesel under the DK or Alon brand name and food products, food service, tobacco products, non-alcoholic and alcoholic beverages, general merchandise as well as money orders to the public, primarily under the 7-Eleven and DK or Alon brand names pursuant to a license agreement with 7-Eleven, Inc. In November 2018, we terminated the license agreement with 7-Eleven, Inc. and the terms of such termination and subsequent amendment require the removal of all 7-Eleven branding on a store-by-store basis by December 31, 2023. Merchandise sales at our convenience store sites will continue to be sold under the 7-Eleven brand name until 7-Eleven branding is removed pursuant to the termination. As of December 31, 2020, we have removed the 7-Eleven brand name at 57 of our store locations. Substantially all of the motor fuel sold through our retail segment is supplied by our Big Spring refinery, which is transferred to the retail segment at prices substantially determined by reference to published commodity pricing information. In connection with our Retail strategic initiatives, we closed or sold 46 under-performing or non-strategic store locations since the fourth quarter of 2018.

**Corporate and Other Overview**

Our corporate activities, results of certain immaterial operating segments, discontinued operations, our recently commenced wholesale crude operations, and intercompany eliminations are reported in 'corporate, other and eliminations' in our segment disclosures.

## Strategic Overview

The Company's overall strategy is to take a disciplined approach that looks to balance returning cash to our shareholders and prudently investing in the business to support safe and reliable operations, while exploring opportunities for growth. Our goal has been to balance the different aspects of this program based on evaluations of each opportunity and how it matches our strategic priorities for the company, while factoring in market conditions and expected cash flows.

In 2019, Delek's leadership team built a Five-Year Strategic Framework to facilitate development of the Company's strategies and initiatives. This framework lays out the Company's overarching objectives for a five-year period and provides the foundation for our Core Strategic Focus Areas, our Strategic Initiatives, and ultimately our Annual Strategic Priorities, as follows:



### Five-Year Strategic Framework

Our Five-Year Strategic Framework consisted of the following overarching objectives:

- I. **Become nationally recognized for safety and wellness leadership.**
- II. **Maximize return on assets through best-in-industry reliability and integrity.**
- III. **Improve efficiency and execution through development of systems and processes.**
- IV. **Identify and manage risks to improve decision-making and increase profitability.**
- V. **Significantly increase overall earnings.**

These overarching objectives are supported by strategic focus areas, which inform the priorities of each segment's initiatives, while our overall strategy has been and continues to be to take a disciplined approach that looks to balance returning cash to our shareholders and prudently investing in the business to support safe and reliable operations, while exploring opportunities for growth.

### Core Strategic Focus Areas

Our strategic focus areas and plans must balance the different aspects of our Five-Year Strategic Framework based on evaluations of each opportunity and how it matches our strategic goals for the company, while factoring in market conditions and expected cash generation. Recognizing the significance of the economic impact of the COVID-19 Pandemic (and, earlier in the year, the OPEC Production Disputes), we re-calibrated our 2020 strategy to ensure we were identifying the significant uncertainties arising from and related to the Pandemic in order to be responsive and proactive regarding the risks that those uncertainties created (as discussed above). That said, our modified 2020 strategy as well as our 2021 strategy are still centered around the following strategic focus areas:

- I. **Safety and wellness.**
- II. **Reliability and integrity.**
- III. **Systems and processes.**
- IV. **Risk-based decision making.**
- V. **Positioning for growth.**

We believe that these Core Strategic Focus Areas are just as relevant in the Pandemic environment as they are in more stable economic conditions, and are representative of our desire to maximize the opportunities both within and external to the organization in a way that is innovative and forward-thinking while simultaneously managing risk and incorporating some of the strategies that have been essential to our story so far and are part of who we are as a company.

### Strategic Initiatives

Building on the Five-Year Strategic Framework and the Core Strategic Focus Areas, we developed the following Strategic Initiatives:



### 2020 Strategic Priorities - A Look Back

All of the elements above are a critical evolution to how we determine our strategic priorities for a particular year, under normal conditions. There were many unforeseen external factors impacting our operations and the economic environment during 2020, but we took that as a challenge rather than a derailment, and we used it as an opportunity to evaluate the fundamentals of our strategy. What we found is that the unforeseen events and conditions arising as a result of the Pandemic reinforced the importance of our Framework and our Focus Areas, and validated the relevancy of not only our Initiatives, but also of our previously identified 2020 Strategic Priorities. These Strategic Priorities are outlined below.

### 2020 Strategic Priorities

- **Maintain and continue to enhance our safe operations and commitment to responsible corporate citizenship.** A central focus is to enhance the safety across our organization. It is a core value at Delek and we work day-to-day to ingrain this into our culture. The organization is focused on Environment/Health/Safety, Employee Engagement, Community Commitment and Ethics/Governance in an effort to have safe and compliant operations for the benefit of our employees, communities, customers and shareholders.
  - Our successes in this area included continued focus on safety across our organization, as well as the completion of our first ever Sustainability Report, and improving our performance and executing on our plans for environmental, social and governance responsibility (or "ESG") continues to be a priority for us.
- **Broaden our winning culture.** As a growing organization, we want to develop a culture that can support its success. Our core values: Safety, Integrity, Maximize Value, Passion for Winning & Excellence, Growth Oriented and Commitment are guiding factors in the way we do business. We are committed to investing in our people to expand our knowledge base through training, systems and processes with a goal to retain the ability to act quickly as we grow.
  - We had significant constraints on costs and investment during 2020 as a result of the Pandemic, and even a workforce reduction. But that is when we really saw the returns from our investments in getting the right people, who in turn have been creating and improving our processes and helping us lay the groundwork for system upgrades that will be key to our continued growth and success. The success of these efforts to date was particularly evident this year in terms of how we have managed our business and our risk in the COVID-19 Pandemic economic environment.
- **Enhance our integrated platform.** Our integrated platform allows us to purchase a barrel of crude oil at the wellhead, transport crude oil to our refineries to produce finished products then transport it to our retail network or third parties. Enhancing this platform we believe will maximize our return on investments and opportunities for growth.

- In 2020, projects such as the dropdown of gathering and trucking assets to Logistics, our involvement and investment in the expansion of Logistics and other pipeline joint venture systems, and the development of wholesale crude sales channels for excess gathered barrels, are all examples of the continuous effort to enhance our existing platform.
- **Diversify our business model through growth in our midstream operations.** We executed initiatives in 2019 to develop our midstream operations through construction of the Big Spring Gathering System, entering into joint ventures for the Red River and Wink to Webster pipelines, with the intention to use our cash flow and strong balance sheet to diversify our earnings mix by increasing the size of our more stable midstream business.
  - We saw continued growth in our midstream operations with strategic dropdowns of the Big Spring Gathering System and trucking assets to Delek Logistics and expansions of the pipeline capacity under Logistics' Red River joint venture investment, both of which provided immediate accretive value when we executed the IDR Simplification, as well as long term accretive value through our investment in Delek Logistics.
- **Maximize operational efficiencies.** This extends to all aspects of the organization. From back office processes and systems to the operating assets in refining, logistics and retail. By safely maximizing our efficiencies, reliability and asset integrity, we should enhance our competitiveness and free cash flow generation potential. In a commodity based environment that changes quickly, we are consistently focused on executing on factors that are within our control.
  - In light of the Pandemic and the resulting decline in commodity prices and crack spreads, we quickly shifted our focus away from capital growth projects in the early part of 2020. This provided us with the opportunity to focus our team's considerable efforts and talent on process improvement initiatives, cost control measures, and opportunities for innovation. As a result, we have implemented new technologies, processes and other changes that are already having a positive effect on safety (e.g., we now have more structured safety protocols), our costs (e.g., operating expenses significantly declined in 2020 compared to the prior year), and our operational effectiveness (e.g., our cost and contractor management process and system improvements are positively impacting our ability to monitor and manage our capital spend).
- **Create organizational scalability to support growth.** A challenge of a growing company is that sometimes it comes in large steps, which can stretch an organization. We are focused on developing our systems and processes, improving efficiencies and retaining knowledge within the organization to create a structure that is scalable as we grow in the future.
  - As referenced above, we have implemented new technologies, processes and other changes that we believe are already having a positive effect on safety, our costs, and our operational effectiveness. These represent fundamental cultural changes that we expect will position us well to implement other planned process and system improvements in the near term, and better position us for scalable growth.
- **Use our financial flexibility and cash flow to create shareholder value.** Delek is focused on managing the cash flow of our business to support a capital allocation program that includes: 1) returning cash to shareholders through dividends and share repurchases, 2) applying a disciplined approach to investing in our business and 3) growing through acquisitions all of which combine to serve our overarching goal of increasing long-term value for our shareholders, while also actively managing cash flow and financial risk during periods of negative economic pressure.
  - Even during this unprecedented year, we have achieved successes in this area, both in terms of strategic transactions that enhance shareholder value and in terms of managing our cash flow and financial risk so that we are protecting our shareholders' investments in Delek as best we can. See the section below, as well as the "Liquidity and Capital Resources" section of Item 7. Management's Discussion and Analysis of this Annual Report on Form 10-K for further information.

The following section highlights some of the specific significant developments and successes realized during 2020.

### ***2020 Significant Developments***

With these objectives and priorities serving as our guiding principles, and applying the short-term measures to mitigate the impact of the COVID-19 Pandemic and the OPEC Production Disputes described in the 'Business Overview' above, we are pleased to report that we have achieved the following successes during 2020:

#### ***Transactions designed to maximize return on assets and shareholder value***

##### ***Investment in Midstream Ventures***

In July 2019, we acquired a 15% ownership interest in Wink to Webster Pipeline LLC (the "WWP Joint Venture"), which we subsequently contributed to a non-recourse financing joint venture with MPLX (who likewise contributed their 15% interest in the WWP Joint Venture) as collateral for and in service of the related project financing (the "WWP Project Financing JV") effective February 21, 2020, in exchange for a 50% interest in the WWP Project Financing JV. The WWP Joint Venture is constructing and will operate a crude oil pipeline system from Wink, Texas to Webster, Texas along with certain pipelines from Webster, Texas to other destinations in the Texas Gulf Coast area that are expected to span approximately 650 miles at completion. Construction of the crude oil pipeline system remains on schedule, and the main segment of the pipeline system commenced operations in the fourth quarter of 2020, with additional segments expected to be placed in service throughout 2021. It is anticipated that capital contributions required of the 15% ownership interest we contributed to the WWP Project



Financing JV will total approximately \$340 million to \$380 million over the course of construction, the majority of which will be financed under the nonrecourse financing facility of the WWP Project Financing JV. Distributions received from the WWP Joint Venture through the WWP Project Financing JV will first be applied in service of the related project financing debt, with excess distributions being made to the members of the WWP Project Financing JV. The obligations of the members under the WWP Project Financing JV HoldCo LLC Agreement are guaranteed by the parents of the members of the WWP Project Financing JV. See further discussion in Note 7 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

#### ***Transactions with Delek Logistics***

Effective August 13, 2020, Delek Logistics completed a restructuring transaction to eliminate the incentive distribution rights held by us and convert the 2.0% economic general partner interest into a non-economic general partner interest, in exchange for total consideration consisting of \$45.0 million in cash and 14.0 million newly issued common limited partner units (as previously defined, the "IDR Simplification"). Contemporaneously, we repurchased a 5.2% ownership interest in Delek Logistics GP, LLC, the general partner of Delek Logistics from certain of our affiliates, who are also members of the general partner's management and board of directors, for \$23.1 million in cash. Subsequent to these transactions, we owned 34,745,868 common limited partner units, increasing our ownership to 80.0% of the outstanding common units, and 100% of the outstanding interest in the general partner.

Effective May 1, 2020, Delek through its wholly owned subsidiaries Lion Oil Company ("Lion Oil") and Delek Refining, Ltd. ("Delek Refining") contributed certain leased and owned tractors and trailers and related assets used in the provision of trucking and transportation services for crude oil, petroleum and certain other products throughout Arkansas, Oklahoma and Texas to Delek Trucking, LLC ("Delek Trucking"), a direct wholly owned subsidiary of Lion Oil. Following this contribution, Lion Oil sold all of the issued and outstanding membership interests in Delek Trucking (the "Acquisition") to DKL Transportation, LLC ("DKL Transportation"), a wholly owned subsidiary of Delek Logistics. Promptly following the consummation of the Acquisition, Delek Trucking merged with and into DKL Transportation, with DKL Transportation continuing as the surviving entity. Total consideration for the Acquisition was approximately \$48.0 million in cash, subject to certain post-closing adjustments, primarily financed with borrowings under Delek Logistics' revolving credit facility.

Effective March 31, 2020, Delek Logistics, through its wholly-owned subsidiary DKL Permian Gathering, LLC, acquired the Big Spring Gathering System, located in Howard, Borden and Martin Counties, Texas, from Delek. Delek Logistics will operate and maintain the Big Spring Gathering System connecting our interests in and to certain crude oil production with the Delek Logistics' Big Spring, Texas terminal and provide gathering, transportation and other related services. The total consideration was comprised of \$100.0 million in cash and 5.0 million common limited partner units in Delek Logistics. The cash component of this dropdown was financed with borrowings on the Delek Logistics Credit Facility (as defined in Note 8 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K).

Finally, in March 2020, we purchased 451,822 common limited partner units in Delek Logistics from a public investor for approximately \$5.0 million. See further discussion in Note 6 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

#### ***Sale of Bakersfield Non-Operating Refinery***

On May 7, 2020, we sold our equity interests in Alon Bakersfield Property, Inc., an indirect wholly-owned subsidiary that owns our non-operating refinery located in Bakersfield, California, to a subsidiary of Global Clean Energy Holdings, Inc. ("GCE") for total cash consideration of \$40.0 million. GCE intends to repurpose the refinery into a renewable diesel plant. As part of the transaction, GCE granted a call option to Delek to acquire up to a 33 1/3% limited member interest in the acquiring subsidiary of GCE for \$400 per unit (up to \$13.3 million), subject to certain adjustments. Such option is exercisable by Delek through the 90th day after GCE demonstrates commercial operations, as contractually defined. See further discussion in Note 4 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

### ***Transactions designed to minimize the cost of capital/manage financial risk exposures***

#### ***Amendment and Restated Supply and Offtake Agreements***

In April 2020, we amended and restated our three Supply and Offtake Agreements to amend and extend the terms to December 30, 2022, with J. Aron having the sole discretion to further extend to May 30, 2025 by providing at least six months notice prior to the current maturity date. As part of this amendment, there were changes to the underlying market index, annual fee, the crude purchase fee, crude roll fees and timing of cash settlements related to periodic price adjustments on the fixed differential component of the Baseline Volume Step-Out Liabilities. The amendments provide us dedicated financing for the inventory covered through at least December 2022, and certain specific market-indexed provisions improve our ability to manage our exposure to commodity price volatility during the term of the agreements. See further discussion in Note 10 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

#### ***2020 Amendment to the Term Loan Credit Facility***

On May 19, 2020, we amended the Term Loan Credit Facility agreement (as defined in Note 11 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K) and borrowed \$200.0 million in aggregate principal amount of incremental term loans (the "Third Incremental Term Loan") at an original issue discount of 7.00%, requiring

quarterly principal amortization payments of \$0.5 million commencing on June 30, 2020. There are no restrictions on the Company's use of the proceeds of the Third Incremental Term Loan, and the proceeds may be used (i) for general corporate purposes and (ii) to pay transaction fees and expenses associated with the Third Incremental Term Loan. See further discussion in Note 11 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

### *Dividend Suspension*

On November 5, 2020, we announced that we have elected to suspend dividends beginning in the fourth quarter of 2020 in order to conserve capital. Our previous quarterly cash dividend amounts ranged between \$0.27 to \$0.30 per share for dividends paid throughout 2019 and was \$0.31 per share for the dividends paid during each of the previous three quarterly periods of 2020. The declaration, amount and payment of any future dividends on our common stock will be at the sole discretion of our Board of Directors.

### *Share Repurchases*

During the year ended December 31, 2020, Delek repurchased 58,713 shares for an aggregate purchase price of \$1.9 million under the most recent share repurchase plan which provided for repurchases up to \$500.0 million and was approved by the Board of Directors on November 6, 2018. As of December 31, 2020, there remained \$229.7 million available for repurchases under the most recent repurchase plan. In our efforts to conserve capital, for the time being, we have temporarily suspended the repurchase of shares. See further discussion in Note 22 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

## **A Look to the Future: Our 2021 Strategic Priorities**

As we move forward, we are increasingly optimistic about our outlook, and we have identified five strategic priorities for 2021 that continue to be rooted in our Five-Year Strategic Framework, linked to our Core Strategic Focus Areas, and driven by our Strategic Initiatives discussed above. Our 2021 Strategic Priorities are presented below.

### *2021 Strategic Priorities*

Building on the continuation of our Five-Year Strategic Framework and the Core Strategic Focus Areas, we have developed and are optimistic about the following 2021 Strategic Initiatives:

- **Maintain and Continue to Enhance Our Safe Operations.** We are proud of our commitment to safety as a core value of the company, and this commitment is reflected in our continuous improvement in DART (days away, restricted or transferred) and TRIR (total recordable incident rate) metrics since 2016. According to the American Fuel & Petrochemical Manufacturers trade association, Delek ranks second overall in these safety metrics among companies operating multiple refineries. The retail business unit's TRIR is half the industry average.
- **Drive EBITDA and Cash Flow Improvement.** In 2020, the company acted decisively by adapting to the challenging macro environment and delivering significant cost savings. We plan to maintain and enhance our cost containment efforts in 2021. Simultaneously, initiatives for margin improvements through optimization are underway. The combination of these improvements along with a diverse asset base should lead to a lower cash flow break-even profile in the future.
- **Develop and Utilize Systems, Processes and Technology to Improve Operations.** Recognizing that the energy industry remains behind the curve in terms of technological advancements, and that Delek has a long history of being nimble, we have added innovation to our core values. Our vision is to use select technologies and implement advanced systems and processes to achieve further, more structural cost reductions, operational improvements and asset optimization over the medium to longer term. Through our focus on innovation, we expect to enhance the competitiveness of the portfolio within the industry.
- **Ongoing Commitment to ESG.** At Delek, we understand the importance of ESG and the growing role it plays with all stakeholders, as well as within an investment management framework. Therefore, we were pleased that the sustainability report we published in 2020 was well-received, yielding improved scoring from multiple rating agencies. However, we are still relatively early in our ESG journey, and we are striving for progressive improvements over time in terms of underlying performance metrics and disclosure in all ESG categories. We are taking a holistic approach to addressing the evolving and challenging requirements of ESG by gleaning fresh ideas and feedback from business leaders and employees throughout the organization. One example is our de-carbonization steering committee that involves members of each business unit and attempts to generate leading-edge solutions to improve our carbon footprint while maximizing long-term returns on our capital investments.
- **Laying the Foundation for Future Growth.** Delek was built through a history of strategic acquisitions, with a strong track record of seamless integration. We understand that difficult macro environments often create acquisition opportunities or prospects to pivot strategically. After focusing mainly on improving our cash flow break-even profile through reduced capital expenditures and operating costs in 2020, we are emerging from this downturn with an improved cost structure, a healthy balance sheet and opportunities to pursue future growth. We are constantly evaluating the optimal investment options available in our various business units and comparing the potential returns of both organic and inorganic opportunities. In the constantly evolving energy landscape, Delek remains strong, nimble and well-positioned to capture opportunities.

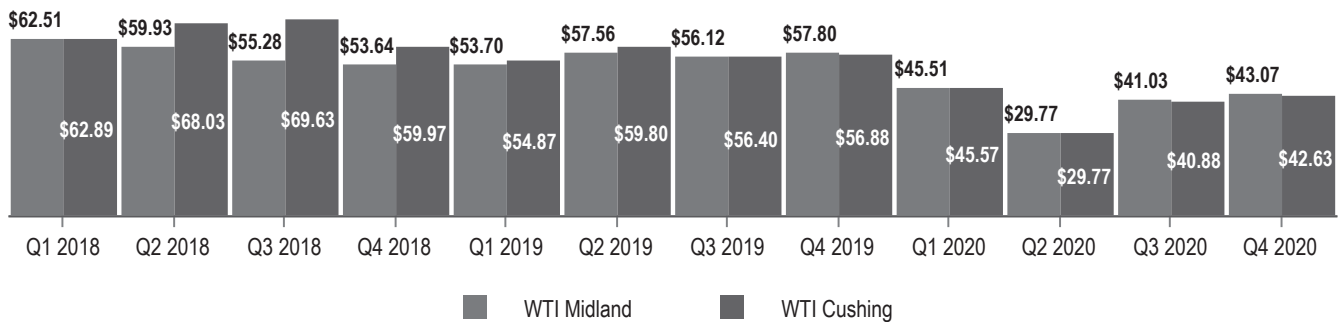
Market Trends

**Commodity Prices**

Our results of operations are significantly affected by fluctuations in the prices of certain commodities, including, but not limited to, crude oil, gasoline, distillate fuel, biofuels and natural gas and electricity, among others. Historically, our profitability has been affected by commodity price volatility, specifically as it relates to the price of crude oil and refined products. We have significant sources of WTI Midland crude because of our gathering system, and so accordingly favorable pricing of WTI Midland crude compared to other WTI crude can favorably impact our cost of materials and other and therefore our margins compared to other refiners.

The table below reflects the quarterly average prices of WTI Midland and WTI Cushing crude oil for each of the quarterly periods over the past three years. As shown in the historical graph, over the past three years WTI Midland crude prices have generally been favorable as compared to WTI Cushing, though that trend reversed slightly in the fourth quarter 2019 and third quarter of 2020.

**WTI Crude Oil Prices  
(Average Price per Barrel)**

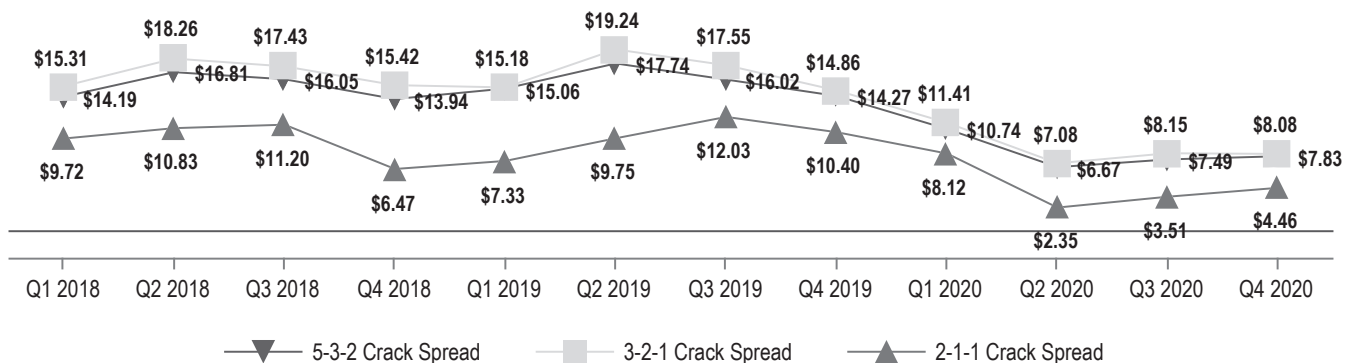


**Crack Spreads**

Crack spreads are used as benchmarks for predicting and evaluating a refinery's product margins by measuring the difference between the market price of feedstocks and crude oil and refined products. Generally, crack spreads represent the approximate refining margin resulting from processing one barrel of crude oil into its outputs, generally gasoline and diesel fuel.

The table below reflects the quarterly average Gulf Coast 5-3-2 ULSD, 3-2-1 and 2-1-1 crack spreads for each of the quarterly periods over the past three years. As the chart illustrates, the 3-2-1 crack spread has outperformed the 5-3-2 and the 2-1-1 crack spreads in certain periods. In such conditions, things being equal (i.e., near-capacity throughputs and no significant outages), our Big Spring refinery, whose benchmark is the 3-2-1 crack spread, should outperform our other refineries in terms of refining margin.

**Gulf Coast Crack Spread  
(Average per Barrel)**



Crack spreads are impacted by the price of refined products as compared to the price of crude oil and therefore may narrow or widen based on different trends in those market prices, or lags in one commodity pricing change versus the other. For example, the average Gulf Coast 5-3-2 ULSD crack spread per barrel remained relatively steady at \$8.18 in 2020 compared to \$15.77 in 2019, despite Gulf Coast price of gasoline (CBOB) decreasing 33.1%, from an average of \$1.63 per gallon in 2019 to \$1.09 per gallon in 2020, which indicates that decreases in feedstocks trended similarly. As a result, while, in such circumstances, total revenues for gasoline and corresponding cost of materials and other will be lower (assuming consistent volumes), refining margins would remain relatively flat year-over-year. Thus, while fluctuations in refined product prices will significantly impact our top line revenue (assuming consistent volumes), crack spread has greater direct impact on our margins.

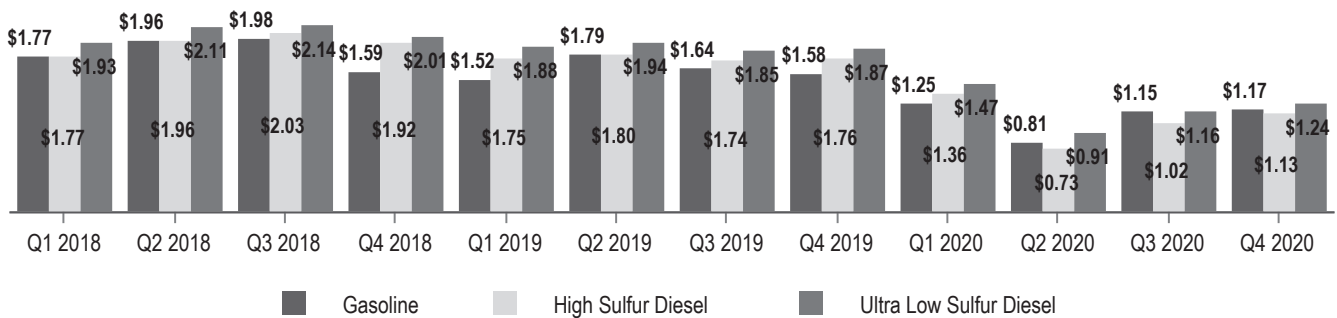
**Refined Product Prices**

Our refineries produce the following products:

	Tyler Refinery	El Dorado Refinery	Big Spring Refinery	Krotz Springs Refinery
Primary Products	Gasoline, jet fuel, ultra-low-sulfur diesel, liquefied petroleum gases, propylene, petroleum coke and sulfur	Gasoline, ultra-low-sulfur diesel, liquefied petroleum gases, propylene, asphalt and sulfur	Gasoline, jet fuel, ultra-low-sulfur diesel, liquefied petroleum gases, propylene, aromatics and sulfur	Gasoline, jet fuel, high-sulfur diesel, light cycle oil, liquefied petroleum gases, propylene and ammonium thiosulfate

In addition to decreases in the price of CBOB gasoline, the Gulf Coast price of High Sulfur Diesel decreased 40.2%, from an average of \$1.76 per gallon in 2019 to \$1.06 per gallon in 2020. The Gulf Coast price of Ultra Low Sulfur Diesel decreased 36.6% from an average of \$1.88 per gallon in 2019 to \$1.19 per gallon in 2020. The charts below illustrate the quarterly average prices of Gulf Coast Gasoline, U.S. High Sulfur Diesel and U.S. Ultra Low Sulfur Diesel over the past three years.

**Gulf Coast Refined Product Prices  
(Average Price per Gallon)**

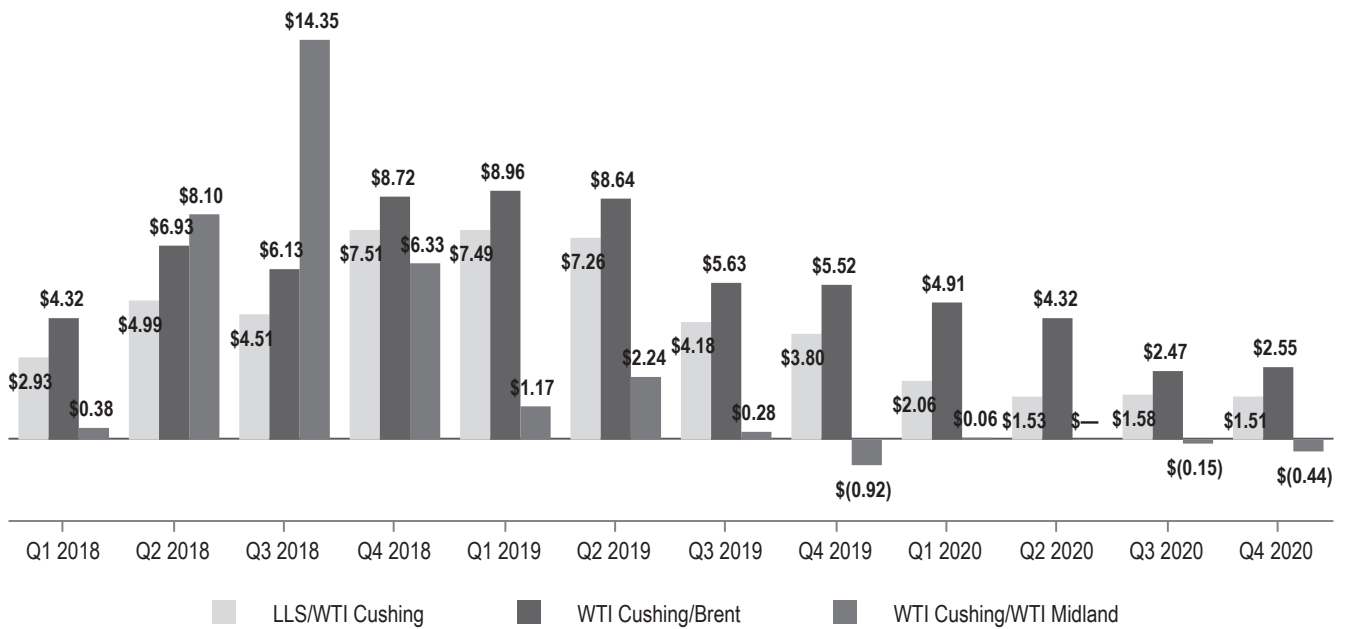


**Crude Pricing Differentials**

As U.S. crude oil production has increased over recent years, domestic producers have benefited from the discount for WTI Cushing compared to Brent, a global benchmark crude. This generally leads to higher margins in our refineries as refined product prices are influenced by Brent crude prices and the majority of our crude supply is WTI-linked. The average discount for WTI Cushing compared to Brent increased to \$3.54 during 2020 from \$7.13 during 2019. We note similar historical trends when reviewing the discount for LLS compared to WTI Cushing, where the average discount decreased to \$1.67 during 2020 from \$5.66 during 2019. Additionally, our refineries continue to have relatively greater access to WTI Midland and WTI Midland-linked crude feedstocks compared to certain of our competitors. The average discount for WTI Midland compared to WTI Cushing decreased to \$(0.13) during 2020 from \$0.68 during 2019. As these discounts shrink or become premiums, our reliance on WTI-linked crude pricing, and specifically WTI Midland crude can negatively impact our results. Conversely, as these price discounts increase, so does our competitive advantage, created by our access to WTI-linked crude oil pricing, and specifically WTI Midland crude sources through our gathering systems.

The chart below illustrates the differentials of both Brent crude oil and WTI Midland crude oil as compared to WTI Cushing crude oil as well as WTI Cushing as compared to LLS over the past three years.

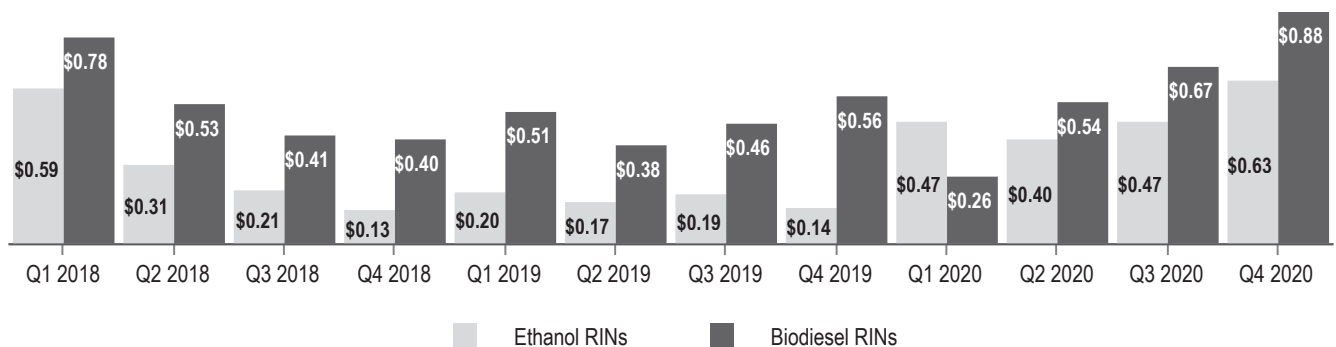
### Crude Oil Discount (Premium) (Average per Barrel)



### RIN Volatility

Environmental regulations continue to affect our margins in the form of volatility in the costs of RINs. On a consolidated basis, we work to balance our RINs obligations in order to minimize the effect of RINs on our results. While we generate RINs in both of our refining and logistics segments through our ethanol blending and biodiesel production, our refining segment needs to purchase additional RINs to satisfy its obligations. As a result, increases in the price of RINs generally adversely affect our results of operations. It is not possible at this time to predict with certainty what future volumes or costs may be, but given the volatile price of RINs, the cost of purchasing sufficient RINs could have an adverse impact on our results of operations if we are unable to recover those costs in the price of our refined products. The chart below illustrates the volatile nature of the price for RINs over the past three years.

### RIN Prices (Average per RIN)





**Summary Financial and Other Information**

The following table provides summary financial data for Delek (in millions):

	Year Ended December 31,	
	2020	2019
Net revenues	\$ 7,301.8	\$ 9,298.2
Total operating costs and expenses	8,029.8	8,805.9
Operating (loss) income	(728.0)	492.3
Total non-operating expenses, net	35.1	89.6
(Loss) income before income tax (benefit) expense	(763.1)	402.7
Income tax (benefit) expense	(192.7)	71.7
(Loss) income from continuing operations, net of tax	(570.4)	331.0
Income from discontinued operations, net of tax	—	5.2
Net (loss) income	(570.4)	336.2
Net income attributed to non-controlling interests	37.6	25.6
Net (loss) income attributable to Delek	\$ (608.0)	\$ 310.6

We report operating results in three reportable segments:

- Refining
- Logistics
- Retail

Decisions concerning the allocation of resources and assessment of operating performance are made based on this segmentation. Management measures the operating performance of each of its reportable segments based on the segment contribution margin.

## Results of Operations

### Consolidated Results of Operations — Comparison of the Year Ended December 31, 2020 versus the Year Ended December 31, 2019

#### Net Income

Consolidated net loss for the year ended December 31, 2020 was \$570.4 million compared to net income of \$336.2 million for the year ended December 31, 2019. Consolidated net loss attributable to Delek for the year ended December 31, 2020 was \$608.0 million, or \$(8.26) per basic share, compared to net income of \$310.6 million, or \$4.10 per basic share, for the year ended December 31, 2019. Explanations for significant drivers impacting net income as compared to the comparable period of the prior year are discussed in the sections below.

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#### Net Revenues

We generated net revenues of \$7,301.8 million and \$9,298.2 million during the years ended December 31, 2020 and 2019, respectively, a decrease of \$1,996.4 million, or 21.5%. The decrease in net revenues was primarily due to the following:

- in our refining segment, decreases in the average price of U.S. Gulf Coast gasoline of 33.1%, ULSD of 36.6%, and High-Sulfur diesel ("HSD") of 40.2%;
- in our retail segment, decreases in fuel sales volumes due to demand slowdown as a result of the COVID-19 Pandemic and reduction in average number of stores, as well as a 17.5% decrease in average price charged per gallon; partially offset by an increase in merchandise revenue; and
- in our logistics segment, decreases in the average volume sold and sales prices per gallon of gasoline and diesel sold in our West Texas marketing operations, where the average sales prices per gallon of gasoline and diesel sold decreased \$0.49 per gallon and \$0.71 per gallon, respectively. Such decrease was partially offset by increased revenue associated with agreements executed in connection with Big Spring Gathering System and Delek Trucking acquisitions.

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#### Operating Costs and Expenses

##### Cost of Materials and Other

Cost of materials and other was \$6,841.2 million for the year ended December 31, 2020, compared to \$7,657.2 million for 2019, a decrease of \$816.0 million, or 10.7%. The net decrease in cost of materials and other primarily related to the following:

- a decrease in the cost of crude oil feedstocks at the refineries including a decrease in the cost of WTI Cushing crude oil from an average of \$56.99 per barrel to an average of \$39.89, and a decrease in the cost of WTI Midland crude oil from an average of \$56.31 per barrel to an average of \$40.02 per barrel;
- a decrease in average volumes sold and the cost of refined products in the logistics segment where the average cost per gallon of gasoline and diesel purchased decreased \$0.43 per gallon and \$0.66 per gallon, respectively; and
- a decrease in retail fuel cost of materials and other attributable to demand slowdown, a decrease in average cost per gallon of \$0.50 and a reduction in average number of stores during the year.

Such decreases were partially offset by:

- a decrease in hedging gains to a loss of \$83.4 million recognized during the year ended December 31, 2020 from a gain of \$22.8 million recognized during the year ended December 31, 2019
- the (expense) benefit of \$(29.2) million related to the change in pre-tax inventory valuation recognized during the year ended December 31, 2020 compared to \$52.3 million recognized during the year ended December 31, 2019; and
- a prior period benefit of approximately \$77.6 million and \$20.7 million related to the BTC and 2018 RINs waivers, respectively, recognized during 2019.

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##### Operating Expenses

Operating expenses (included in both cost of sales and other operating expenses) were \$559.8 million for the year ended December 31, 2020 compared to \$682.2 million in 2019, a decrease of \$122.4 million, or (17.9)%. The decrease in operating expenses was primarily driven by the following:

- decrease in outside service costs across all segments due to cost reduction measures;
- decreases in the refining segment related to lower employee, utilities, catalysts and maintenance costs; and
- decrease in retail operating expenses due to reduction in number of stores.

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### ***General and Administrative Expenses***

General and administrative expenses were \$248.3 million for the year ended December 31, 2020 compared to \$274.7 million in 2019, a decrease of \$26.4 million, or 9.6%. The decrease was primarily driven by the following:

- decrease in contract services due to cost reduction measures;
- decrease in travel related expense due to travel restrictions in place as a result of the COVID-19 Pandemic;
- decrease in loss allowance on a note receivable; and
- decrease in stock-based compensation due to workforce reductions in 2020.

These decreases were partially offset by increases in salaried labor, including severance, partially offset by a decrease in incentive accrual.

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### ***Depreciation and Amortization***

Depreciation and amortization (included in both cost of sales and other operating expenses) was \$267.6 million and \$194.3 million for the years ended December 31, 2020 and 2019, respectively, an increase of \$73.3 million, or 37.7%, primarily due to the following:

- depreciation associated with assets added during the Big Spring refinery turnaround in the first quarter of 2020, the El Dorado turnaround assets added in the second quarter of 2019 and the addition of the alkylation unit at our Krotz Springs refinery late in the second quarter of 2019; and
  - accelerated depreciation of approximately \$19.0 million taken in the fourth quarter of 2020 primarily due to the decision to abandon certain property and equipment.
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### ***Other Operating Income, Net***

Other operating income, net was \$13.1 million and \$2.5 million for the years ended December 31, 2020 and 2019, respectively, an increase of \$10.6 million, primarily due to a gain of \$10.8 million on the underlying commodity related to our contract to store crude oil barrels at one of the Strategic Petroleum Reserve locations. Refer to Note 13 of the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for additional information.

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### ***Non-Operating Expenses***

#### ***Interest Expense***

Interest expense was \$129.0 million in the year ended December 31, 2020, compared to \$131.1 million for 2019, a decrease of \$2.1 million, or 1.6%.

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#### ***Results from Equity Method Investments***

We recognized income from equity method investments of \$30.3 million for the year ended December 31, 2020, compared to \$34.3 million for the year ended December 31, 2019, a decrease of \$4.0 million. This decrease was primarily driven by the following:

- an \$8.5 million loss from WWP Project Financing Joint Venture primarily due to impairment taken by the underlying WWP Joint Venture.

This decrease was partially offset by an increase in income primarily related to our logistics joint ventures.

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#### ***Other Non-Operating Expenses, Net***

During the year ended December 31, 2020, we recognized a gain of \$56.8 million on the sale of our non-operating refinery located in Bakersfield, California. See Note 4 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Other income increased \$7.6 million, to \$3.5 million during the year ended December 31, 2020, compared to expense of \$4.1 million year ended December 31, 2019.

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### ***Income Taxes***

Income tax expense decreased \$264.4 million during the years ended December 31, 2020 compared to the same period for 2019, primarily driven by the following:

- pre-tax loss of \$763.1 million compared to pre-tax income of \$402.7 million for the years ended December 31, 2020 and 2019, respectively;

- an increase in our effective tax rate which was 25.3% compared to 17.8% for the years ended December 31, 2020 and 2019, respectively, primarily due to the following:
  - projected 2020 federal net operating loss carryback to a prior 35% tax rate year creating a 14% tax rate arbitrage;
  - reversal of a valuation allowance attributable to book-tax basis differences in partnership investments reported as a discrete benefit in the first quarter, offset by an increase in valuation allowance on certain state attributes; and
  - exclusion of goodwill impairment expense from taxable income.
- Refer to Note 15 of the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for additional information.

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A detailed discussion of the fiscal year 2019 compared to year-over-year changes from fiscal year 2018 can be found in Part II, Item 7. Management's Discussion and Analysis, "Results of Operations", of our 2019 Annual Report on Form 10-K, filed on February 28, 2020.

## Refining Segment

The tables and charts below set forth certain information concerning our refining segment operations (\$ in millions, except per barrel amounts):

### Refining Segment Margins

	Year Ended December 31,	
	2020	2019
Net revenues	\$ 5,817.7	\$ 8,798.5
Cost of materials and other	5,745.5	7,528.2
Refining Margin	72.2	1,270.3
Operating expenses (excluding depreciation and amortization)	402.7	492.4
Contribution margin	\$ (330.5)	\$ 777.9
Contribution margin percentage	(5.7)%	8.8 %

### Factors Impacting Refining Profitability

Our profitability in the refining segment is substantially determined by the difference between the cost of the crude oil feedstocks we purchase and the price of the refined products we sell, referred to as the "crack spread", "refining margin" or "refined product margin". Refining margin is used as a metric to assess a refinery's product margins against market crack spread trends, where "crack spread" is a measure of the difference between market prices for crude oil and refined products and is a commonly used proxy within the industry to estimate or identify trends in refining margins.

The cost to acquire feedstocks and the price of the refined petroleum products we ultimately sell from our refineries depend on numerous factors beyond our control, including the supply of, and demand for, crude oil, gasoline and other refined petroleum products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions such as hurricanes or tornadoes, local, domestic and foreign political affairs, global conflict, production levels, the availability of imports, the marketing of competitive fuels and government regulation. Other significant factors that influence our results in the refining segment include operating costs (particularly the cost of natural gas used for fuel and the cost of electricity), seasonal factors, refinery utilization rates and planned or unplanned maintenance activities or turnarounds. Moreover, while the fluctuations in the cost of crude oil are typically reflected in the prices of light refined products, such as gasoline and diesel fuel, the price of other residual products, such as asphalt, coke, carbon black oil and LPG are less likely to move in parallel with crude cost. This could cause additional pressure on our realized margin during periods of rising or falling crude oil prices.

Additionally, our margins are impacted by the pricing differentials of the various types and sources of crude oil we use at our refineries and their relation to product pricing. Our crude slate is predominantly comprised of WTI crude oil. Therefore, favorable differentials of WTI compared to other crude will favorably impact our operating results, and vice versa. Additionally, because of our gathering system presence in the Midland area and the significant source of crude specifically from that region into our network, a widening of the WTI Cushing less WTI Midland spread will favorably influence the operating margin for our refineries. Alternatively, a narrowing of this differential will have an adverse effect on our operating margins. Global product prices are influenced by the price of Brent crude which is a global benchmark crude. Global product prices influence product prices in the U.S. As a result, our refineries are influenced by the spread between Brent crude and WTI Midland. The Brent less WTI Midland spread represents the differential between the average per barrel price of Brent crude oil and the average per barrel price of WTI Midland crude oil. A widening of the spread between Brent and WTI Midland will favorably influence our refineries' operating margins. Also, the Krotz Springs refinery is influenced by the spread between Brent crude and LLS. The Brent less LLS spread represents the differential between the average per barrel price of Brent crude oil and the average per barrel price of LLS crude oil. A discount in LLS relative to Brent will favorably influence the Krotz Springs refinery operating margin.

The cost to acquire the refined fuel products we sell to our wholesale customers in our logistics segment and at our convenience stores in our retail segment depends on numerous factors beyond our control, including the supply of, and demand for, crude oil, gasoline and other refined petroleum products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, production levels, the availability of imports, the marketing of competitive fuels and government regulation. Our retail merchandise sales are driven by convenience, customer service, competitive pricing and branding. Motor fuel margin is sales less the delivered cost of fuel and motor fuel taxes, measured on a cents per gallon basis. Our motor fuel margins are impacted by local supply, demand, weather, competitor pricing and product brand.

In addition to the above, it continues to be a strategic and operational objective to manage price and supply risk related to crude oil that is used in refinery production, and to develop strategic sourcing relationships. For that purpose, from a pricing perspective, we enter into commodity derivative contracts to manage our price exposure to our inventory positions, future purchases of crude oil and ethanol, future sales of refined products or to fix margins on future production. We also enter into future commitments to purchase or sell renewable identification numbers ("RINs") at fixed prices and quantities, which are used to manage the costs of our credits for commitments required by the U.S. Environmental Protection Agency ("EPA") to blend biofuels into fuel products ("RINs Obligation"). Additionally, from a sourcing perspective, we often enter into purchase and sale contracts with vendors and customers or take physical or financial commodity positions for crude oil that may not be



used immediately in production, but that may be used to manage the overall supply and availability of crude expected to ultimately be needed for production and/or to meet minimum requirements under strategic pipeline arrangements, and also to optimize and hedge availability risks associated with crude that we ultimately expect to use in production. Such transactions are inherently based on certain assumptions and judgments made about the current and possible future availability of crude. Therefore, when we take physical or financial positions for optimization purposes, our intent is generally to take offsetting positions in quantities and at prices that will advance these objectives while minimizing our positional and financial statement risk. However, because of the volatility of the market in terms of pricing and availability, it is possible that we may have material positions with timing differences or, more rarely, that we are unable to cover a position with an offsetting position as intended. Such differences could have a material impact on the classification of resulting gains/losses, assets or liabilities, and could also significantly impact refining contribution margin.

Finally, as part of our overall business strategy, we regularly evaluate opportunities to expand our portfolio of businesses and may at any time be discussing or negotiating a transaction that, if consummated, could have a material effect on our business, financial condition, liquidity or results of operations.

## Refinery Statistics

	Year Ended December 31,	
	2020	2019
<b>Tyler, TX Refinery</b>		
Days in period	366	365
Total sales volume - refined product (average barrels per day) <sup>(1)</sup>	74,075	76,178
Products manufactured (average barrels per day):		
Gasoline	40,031	40,801
Diesel/Jet	29,220	30,673
Petrochemicals, LPG, NGLs	2,794	2,798
Other	1,461	1,554
Total production	73,506	75,826
Throughput (average barrels per day):		
Crude Oil	51,854	70,516
Other feedstocks	22,126	5,873
Total throughput	73,980	76,389
Total refining revenue (\$ in millions)	\$ 1,432.2	\$ 2,209.2
Cost of materials and other (\$ in millions)	1,331.7	1,817.5
Total refining margin (\$ in millions)	\$ 100.5	\$ 391.7
Per barrel of refined product sales:		
Tyler refining margin	\$ 3.71	\$ 14.09
Direct operating expenses	\$ 3.45	\$ 3.91
Crude Slate: (% based on amount received in period)		
WTI crude oil	92.0 %	89.0 %
East Texas crude oil	8.0 %	11.0 %
<b>El Dorado, AR Refinery</b>		
Days in period	366	365
Total sales volume - refined product (average barrels per day) <sup>(1)</sup>	75,992	62,420
Products manufactured (average barrels per day):		
Gasoline	35,480	27,712
Diesel	28,429	20,753
Petrochemicals, LPG, NGLs	1,772	872
Asphalt	6,687	5,533
Other	789	735
Total production	73,157	55,605
Throughput (average barrels per day):		
Crude Oil	70,385	54,420
Other feedstocks	2,979	1,576
Total throughput	73,364	55,996
Total refining revenue (\$ in millions)	\$ 1,788.8	\$ 3,291.1
Cost of materials and other (\$ in millions)	1,809.3	3,123.0
Total refining margin (\$ in millions)	\$ (20.5)	\$ 168.1
Per barrel of refined product sales:		
El Dorado refining margin	\$ (0.74)	\$ 7.38
Operating expenses	\$ 3.81	\$ 5.73
Crude Slate: (% based on amount received in period)		
WTI crude oil	52.3 %	39.3 %
Local Arkansas crude oil	17.8 %	23.1 %
Other	29.9 %	37.6 %

## Refinery Statistics (continued)

	Year Ended December 31,	
	2020	2019
<b>Big Spring, TX Refinery</b>		
Days in period	366	365
Total sales volume - refined product (average barrels per day) <sup>(1)</sup>	65,508	76,413
Products manufactured (average barrels per day):		
Gasoline	32,340	36,352
Diesel/Jet	23,283	27,602
Petrochemicals, LPG, NGLs	3,183	3,746
Asphalt	1,685	1,870
Other	1,119	1,327
Total production	61,610	70,897
Throughput (average barrels per day):		
Crude oil	61,428	72,039
Other feedstocks	1,078	(453)
Total throughput	62,506	71,586
Total refining revenue (\$ in millions)	\$ 1,531.7	\$ 2,366.5
Cost of materials and other (\$ in millions)	1,497.2	1,984.6
Total refining margin (\$ in millions)	\$ 34.5	\$ 381.9
Per barrel of refined product sales:		
Big Spring refining margin	\$ 1.44	\$ 13.69
Operating expenses	\$ 4.33	\$ 4.35
Crude Slate: (% based on amount received in period)		
WTI crude oil	67.0 %	75.5 %
WTS crude oil	33.0 %	24.5 %
<b>Krotz Springs, LA Refinery</b>		
Days in period	366	365
Total sales volume - refined product (average barrels per day) <sup>(1)</sup>	61,302	70,511
Products manufactured (average barrels per day):		
Gasoline	20,615	35,026
Diesel/Jet	20,422	28,049
Heavy Oils	418	1,131
Petrochemicals, LPG, NGLs	2,223	4,647
Other	13,512	26
Total production	57,190	68,879
Throughput (average barrels per day):		
Crude Oil	53,875	67,943
Other feedstocks	4,126	(366)
Total throughput	58,001	67,577
Total refining revenue (\$ in millions)	\$ 1,266.6	\$ 2,175.7
Cost of materials and other (\$ in millions)	1,296.3	1,914.2
Total refining margin (\$ in millions)	\$ (29.7)	\$ 261.5
Per barrel of sales:		
Krotz Springs refining margin	\$ (1.32)	\$ 10.16
Operating expenses	\$ 3.97	\$ 4.46
Crude Slate: (% based on amount received in period)		
WTI Crude	70.1 %	72.0 %
Gulf Coast Sweet Crude	29.1 %	28.0 %

<sup>(1)</sup> Includes inter-refinery sales and sales to other segments which are eliminated in consolidation. See tables below.

Included in the refinery statistics above are the following inter-refinery and sales to other segments:

<b>Inter-refinery Sales</b>		
	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<i>(in barrels per day)</i>		
Tyler refined product sales to other Delek refineries	2,010	894
El Dorado refined product sales to other Delek refineries	924	5,039
Big Spring refined product sales to other Delek refineries	1,356	990
Krotz Springs refined product sales to other Delek refineries	190	9,734

<b>Refinery Sales to Other Segments</b>		
	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<i>(in barrels per day)</i>		
Tyler refined product sales to other Delek segments	1,623	252
El Dorado refined product sales to other Delek segments	94	83
Big Spring refined product sales to other Delek segments	22,601	25,223
Krotz Springs refined product sales to other Delek segments	362	462

<b>Pricing Statistics (average for the period presented)</b>		
	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
WTI — Cushing crude oil (per barrel)	\$ 39.89	\$ 56.99
WTI — Midland crude oil (per barrel)	\$ 40.02	\$ 56.31
WTS — Midland crude oil (per barrel)	\$ 39.96	\$ 56.27
LLS (per barrel)	\$ 41.56	\$ 62.65
Brent crude oil (per barrel)	\$ 43.24	\$ 64.14
U.S. Gulf Coast 5-3-2 crack spread (per barrel) - utilizing HSD	\$ 5.87	\$ 13.78
U.S. Gulf Coast 5-3-2 crack spread (per barrel) <sup>(1)</sup>	\$ 8.18	\$ 15.77
U.S. Gulf Coast 3-2-1 crack spread (per barrel) <sup>(1)</sup>	\$ 8.70	\$ 16.71
U.S. Gulf Coast 2-1-1 crack spread (per barrel) <sup>(1)</sup>	\$ 4.65	\$ 9.90
U.S. Gulf Coast Unleaded Gasoline (per gallon)	\$ 1.09	\$ 1.63
Gulf Coast Ultra low sulfur diesel (per gallon)	\$ 1.19	\$ 1.88
U.S. Gulf Coast high sulfur diesel (per gallon)	\$ 1.06	\$ 1.76
Natural gas (per MMBTU) <sup>(2)</sup>	\$ 2.13	\$ 2.53

<sup>(1)</sup> For our Tyler and El Dorado refineries, we compare our per barrel refining product margin to the Gulf Coast 5-3-2 crack spread consisting of WTI Cushing crude, U.S. Gulf Coast CBOB and U.S. Gulf Coast Pipeline No. 2 heating oil (ultra low sulfur diesel). For our Big Spring refinery, we compare our \$1.06 per barrel refined product margin to the Gulf Coast 3-2-1 crack spread consisting of WTI Cushing crude, Gulf Coast 87 Conventional gasoline and Gulf Coast ultra low sulfur diesel, and for our Krotz Springs refinery, we compare our per barrel refined product margin to the Gulf Coast 2-1-1 crack spread consisting of LLS crude oil, Gulf Coast 87 Conventional gasoline and U.S. Gulf Coast Pipeline No. 2 heating oil (high sulfur diesel). The Tyler refinery's crude oil input is primarily WTI Midland and East Texas, while the El Dorado refinery's crude input is primarily combination of WTI Midland, local Arkansas and other domestic inland crude oil. The Big Spring refinery's crude oil input is primarily comprised of WTS and WTI Midland. The Krotz Springs refinery's crude oil input is primarily comprised of LLS and WTI Midland.

<sup>(2)</sup> One million British thermal units ("MMBTU").

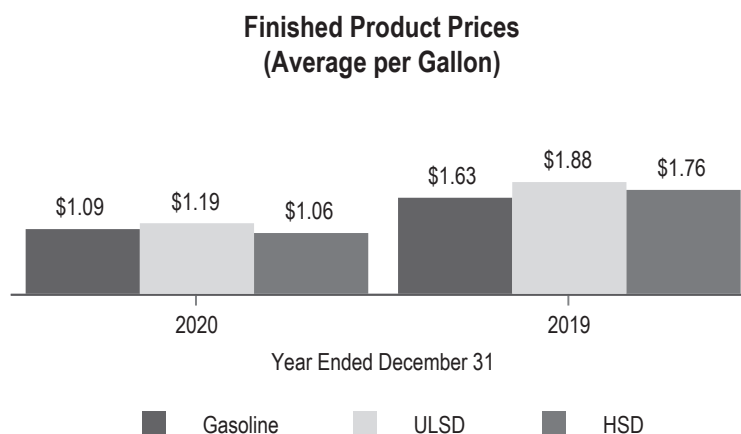
## Refining Segment Operational Comparison of the Year Ended December 31, 2020 versus the Year Ended December 31, 2019

### Net Revenues

Net revenues for the refining segment decreased \$2,980.8 million, or 33.9%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease was primarily driven by the following:

- decreases in the average price of U.S. Gulf Coast gasoline of 33.1%, ULSD of 36.6%, and HSD of 40.2%; and
- decreases in sales volume of refined product totaling 0.8 million barrels partially due to scheduled turnaround activities at our Big Spring refinery, partially offset by increased sales volumes at our El Dorado refinery due to prior year scheduled turnaround activities and production issues, and a 3.9 million barrel decrease in purchased product sales due to decreased demand.

Net revenues included sales to our retail segment of \$220.0 million and \$379.6 million, sales to our logistics segment of \$203.8 million and \$278.3 million and sales to our other segment of \$30.8 million and \$44.7 million for the years ended December 31, 2020 and 2019, respectively. We eliminate this intercompany revenue in consolidation.



### Cost of Materials and Other

Cost of materials and other decreased \$1,782.7 million, or 23.7%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. This decrease was primarily driven by the following:

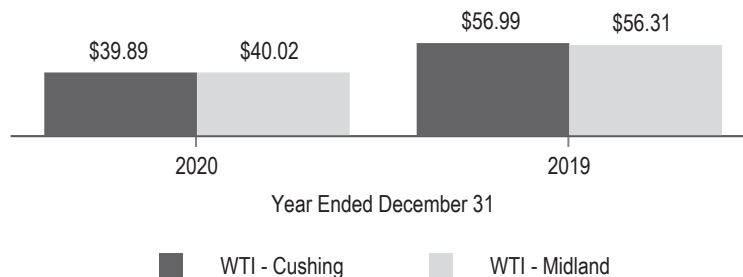
- a decrease in the cost of WTI Cushing crude oil from an average of \$56.99 per barrel for 2019 to an average of \$39.89 during 2020;
- a decrease in the cost of WTI Midland crude oil, from an average of \$56.31 per barrel for 2019 to an average of \$40.02 during 2020.

These decreases were partially offset by the following:

- a prior period benefit of \$77.6 million due to the reenactment of the BTC in December 2019 for the 2018 and 2019 periods, of which \$31.1 million related to the first three quarters of 2019 blending activities and \$36.0 million related to 2018 blending activities;
- a prior period benefit of approximately \$20.7 million related to the 2018 RIN Waivers recognized during the year ended December 31, 2019, whereas there was no benefit for the same period of 2020;
- the (expense) benefit of \$(29.4) million related to the change in pre-tax inventory valuation recognized during the year ended December 31, 2020 compared to \$52.2 million recognized during the twelve year ended December 31, 2019; and
- a decrease in hedging gains to a loss of \$68.2 million recognized during the year ended December 31, 2020 from a gain of \$32.6 million recognized during the year ended December 31, 2019.



### Crude Oil Prices (Average per Barrel)



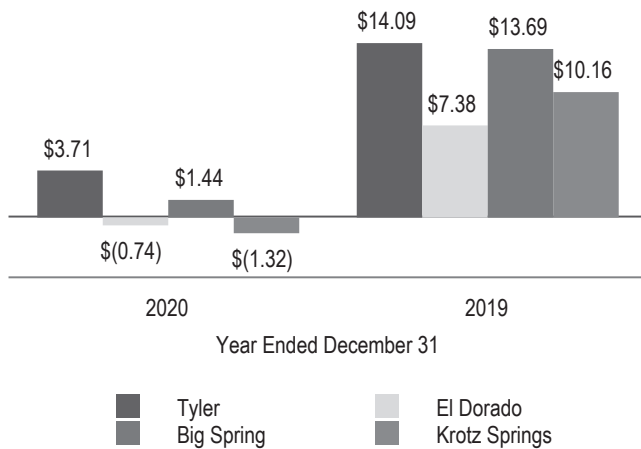
Our refining segment purchases finished product from our logistics segment and has multiple service agreements with our logistics segment which, among other things, require the refining segment to pay terminalling and storage fees based on the throughput volume of crude and finished product in the logistics segment pipelines and the volume of crude and finished product stored in the logistics segment storage tanks, subject to minimum volume commitments. These costs and fees were \$339.1 million and \$218.0 million during the years ended December 31, 2020 and 2019, respectively. We eliminate these intercompany fees in consolidation.

#### Refining Margin

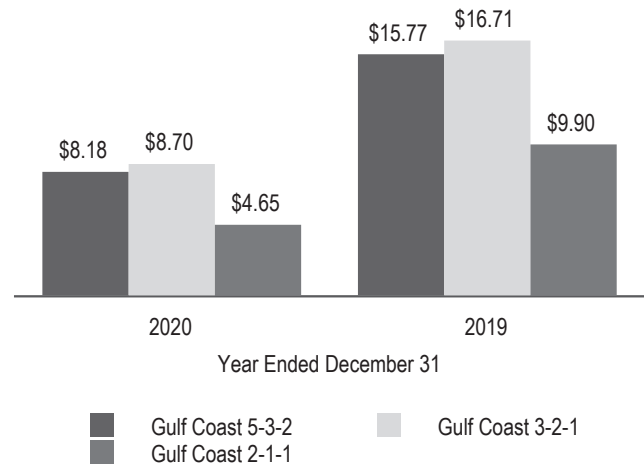
Refining margin decreased by \$1,198.1 million, or 94.3%, for the year ended December 31, 2020 compared to the year ended December 31, 2019, with a refining margin percentage of 1.2% as compared to 14.4% for the years ended December 31, 2020 and 2019, respectively, primarily driven by the following:

- a narrowing of the discount between WTI Midland crude oil and Brent crude oil where, during the year ended December 31, 2020, the WTI Midland crude oil differential to Brent crude oil was an average discount of \$3.22 per barrel compared to \$7.83 per barrel during the same period of 2019;
- a narrowing of the average WTI Cushing crude oil and WTS crude oil to \$(0.07) during the year ended December 31, 2020, compared to \$0.72 during the same period of 2019;
- a narrowing of the discount between WTI Midland crude oil compared to WTI Cushing where, during the year ended December 31, 2020, the average WTI Midland crude oil differential to WTI Cushing crude oil was \$(0.13) per barrel compared to \$0.68 during the year ended December 31, 2019;
- a narrowing of the discount between WTI Cushing crude oil compared to Brent where, during the year ended December 31, 2020, the average WTI Cushing crude oil differential to Brent crude oil was \$3.54 per barrel compared to \$7.13 during the year ended December 31, 2019;
- a 48.1% decline in the 5-3-2 crack spread (the primary measure for the Tyler refinery and El Dorado refinery), a 47.9% decline in the average Gulf Coast 3-2-1 crack spread (the primary measure for the Big Spring refinery), and a 53.0% decline in the average Gulf Coast 2-1-1 crack spread (the primary measure for the Krotz Springs refinery);
- a decrease in hedging gains to a loss of \$68.2 million recognized during the year ended December 31, 2020 from a gain of \$32.6 million recognized during the year ended December 31, 2019; and
- a decrease in reversal benefit of inventory valuation reserve during year ended December 31, 2020 compared to the prior year period.

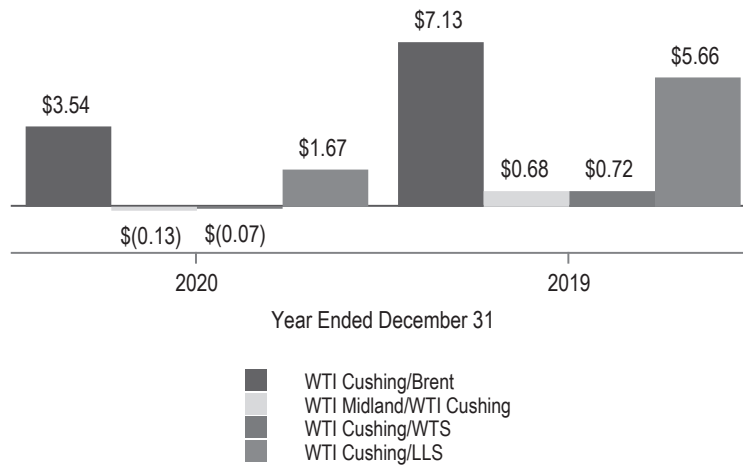
**Refining Margin Per Barrel**



**Average Crack Spread**



**WTI Discounts (Premium)  
(Average per barrel)**



**Operating Expenses**

Operating expenses decreased \$89.7 million, or 18.2%, in the year ended December 31, 2020, compared to year ended December 31, 2019. The decrease in operating expenses was primarily driven by the following:

- decrease in contract services and inspection costs associated with cost reduction measures taken in 2020;
- decrease in maintenance costs due to deferral of projects amidst the COVID-19 Pandemic, and the incurrence of extraordinary maintenance costs at our Big Spring refinery in the comparable prior year period; and
- decreases in utilities and catalyst costs, primarily at our Big Spring and Krotz Springs refineries related to reduced throughput due to turnaround and unit downtime, respectively;
- decrease in employee related expenses due to deferrals of projects and elimination of incentive bonus; and
- reduced costs as a result of the sale of the Bakersfield refinery in May 2020.

**Contribution Margin**

Contribution margin decreased by \$1,108.4 million, or a 14.5% decline in contribution margin percentage, for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily driven by the following:

- the decline of the Midland WTI crude oil differential to Brent crude oil compared to the prior-year period;
- an overall decline in the average crack spreads;
- a decrease in reversal benefit related to inventory valuation reserves recognized during the year ended December 31, 2020 compared to the prior year period; and
- a narrowing of the discount between WTI Cushing and WTI crude oil compared to the prior-year period.

These decreases were partially offset by decreases in operating expenses across all refineries.

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## Logistics Segment

The table below sets forth certain information concerning our logistics segment operations (\$ in millions, except per barrel amounts):

	Year Ended December 31,	
	2020	2019
Net revenues	\$ 563.4	584.0
Cost of materials and other	269.1	336.5
Operating expenses (excluding depreciation and amortization)	56.2	74.1
Contribution margin	\$ 238.1	\$ 173.4
<b>Operating Information:</b>		
East Texas - Tyler Refinery sales volumes (average bpd) <sup>(1)</sup>	71,182	74,206
Big Spring wholesale marketing throughputs (average bpd)	76,345	82,695
West Texas wholesale marketing throughputs (average bpd)	11,264	11,075
West Texas wholesale marketing margin per barrel	\$ 2.37	\$ 4.44
Terminalling throughputs (average bpd) <sup>(2)</sup>	147,251	160,075
<b>Throughputs (average bpd):</b>		
<i>Lion Pipeline System:</i>		
Crude pipelines (non-gathered)	74,179	49,485
Refined products pipelines to Enterprise Systems	53,702	37,716
SALA Gathering System	13,466	15,325
East Texas Crude Logistics System	15,960	19,927
Big Spring Gathering System <sup>(3)</sup>	82,817	—
Plains Connection System <sup>(3)</sup>	104,770	—

<sup>(1)</sup> Excludes jet fuel and petroleum coke.

<sup>(2)</sup> Consists of terminalling throughputs at our Tyler, Big Spring, Big Sandy and Mount Pleasant, Texas, El Dorado and North Little Rock, Arkansas and Memphis and Nashville, Tennessee terminals.

<sup>(3)</sup> Throughputs for the Big Spring Gathering System and the Plains Connection System are for the approximately 275 days we owned the assets following the Big Spring Gathering Assets Acquisition effective March 31, 2020.

## Logistics Segment Operational Comparison of the Year Ended December 31, 2020 versus the Year Ended December 31, 2019

### Net Revenues

Net revenues decreased by \$20.6 million, or 3.5%, in the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by the following:

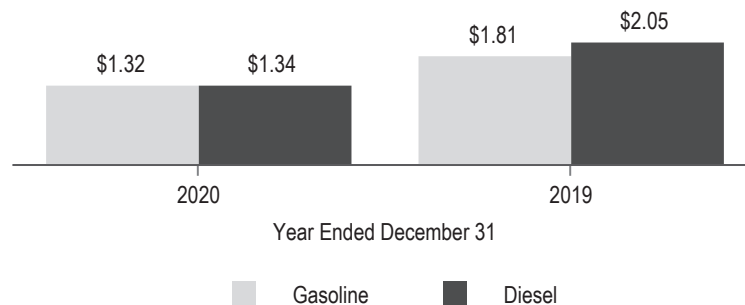
- decreases in the average sales prices per gallon of gasoline and diesel sold, partially offset by increase in the average sales volume of gasoline in our West Texas marketing operations:
  - the average volumes of gasoline sold increased by 12.6 million gallons, offset by 8.1 million decrease of diesel gallons sold.
  - the average sales prices per gallon of gasoline and diesel sold decreased by \$0.49 per gallon and \$0.71 per gallon, respectively.

Such decreases were partially offset by the following:

- increased revenues associated with agreements executed in connection with Big Spring Gathering System and Delek Trucking acquisitions, which were effective March 31, 2020 and May 1, 2020, respectively. Refer to Note 6 of the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for additional information.

Net revenues included sales to our refining segment of \$377.7 million and \$254.9 million for the years ended December 31, 2020 and 2019, respectively, and sales to our other segment of \$2.1 million and \$6.1 million for the years ended December 31, 2020 and 2019, respectively. We eliminate this intercompany revenue in consolidation.

### West Texas Sales Prices (Average per gallon)



### Cost of Materials and Other

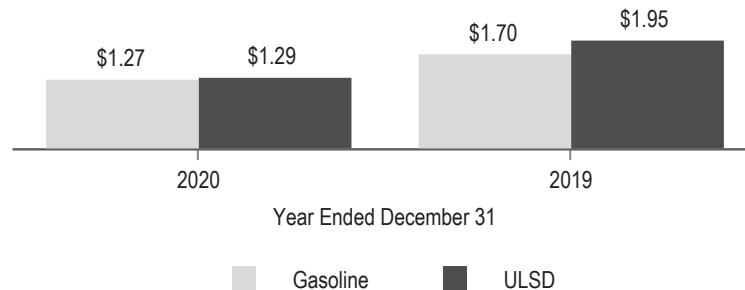
Cost of materials and other for the logistics segment decreased by \$67.4 million, or 20.0%, in the year ended December 31, 2020 compared to the year ended December 31, 2019. This decrease was primarily driven by the following:

- decreases in the average volumes of diesel sold and average cost per gallon of gasoline and diesel sold partially offset by increases in averages volumes of gasoline sold in our West Texas marketing operations:
  - the average volumes of gasoline sold increased by 12.6 million gallons, partially offset by a 8.1 million decrease of diesel gallons sold.
  - the average cost per gallon of gasoline and diesel sold decreased by \$0.43 per gallon and \$0.66 per gallon, respectively.

Our logistics segment purchased product from our refining segment of \$203.8 million and \$278.3 million for the years ended December 31, 2020 and 2019, respectively. We eliminate these intercompany costs in consolidation.



**West Texas  
Finished Product Cost  
(Average per gallon)**




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### **Operating Expenses**

Operating expenses decreased by \$17.9 million, or 24.2%, in the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily driven by the following:

- decrease in employee and outside services costs due to measures implemented to respond to the COVID-19 Pandemic including delaying non-essential projects;
- lower operating costs associated with allocated contract services pertaining to certain of our assets; and
- decreases in variable expenses such as utilities, maintenance and materials costs due to lower production.

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### **Contribution Margin**

Contribution margin increased by \$64.7 million, or 37.3%, in the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily driven by the following:

- increases in revenue associated with agreements executed in connection with Big Spring Gathering System and Delek Trucking acquisitions; and
- decreases in operating expenses.

Such increases were partially offset by the following:

- decreases in gross margin per barrel sold of \$2.07 in our West Texas marketing operations.
-

## Retail Segment

The tables below sets forth certain information concerning our retail segment operations (gross sales \$ in millions):

### Retail Contribution Margin and Operating Information

	Year Ended December 31,	
	2020	2019
<b>Net revenues</b>	\$ 681.7	838.0
Cost of materials and other	523.6	684.7
Operating expenses (excluding depreciation and amortization)	90.5	94.8
<b>Contribution margin</b>	<b>\$ 67.6</b>	<b>\$ 58.5</b>

### Operating Information

	Year Ended December 31,	
	2020	2019
Number of stores (end of period)	253	252
Average number of stores	253	266
Average number of fuel stores	248	247
Retail fuel sales	\$ 357.9	\$ 524.9
Retail fuel sales (thousands of gallons)	176,924	214,094
Average retail gallons per average number of stores (in thousands)	715	827
Average retail sales price per gallon sold	\$ 2.02	\$ 2.45
Retail fuel margin (\$ per gallon) <sup>(1)</sup>	\$ 0.347	\$ 0.276
Merchandise sales (in millions)	\$ 323.8	\$ 313.1
Merchandise sales per average number of stores (in millions)	\$ 1.3	\$ 1.2
Merchandise margin %	31.0 %	30.8 %

### Same-Store Comparison <sup>(2)</sup>

	Year Ended December 31,	
	2020	2019
Change in same-store retail fuel gallons sold	(17.3)%	2.9 %
Change in same-store merchandise sales	6.2 %	(1.0)%

<sup>(1)</sup> Retail fuel margin represents gross margin on fuel sales in the retail segment, and is calculated as retail fuel sales revenue less retail fuel cost of sales. The retail fuel margin per gallon calculation is derived by dividing retail fuel margin by the total retail fuel gallons sold for the period.

<sup>(2)</sup> Same-store comparisons include year-over-year changes in specified metrics for stores that were in service at both the beginning of the year and the end of the most recent year used in the comparison.

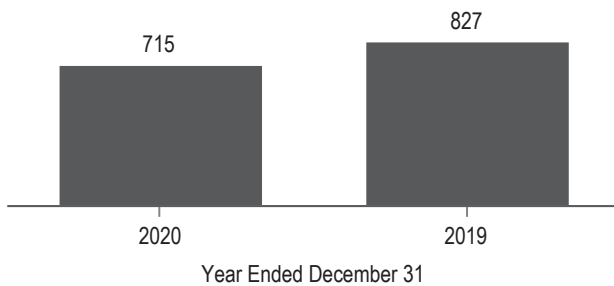
**Retail Segment Operational Comparison of the Year Ended December 31, 2020 versus the Year Ended December 31, 2019**

**Net Revenues**

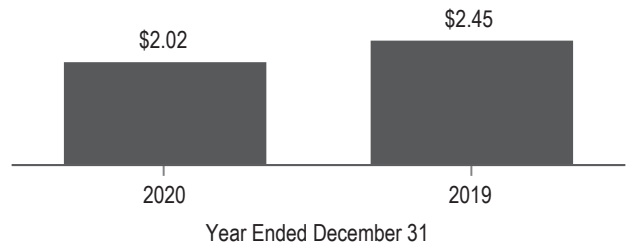
Net revenues for the retail segment decreased by \$156.3 million, or 18.7%, for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily driven by the following:

- total fuel sales were \$357.9 million for the year ended December 31, 2020 compared to \$524.9 million for 2019, attributable to the following:
  - a decrease in total retail fuel gallons sold of 176,924 thousand gallons during 2020 compared to 214,094 thousand gallons in 2019, primarily attributable to a same-store decline in fuel volumes of (17.3)%, primarily due to demand slowdown as a result of the COVID-19 Pandemic;
  - a \$0.43 decrease in average price charged per gallon; and
  - \$9.8 million decrease related to reduction in number of stores period over period;
- merchandise sales were \$323.8 million for the year ended December 31, 2020 compared to \$313.1 million for 2019 primarily driven by the following:
  - a same-store sales increase of 6.2% due to strong sales growth for key categories such as beer, cigarettes and packaged beverages, partially offset by a \$10.8 million decrease related to reduction in number of stores period over period.

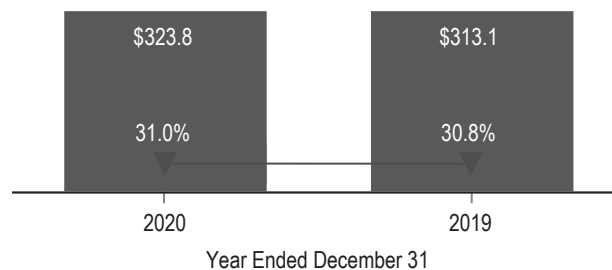
**Retail Fuel Volumes  
(Thousands of gallons per store)**



**Average Retail Sales Price  
per Gallon Sold**



**Merchandise Sales & Margin  
(\$ in millions)**



■ Merchandise Sales    ▾ Merchandise margin %

**Cost of Materials and Other**

Cost of materials and other for the retail segment decreased by \$161.1 million, or 23.5%, for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily driven by the following:

- a decrease in average cost per gallon of \$0.50 or 23.0% applied to fuel sales volumes that decreased period over period; and
- a \$16.3 million decrease due to reduction in number of stores period over period.

Our retail segment purchased finished product from our refining segment of \$220.0 million and \$379.6 million for the years ended December 31, 2020 and 2019, respectively. We eliminate this intercompany cost in consolidation.

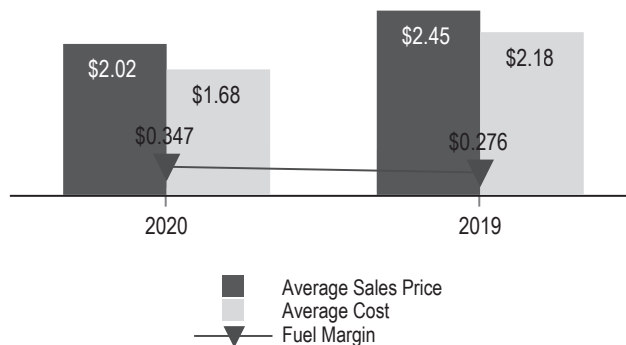
**Operating Expenses**

Operating expenses for the retail segment decreased by \$4.3 million, or 4.5%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This decrease is primarily attributable to a decrease in operating costs associated with the reduction in the number of stores, in addition to the execution of various cost reduction initiatives implemented beginning in the second quarter of 2020.

**Contribution Margin**

Contribution margin for the retail segment increased by \$9.1 million, a 15.6% increase in contribution margin percentage, for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily driven by a \$0.071 per gallon improvement in the retail fuel margin and a 0.2% increase in merchandise margin.

**Retail Fuel Margin  
(Average per gallon sold)**



## Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are

- cash generated from our operating activities;
- borrowings under our debt facilities; and
- potential issuances of additional equity and debt securities.

At December 31, 2020 our total liquidity amounted to \$1.6 billion comprised of \$746.8 million in unused credit commitments under the Delek Revolving Credit Facility, \$103.4 million in unused credit commitments under the DKL Credit Facility and \$787.5 million in cash and cash equivalents. Historically, we have generated adequate cash from operations to fund ongoing working capital requirements, pay quarterly cash dividends and operational capital expenditures. Other funding sources including borrowings under existing credit agreements and issuance of equity and debt securities have been utilized to meet our funding requirements and support our growth capital projects and acquisitions. In addition we have historically been able to source funding at terms that reflect market conditions, our financial position and our credit ratings. We continue to monitor market conditions, our financial position and our credit ratings and expect future funding sources to be at terms that are sustainable and profitable for the Company. However, there can be no assurances regarding the availability of any future debt or equity financings or whether such financings can be made available on terms that are acceptable to us; any execution of such financing activities will be dependent on the contemporaneous availability of functioning debt or equity markets. Additionally, new debt financing activities will be subject to the satisfaction of any debt incurrence limitation covenants in our existing financing agreements. Our debt limitation covenants in our existing financing documents are usual and customary for credit agreements of our type and reflective of market conditions at the time of their execution. Additionally, our ability to satisfy working capital requirements, to service our debt obligations, to fund planned capital expenditures, or to pay dividends will depend upon future operating performance, which will be affected by prevailing economic conditions in the oil and gas industry and other financial and business factors, including the current COVID-19 Pandemic and the impact on demand and commodity prices as well as crack spreads, some of which are beyond our control.

During 2020 and through the date of this Annual Report, the COVID-19 Pandemic has had a significant negative impact on economic conditions in the U.S., and a particularly severe impact on the oil and gas industry because of the significant impact the Pandemic has had on motor and air travel. As previously discussed at length in the 'Executive Summary and Strategic Overview' Section of Management's Discussion and Analysis, we have identified several uncertainties and related risks associated with the current and potential future effects of the Pandemic, including increased uncertainty and risk associated with our ability to manage liquidity and capital resources. As a result, and while it's always a critical area of focus, we have dedicated significant efforts throughout 2020 to monitoring and evaluating the evolving uncertainties around liquidity and capital resources and implementing measures and plans to mitigate and manage the associated risk. Here are some of our most significant areas of focus:

- In early 2020, as the economic impact of the Pandemic became evident, we reviewed our capital expenditure planning and forecast and suspended the majority of our non-critical growth capital projects during 2020 as well as made strategic decisions to abandon certain capital assets/projects that may no longer fit our objectives. Instead, we focused on required maintenance and regulatory projects as well as strategically-timed turnaround activities. As a result, we were able to reduce our capital expenditures to \$239.6 million during the year ended December 31, 2020, compared to our initial full-year forecast included in our December 31, 2019 Annual Report on Form 10-K of \$325.7 million;
- The temporary suspension of growth and non-essential projects (particularly in Refining) provided us with the opportunity to shift our focus to process improvement initiatives, cost control measures, and opportunities for innovation, which has improved our ability to control costs in terms of operating expenses and the aforementioned critical capital projects, particularly during the fourth quarter of 2020 (and as evident in our results of operations and cash flows from investing activities as presented in our unaudited consolidated financial statements for the three months ended, December 31, 2020, which is presented in our earnings release included in Ex. 99.1 to our Form 8-K filed with the SEC on February 24, 2021), all of which also favorably impact our cash position and provide a longer term foundation for increased operational effectiveness;
- Throughout 2020, we continued to monitor credit and liquidity of our key customers, which already go through a stringent and ongoing credit evaluation as part of our internal controls, and we have been able to successfully maintain our collection efforts without significant losses or write-offs. As part of this effort, we also continue to monitor our customers, as well as vendors, for any areas of concentration that could put us at undue risk, and have experienced no significant deterioration in credit or concentration risks that warrant disclosure;
- We continued executing on our strategy of divesting of non-strategic or underperforming assets. Where we made significant divestitures of underperforming stores in Retail during 2019, in 2020 we focused on executing a transaction to divest of our remaining non-operating refinery located in Bakersfield, California. As a result, on May 7, 2020, we sold our equity interests in our non-operating refinery located in Bakersfield to a subsidiary of Global Clean Energy Holdings, Inc. ("GCE") for total cash consideration of \$40.0 million (and resulting in a realized gain on the sale of \$56.8 million) and which was incurring non-operating losses to maintain basic regulatory requirements. As a result, not only did the sale produce significant cash proceeds, its elimination was immediately cash accretive. See further discussion in Note 4 of our consolidated financial statements included in Item 8.



Financial Statements and Supplementary Data, of this Annual Report on Form 10-K;

- To mitigate some of the risk inherent in prices, we utilized (and continue to utilize) various derivative financial instruments to protect a portion of our commodity exposure against pricing risk. In many cases, we hedge our production in a manner that systematically places hedges for several quarters in advance, allowing us to maintain a disciplined risk management program as it relates to commodity price volatility. We supplement the systematic hedging program with discretionary hedges that take advantage of favorable market conditions. These activities included certain fixed price purchase contracts and crack spread hedges executed throughout the year to ensure that we were not overly exposed to the unusually high market volatility which could impact cash requirements at settlement. However, many of these activities also require margin deposits that can fluctuate significantly in a volatile market, much of which cannot be anticipated;
- We continue to actively monitor our maintenance and incurrence covenants under our credit facilities and debt instruments, and have implemented enhancements in our cash forecasting and modeling that allow us to better anticipate potential issues, in many cases, before they occur. We believe that our enhanced forecasting efforts and processes will better position us to preemptively work toward amendments with lenders as needed, though it is possible that amendments may not be granted for reasons that may or may not be known to us;
- We have examined our discretionary uses of cash, including our stock repurchase activities and dividend distribution payments, both of which are designed to provide a return on shareholder value in times of favorable economic conditions and operating results, but which can actually weaken shareholder value in times of economic distress and downward pressure on our operating results if such activities diminish our ability to appropriately manage and mitigate the heightened risk. As a result of this examination, beginning in the second quarter 2020, we have temporarily suspended the repurchase of shares. Additionally, on November 5, 2020, we announced that we have elected to suspend dividends indefinitely beginning in the fourth quarter of 2020. Both of these decisions have the immediate benefit of conserving capital. Depending on market conditions, we may make the decision to resume share repurchases could which may take priority over future dividends or growth capital; and
- Finally, we are always evaluating our existing sources of capital and considering the feasibility and potential advantages of strategic transactions and capital markets opportunities that could expand our sources of liquidity and strengthen our flexibility, while balancing the comparative cost of capital, the incremental leverage risk, as well as the potential transactional risk on our core business and infrastructure. We are pleased that, despite the challenging environment, we have continued to successfully manage our liquidity and available sources of capital during 2020 through strategic transactions such as the following:
  - The Delek Logistics IDR Simplification, which resulted in the receipt of newly issued registered common limited partner units that we may sell in the market, when we determine that such sale meets all of our criteria for pursuing such a divestiture, including (but not limited to):
    - that we have evaluated the impact of a dilution of our ownership interest in Delek Logistics' common limited partner units in terms of the impact on distributions to Delek and on Delek's earnings per share and believe the liquidity, potential shareholder value and/or strategic benefits/considerations to be sufficient to warrant the transaction;
    - that there is a market for the number of units we are considering divesting; and
    - that the cost of capital associated with the sale transaction (i.e., in terms of the fees and discounts) is reasonable and not unduly cost-prohibitive, given the other factors.
  - By monetizing assets (including financial assets such as RINs inventories), where the cost of capital is not cost-prohibitive compared to the liquidity considerations, through product financing arrangements; and
  - By renegotiating and extending financing arrangements and taking advantage of expansion opportunities under our existing credit facilities, where appropriate. The two most significant of these transactions executed during 2020 were as follows:
    - In April 2020, we amended and restated our three Supply and Offtake Agreements with J. Aron which extended our dedicated financing for the inventory covered through at least December 2022, and updated certain specific market-indexed provisions to improve our ability to manage our exposure to commodity price volatility during the term of the Agreements. See further discussion in Note 10 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K; and
    - On May 19, 2020, we amended the Term Loan Credit Facility agreement (as defined in Note 11 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K) and borrowed \$200.0 million in aggregate principal amount of incremental term loans (the "Third Incremental Term Loan") at an original issue discount of 7.00%, requiring quarterly principal amortization payments of \$0.5 million commencing on June 30, 2020.

As a result of these efforts, and despite the devastating economic effects of the Pandemic on our industry, we have maintained a strong cash position with capital resources flexibility that positions us well as we look forward to the expected economic recovery from the Pandemic, where crack spread forecasts and forward curves indicate the market's expectation for significant recovery in 2022 and stabilization by 2023. We believe we have sufficient financial resources from the above sources to meet our funding requirements in the next 12 months, including working capital requirements, quarterly cash distributions for Delek Logistics public unitholders, and planned capital expenditures. However, if market conditions were to change, for instance due to another significant decline in oil prices or crack spreads and/or significant worsening of conditions/uncertainty created by the COVID-19 Pandemic, and our revenue was reduced significantly or operating costs were to increase significantly, our cash flows and liquidity could be unfavorably impacted.

As of December 31, 2020, we believe we were in compliance with all of our debt maintenance covenants, where the most significant long-term obligation subject to such covenants was the Delek Logistics Credit Facility (see further discussion in Note 11 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K). After considering the current effect of the significant decline in oil prices and uncertainty created by the COVID-19 Pandemic on our operations, we currently expect to remain in compliance with our existing debt maintenance covenants, though we can provide no assurances, particularly if conditions significantly worsen beyond our ability to predict. Additionally, we were in compliance with incurrence covenants during the quarter ended December 31, 2020 to the extent that any of our activities triggered these covenants. However, given the uncertainty around economic conditions arising from the COVID-19 Pandemic, it is at least reasonably possible that conditions could change significantly, and that such changes could adversely impact our ability to meet some of these incurrence based covenants, in the event that our activities would warrant testing these covenants. Failure to meet the incurrence covenants could impose certain incremental restrictions on our ability to incur new debt and also may limit whether and the extent to which we may resume paying dividends, as well as impose additional restrictions on our ability to repurchase our stock, make new investments and incur new liens (among others). Such restrictions would generally remain in place until such quarter that we return to compliance under the applicable incurrence based covenants. In the event that we are subject to these incremental restrictions, we believe that we have sufficient current and alternative sources of liquidity, including (but not limited to): available borrowings under our existing Wells Fargo Revolving Credit Facility, and for Delek Logistics, under its Delek Logistics Credit Facility (see further discussion in Note 11 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K); the allowance to incur an additional \$200 million of secured debt under the Wells Fargo Term Loan Credit Facility (see further discussion in Note 11 of our consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K); as well as the possibility of obtaining other secured and unsecured debt, raising capital through equity issuance, or taking advantage of transactional financing opportunities such as sale-leasebacks or joint ventures, as otherwise contemplated and allowed under our incurrence covenants.

### Cash Flows

The following table sets forth a summary of our consolidated cash flows (in millions):

	Consolidated	
	Year Ended December 31,	
	2020	2019
<b>Cash Flow Data:</b>		
Operating activities	\$ (282.9)	\$ 575.2
Investing activities	(191.3)	(691.3)
Financing activities	306.4	(7.9)
Net decrease	<u>\$ (167.8)</u>	<u>\$ (124.0)</u>

#### Cash Flows from Operating Activities

Net cash used in operating activities was \$282.9 million for the year ended December 31, 2020, compared to cash provided of \$575.2 million for the comparable period of 2019. Cash receipts from customers and cash payments to suppliers and for salaries decreased resulting in a net \$960.5 million decrease in cash from operating activities mainly due to a decline in the prices and volume of refined product sold. This decrease was partially offset by a \$9.3 million increase in cash received for dividends, a \$90.6 million decrease in cash paid for taxes and a \$2.5 million decrease in cash paid for debt interest.

#### Cash Flows from Investing Activities

Net cash used in investing activities was \$191.3 million for the year ended December 31, 2020, compared to \$691.3 million in the comparable period of 2019. Equity method investment contributions decreased \$236.2 million primarily due to our initial investments in and contributions to the Red River Pipeline Joint Venture and WWP Joint Venture in 2019 for \$128.6 million and \$126.7 million, respectively. During the year ended December 31, 2020, we contributed \$12.2 million related to our Red River Pipeline Joint Venture and \$18.9 million related to our interest in WWP and WWP Project Financing JV. Additionally, we received distributions from our WWP Project Financing JV in the amount of \$69.3 million for which there was no comparable activity in the prior year period. We also received proceeds of \$39.9 million from the sale of our Bakersfield refinery in the year ended December 31, 2020. Also contributing to the decrease was cash purchases of property, plant and equipment which

decreased from \$413.0 million in 2019, to \$269.4 million in 2020, partially attributable to delaying non-essential projects in light of the COVID-19 Pandemic.

### ***Cash Flows from Financing Activities***

Net cash provided by financing activities was \$306.4 million for the year ended December 31, 2020, compared to cash used of \$7.9 million in the comparable 2019 period. This increase in cash provided was predominantly due to net proceeds received from long-term revolvers of \$128.2 million during the year ended December 31, 2020, compared to net payments of \$118.3 million in the comparable 2019 period. Additionally contributing to this increase were a decrease in repurchases of common stock to \$1.9 million for the year ended December 31, 2020 compared to \$178.1 million in the comparable 2019 period due to management suspending our share repurchase program, and an increase in net proceeds from inventory financing arrangements to \$169.1 million for the year ended December 31, 2020 compared to \$18.6 million in the comparable 2019 period. Partially offsetting this increase was a decrease in net proceeds received from term debt to \$147.1 million during the year ended December 31, 2020, compared to \$399.7 million in the comparable 2019 period, and a \$28.9 million increase in repurchase of non-controlling interests primarily associated with IDR simplification transactions.

### ***Cash Position and Indebtedness***

As of December 31, 2020, our total cash and cash equivalents were \$787.5 million and we had total long-term indebtedness of approximately \$2,348.4 million. The total long-term indebtedness is net of deferred financing costs and debt discount of \$6.4 million and \$24.4 million, respectively. Additionally, we had letters of credit issued of approximately \$253.2 million. Total unused credit commitments or borrowing base availability, as applicable, under our revolving credit facilities was approximately \$850.2 million. The increase of \$281.3 million compared to the balance at December 31, 2019 resulted primarily from the additional borrowings under the Term Loan Credit Facility and the Delek Logistics Credit Facility in 2020. As of December 31, 2020, our total long-term indebtedness consisted of the following:

- no aggregate principal amount under the Revolving Credit Facility, due on March 30, 2023, with average borrowing rate of 3.50%;
- an aggregate principal amount of \$1,273.0 million under the Term Loan Credit Facility, due on March 30, 2025, with effective interest of 3.57%;
- an aggregate principal amount of \$39.6 million in outstanding borrowings under the BHI Term Loan, due on December 31, 2022, with effective interest of 3.58%;
- an aggregate principal amount of \$746.6 million under the Delek Logistics Credit Facility, due on September 28, 2023, with average borrowing rate of 2.44%;
- an aggregate principal amount of \$250.0 million under the Delek Logistics Notes, due in 2025, with effective interest rate of 7.45%;
- an aggregate principal amount of \$50.0 million under the Reliant Bank Revolver, due on June 30, 2022, with fixed interest rate of 4.50%; and
- an aggregate principal amount of \$20.0 million under the Promissory Notes, due on January 04, 2021, with fixed interest rate of 5.50%.

See Note 11 to our accompanying consolidated financial statements in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for additional information about our separate debt and credit facilities.

Additionally, our obligation under the supply and offtake inventory financing agreements with J. Aron amounted to \$347.7 million at December 31, 2020, \$224.9 million of which is due on December 30, 2022, except that a portion (not to exceed \$33.1 million) of this otherwise long-term component is subject to potential earlier payment under the Periodic Price Adjustment provision. See Note 10 to our accompanying consolidated financial statements in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for additional information about our supply and offtake facilities.

### ***Debt Ratings***

We receive debt ratings from the major ratings agencies in the U.S. In determining our debt ratings, the agencies consider a number of qualitative and quantitative items including, but not limited to, commodity pricing levels, our liquidity, asset quality, reserve mix, debt levels and seniorities, cost structure, planned asset sales and production growth opportunities.

There are no "rating triggers" in any of our contractual debt obligations that would accelerate scheduled maturities should our debt rating fall below a specified level. However, a downgrade could adversely impact our interest rate on any credit facility implementations and the ability to economically access debt markets in the future. Additionally, any rating downgrades may result in additional letters of credit or cash collateral being posted under certain contractual arrangements.

Our credit ratings as of December 31, 2020 and 2019 are presented below:

	Year Ended December 31,	
	2020	2019
<b>Delek</b>		
S&P	BB/Negative	BB/Stable
Moody's	Ba3/Stable	Ba3/Stable
<b>Delek Logistics</b>		
S&P	BB-/Negative	BB-/Stable
Moody's	B1/Stable	B1/Stable

### Capital Spending

A key component of our long-term strategy is our capital expenditure program. Our capital expenditures for the year ended December 31, 2020 were \$239.6 million, of which approximately \$201.0 million was spent in our refining segment, \$15.8 million in our logistics segment, \$9.1 million in our retail segment and \$13.7 million in corporate and other. The following table summarizes our actual capital expenditures for 2020 and planned capital expenditures for 2021 by operating segment and major category (in millions):

	Year Ended December 31,	
	2021 Forecast	2020 Actual
<b>Refining</b>		
Sustaining maintenance, including turnaround activities	\$ 92.2	\$ 158.9
Regulatory	4.4	41.3
Discretionary projects	0.7	0.8
<b>Refining segment total</b>	<b>97.3</b>	<b>201.0</b>
<b>Logistics</b>		
Regulatory	9.0	1.9
Sustaining maintenance	4.9	1.5
Discretionary projects	6.9	12.4
<b>Logistics segment total</b>	<b>20.8</b>	<b>15.8</b>
<b>Retail</b>		
Regulatory	3.3	0.2
Sustaining maintenance	—	2.4
Discretionary projects	2.4	6.5
<b>Retail segment total</b>	<b>5.7</b>	<b>9.1</b>
<b>Corporate and Other</b>		
Regulatory	1.8	0.4
Sustaining maintenance	15.0	1.2
Discretionary projects <sup>(1)(2)</sup>	9.9	12.1
<b>Other total</b>	<b>26.7</b>	<b>13.7</b>
<b>Total capital spending</b>	<b>\$ 150.5</b>	<b>\$ 239.6</b>

(1) Excludes purchases of rights-of-way in the amount of \$2.7 million in 2020.

The amount of our capital expenditure budget is subject to change due to unanticipated increases in the cost, scope and completion time for our capital projects and subject to the changes and uncertainties discussed under the 'Forward-Looking Statements' section of Item 7. Management Discussion and Analysis, of this Annual Report on Form 10-K. For further information, please refer to our discussion in Item 1A. Risk Factors, of this Annual Report on Form 10-K.

### Contractual Obligations and Commitments

Information regarding our known contractual obligations of the types described below as of December 31, 2020, is set forth in the following table (in millions):

	Payments Due by Period				Total
	≤1 Year	1-3 Years	3-5 Years	>5 Years	
Long term debt and notes payable obligations	\$ 33.4	\$ 861.8	\$ 1,484.0	\$ —	\$ 2,379.2
Interest <sup>(1)</sup>	77.9	145.1	72.4	—	295.4
Operating lease commitments <sup>(2)</sup>	216.6	407.5	277.0	214.4	1,115.5
Purchase commitments <sup>(3)</sup>	876.6	—	—	—	876.6
Product financing agreements <sup>(4)</sup>	198.0	—	—	—	198.0
Transportation agreements <sup>(5)</sup>	124.8	230.1	127.5	60.0	542.4
J. Aron supply and offtake obligations <sup>(6)</sup>	15.5	243.5	—	—	259.0
<b>Total</b>	<b>\$ 1,542.8</b>	<b>\$ 1,888.0</b>	<b>\$ 1,960.9</b>	<b>\$ 274.4</b>	<b>\$ 5,666.1</b>

<sup>(1)</sup> Expected interest payments on debt outstanding at December 31, 2020. Floating interest rate debt is calculated using December 31, 2020 rates. For additional information, see Note 11 to the consolidated financial statements in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

<sup>(2)</sup> Amounts reflect future estimated lease payments under operating leases having remaining non-cancelable terms in excess of one year as of December 31, 2020.

<sup>(3)</sup> We have supply agreements to secure certain quantities of crude oil, finished product and other resources used in production at both fixed and market prices. We have estimated future payments under the market-based agreements using current market rates. Excludes purchase commitments in buy-sell transactions which have matching notional amounts with the same counterparty and are generally net settled.

<sup>(4)</sup> Balances consist of obligations under RINs product financing arrangements, as described in the 'Environmental Credits and Related Regulatory Obligations' accounting policy included in Note 2 to the consolidated financial statements in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

<sup>(5)</sup> Balances consist of contractual obligations under agreements with third parties (not including Delek Logistics) for the transportation of crude oil to our refineries.

<sup>(6)</sup> Balances consists of contractual obligations under the J. Aron Supply and Offtake Agreements, including annual fees and principal obligation for the Baseline Volume Step-Out Liability. For additional information, see Note 10 to the consolidated financial statements in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

### Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements through the date of this Annual Report on Form 10-K.

## Accounting Standards

### *Critical Accounting Policies and Estimates*

The fundamental objective of financial reporting is to provide useful information that allows a reader to comprehend our business activities. We prepare our consolidated financial statements in conformity with GAAP, and in the process of applying these principles, we must make judgments, assumptions and estimates based on the best available information at the time. To aid a reader's understanding, management has identified our critical accounting policies. These policies are considered critical because they are both most important to the portrayal of our financial condition and results, and require our most difficult, subjective or complex judgments. Often they require judgments and estimation about matters which are inherently uncertain and involve measuring at a specific point in time, events which are continuous in nature. Actual results may differ based on the accuracy of the information utilized and subsequent events, some over which we may have little or no control.

#### *Evaluation of Variable Interest Entities ("VIEs")*

Our consolidated financial statements include the financial statements of our subsidiaries and VIEs, of which we are the primary beneficiary. We evaluate all legal entities in which we hold an ownership or other pecuniary interest to determine if the entity is a VIE. Variable interests can be contractual, ownership or other pecuniary interests in an entity that change with changes in the fair value of the VIE's assets. If we are not the primary beneficiary, the general partner or another limited partner may consolidate the VIE, and we record the investment as an equity method investment. Significant judgment is exercised in determining that a legal entity is a VIE and in evaluating whether we are the primary beneficiary in a VIE. Generally, the primary beneficiary is the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the right to receive benefits or obligation to absorb losses that could be potentially significant to the VIE. We evaluate the entity's need for continuing financial support; the equity holder's lack of a controlling financial interest; and/or if an equity holder's voting interests are disproportionate to its obligation to absorb expected losses or receive residual returns. We evaluate our interests in a VIE to determine whether we are the primary beneficiary. We use a primarily qualitative analysis to determine if we are deemed to have a controlling financial interest in the VIE, either on a standalone basis or as part of a related party group. We continually monitor our interests in legal entities for changes in the design or activities of an entity and changes in our interests, including our status as the primary beneficiary to determine if the changes require us to revise our previous conclusions.

#### *LIFO Inventory*

The Tyler refinery's inventory consists of crude oil, refined petroleum products and blendstocks which are stated at the lower of cost or market. Cost is determined under the last-in, first-out ("LIFO") valuation method. The LIFO method requires management to make estimates on an interim basis of the anticipated year-end inventory quantities, which could differ from actual quantities.

We believe the accounting estimate related to the establishment of anticipated year-end LIFO inventory is a critical accounting estimate, because it requires management to make assumptions about future production rates in the Tyler refinery, the future buying patterns of our customers, as well as numerous other factors beyond our control, including the economic viability of the general economy, weather conditions, the availability of imports, the marketing of competitive fuels and government regulation. The impact of changes in actual performance versus these estimates could be material to the inventories reported on our quarterly balance sheets, and the impact on the results reported in our quarterly statements of income could be material. In selecting assumed inventory levels, we use historical trending of production and sales, recognition of current market indicators of future pricing and value and new regulatory requirements which might impact inventory levels. Management's assumptions require significant judgment because actual year-end inventory levels have fluctuated in the past and may continue to do so.

At each year-end, actual physical inventory levels are used to calculate both ending inventory balances and final cost of materials and other for the year.

#### *Property, Plant and Equipment and Other Intangibles Impairment*

Property, plant and equipment and other intangibles are evaluated for impairment whenever indicators of impairment exist. Accounting standards require that if an impairment indicator is present, we must assess whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. We derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. We use quoted market prices when available and our internal cash flow estimates discounted at an appropriate interest rate to determine fair value, as appropriate. If the carrying amount is more than the recoverable amount, an impairment charge must be recognized based on the fair value of the asset. Our assessment did not result in impairment during the years ended December 31, 2020, 2019 or 2018.



## Goodwill

Goodwill in an acquisition represents the excess of the aggregate purchase price over the fair value of the identifiable net assets. Goodwill is reviewed at least annually for impairment, or more frequently if indicators of impairment exist, such as disruptions in our business, unexpected significant declines in operating results or a sustained market capitalization decline. Goodwill is evaluated for impairment by comparing the carrying amount of the reporting unit to its estimated fair value. Prior to the adoption of Accounting Standard Update ("ASU") 2017-04, *Simplifying the Test for Goodwill Impairment*, if a reporting unit's carrying amount exceeds its fair value (Step 1), the impairment assessment leads to the testing of the implied fair value of the reporting unit's goodwill to its carrying amount (Step 2). If the implied fair value is less than the carrying amount, a goodwill impairment charge is recorded. Subsequent to adoption of ASU 2017-04 (which we adopted during the fourth quarter of 2018, as permitted by the ASU), Step 2 is no longer required, but rather any impairment is determined based on the results of Step 1.

In assessing the recoverability of goodwill, assumptions are made with respect to future business conditions and estimated expected future cash flows to determine the fair value of a reporting unit. We may consider inputs such as a market participant weighted average cost of capital ("WACC"), forecasted crack spreads, gross margin, capital expenditures, and long-term growth rate based on historical information and our best estimate of future forecasts, all of which are subject to significant judgment and estimates. We may also consider a market approach in determining or corroborating the fair values of the reporting units using a multiple of expected future cash flows, such as those used by third-party analysts. The market approach involves significant judgment, including selection of an appropriate peer group, selection of valuation multiples, and determination of the appropriate weighting in our valuation model. If these estimates and assumptions change in the future, due to factors such as a decline in general economic conditions, sustained decrease in the crack spreads, competitive pressures on sales and margins and other economic and industry factors beyond management's control, an impairment charge may be required. The most significant risks to our valuation and the potential future impairment of goodwill are the WACC and the volatility of the crack spread, which is based on the crude oil and the refined product markets. The crack spread is often unpredictable and may negatively impact our results of operations in ways that cannot be anticipated and that are beyond management's control.

We may also elect to perform a qualitative impairment assessment of goodwill balances. The qualitative assessment permits companies to assess whether it is more likely than not (i.e., a likelihood of greater than 50%) that the fair value of a reporting unit is less than its carrying amount. If a company concludes that, based on the qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the company is required to perform the quantitative impairment test. Alternatively, if a company concludes based on the qualitative assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it has completed its goodwill impairment test and does not need to perform the quantitative impairment test.

We performed a qualitative assessment on the reporting units in our logistics segment for the years ended December 31, 2020, 2019 and 2018, which did not result in an impairment charge nor did our analysis reflect any reporting units at risk.

Our quantitative assessment of goodwill performed on the reporting units in our refining and retail segments during the fourth quarter of 2020, resulted in an impairment of \$126.0 million during the year ended December 31, 2020, related to our Big Spring refinery and Krotz Springs refinery reporting units. The impairment was predominantly the result of the continued uncertainty regarding the impact of the COVID-19 Pandemic, which impacted various components of our assessment, including the WACC. The Pandemic has resulted in government-imposed temporary business closures and shelter-at-home directives. This has had the secondary effect of impacting prices of crude oil and refined products as well as supply and demand for crude oil and refined products, and triggered several identified uncertainties, as discussed in the 'Business Overview' section of Management's Discussion and Analysis. As part of our assessment, the aggregate fair value of all reporting units have been reconciled to our market capitalization for reasonableness. Each of the remaining reporting units have a fair value that is substantially in excess of its carrying value. There was no impairment during the years ended December 31, 2019 and 2018.

Details of remaining goodwill balances by segment are included in Note 18 to the consolidated financial statements in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

## Environmental Liabilities

It is our policy to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and the amount can be reasonably estimated. Environmental liabilities represent the current estimated costs to investigate and remediate contamination at sites where we have environmental exposure. This estimate is based on assessments of the extent of the contamination, the selected remediation methodology and review of applicable environmental regulations, typically considering estimated activities and costs for 15 years, and up to 30 years if a longer period is believed reasonably necessary. Such estimates may require judgment with respect to costs, time frame and extent of required remedial and clean-up activities. Accruals for estimated costs from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study and include, but are not limited to, costs to perform remedial actions and costs of machinery and equipment that are dedicated to the remedial actions and that do not have an alternative use. Such accruals are adjusted as further information develops or circumstances change. We discount environmental liabilities to their present value if payments are fixed or reliably determinable. Expenditures for equipment necessary for environmental issues relating to ongoing operations are capitalized.

Changes in laws and regulations and actual remediation expenses compared to historical experience could significantly impact our results of operations and financial position. We believe the estimates selected, in each instance, represent our best estimate of future outcomes, but the actual outcomes could differ from the estimates selected.

### Asset Retirement Obligations

Delek recognizes liabilities which represent the fair value of a legal obligation to perform asset retirement activities, including those that are conditional on a future event, when the amount can be reasonably estimated. 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.

In the refining segment, we have asset retirement obligations with respect to our refineries due to various legal obligations to clean and/or dispose of these assets at the time they are retired. However, the majority of these assets can be used for extended and indeterminate periods of time provided that they are properly maintained and/or upgraded. It is our practice and intent to continue to maintain these assets and make improvements based on technological advances. In the logistics segment, these obligations relate to the required cleanout of the pipeline and terminal tanks and removal of certain above-grade portions of the pipeline situated on right-of-way property. In the retail segment, we have asset retirement obligations related to the removal of underground storage tanks and the removal of brand signage at owned and leased retail sites which are legally required under the applicable leases. The asset retirement obligation for storage tank removal on leased retail sites is accreted over the expected life of the owned retail site or the average retail site lease term.

In order to determine fair value, management must make certain estimates and assumptions including, among other things, projected cash flows, a credit-adjusted risk-free rate and an assessment of market conditions that could significantly impact the estimated fair value of the asset retirement obligations. We believe the estimates selected, in each instance, represent our best estimate of future outcomes, but the actual outcomes could differ from the estimates selected.

### New Accounting Pronouncements

See Note 2 to the consolidated financial statements in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for a discussion of new accounting pronouncements applicable to us.

### Non-GAAP Measures

Our management uses certain "non-GAAP" operational measures to evaluate our operating segment performance and non-GAAP financial measures to evaluate past performance and prospects for the future to supplement our GAAP financial information presented in accordance with U.S. GAAP. These financial and operational non-GAAP measures are important factors in assessing our operating results and profitability and include:

- Refining margin - calculated as the difference between net refining revenues and total cost of materials and other;
- Refined product margin - calculated as the difference between net revenues attributable to refined products (produced and purchased) and related cost of materials and other (which is applicable to both the refining segment and the West Texas wholesale marketing activities within our logistics segment); and
- Refining margin per barrels sold - calculated as refining margin divided by our average refining sales in barrels per day (excluding purchased barrels) multiplied by 1,000 and multiplied by the number of days in the period.

We believe these non-GAAP operational and financial measures are useful to investors, lenders, ratings agencies and analysts to assess our ongoing performance because, when reconciled to their most comparable GAAP financial measure, they provide improved comparability between periods through the exclusion of certain items that we believe are not indicative of our core operating performance and they may obscure our underlying results and trends.

Non-GAAP measures have important limitations as analytical tools, because they exclude some, but not all, items that affect net earnings and operating income. These measures should not be considered substitutes for their most directly comparable U.S. GAAP financial measures.

### Non-GAAP Reconciliations

The following table provides a reconciliation of refining margin to the most directly comparable U.S. GAAP measure, gross margin:

#### Reconciliation of refining margin to gross margin

Refining Segment			
	Year Ended December 31,		
	2020	2019	2018
Net revenues	\$ 5,817.7	\$ 8,798.5	\$ 9,610.4
Cost of sales	6,346.5	8,154.9	8,904.6
<b>Gross margin</b>	(528.8)	643.6	705.8
Add back (items included in cost of sales):			
Operating expenses (excluding depreciation and amortization)	402.7	492.4	465.4
Depreciation and amortization	198.3	134.3	133.7
<b>Refining margin</b>	<u>\$ 72.2</u>	<u>\$ 1,270.3</u>	<u>\$ 1,304.9</u>

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Changes in commodity prices (mainly crude oil and unleaded gasoline) and interest rates are our primary sources of market risk. When we make the decision to manage our market exposure, our objective is generally to avoid losses from adverse price changes, realizing we will not obtain the gains of beneficial price changes.

### ***Impact of Changing Prices***

Our revenues and cash flows, as well as estimates of future cash flows, are sensitive to changes in energy prices. Major shifts in the cost of crude oil, the prices of refined products and the cost of ethanol can generate large changes in the operating margin in each of our segments.

We maintain, at both company-owned and third-party facilities, inventories of crude oil, feedstocks and refined petroleum products, the values of which are subject to wide fluctuations in market prices driven by world economic conditions, regional and global inventory levels and seasonal conditions. At December 31, 2020 and 2019, we held approximately 3.8 million and 3.7 million barrels, respectively, of crude and product inventories associated with the Tyler refinery valued under the LIFO valuation method, with an average cost of \$52.50 and \$61.56 per barrel, respectively. At December 31, 2020 and 2019, the excess of replacement cost over the carrying value (LIFO) of refinery inventories was \$3.4 million and \$14.9 million, respectively. At December 31, 2020 and 2019, we held approximately 9.1 million and 9.4 million barrels, respectively, of crude and product inventories associated with the El Dorado, Big Spring and Krotz Springs refineries valued under the FIFO valuation method, with an average cost of \$49.31 and \$63.25 per barrel, respectively. Due to a lower crude oil and refined product pricing environment, market prices have declined to a level below the average cost of our inventories. At December 31, 2020, we recorded a pre-tax inventory valuation reserve of \$31.1 million, \$30.3 million of which related to LIFO inventory, which is subject to reversal in subsequent periods, not to exceed LIFO cost, should market prices recover. At December 31, 2019, we recorded a pre-tax inventory valuation reserve of \$1.7 million, of which \$1.2 million related to LIFO inventory, which is subject to reversal in subsequent periods, not to exceed LIFO cost, when those physical inventory quantities are sold. For the years ended December 31, 2020, 2019 and 2018, we recognized net inventory valuation (losses) gains of \$(31.1) million, \$37.6 million and \$(52.5) million, respectively, which were recorded as a component of cost of materials and other in the consolidated statements of income.

From time to time, we also may enter into forward purchase or sale derivative contracts for trading purposes (primarily in our Canadian business) and, as a result, may have trading investment commodities on hand related to the purchased inventory. Such derivative contracts and related investment commodities are recorded at fair value and subject to pricing risk each period with changes in fair value reflected in other operating income, net in the profit and loss section of our consolidated financial statements. For the years ended December 31, 2020, 2019 and 2018, all of our forward purchase and sales contracts that were accounted for as derivative instruments consisted of contracts related to our Canadian trading activities.

### ***Price Risk Management Activities***

At times, we enter into the following instruments/transactions in order to manage our market-indexed pricing risk: commodity derivative contracts which we use to manage our price exposure to our inventory positions, future purchases of crude oil and ethanol, future sales of refined products or to fix margins on future production; and future commitments to purchase or sell RINs at fixed prices and quantities, which are used to manage the costs associated with our RINs obligations and meet the definition of derivative instruments under Accounting Standards Codification 815, *Derivatives and Hedging* ("ASC 815"). In accordance with ASC 815, all of these commodity contracts and future purchase commitments are recorded at fair value, and any change in fair value between periods has historically been recorded in the profit and loss section of our consolidated financial statements. Occasionally, at inception, the Company will elect to designate the commodity derivative contracts as cash flow hedges under ASC 815. Gains or losses on commodity derivative contracts accounted for as cash flow hedges are recognized in other comprehensive income on the consolidated balance sheets and, ultimately, when the forecasted transactions are completed in net revenues or cost of materials and other in the consolidated statements of income.

The following table sets forth information relating to our open commodity derivative contracts, excluding our trading derivative contracts (which are presented separately below), as of December 31, 2020 (\$ in millions).

Contract Description	Total Outstanding		Notional Contract Volume by Year of Maturity				
	Fair Value	Notional Contract Volume	2021	2022	2023	2024	2025
<b>Contracts not designated as hedging instruments:</b>							
Crude oil price swaps - long <sup>(1)</sup>	\$ 41.8	21,236,000	21,086,000	150,000	—	—	—
Crude oil price swaps - short <sup>(1)</sup>	(36.2)	18,174,000	18,174,000	—	—	—	—
Inventory, refined product and crack spread swaps - long <sup>(1)</sup>	57.8	59,217,000	29,617,000	22,200,000	7,400,000	—	—
Inventory, refined product and crack spread swaps - short <sup>(1)</sup>	(72.4)	58,996,000	29,396,000	22,200,000	7,400,000	—	—
Natural gas forward contracts - long <sup>(3)</sup>	26.4	11,280,000	11,280,000	—	—	—	—
Natural gas forward contracts - short <sup>(3)</sup>	(7.2)	10,850,000	10,850,000	—	—	—	—
RINs commitment contracts - long <sup>(2)</sup>	33.6	182,650,000	—	—	—	—	—
RINs commitment contracts - short <sup>(2)</sup>	(197.2)	563,400,000	—	—	—	—	—
<b>Total</b>	<b>\$ (153.4)</b>	<b>925,803,000</b>	<b>120,403,000</b>	<b>44,550,000</b>	<b>14,800,000</b>	<b>—</b>	<b>—</b>

<sup>(1)</sup> Volume in barrels. <sup>(2)</sup> Volume in RINs. <sup>(3)</sup> Volume in MMBTU

### Interest Rate Risk

We have market exposure to changes in interest rates relating to our outstanding floating rate borrowings, which totaled approximately \$2,059.2 million as of December 31, 2020. The annualized impact of a hypothetical one percent change in interest rates on our floating rate debt outstanding as of December 31, 2020 would be to change interest expense by approximately \$20.6 million.

#### LIBOR Transition

LIBOR is a commonly used indicative measure of the average interest rate at which major global banks could borrow from one another. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, has publicly announced that it intends to discontinue the reporting of certain LIBOR rates after 2021, with a complete cessation for all USD LIBOR rates after June 2023. Certain of our agreements use LIBOR as a "benchmark" or "reference rate" for various terms. Some agreements contain an existing LIBOR alternative. Where there is not an alternative, we expect to replace the LIBOR benchmark with an alternative reference rate. While we do not expect the transition to an alternative rate to have a significant impact on our business or operations, it is possible that the move away from LIBOR could materially impact our borrowing costs on our variable rate indebtedness.

#### Commodity Derivatives Trading Activities

We enter into active trading positions in a variety of commodity derivatives, which include forward physical contracts, swap contracts, and futures contracts. These trading activities are undertaken by using a range of contract types in combination to create incremental gains by capitalizing on crude oil supply and pricing seasonality. These contracts all had remaining durations of less than one year as of December 31, 2020, and are classified as held for trading and are recognized at fair value with changes in fair value recognized in the income statement.

The following table sets forth information relating to commodity derivative contracts held for trading purposes as of December 31, 2020.

Contract Description	Less than 1 year
<b>Over the counter forward sales contracts (crude)</b>	
Notional contract volume <sup>(1)</sup>	1,092,298
Weighted-average market price (per barrel)	\$ 33.07
Contractual volume at fair value (in millions)	\$ 36.1
<b>Over the counter forward purchase contracts (crude)</b>	
Notional contract volume <sup>(1)</sup>	967,308
Weighted-average market price (per barrel)	\$ 33.00
Contractual volume at fair value (in millions)	\$ 31.9

<sup>(1)</sup> Volume in barrels.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Item 8 is incorporated by reference to the section beginning on page F-1.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### ***Disclosure Controls and Procedures***

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act that are designed to provide reasonable assurance that the information that we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. It should be noted that, because of inherent limitations, our disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met.

As required by paragraph (b) of Rule 13a-15 under the Exchange Act, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

#### ***Management's Annual Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process that is designed under the supervision of our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures recorded by us are being made only in accordance with authorizations of our management and Board of Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our 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 and procedures may deteriorate.

Management has conducted its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2020, based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing the operational effectiveness of our internal control over financial reporting. Management reviewed the results of the assessment with the Audit Committee of the Board of Directors. Based on its assessment and review with the Audit Committee, management concluded that, at December 31, 2020, we maintained effective internal control over financial reporting.

#### ***Report of Independent Registered Public Accounting Firm***

Our independent registered public accounting firm, Ernst & Young LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2020, as stated in their report, which is included in the section beginning on page F-1.

The information required by Item 8 is incorporated by reference to the section beginning on page F-1.

#### ***Changes in Internal Control over Financial Reporting***

There has been no change in our internal control over financial reporting (as described in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

None.



## PART III

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Our Board of Directors Governance Guidelines, our charters for our Audit, Compensation, Nominating and Corporate Governance and Environmental, Health and Safety Committees and our Code of Business Conduct & Ethics covering all employees, including our principal executive officer, principal financial officer, principal accounting officer and controllers, are available on our website, [www.DelekUS.com](http://www.DelekUS.com), under the "About Us - Corporate Governance" caption. A print copy of any of these documents will be mailed upon a written request made by a stockholder to the Corporate Secretary, Delek US Holdings, Inc. 7102 Commerce Way, Brentwood, Tennessee 37027. We intend to disclose any amendments to or waivers of the Code of Business Conduct & Ethics on behalf of our Chief Executive Officer, Chief Financial Officer and persons performing similar functions on our website, at [www.DelekUS.com](http://www.DelekUS.com), under the "Investor Relations" caption, promptly following the date of any such amendment or waiver.

The information required by Item 401 of Regulation S-K regarding directors will be included under "Election of Directors" in the definitive Proxy Statement for our Annual Meeting of Stockholders expected to be held May 6, 2021 (the "Definitive Proxy Statement"), and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding executive officers will be included under "Corporate Governance" in the Definitive Proxy Statement and is incorporated herein by reference. The information required by Item 405 of Regulation S-K will be included under "Section 16(a) Beneficial Ownership Reporting Compliance" in the Definitive Proxy Statement and is incorporated herein by reference. The information required by Items 406, 407(c)(3), (d)(4), and (d)(5) of Regulation S-K will be included under "Corporate Governance" in the Definitive Proxy Statement and is incorporated herein by reference.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 402 and paragraphs (e)(4) and (e)(5) of Item 407 of Regulation S-K will be included under "Executive Compensation" and "Corporate Governance" in the Definitive Proxy Statement and is incorporated herein by reference.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 201(d) and Item 403 of Regulation S-K will be included under "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in the Definitive Proxy Statement and is incorporated herein by reference.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by Item 404 of Regulation S-K will be included under "Certain Relationships and Related Transactions" in the Definitive Proxy Statement and is incorporated herein by reference.

The information required by Item 407(a) of Regulation S-K will be included under "Election of Directors" and "Corporate Governance" in the Definitive Proxy Statement and is incorporated herein by reference.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item will be included under "Independent Public Accountants" in the Definitive Proxy Statement and is incorporated herein by reference.



## PART IV

### ***ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

(a) Certain Documents Filed as Part of this Annual Report on Form 10-K:

1. Financial Statements. The accompanying Index to Financial Statements on page F-1 of this Annual Report on Form 10-K is provided in response to this item.
2. List of Financial Statement Schedules. All schedules are omitted because the required information is either not present, not present in material amounts, included within the Consolidated Financial Statements or is not applicable.
3. Exhibits - See below.

## EXHIBIT INDEX

Exhibit No.	Description
2.1	< Agreement and Plan of Merger dated as of January 2, 2017, among Delek US Holdings, Inc., Delek Holdco, Inc., Dione Mergeco, Inc., Astro Mergeco, Inc. and Alon USA Energy, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on January 3, 2017).
2.2	First Amendment to Agreement and Plan of Merger dated as of February 27, 2017, among Delek US Holdings, Inc., Delek Holdco, Inc., Dion Mergeco, Inc., Astro Mergeco, Inc., and Alon USA Energy, Inc. (incorporated by reference to Exhibit 2.6 to the Company's Form 10-K filed on February 28, 2017).
2.3	Second Amendment to Agreement and Plan of Merger dated as of April 21, 2017, among Delek US Holdings, Inc., Delek Holdco, Inc., Dion Mergeco, Inc., Astro Mergeco, Inc., and Alon USA Energy, Inc. (incorporated by reference to Annex B-2 to the Company's Proxy Statement/Prospectus filed pursuant to Rule 424(b)(3) on May 30, 2017).
2.4	Agreement and Plan of Merger dated as of November 8, 2017, among Delek US Holdings, Inc., Sugarland Mergeco, LLC, Alon USA Partners, LP, and Alon USA Partners GP, LLC (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on November 9, 2017).
3.1	Amended and Restated Certificate of Incorporation, as amended by that certain Certificate of Designations of Series A Junior Participating Preferred Stock of Delek US Holdings, Inc., dated March 23, 2020 (incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q filed on May 8, 2020).
3.2	Amended and Restated Bylaws of Delek US Holdings, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Form 10-Q filed on May 8, 2020).
4.1	Indenture, dated as of May 23, 2017, among Delek Logistics, LP, Delek Logistics Finance Corp., the Guarantors named therein and U.S. Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Partnership's Form 8-K filed on May 24, 2017, SEC File No. 001-35721).
4.2	Form of 6.750% Senior Notes due 2025 (included as Exhibit A in Exhibit 4.1).
4.3	# Description of Common Stock
10.1	* Form of Indemnification Agreement for Directors and Officers (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.2(a)	* Delek US Holdings, Inc. 2006 Long-Term Incentive Plan (as amended through May 4, 2010) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 7, 2010, SEC File No. 001-32868).
10.2(b)	* Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.13(a) to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.2(c)	* Director Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.13(b) to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.2(d)	* Officer Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.13(c) to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.2(e)	* Director Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on August 6, 2010, SEC File No. 001-32868).
10.2(f)	* Employee Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 6, 2010, SEC File No. 001-32868).
10.2(g)	* Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 7, 2014, SEC File No. 001-32868).
10.3	Tyler Throughput and Tankage Agreement, dated July 26, 2013, between Delek Refining, Ltd. and Delek Marketing & Supply, LP (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 1, 2013).
10.4	Pipelines and Tankage Agreement, dated November 7, 2012, by and between Delek Refining, Ltd. and Delek Crude Logistics, LLC (incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed on November 14, 2012, SEC File No. 001-32868).
10.5	Pipelines and Storage Facilities Agreement, dated November 7, 2012, by and among Lion Oil Company, Delek Logistics Partners, LP, SALA Gathering Systems, LLC, El Dorado Pipeline Company, LLC, Magnolia Pipeline Company, LLC and J. Aron & Company (incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed on November 14, 2012, SEC File No. 001-32868).
10.6(a)	El Dorado Throughput and Tankage Agreement, executed as of February 10, 2014, between Lion Oil Company and Delek Logistics Operating LLC, and, for limited purposes, J. Aron & Company (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on February 14, 2014).
10.6(b)	Amendment to El Dorado Throughput and Tankage Agreement, executed as of July 22, 2016 but effective as of February 11, 2014, between Lion Oil Company and Delek Logistics Operating LLC, and, for limited purposes, J. Aron & Company (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 5, 2016).

- 10.7(a) Third Amended and Restated Omnibus Agreement, dated as of March 31, 2015, among Delek US Holdings, Inc., Lion Oil Company, Delek Logistics Operating, LLC, Delek Marketing & Supply, LP, Delek Refining, Ltd., Delek Logistics Partners, LP, Paline Pipeline Company, LLC, SALA Gathering Systems, LLC, Magnolia Pipeline Company, LLC, El Dorado Pipeline Company, LLC, Delek Crude Logistics, LLC, Delek Marketing-Big Sandy, LLC, DKL Transportation, LLC and Delek Logistics GP, LLC (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 7, 2015).
- 10.7(b) First Amendment to Third Amended and Restated Omnibus Agreement, dated as of August 3, 2015, by and among Delek US Holdings, Inc., Lion Oil Company, Delek Logistics Operating, LLC, Delek Marketing & Supply, LP, Delek Refining, Ltd., Delek Logistics Partners, LP, Paline Pipeline Company, LLC, SALA Gathering Systems, LLC, Magnolia Pipeline Company, LLC, El Dorado Pipeline Company, LLC, Delek Crude Logistics, LLC, Delek Marketing-Big Sandy, LLC, DKL Transportation, LLC and Delek Logistics GP, LLC (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on August 5, 2015).
- 10.7(c) Second Amendment and Restatement of Schedules to Third Amended and Restated Omnibus Agreement, dated and effective as of March 31, 2020 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on April 6, 2020).
- 10.7(d) Third Amendment and Restatement of Schedules to Third Amended and Restated Omnibus Agreement, dated and effective as of May 15, 2020 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on May 18, 2020).
- 10.8(a) \* Delek US Holdings, Inc. 2016 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed on June 1, 2016).
- 10.8(b) \* First Amendment to the Delek US Holdings, Inc. 2016 Long-Term Incentive Plan, effective May 8, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8 filed on May 31, 2018).
- 10.8(c) \* Second Amendment to the Delek US Holdings, Inc. 2016 Long-Term Incentive Plan, effective May 5, 2020 (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on May 8, 2020).
- 10.8(d) \* General Terms and Conditions for Restricted Stock Unit Awards to Executive Officers and Directors under the 2016 Delek US Holdings, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on August 5, 2016).
- 10.8(e) \* General Terms and Conditions for Stock Appreciation Right Awards to Executive Officers and Directors under the 2016 Delek US Holdings, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q filed on August 5, 2016).
- 10.8(f) \* Form of Delek US Holdings, Inc. 2016 Long-Term Incentive Plan Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.29(c) to the Company's Form 10-K filed February 28, 2017).
- 10.8(g) \* Form of Delek US Holdings, Inc. 2016 Long-Term Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.29(d) to the Company's Form 10-K filed February 28, 2017).
- 10.9(a) \* Alon USA Energy, Inc. Second Amended and Restated 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Alon USA Energy, Inc.'s Form 10-Q filed on May 9, 2012, SEC File No. 001-32567).
- 10.9(b) \* Form of Restricted Stock Award Agreement relating to Director Grants pursuant to Section 12 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Alon USA Energy, Inc.'s Form 8-K filed on August 5, 2005, SEC File No. 001-32567).
- 10.9(c) \* Form of Restricted Stock Award Agreement relating to Participant Grants pursuant to Section 8 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Alon USA Energy, Inc.'s Form 8-K filed on August 23, 2005, SEC File No. 001-32567).
- 10.9(d) \* Form II of Restricted Stock Award Agreement relating to Participant Grants pursuant to Section 8 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to Alon USA Energy, Inc.'s Form 8-K filed on November 8, 2005, SEC File No. 001-32567).
- 10.9(e) \* Alon USA Energy, Inc. Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to Alon USA Energy, Inc.'s Form 8-K filed on January 12, 2017, SEC File No. 001-32567).
- 10.9(f) \* Form of Appreciation Rights Award Agreement relating to Participant Grants pursuant Section 7 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Alon USA Energy, Inc.'s Form 8-K filed on March 12, 2007, SEC File No. 001-32567).
- 10.9(g) \* Form of Amendment to Appreciation Rights Award Agreement relating to Participant Grants pursuant to Section 7 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Alon USA Energy, Inc.'s Form 8-K filed on January 27, 2010, SEC File No. 001-32567).
- 10.9(h) \* Form of Award Agreement relating to Executive Officer Restricted Stock Grants pursuant to the Alon USA Energy, Inc. 2005 Amended and Restated Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Alon USA Energy, Inc.'s Form 8-K filed on May 9, 2011, SEC File No. 001-32567).
- 10.10 \* Amended and Restated Executive Employment Agreement, dated as of May 8, 2020, by and between Delek US Holdings, Inc. and Ezra Uzi Yemin (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on May 8, 2020).
- 10.11 \* Amended and Restated Executive Employment Agreement, dated April 6, 2020, between Delek US Holdings, Inc. and Avigal Soreq (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 9, 2020).
- 10.12 \* Executive Employment Agreement, effective August 6, 2018, by and between Delek US, Energy, Inc. and Louis LaBella (incorporated by reference to Exhibit 10.38 to the Company's Form 10-K filed on March 1, 2019).

- 10.13(a) \* Offer Letter, dated April 6, 2020, between Delek US Holdings, Inc. and Reuven Spiegel (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 9, 2020).
- 10.13(b) \* Executive Employment Agreement, dated August 1, 2020, by and between Delek US Holdings, Inc. and Reuven Spiegel (incorporated by reference to Exhibit 10.5 of the Company's Form 10-Q filed on August 7, 2020).
- 10.14 Pipelines, Storage and Throughput Facilities Agreement (Big Spring Refinery Logistics Assets and Duncan Terminal), dated March 20, 2018 and effective as of March 1, 2018, by and among Alon USA, LP, DKL Big Spring, LLC, for the limited purposes specified therein, Delek US, and for the limited purposes specified therein, J. Aron & Company LLC (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 26, 2018).
- 10.15 Big Spring Asphalt Services Agreement, dated March 20, 2018 and effective as of March 1, 2018, by and among Alon USA, LP, DKL Big Spring, LLC, for the limited purposes specified therein, Delek US, and for the limited purposes specified therein, J. Aron & Company LLC (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on March 26, 2018).
- 10.16 Marketing Agreement, dated as of March 20, 2018 and effective as of March 1, 2018, by and among Alon USA, LP, DKL Big Spring, LLC, and for the limited purposes specified therein, Delek US (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on March 26, 2018).
- 10.17(a) Term Loan Credit Agreement, dated as of March 30, 2018, by and among Delek US Holdings, Inc., as borrower, the lenders from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent for each member of the Lender Group, Wells Fargo Securities, LLC, Barclays Bank PLC, SunTrust Robinson Humphrey, Inc., and Regions Capital Markets, a division of Regions Bank, each as a joint lead arranger and joint bookrunner, and The Bank of Tokyo-Mitsubishi, Ltd., Credit Suisse Securities (USA) LLC, PNC Capital Markets LLC and Fifth Third Bank, each as a co-manager (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on April 5, 2018).
- 10.17(b) Amendment No. 1 to Term Loan Credit Agreement, dated as of October 26, 2018 by and among Delek US Holdings, Inc., as borrower, the guarantors thereto, the lenders from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent LLC (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2019).
- 10.17(c) First Incremental Amendment to Term Loan Credit Agreement, dated as of May 22, 2019, by and among Delek US Holdings, Inc., as borrower, the guarantors party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on May 29, 2019).
- 10.17(d) Second Incremental Amendment to Term Loan Credit Agreement, dated as of November 12, 2019, by and among Delek US Holdings, Inc., as borrower, the guarantors party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on November 15, 2019).
- 10.17(e) Third Incremental Amendment to Term Loan Credit Agreement, dated as of May 19, 2020, among Delek US Holdings, Inc., as borrower, the guarantors party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on May 21, 2020).
- 10.18(a) Second Amended and Restated Credit Agreement, dated as of March 30, 2018, by and among Delek US Holdings, Inc., as borrower, the lenders from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent for each member of the Lender Group and the Bank Product Providers, the Subsidiaries of Delek US Holdings, Inc. from time to time party thereto, as guarantors, Wells Fargo, Barclays Bank PLC, Regions Capital Markets, a division of Regions Bank, and SunTrust Robinson Humphrey, Inc., each as a joint lead arranger and joint book runner, Barclays Bank PLC, Regions Bank, and SunTrust Bank, each as a co-syndication agent, and Fifth Third Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., PNC Bank, National Association, and Credit Suisse AG, Cayman Islands Branch, each as a co-documentation agent (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on April 5, 2018).
- 10.18(b) First Amendment to Second Amended and Restated Credit Agreement, dated as of May 14, 2018, by and among Delek US Holdings, Inc., as borrower, Wells Fargo Bank, National Association, as administrative agent for each member of the Lender Group and the Bank Product Providers and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2019).
- 10.18(c) Second Amendment to Second Amended and Restated Credit Agreement, dated as of July 13, 2018, by and among Delek US Holdings, Inc., as borrower, Wells Fargo Bank, National Association, as administrative agent for each member of the Lender Group and the Bank Product Providers and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2019).
- 10.18(d) Third Amendment to Second Amended and Restated Credit Agreement, dated October 18, 2019 (incorporated by reference to Exhibit 10.31 of the Company's Form 10-K filed on February 28, 2020).
- 10.18(e) Fourth Amendment to Second Amended and Restated Credit Agreement, dated December 18, 2019 (incorporated by reference to Exhibit 10.32 of the Company's Form 10-K filed on February 28, 2020).
- 10.19 Third Amended and Restated Limited Liability Company Agreement of Wink to Webster Pipeline LLC, a Delaware limited liability company, dated as of July 30, 2019, by and among Delek US Energy, Inc., ExxonMobil Permian Logistics LLC, Plains Pipeline, L.P., MPLX W2W Pipeline Holdings, LLC, Centurion Permian Logistics, LLC, and Rattler Midstream Operating LLC (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 5, 2019).

- 10.20 Throughput and Deficiency Agreement, dated and effective as of March 31, 2020, by and between Lion Oil Trading & Transportation, LLC and DKL Permian Gathering, LLC (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 6, 2020).
- 10.21 Transportation Services Agreement, dated May 15, 2020 and effective as of May 1, 2020, between Delek Refining, Ltd., Lion Oil Company and DKL Transportation, LLC (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on May 18, 2020).
- 10.22 Third Amended and Restated Supply and Offtake Agreement, dated as of April 7, 2020, between J. Aron & Company LLC and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.9 of the Company's Form 10-Q filed on August 7, 2020).
- 10.23 Third Amended and Restated Master Supply and Offtake Agreement, dated as of April 7, 2020, among J. Aron & Company LLC, Lion Oil Company and Lion Oil Trading & Transportation, LLC (incorporated by reference to Exhibit 10.10 of the Company's Form 10-Q filed on August 7, 2020).
- 10.24 # Letter Agreement, dated as of December 21, 2020 by and between J. Aron & Company LLC, Lion Oil Company, and Lion Oil Trading & Transportation, LLC.
- 10.25 Third Amended and Restated Supply and Offtake Agreement, dated as of April 7, 2020, between J. Aron & Company LLC and Alon USA, LP (incorporated by reference to Exhibit 10.11 of the Company's Form 10-Q filed on August 7, 2020)
- 10.26 Exchange Agreement, dated as of August 13, 2020, among Delek Logistics Partners, LP, Delek Logistics GP, LLC, and Delek US Holdings, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on August 14, 2020).
- 10.27 \* Letter Agreement, dated as of August 13, 2020, between Delek Logistics GP, LLC and Ezra Uzi Yemin (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on August 14, 2020).
- 10.28 \* Letter Agreement, dated as of August 13, 2020, between Delek Logistics GP, LLC and Frederec Green (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on August 14, 2020).
- 10.29 \* # Consulting Agreement, dated as of November 3, 2020, by and between Delek US Holdings, Inc. and Frederec Green.
- 21.1 # Subsidiaries of the Registrant.
- 23.1 # Consent of Ernst & Young LLP.
- 31.1 # Certification of the Company's Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act.
- 31.2 # Certification of the Company's Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act.
- 32.1 ## Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 ## Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from Delek US Holdings, Inc.'s Annual Report on Form 10-K for the annual period ended December 31, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2020 and 2019, (ii) Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018 and (vi) Notes to Consolidated Financial Statements.
- 104 # Cover Page Interactive Data File formatted in iXBRL (Inline eXtensible Business Reporting Language) and contained in Exhibit 101.

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\* Management contract or compensatory plan or arrangement.

# Filed herewith.

## Furnished herewith.

< Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to supplementally furnish a copy of any of the omitted schedules to the United States Securities and Exchange Commission upon request.

++ Confidential treatment has been requested and granted with respect to certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Omitted portions have been filed separately with the United States Securities and Exchange Commission.

~ Certain confidential information contained in these exhibits has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

**Delek US Holdings, Inc.**

**Consolidated Financial Statements**  
**As of December 31, 2020 and 2019 and**  
**For Each of the Three Years Ended December 31, 2020, 2019 and 2018**

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**Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of  
Delek US Holdings, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Delek US Holdings, Inc. (“the Company”) as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 March 1, 2021 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 accounts or disclosures to which it relates.

**Valuation of Goodwill***Description of the Matter*

At December 31, 2020, the Company's goodwill was \$729.7 million and represented approximately 11% of total assets. As discussed in Notes 2 and 18 of the consolidated financial statements, goodwill is reviewed at the reporting unit level for impairment at least annually or more frequently if events or changes in circumstances indicate the goodwill might be impaired. The Company performs its annual goodwill impairment assessment in the fourth quarter of each year. The Company evaluates the recoverability of goodwill by comparing the carrying amount of each reporting unit to its estimated fair value. The estimated fair value of each reporting unit is determined using a combination of a discounted cash flow analysis based upon projected financial information and a multiple of expected future cash flows, such as those used by third-party analysts. During 2020, the Company recorded a goodwill impairment charge of \$126 million for certain reporting units within the Refining segment.

Auditing management's annual goodwill impairment analysis for reporting units within the Refining segment requires significant judgment, as the valuation includes subjective estimates and assumptions in determining the estimated fair value of the reporting units. In particular, the discounted cash flow analysis is sensitive to significant assumptions such as the weighted average cost of capital and the estimate of future cash flows including the related gross margin and long-term growth rate. The market approach involves significant judgment involved in the selection of the appropriate peer group companies and valuation multiples.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls relating to the valuation of the reporting units within the Refining Segment in the goodwill impairment analysis process. For example, we tested controls over management's review of the discounted cash flow analysis, the projected financial information, and the valuation assumptions.

To test the estimated fair value of the Company's reporting units within the Refining segment, our audit procedures included, among others, assessing valuation methodologies, performing recalculations, and testing the significant assumptions discussed above and the underlying data used by the Company. We compared the significant assumptions in the prospective financial data used by management to current industry and economic trends, analysts' expectations, historical performance, and other relevant factors. We performed sensitivity analyses of significant assumptions to evaluate the change in the fair value of the reporting units resulting from changes in the significant assumptions. We also involved our valuation specialists to assist in evaluating the fair value methodologies, assessing the market multiples by comparison to the appropriate peer group companies, and testing the related components and assumptions that are most significant to the fair value estimates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Nashville, Tennessee

March 1, 2021

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of  
Delek US Holdings, Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited Delek US Holdings, Inc.'s internal control over financial reporting as of December 31, 2020, 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, Delek US Holdings, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, 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 Delek US Holdings, Inc. as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes, and our report dated March 1, 2021 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 Annual Report on 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

Nashville, Tennessee

March 1, 2021

**Delek US Holdings, Inc.**  
**Consolidated Balance Sheets**  
(In millions, except share and per share data)

	December 31,	
	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 787.5	\$ 955.3
Accounts receivable, net	527.9	792.6
Inventories, net of inventory valuation reserves	727.7	946.7
Other current assets	256.4	268.7
Total current assets	2,299.5	2,963.3
Property, plant and equipment:		
Property, plant and equipment	3,519.5	3,362.8
Less: accumulated depreciation	(1,152.3)	(934.5)
Property, plant and equipment, net	2,367.2	2,428.3
Operating lease right-of-use assets	182.0	183.6
Goodwill	729.7	855.7
Other intangibles, net	107.8	110.3
Equity method investments	363.6	407.3
Other non-current assets	84.3	67.8
Total assets	<u>\$ 6,134.1</u>	<u>\$ 7,016.3</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,144.0	\$ 1,599.7
Current portion of long-term debt	33.4	36.4
Obligation under Supply and Offtake Agreements	129.2	332.5
Current portion of operating lease liabilities	50.2	40.5
Accrued expenses and other current liabilities	546.4	346.8
Total current liabilities	1,903.2	2,355.9
Non-current liabilities:		
Long-term debt, net of current portion	2,315.0	2,030.7
Obligation under Supply and Offtake Agreements	224.9	144.8
Environmental liabilities, net of current portion	107.4	137.9
Asset retirement obligations	37.5	68.6
Deferred tax liabilities	255.5	267.9
Operating lease liabilities, net of current portion	131.8	144.3
Other non-current liabilities	33.7	30.9
Total non-current liabilities	3,105.8	2,825.1
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 110,000,000 shares authorized, 91,356,868 shares and 90,987,025 shares issued at December 31, 2020 and 2019, respectively	0.9	0.9
Additional paid-in capital	1,185.1	1,151.9
Accumulated other comprehensive (loss) income	(7.2)	0.1
Treasury stock, 17,575,527 shares and 17,516,814 shares, at cost, as of December 31, 2020 and 2019, respectively	(694.1)	(692.2)
Retained earnings	522.0	1,205.6
Non-controlling interests in subsidiaries	118.4	169.0
Total stockholders' equity	1,125.1	1,835.3
Total liabilities and stockholders' equity	<u>\$ 6,134.1</u>	<u>\$ 7,016.3</u>

See accompanying notes to the consolidated financial statements

**Delek US Holdings, Inc.**  
**Consolidated Statements of Income**  
(In millions, except share and per share data)

	Year Ended December 31,		
	2020	2019	2018
Net revenues	\$ 7,301.8	\$ 9,298.2	\$ 10,233.1
Cost of sales:			
Cost of materials and other	6,841.2	7,657.2	8,560.5
Operating expenses (excluding depreciation and amortization presented below)	462.0	580.2	538.5
Depreciation and amortization	241.6	170.7	161.3
Total cost of sales	<u>7,544.8</u>	<u>8,408.1</u>	<u>9,260.3</u>
Operating expenses related to retail and wholesale business (excluding depreciation and amortization presented below)	97.8	102.0	106.5
General and administrative expenses	248.3	274.7	247.6
Depreciation and amortization	26.0	23.6	38.1
Impairment of goodwill	126.0	—	—
Other operating income, net	(13.1)	(2.5)	(31.3)
Total operating costs and expenses	<u>8,029.8</u>	<u>8,805.9</u>	<u>9,621.2</u>
Operating (loss) income	<u>(728.0)</u>	<u>492.3</u>	<u>611.9</u>
Interest expense	129.0	131.1	125.9
Interest income	(3.3)	(11.3)	(5.8)
Income from equity method investments	(30.3)	(34.3)	(9.7)
Gain on sale of business	—	—	(13.3)
Gain on sale on non-operating refinery	(56.8)	—	—
Impairment loss on assets held for sale	—	—	27.5
Loss on extinguishment of debt	—	—	9.1
Other (income) expense, net	(3.5)	4.1	(7.3)
Total non-operating expense, net	<u>35.1</u>	<u>89.6</u>	<u>126.4</u>
(Loss) income before income tax (benefit) expense	<u>(763.1)</u>	<u>402.7</u>	<u>485.5</u>
Income tax (benefit) expense	(192.7)	71.7	101.9
(Loss) income from continuing operations, net of tax	<u>(570.4)</u>	<u>331.0</u>	<u>383.6</u>
Discontinued operations:			
Income (loss) from discontinued operations, including loss on sale of discontinued operations	—	6.6	(10.9)
Income tax expense (benefit)	—	1.4	(2.2)
Income (loss) from discontinued operations, net of tax	<u>—</u>	<u>5.2</u>	<u>(8.7)</u>
Net (loss) income	<u>(570.4)</u>	<u>336.2</u>	<u>374.9</u>
Net income attributed to non-controlling interests	37.6	25.6	34.8
Net (loss) income attributable to Delek	<u>\$ (608.0)</u>	<u>\$ 310.6</u>	<u>\$ 340.1</u>
Basic (loss) income per share:			
(Loss) income from continuing operations	\$ (8.26)	\$ 4.03	\$ 4.31
Income (loss) from discontinued operations	—	0.07	(0.20)
Total basic (loss) income per share	<u>\$ (8.26)</u>	<u>\$ 4.10</u>	<u>\$ 4.11</u>
Diluted (loss) income per share:			
(Loss) income from continuing operations	\$ (8.26)	\$ 3.99	\$ 4.14
Income (loss) from discontinued operations	—	0.07	(0.19)
Total diluted (loss) income per share	<u>\$ (8.26)</u>	<u>\$ 4.06</u>	<u>\$ 3.95</u>
Weighted average common shares outstanding:			
Basic	73,598,389	75,853,187	82,797,110
Diluted	<u>73,598,389</u>	<u>76,574,091</u>	<u>86,768,401</u>
Dividends declared per common share outstanding	<u>\$ 0.93</u>	<u>\$ 1.14</u>	<u>\$ 0.96</u>

See accompanying notes to the consolidated financial statements

**Delek US Holdings, Inc.**  
**Consolidated Statements of Comprehensive Income**  
(In millions)

	Year Ended December 31,		
	2020	2019	2018
Net (loss) income	\$ (570.4)	\$ 336.2	\$ 374.9
Other comprehensive income (loss):			
Commodity contracts designated as cash flow hedges:			
Net (loss) gain related to commodity cash flow hedges	(1.3)	(43.4)	33.1
Income tax (benefit) expense	(0.3)	(9.5)	6.9
Net comprehensive (loss) income on commodity contracts designated as cash flow hedges	(1.0)	(33.9)	26.2
Loss on interest rate contracts designated as cash flow hedges, net of taxes	—	—	(0.5)
Foreign currency translation gain (loss), net of taxes	0.6	0.3	(0.9)
Postretirement benefit plans:			
Unrealized (loss) gain arising during the year related to:			
Net actuarial (loss) gain	(8.9)	5.8	(6.5)
Curtailment and settlement gains	—	2.7	2.5
Reclassified to other expense (income), net:			
Gain recognized due to curtailment and settlement	—	(2.7)	(2.5)
Amortization of net actuarial loss	0.1	0.7	0.5
(Loss) gain related to postretirement benefit plans, net	(8.8)	6.5	(6.0)
Income tax (benefit) expense	(1.9)	1.4	(1.3)
Net comprehensive (loss) gain on postretirement benefit plans	(6.9)	5.1	(4.7)
Total other comprehensive (loss) gain	(7.3)	(28.5)	20.1
Comprehensive (loss) income	\$ (577.7)	\$ 307.7	\$ 395.0
Comprehensive income attributable to non-controlling interest	37.6	25.6	34.8
Comprehensive (loss) income attributable to Delek	\$ (615.3)	\$ 282.1	\$ 360.2

See accompanying notes to the consolidated financial statements



## Delek US Holdings, Inc.

Consolidated Statements of Changes in Stockholders' Equity  
(In millions, except share and per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares		Non-Controlling Interest in Subsidiaries	Total Stockholders' Equity
	Shares	Amount				Shares	Amount		
Balance at December 31, 2017:	81,533,548	\$ 0.8	\$ 900.1	\$ 6.9	\$ 767.8	(762,623)	\$ (25.0)	\$ 313.6	\$ 1,964.2
Net income	—	—	—	—	340.1	—	—	34.8	374.9
Other comprehensive income related to commodity contracts, net	—	—	—	26.2	—	—	—	—	26.2
Other comprehensive loss related to postretirement benefit plans, net	—	—	—	(4.7)	—	—	—	—	(4.7)
Other comprehensive loss related to interest rate contracts	—	—	—	(0.5)	—	—	—	—	(0.5)
Foreign currency translation loss, net	—	—	—	(0.9)	—	—	—	—	(0.9)
Common stock dividends (\$0.96 per share)	—	—	—	—	(80.1)	—	—	—	(80.1)
De-recognition of non-controlling interest	—	—	—	—	—	—	—	(18.7)	(18.7)
Reclassification for stranded tax effects resulting from the Tax Reform Act	—	—	—	1.6	(1.6)	—	—	—	—
Equity-based compensation expense	—	—	20.9	—	—	—	—	0.5	21.4
Distribution to non-controlling interest	—	—	—	—	—	—	—	(27.7)	(27.7)
Repurchase of common stock	—	—	—	—	—	(9,022,386)	(365.3)	—	(365.3)
Issuance of stock for non-controlling interest repurchase, net of tax	5,649,373	0.1	140.4	—	—	—	—	(127.0)	13.5
Shares received in connection with exercise of Call Options	—	—	124.2	—	—	(2,692,771)	(123.9)	—	0.3
Warrant reclassification to liability award	—	—	(35.9)	—	—	—	—	—	(35.9)
Cumulative effect of adopting accounting principle regarding income tax effect of intra-equity transfers	—	—	—	—	(44.4)	—	—	—	(44.4)
Shares issued in connection with settlement of Convertible Notes	2,692,218	—	(0.3)	—	—	—	—	—	(0.3)
Taxes paid due to the net settlement of equity-based compensation	—	—	(11.5)	—	—	—	—	—	(11.5)
Exercise of equity-based awards	602,936	—	—	—	—	—	—	—	—
Other	—	—	(2.5)	—	—	—	0.1	—	(2.4)
Balance at December 31, 2018:	90,478,075	\$ 0.9	\$ 1,135.4	\$ 28.6	\$ 981.8	(12,477,780)	\$ (514.1)	\$ 175.5	\$ 1,808.1

## Delek US Holdings, Inc.

Consolidated Statements of Changes in Stockholders' Equity (Continued)  
(In millions, except share and per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Non-Controlling Interest in Subsidiaries	Total Stockholders' Equity	
	Shares	Amount				Shares	Amount			
Balance at December 31, 2018:	90,478,075	\$	0.9	\$	981.8	(12,477,780)	\$	175.5	\$	1,808.1
Net income	—	—	—	—	310.6	—	—	25.6	—	336.2
Other comprehensive loss related to commodity contracts, net	—	—	—	(33.9)	—	—	—	—	—	(33.9)
Other comprehensive gain related to postretirement benefit plans, net	—	—	—	5.1	—	—	—	—	—	5.1
Foreign currency translation gain, net	—	—	—	0.3	—	—	—	—	—	0.3
Common stock dividends (\$1.14 per share)	—	—	—	—	(86.8)	—	—	—	—	(86.8)
Equity-based compensation expense	—	—	—	25.5	—	—	—	0.3	—	25.8
Distribution to non-controlling interest	—	—	—	—	—	—	—	(32.3)	—	(32.3)
Repurchase of common stock	—	—	—	—	—	(5,039,034)	(178.1)	—	—	(178.1)
Taxes paid due to the net settlement of equity-based compensation	—	—	—	(9.2)	—	—	—	—	—	(9.2)
Exercise of equity-based awards	508,950	—	—	—	—	—	—	—	—	—
Other	—	—	—	0.2	—	—	—	(0.1)	—	0.1
Balance at December 31, 2019:	90,987,025	\$	0.9	\$	1,205.6	(17,516,814)	\$	169.0	\$	1,835.3

## Delek US Holdings, Inc.

Consolidated Statements of Changes in Stockholders' Equity (Continued)  
(In millions, except share and per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Treasury Shares		Non-Controlling Interest in Subsidiaries	Total Stockholders' Equity
	Shares	Amount		Shares	Amount					
Balance at December 31, 2019:	90,987,025	\$ 0.9	\$ 1,151.9	\$ 0.1	\$ 1,205.6	(17,516,814)	\$ (692.2)	\$ 169.0	\$ 1,835.3	
Cumulative effect of adopting accounting principle regarding measurement of credit losses on financial instruments, net	—	—	—	—	(6.5)	—	—	—	(6.5)	
Net (loss) income	—	—	—	—	(608.0)	—	—	37.6	(570.4)	
Other comprehensive loss related to commodity contracts, net	—	—	—	(1.0)	—	—	—	—	(1.0)	
Other comprehensive loss related to postretirement benefit plans, net	—	—	—	(6.9)	—	—	—	—	(6.9)	
Foreign currency translation gain, net	—	—	—	0.6	—	—	—	—	0.6	
Common stock dividends (0.93 per share)	—	—	—	—	(69.1)	—	—	—	(69.1)	
Distributions to non-controlling interests	—	—	—	—	—	—	—	(32.9)	(32.9)	
Equity-based compensation expense	—	—	22.7	—	—	(58,713)	(1.9)	0.1	22.8	
Repurchase of common stock	—	—	—	—	—	—	—	—	(1.9)	
Impact from IDR Simplification transaction of Delek Logistics LP	—	—	37.2	—	—	—	—	(50.8)	(13.6)	
Repurchases of non-controlling interests	—	—	(24.3)	—	—	—	—	(4.6)	(28.9)	
Taxes paid due to the net settlement of equity-based compensation	—	—	(2.4)	—	—	—	—	—	(2.4)	
Exercise of equity-based awards	369,843	—	—	—	—	—	—	—	—	
Balance at December 31, 2020:	91,356,868	\$ 0.9	\$ 1,185.1	\$ (7.2)	\$ 522.0	(17,575,527)	\$ (694.1)	\$ 118.4	\$ 1,125.1	

See accompanying notes to the consolidated financial statements

**Delek US Holdings, Inc.**  
**Consolidated Statements of Cash Flows**  
(In millions, except per share data)

	Year Ended December 31,		
	2020	2019	2018
<b>Cash flows from operating activities:</b>			
Net (loss) income	\$ (570.4)	\$ 336.2	\$ 374.9
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	267.6	194.3	199.4
Other amortization/accretion	10.8	9.5	8.2
Non-cash lease expense	59.7	34.9	—
Deferred income taxes	(32.1)	64.6	(26.8)
Impairment of goodwill	126.0	—	—
Income from equity method investments	(30.3)	(34.3)	(9.7)
Dividends from equity method investments	33.2	23.9	8.8
Non-cash lower of cost or market/net realizable value adjustment	29.2	—	—
Loss on extinguishment of debt	—	—	9.1
Gain on sale of business	—	—	(13.3)
Gain on sale of non-operating refinery	(56.8)	—	—
Impairment of assets held for sale	—	—	27.5
Equity-based compensation expense	22.8	25.8	21.4
Other	3.1	(5.5)	5.6
Changes in assets and liabilities:			
Accounts receivable	259.7	(276.7)	112.7
Inventories and other current assets	244.4	(417.7)	138.7
Fair value of derivatives	(23.1)	(12.5)	(52.6)
Accounts payable and other current liabilities	(480.3)	565.2	(128.1)
Obligation under Supply and Offtake Agreements	(129.6)	115.1	(84.3)
Non-current assets and liabilities, net	(16.8)	(47.6)	(1.1)
Cash (used in) provided by operating activities - continuing operations	(282.9)	575.2	590.4
Cash used in operating activities - discontinued operations	—	—	(30.1)
Net cash (used in) provided by operating activities	(282.9)	575.2	560.3
<b>Cash flows from investing activities:</b>			
Equity method investment contributions	(31.2)	(267.4)	(0.2)
Distributions from equity method investments	72.0	0.8	1.2
Purchases of property, plant and equipment	(269.4)	(413.0)	(322.0)
Asset acquisitions	—	(8.0)	—
Purchase of intangible assets	(2.8)	(19.9)	(1.7)
Proceeds from sale of property, plant and equipment	0.2	1.1	11.1
Proceeds from sale of retail stores	—	15.1	—
Proceeds from sale of non-operating refinery	39.9	—	—
Proceeds from sale of business	—	—	110.8
Proceeds from sales of discontinued operations	—	—	55.5
Cash used in investing activities - continuing operations	(191.3)	(691.3)	(145.3)
Cash provided by investing activities - discontinued operations	—	—	20.0
Net cash used in investing activities	(191.3)	(691.3)	(125.3)

**Delek US Holdings, Inc.**  
**Consolidated Statements of Cash Flows (Continued)**  
(In millions, except per share data )

	Year Ended December 31,		
	2020	2019	2018
<b>Cash flows from financing activities:</b>			
Proceeds from long-term revolvers	1,883.1	1,435.4	2,124.6
Payments on long-term revolvers	(1,754.9)	(1,553.7)	(1,679.8)
Proceeds from term debt	185.0	434.0	690.6
Payments on term debt	(37.9)	(34.3)	(826.3)
Proceeds from product financing agreements	297.2	40.8	—
Repayments of product financing agreements	(128.1)	(22.2)	(72.4)
Settlement of warrants unwind agreement	—	—	(35.9)
Taxes paid due to the net settlement of equity-based compensation	(2.4)	(9.2)	(11.5)
Repurchase of common stock	(1.9)	(178.1)	(365.3)
Repurchase of non-controlling interest	(28.9)	—	—
Distribution to non-controlling interest	(32.9)	(32.3)	(27.7)
Impact of IDR Simplification transaction of Delek Logistics LP	(2.1)	—	—
Dividends paid	(69.1)	(86.8)	(80.1)
Deferred financing costs paid	(0.7)	(1.5)	(13.8)
Net cash provided by (used in) financing activities	<u>306.4</u>	<u>(7.9)</u>	<u>(297.6)</u>
Net (decrease) increase in cash and cash equivalents	(167.8)	(124.0)	137.4
Cash and cash equivalents at the beginning of the period	955.3	1,079.3	941.9
Cash and cash equivalents at the end of the period	<u>\$ 787.5</u>	<u>\$ 955.3</u>	<u>\$ 1,079.3</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the period for:			
Interest, net of capitalized interest of \$0.4 million, \$1.5 million and \$0.8 million in the 2020, 2019 and 2018 periods, respectively	<u>\$ 123.7</u>	<u>\$ 126.2</u>	<u>\$ 120.1</u>
Income taxes	<u>\$ 3.6</u>	<u>\$ 94.2</u>	<u>\$ 103.9</u>
<b>Non-cash investing activities:</b>			
Common stock issued in connection with the buyout of Alon Partnership non-controlling interest	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 127.0</u>
(Decrease) increase in accrued capital expenditures	<u>\$ (30.1)</u>	<u>\$ 15.1</u>	<u>\$ (4.8)</u>
<b>Non-cash financing activities:</b>			
Non-cash lease liability arising from recognition of right of use assets upon adoption of Accounting Standards Update ("ASU") 2016-02	<u>\$ —</u>	<u>\$ 206.0</u>	<u>\$ —</u>
Non-cash lease liability arising from obtaining right of use assets during the period	<u>\$ 58.1</u>	<u>\$ 15.9</u>	<u>\$ —</u>
Common stock issued in connection with settlement of Convertible Notes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 123.9</u>
Treasury shares received in connection with exercise of Call Options	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (123.9)</u>

See accompanying notes to the consolidated financial statements

# Delek US Holdings, Inc.

## Notes to Consolidated Financial Statements

### 1. General

Delek US Holdings, Inc. operates through its consolidated subsidiaries, which include Delek US Energy, Inc. ("Delek Energy") (and its subsidiaries) and Alon USA Energy, Inc. ("Alon") (and its subsidiaries).

Effective July 1, 2017 (the "Effective Time"), we acquired the outstanding common stock of Alon (previously listed under New York Stock Exchange ("NYSE"): ALJ) (the "Delek/Alon Merger", as further discussed in Note 3), resulting in a new post-combination consolidated registrant renamed as Delek US Holdings, Inc.

Unless otherwise noted or the context requires otherwise, the terms "we," "our," "us," "Delek" and the "Company" are used in this report to refer to Delek and its consolidated subsidiaries for all periods presented. Delek's Common Stock is listed on the NYSE under the symbol "DK."

### 2. Accounting Policies

#### *Basis of Presentation*

Our consolidated financial statements include the accounts of Delek and its subsidiaries. All significant intercompany transactions and account balances have been eliminated in consolidation. We have evaluated subsequent events through the filing of this Form 10-K. Any material subsequent events that occurred during this time have been properly recognized or disclosed in our financial statements.

Our consolidated financial statements include Delek Logistics Partners, LP ("Delek Logistics"), which is a variable interest entity ("VIE"). As the indirect owner of the general partner of Delek Logistics, we have the ability to direct the activities of this entity that most significantly impact its economic performance. We are also considered to be the primary beneficiary for accounting purposes for this entity and are Delek Logistics' primary customer. As Delek Logistics does not derive an amount of gross margin material to us from third parties, there is limited risk to Delek associated with Delek Logistics' operations. However, in the event that Delek Logistics incurs a loss, our operating results will reflect such loss, net of intercompany eliminations, to the extent of our ownership interest in this entity.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments necessary for a fair presentation of the financial condition and the results of operations have been included. All adjustments are of a normal, recurring nature.

#### *Reclassifications*

Certain immaterial reclassifications have been made to prior period presentation in order to conform to the current year presentation.

#### *Risks and Uncertainties Arising from the COVID-19 Pandemic and the OPEC Production Disputes*

The outbreak of COVID-19 and its development into a pandemic in March 2020 (the "COVID-19 Pandemic") has resulted in significant economic disruption globally, including in the U.S. and specific geographic areas where we operate. Actions taken by various governmental authorities, individuals and companies around the world to prevent the spread of COVID-19 through social distancing have restricted travel, many business operations, public gatherings and the overall level of individual movement and in-person interaction across the globe. This has in turn significantly reduced global economic activity and resulted in airlines dramatically cutting back on flights and a decrease in motor vehicle use. As a result, there has also been a decline in the demand for, and thus also the market prices of, crude oil and certain of our products. In April and June 2020, an agreement was reached to cut oil production between the members of the Organization of Petroleum Exporting Countries ("OPEC") and other leading oil producing countries (together with OPEC, "OPEC+"), as part of the efforts to resolve the oil production disputes ("OPEC Production Disputes") that significantly affected crude oil prices beginning in first quarter of 2020 and to provide stability in the oil markets. While OPEC+ have reached an agreement to cut oil production, uncertainty about the duration of the COVID-19 Pandemic has caused storage constraints in the United States resulting from over-supply of produced oil. Therefore, downward pressure on commodity prices has remained and could continue for the foreseeable future.

Uncertainties related to the impact of the COVID-19 Pandemic and other events exist that could impact our future results of operations and financial position, the nature of which and the extent to which are currently unknown. To the extent these uncertainties have been identified and are believed to have an impact on our current period results of operations or financial position based on the requirements for assessing such financial statement impact under GAAP, we have considered them in the preparation of our consolidated financial statements as of and for the year ended December 31, 2020. The application of accounting policies impacted by such considerations include (but are not necessarily limited to) the following:

- The evaluation of indefinite-lived intangibles and goodwill for potential impairment during our annual assessment or where indicators exist, as defined by GAAP;



- The evaluation of long-lived assets for potential impairment, where indicators exist, as defined by GAAP;
- The evaluation of joint ventures for potential impairment, where indicators exist, as defined by GAAP;
- The evaluation of derivatives and hedge accounting for counterparty risk and changes in forecasted transactions, as provided for under GAAP;
- The evaluation of inventory valuation allowances that may be warranted under the lower of cost or net realizable value analysis, for first-in, first-out ("FIFO"), and the lower of cost or market analysis, for last-in, first-out ("LIFO"), pursuant to GAAP;
- The consideration of debt modifications and/or covenant requirements, as applicable;
- The evaluation of commitments and contingencies, including changes in concentrations, as applicable;
- The evaluation of the impact of changing forecasts on our assessment of deferred tax asset valuation allowances and annual effective tax rates; and
- The evaluation of our ability to continue as a going concern.

### **Segment Reporting**

Delek is an integrated downstream energy business based in Brentwood, Tennessee, and has three primary lines of business: petroleum refining; the transportation, storage and wholesale distribution of crude oil, intermediate and refined products; and convenience store retailing. For the periods presented, we have aggregated our operating segments into three reportable segments: Refining, Logistics and Retail.

Operations that are not specifically included in the reportable segments are included in Corporate, Other and Eliminations, which consists of the following:

- our corporate activities;
- results of certain immaterial operating segments, including our Canadian crude trading operations (as discussed in Note 12);
- Alon's asphalt terminal operations acquired as part of the Delek/Alon Merger and subsequently disposed in the second quarter of 2018 (see Note 8 for further discussion);
- wholesale crude operations;
- results and assets of discontinued operations; and
- intercompany eliminations.

Decisions concerning the allocation of resources and assessment of operating performance are made based on this segmentation. Management measures the operating performance of each of the reportable segments based on the segment contribution margin. Segment contribution margin is defined as net revenues less cost of materials and other and operating expenses, excluding depreciation and amortization. All inter-segment transactions have been eliminated in consolidation.

The refining segment operates high conversion, independent refineries located in Tyler, Texas (the "Tyler refinery"), El Dorado, Arkansas (the "El Dorado refinery"), Big Spring, Texas (the "Big Spring refinery"), Krotz Springs, Louisiana (the "Krotz Springs refinery") and a non-operating refinery located in Bakersfield, California (the "Bakersfield refinery"), which was sold May 7, 2020. In addition, the refining segment owns and operates three biodiesel facilities involved in the production of biodiesel fuels and related activities, located in Crossett, Arkansas, Cleburne, Texas and New Albany, Mississippi. The logistics segment owns and operates crude oil and refined products logistics and marketing assets. The retail segment markets gasoline, diesel and other refined petroleum products, and convenience merchandise through a network of company-operated retail fuel and convenience stores.

Segment reporting is more fully discussed in Note 4.

### **Cash and Cash Equivalents**

Delek maintains cash and cash equivalents in accounts with large, U.S. or multi-national financial institutions. All highly liquid investments purchased with a term of three months or less are considered to be cash equivalents. As of December 31, 2020 and 2019, these cash equivalents consisted primarily of bank money market accounts and bank certificates of deposit, as well as overnight investments in U.S. Government or its agencies' obligations and bank repurchase obligations collateralized by U.S. Government or its agencies' obligations.

### **Accounts Receivable**

Accounts receivable primarily consists of trade receivables generated in the ordinary course of business, but may also include receivables on commodity sales contracts that are part of crude optimization and are, therefore, related to transactions that are reflected as reductions of cost of materials and other rather than revenue. Such other receivables are with the same or similar customers as our trade receivables, and are subject to the same characteristics regarding the nature, timing, pricing and risk. Delek recorded an allowance for doubtful accounts related to accounts receivable of \$7.2 million and \$3.7 million and as of December 31, 2020 and 2019, respectively.

Credit is extended based on evaluation of the customer's financial condition. We perform ongoing credit evaluations of our customers and require letters of credit, prepayments or other collateral or guarantees as management deems appropriate. Allowance for doubtful accounts is based on a combination of historical experience and specific identification methods.

Credit risk is minimized as a result of the ongoing credit assessment of our customers and a lack of concentration in our customer base. Credit losses are charged to allowance for doubtful accounts when deemed uncollectible. Our allowance for doubtful accounts is reflected as a reduction of accounts receivable in the consolidated balance sheets.

One customer accounted for more than 10% of our consolidated accounts receivable balance as of December 31, 2020 and 2019. No customer accounted for more than 10% of consolidated net sales for the years ended December 31, 2020, 2019 or 2018.

### ***Inventory***

Refinery crude oil, work-in-process, refined products, blendstocks and asphalt inventory for all of our operations, excluding the Tyler refinery and merchandise inventory in our Retail segment, are stated at the lower of cost determined using the first-in, first-out ("FIFO") basis or net realizable value. Cost of inventory at the Tyler refinery is determined using the last-in, first-out ("LIFO") inventory valuation method and inventory is stated at the lower of LIFO cost or market. Retail merchandise inventory consists of cigarettes, beer, convenience merchandise and food service merchandise and is stated at estimated cost as determined by the retail inventory method. We are not subject to concentration risk with specific suppliers, since our crude oil and refined products inventory purchases are commodities that are readily available from a large selection of suppliers.

### ***Investment Commodities***

Investment commodities represent those commodities (generally crude oil) physically on hand as a result of trading activities with physical forward contracts where such crude will not be used (either directly in production or indirectly through inventory optimization) in the normal course of our refining business. Such investment commodities are maintained on a weighted average cost basis for determining realized gains and losses on physical purchases and sales under forward contracts, and ending balances are adjusted to fair value at each reporting date using published market prices of the commodity on the applicable exchange. The investment commodities are included in other current assets on the accompanying consolidated balance sheets and changes in fair value are recorded in other operating income in the accompanying consolidated statements of income.

### ***Property, Plant and Equipment***

Assets acquired by Delek in conjunction with business acquisitions are recorded at estimated fair value at the acquisition date in accordance with the purchase method of accounting as prescribed in Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"). Other acquisitions of property and equipment are carried at cost. Betterments, renewals and extraordinary repairs that extend the life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. Delek owns certain fixed assets on leased locations and depreciates these assets and asset improvements over the lesser of management's estimated useful lives of the assets or the remaining lease term.

Depreciation is computed using the straight-line method over management's estimated useful lives of the related assets, which are as follows:

	<b>Years</b>
Building and building improvements	15-40
Refinery machinery and equipment	5-40
Pipelines and terminals	15-40
Retail store equipment and site improvements	7-40
Refinery turnaround costs	4-6
Automobiles	3-5
Computer equipment and software	3-10
Furniture and fixtures	5-15
Asset retirement obligation assets	15-50

### ***Other Intangible Assets***

Other intangible assets acquired in a business combination and determined to be finite-lived are amortized over their respective estimated useful lives. The finite-lived intangible assets are amortized on straight-line bases over the estimated useful lives of five to 15 years. The amortization expense is included in depreciation and amortization on the accompanying consolidated statements of income. Acquired intangible assets determined to have an indefinite useful life are not amortized, but are instead tested for impairment in connection with our evaluation of long-lived assets as events and circumstances indicate that the asset might be impaired.

### ***Property, Plant and Equipment and Other Intangibles Impairment***

Property, plant and equipment held and used and other intangibles are evaluated for impairment whenever indicators of impairment exist. In accordance with ASC 360, *Property, Plant and Equipment* ("ASC 360") and ASC 350, *Intangibles - Goodwill and Other* ("ASC 350"), Delek evaluates the realizability of these long-lived assets as events occur that might indicate potential impairment. In doing so, Delek assesses whether the carrying amount of the asset is recoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. If the carrying amount is more than the recoverable amount, an impairment charge must be recognized based on the fair value of the asset. These impairment charges are included in other operating income in our consolidated statements of income. There were no impairment charges for the years ended December 31, 2020, 2019 or 2018.

### ***Equity Method Investments***

For equity investments that are not required to be consolidated under the variable or voting interest model, we evaluate the level of influence we are able to exercise over an entity's operations to determine whether to use the equity method of accounting. Our judgment regarding the level of influence over an equity method investment includes considering key factors such as our ownership interest, participation in policy-making and other significant decisions and material intercompany transactions. Equity investments for which we determine we have significant influence are accounted for as equity method investments. Amounts recognized for equity method investments are included in equity method investments in our consolidated balance sheets and adjusted for our share of the net earnings and losses of the investee and cash distributions, which are separately stated in our consolidated statements of income and our consolidated statements of cash flows. We evaluate our equity method investments presented for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may be impaired. There were no impairment losses recorded on equity method investments for the years ended December 31, 2020, 2019 or 2018. See Note 7 for further information on our equity method investments.

### ***Variable Interest Entities***

Our consolidated financial statements include the financial statements of our subsidiaries and variable interest entities, of which we are the primary beneficiary. We evaluate all legal entities in which we hold an ownership or other pecuniary interest to determine if the entity is a VIE. Variable interests can be contractual, ownership or other pecuniary interests in an entity that change with changes in the fair value of the VIE's assets. If we are not the primary beneficiary, the general partner or another limited partner may consolidate the VIE, and we record the investment as an equity method investment.

### ***Capitalized Interest***

Delek capitalizes interest on capital projects associated with the refining and logistics segments.

### ***Refinery Turnaround Costs***

Refinery turnaround costs are incurred in connection with planned shutdowns and inspections of our refineries' major units to perform necessary repairs and replacements. Refinery turnaround costs are deferred when incurred, classified as property, plant and equipment and amortized on a straight-line basis over that period of time estimated to lapse until the next planned turnaround occurs. Refinery turnaround costs include, among other things, the cost to repair, restore, refurbish or replace refinery equipment such as vessels, tanks, reactors, piping, rotating equipment, instrumentation, electrical equipment, heat exchangers and fired heaters.

### ***Goodwill and Impairment***

Goodwill in an acquisition represents the excess of the aggregate purchase price over the fair value of the identifiable net assets. Goodwill is reviewed at least annually during the fourth quarter for impairment, or more frequently if indicators of impairment exist, such as disruptions in our business, unexpected significant declines in operating results or a sustained market capitalization decline. Goodwill is evaluated for impairment by comparing the carrying amount of the reporting unit to its estimated fair value. The Company adopted ASU 2017-04, *Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, during the fourth quarter of 2018. In accordance with this guidance, a goodwill impairment charge is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit.

In assessing the recoverability of goodwill, assumptions are made with respect to future business conditions and estimated expected future cash flows to determine the fair value of a reporting unit. We may consider inputs such as a market participant weighted average cost of capital, gross margin, capital expenditures and long-term growth rates based on historical information and our best estimate of future forecasts, all of which are subject to significant judgment and estimates. We may also consider a market approach in determining or corroborating the fair values of the reporting units using a multiple of expected future cash flows, such as those used by third-party analysts, which is also subject to significant judgment and estimates. If these estimates and assumptions change in the future, due to factors such as a decline in general economic conditions, competitive pressures on sales and margins and other economic and industry factors beyond management's control, an impairment charge may be required. A significant risk to our future results and the potential future impairment of goodwill is the volatility of the crude oil and the refined product markets which is often unpredictable and may negatively impact our results of operations in ways that cannot be anticipated and that are beyond management's control.

Our annual assessment of goodwill resulted in an impairment of \$126.0 million during the year ended December 31, 2020, and no impairment during the years ended December 31, 2019 and 2018. Details of remaining goodwill balances by segment are included in Note 18.

### **Derivatives**

Delek records all derivative financial instruments, including any interest rate swap and cap agreements, fuel-related derivatives, over the counter ("OTC") future swaps, forward contracts and future RIN purchase and sales commitments that qualify as derivative instruments, at estimated fair value in accordance with the provisions of ASC 815. Changes in the fair value of the derivative instruments are recognized in operations, unless we elect to apply and qualify for the hedging treatment permitted under the provisions of ASC 815 allowing such changes to be classified as other comprehensive income for cash flow hedges. We determine the fair value of all derivative financial instruments utilizing exchange pricing and/or price index developers such as Platts, Argus or OPIS. On a regular basis, Delek enters into commodity contracts with counterparties for the purchase or sale of crude oil, blendstocks, and various finished products. We evaluate these contracts under ASC 815 and do not measure at fair value if they qualify for, and we elect, the normal purchase / normal sale exception.

Delek's policy under the guidance of ASC 815-10-45, *Derivatives and Hedging - Other Presentation Matters* ("ASC 815-10-45"), is to net the fair value amounts recognized for multiple derivative instruments executed with the same counterparty and offset these values against the cash collateral arising from these derivative positions.

### **Fair Value of Financial Instruments**

The fair values of financial instruments are estimated based upon current market conditions and quoted market prices for the same or similar instruments. Management estimates that the carrying value approximates fair value for all of Delek's assets and liabilities that fall under the scope of ASC 825, *Financial Instruments* ("ASC 825"). Delek also applies the provisions of ASC 825 as it pertains to the fair value option with respect to certain financial instruments. This option permits the election to carry financial instruments and certain other items similar to financial instruments at fair value on the balance sheet, with all changes in fair value reported in earnings.

Delek applies the provisions of ASC 820, *Fair Value Measurements and Disclosure* ("ASC 820"), which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements. ASC 820 applies to our commodity and other derivatives that are measured at fair value on a recurring basis, and to our supply and offtake agreements and environmental credit obligations that are accounted for under the fair value election. ASC 820 also applies to the measurement of our equity method investment, goodwill and long-lived tangible and intangible assets when determining whether or not an impairment exists, when circumstances require evaluation. This standard also requires that we assess the impact of nonperformance risk on our derivatives. Nonperformance risk is not considered material to our financial statements as of December 31, 2020 and 2019.

### **Inventory Supply and Offtake Obligations**

Delek has Supply and Offtake Agreements (the "Supply and Offtake Agreements" or the "J. Aron Agreements") with J. Aron & Company ("J. Aron") in connection with its El Dorado, Big Spring and Krotz Springs refineries, which provide a financing mechanism on contractual baseline inventory volumes and also revolving over and short volumes. We account for the market-indexed obligations under our Supply and Offtake Agreements as product (in this case, crude oil and refined product inventory) financing arrangements under the fair value option pursuant to ASC 825 and the fair value guidance provided by ASC 820, and recognize all changes in the fair value in cost of materials and other in the accompanying statements of income. During periods where we had fixed price components that were subject to interest rate risk and not market price risk, the changes in fair value of those components was recognized in interest expense. By electing the fair value option, the changes in fair value provide a natural economic hedge to our FIFO cost of sales recognition without having to bifurcate any embedded derivatives and consider the complex hedge accounting rules. See Notes 10 and 13 for further discussion.

### **Environmental Credits and Related Regulatory Obligations**

As part of our refining operations, we generate certain regulatory environmental credit obligations due to the U.S. Environmental Protection Agency ("EPA") or other regulatory agencies. Additionally, we may generate, during the operation of our refining or other activities, or purchase on a market, environmental credits for purposes of ultimately meeting expected environmental credit obligations. These resultant net environmental credit obligations are financial instruments under ASC 825. For those financial instruments where (1) there are consistently available observable market inputs or market-corroborated inputs; and (2) there continues to be (or is reasonably expected to be) sustained liquidity in the applicable credits market, we generally apply the fair value option, as available pursuant to ASC 825. We recognize a current liability at the end of each reporting period in which we do not have sufficient environmental credits to cover the current environmental credits obligation (a "deficit"), and we recognize a current asset at the end of each reporting period in which we have generated or acquired environmental credits meeting our recognition criteria in excess of our current environmental credits obligation (a "surplus"). Any obligation surplus or deficit would be measured at fair value either directly through the observable inputs or indirectly through the market-corroborated inputs. The net cost of environmental credits used each period as well as changes to fair value attributable to our environmental credit obligations (surplus or deficit) are charged to cost of materials and other in the consolidated statements of income.

Our environmental credit obligations predominantly relate to EPA's Renewable Fuel Standard - 2 ("RFS-2"), which requires that certain refiners generate environmental credits, called Renewable Identification Numbers ("RINs"), by blending renewable fuels into the fuel products they produce, or else purchasing RINs on the market, and that such RINs shall be used to satisfy the related environmental credit obligation. Each

of our refineries is an obligated party under RFS-2. To the extent that any of our refineries is unable to blend renewable fuels to generate sufficient RINs, it must purchase RINs to satisfy its annual requirement ("RINs Obligation"). To the extent that we have purchased RINs or transferred RINs to our refineries, each refinery's RINs Obligation may be a surplus or deficit at the end of each reporting period (their respective "Net RINs Obligation"). Because our Net RINs Obligations exceed the RINs we are able to generate annually on a consolidated basis, and because we have the legal ability to transfer RINs generated or purchased through any of our entities to our obligated parties as needed, we view and manage the Company's individual Net RINs Obligations, as well as any non-obligated party RINs holdings, on a consolidated basis. Therefore, the sum of our individual obligated parties' Net RINs Obligations as well as RINs held by our non-obligated parties which meet our recognition criteria, comprises the Company's "Consolidated Net RINs Obligation." For all periods presented in these consolidated financial statements, the individual financial instruments relating to specific category and vintage requirements under RFS-2 comprising our Consolidated Net RINs Obligation are subject to market risk and meet the criteria set forth above. Therefore, we have elected to apply the fair value option to the individual financial instruments comprising our Consolidated Net RIN Obligation, using the fair value guidance provided by ASC 820.

#### ***Other Related Transactions***

From time to time, Delek enters into future commitments to purchase or sell RINs at fixed prices and quantities, which are used to manage the costs associated with our RINs Obligation. These future RINs commitment contracts meet the definition of derivative instruments under ASC 815, Derivatives and Hedging ("ASC 815"), and are measured at fair value based on quoted prices from an independent pricing service. Changes in the fair value of these future RINs commitment contracts are recorded in cost of materials and other on the consolidated statements of income. See Note 12 for further information.

Additionally, from time to time, we may elect to sell surplus environmental credits and contemporaneously enter into a corresponding obligation to repurchase substantially identical environmental credits at a future date to provide an additional source of short-term financing and to take advantage of market liquidity for holdings that are not currently required for operations. We account for such transactions as product financing arrangements. In such cases, the sale is not recognized, but rather the proceeds are treated as product financing proceeds where a corresponding product financing obligation is recorded, while the subsequent repurchase is treated as repayment of the product financing obligation, with the difference recorded as interest expense over the intervening period. Such transactions are included in our cash flows from financing transactions.

#### ***Self-Insurance Reserves***

Delek has varying deductibles or self-insured retentions on our workers' compensation, general liability, automobile liability insurance and medical claims for certain employees with coverage above the deductibles or self-insured retentions in amounts management considers adequate. We maintain an accrual for these costs based on claims filed and an estimate of claims incurred but not reported. Differences between actual settlements and recorded accruals are recorded in the period identified.

#### ***Environmental Expenditures***

It is Delek's policy to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and the amount can be reasonably estimated. Environmental liabilities represent the current estimated costs to investigate and remediate contamination at sites where we have environmental exposure. This estimate is based on assessments of the extent of the contamination, the selected remediation technology and review of applicable environmental regulations, typically considering estimated activities and costs for 15 years, and up to 30 years if a longer period is believed reasonably necessary. Such estimates may require judgment with respect to costs, time frame and extent of required remedial and clean-up activities. Accruals for estimated costs from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study and include, but are not limited to, costs to perform remedial actions and costs of machinery and equipment that are dedicated to the remedial actions and that do not have an alternative use. Such accruals are adjusted as further information develops or circumstances change. We discount environmental liabilities to their present value if payments are fixed or reliably determinable. Expenditures for equipment necessary for environmental issues relating to ongoing operations are capitalized. Provisions for environmental liabilities generally are recognized in operating expenses.

Changes in laws and regulations and actual remediation expenses compared to historical experience could significantly impact our results of operations and financial position. We believe the estimates selected, in each instance, represent our best estimate of future outcomes, but the actual outcomes could differ from the estimates selected.

#### ***Asset Retirement Obligations***

Delek initially recognizes liabilities which represent the fair value of a legal obligation to perform asset retirement activities, including those that are conditional on a future event, when the amount can be reasonably estimated. 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.

In the refining segment, we have asset retirement obligations with respect to our refineries due to various legal obligations to clean and/or dispose of these assets at the time they are retired. In the logistics segment, these obligations relate to the required cleanout of the pipeline and terminal tanks and removal of certain above-grade portions of the pipeline situated on right-of-way property. In the retail segment, we have asset retirement obligations related to the removal of underground storage tanks and the removal of brand signage at owned and leased retail



sites which are legally required under the applicable leases. The asset retirement obligation for storage tank removal on leased retail sites is accreted over the expected life of the owned retail site or the average retail site lease term.

In order to determine fair value, management must make certain estimates and assumptions including, among other things, projected cash flows, a credit-adjusted risk-free rate and an assessment of market conditions that could significantly impact the estimated fair value of the asset retirement obligations. We believe the estimates selected, in each instance, represent our best estimate of future outcomes, but the actual outcomes could differ from the estimates selected.

### **Revenue Recognition**

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or by providing services to a customer.

#### **Refining**

Revenues for products sold are recorded at the point of sale upon delivery of product, which is the point at which title to the product is transferred, the customer has accepted the product and the customer has significant risks and rewards of owning the product. We typically have a right to payment once control of the product is transferred to the customer. Transaction prices for these products are typically at market rates for the product at the time of delivery. Payment terms require customers to pay shortly after delivery and do not contain significant financing components.

#### **Logistics**

Revenues for products sold are generally recognized upon delivery of the product, which is when title and control of the product is transferred. Transaction prices for these products are typically at market rates for the product at the time of delivery. Service revenues are recognized as crude oil, intermediate and refined product are shipped through, delivered by or stored in our pipelines, trucks, terminals and storage facility assets, as applicable. We do not recognize product revenues for these services as the product does not represent a promised good in the context of ASC 606. All service revenues are based on regulated tariff rates or contractual rates. Payment terms require customers to pay shortly after delivery and do not contain significant financing components.

#### **Retail**

Fuel and merchandise revenue is recognized at the point of sale, which is when control of the product is transferred to the customer. Payments from customers are received at the time sales occur in cash or by credit or debit card. We derive service revenues from the sale of lottery tickets, money orders, car washes and other ancillary product and service offerings. Service revenue and related costs are recorded at gross amounts or net amounts, as appropriate, in accordance with the principal versus agent provisions in ASC 606.

#### **Other**

In the first quarter of 2020, we began selling crude barrels through supply agreements predominantly in the gulf coast region. The transaction price for these products is based on contractual rates. Revenue is recognized based on consideration specified in such agreements when performance obligations are satisfied by transferring control of crude oil to the customer.

The transaction prices of our contracts with customers are either fixed or variable, with variable pricing generally based on various market indices. For our contracts that include variable consideration, we utilize the variable consideration allocation exception, whereby the variable consideration is only allocated to the performance obligations that are satisfied during the period. Refer to Note 4 for disclosure of our revenue disaggregated by segment, as well as a description of our reportable segment income.

#### **Credit Losses**

Under ASU 2016-13, Financial Instruments - Measurement of Credit Losses on Financial Instruments as codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"), we have applied the expected credit loss model for recognition and measurement of impairments in financial assets measured at amortized cost or at fair value through other comprehensive income including accounts receivables. The expected credit loss model is also applied for notes receivables and contractual holdbacks to which ASU 2016-13 applies and which are not accounted for at fair value through profit or loss. The loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. If the credit risk on the financial asset has decreased significantly since initial recognition, the loss allowance for the financial asset is re-measured. Changes in loss allowances are recognized in profit and loss. For trade receivables, a simplified impairment approach is applied recognizing expected lifetime losses from initial recognition.

### **Cost of Materials and Other and Operating Expenses**

For the refining segment, cost of materials and other includes the following:

- the direct cost of materials (such as crude oil and other refinery feedstocks, refined petroleum products and blendstocks, and ethanol feedstocks and products) that are a component of our products sold;
- costs related to the delivery (such as shipping and handling costs) of products sold;



- costs related to our environmental credit obligations to comply with various governmental and regulatory programs (such as the cost of RINs as required by the EPA's Renewable Fuel Standard and emission credits under various cap-and-trade systems); and
- gains and losses on our commodity derivative instruments.

Operating expenses for the refining segment include the costs to operate our refineries and biodiesel facilities, excluding depreciation and amortization. These costs primarily include employee-related expenses, energy and utility costs, catalysts and chemical costs, and repairs and maintenance expenses.

For the logistics segment, cost of materials and other includes the following:

- all costs of purchased refined products, additives and related transportation of such products,
- costs associated with the operation of our trucking assets, which primarily include allocated employee costs and other costs related to fuel, truck leases and repairs and maintenance,
- the cost of pipeline capacity leased from a third-party, and
- gains and losses related to our commodity hedging activities.

Operating expenses for the logistics segment include the costs associated with the operation of owned terminals and pipelines and terminalling expenses at third-party locations, excluding depreciation and amortization. These costs primarily include outside services, allocated employee costs, repairs and maintenance costs and energy and utility costs. Operating expenses related to the wholesale business are excluded from cost of sales because they primarily relate to costs associated with selling the products through our wholesale business.

For the retail segment, cost of materials and other comprises the costs related to specific products sold at retail sites, primarily consisting of motor fuels and merchandise. Retail fuel cost of sales represents the cost of purchased fuel, including transportation costs. Merchandise cost of sales includes the delivered cost of merchandise purchases, net of merchandise rebates and commissions. Operating expenses related to the retail business include costs such as wages of employees, lease expense, utility expense and other costs of operating the stores, excluding depreciation and amortization, and are excluded from cost of sales because they primarily relate to costs associated with selling the products through our retail sites.

Depreciation and amortization is separately presented in our statement of income and disclosed by reportable segment in Note 4.

### ***Interest Expense***

Interest expense includes interest expense on debt, letters of credit, financing fees (including certain J. Aron fees associated with our Supply and Offtake Agreements), the amortization, net of accretion, of debt discounts or premium and amortization of deferred debt issuance costs, and interest rate swap settlements, but excludes capitalized interest. Original issuance discount and debt issuance costs are amortized ratably over the term of the related debt when it is not materially different from the effective interest method.

### ***Sales, Use and Excise Taxes***

Delek's policy is to exclude from revenue all taxes assessed by a governmental authority, including sales, use and excise taxes, that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer.

### ***Deferred Financing Costs***

Deferred financing costs associated with our revolving credit facilities are included in other non-current assets in the accompanying consolidated balance sheets. Deferred financing costs associated with our term loan facilities are included as a reduction to the associated debt balance in the accompanying consolidated balance sheets. These costs represent expenses related to issuing our long-term debt and obtaining our lines of credit and are amortized ratably over the remaining term of the respective financing when it is not materially different from the effective interest method and included in interest expense in the accompanying consolidated statements of income. See Note 11 for further information.

### ***Advertising Costs***

Delek expenses advertising costs as the advertising space is utilized. Advertising expense for the years ended December 31, 2020, 2019 and 2018 was \$1.9 million, \$3.4 million and \$4.1 million, respectively.

### ***Leases***

In accordance with ASC 842-20, *Leases - Lessee* ("ASC 842-20"), we classify leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that are highly specialized or allow us to substantially utilize or pay for the entire asset over its useful life. All other leases are classified as operating leases.

Delek leases land, buildings and various equipment under primarily operating lease arrangements, most of which provide the option, after the initial lease term, to renew the leases. Some of these lease arrangements include fixed lease rate increases, while others include lease rate increases based upon such factors as changes, if any, in defined inflationary indices.

For all leases that include fixed rental rate increases, these are included in our fixed lease payments. Our leases may include variable payments, based on changes on price or other indices, that are expensed as incurred.

Delek calculates the total lease expense for the entire noncancelable lease period, considering renewals for all periods for which it is reasonably certain to be exercised, and records lease expense on a straight-line basis in the accompanying consolidated statements of income. Accordingly, a lease liability is recognized for these leases and is calculated to be the present value of the fixed lease payments, as defined by ASC 842-20, using a discount rate based on our incremental borrowing rate. A corresponding right-of-use asset is recognized based on the lease liability and adjusted for certain costs and prepayments. The right-of-use asset is amortized over the noncancelable lease period, considering renewals for all periods for which it is reasonably certain to be exercised. See Note 25 for further information.

### **Income Taxes**

Income taxes are accounted for under the provisions of ASC 740, *Income Taxes* ("ASC 740"). This standard generally requires Delek to record deferred income taxes for the differences between the book and tax bases of its assets and liabilities, which are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax expense or benefit represents the net change during the year in our deferred income tax assets and liabilities, exclusive of the amounts held in other comprehensive income.

ASC 740 also prescribes a comprehensive model for how companies should recognize, measure, present and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return and prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Finally, ASC 740 requires an annual tabular roll-forward of unrecognized tax benefits.

The Tax Cuts and Jobs Act (the "Tax Reform Act") was enacted on December 22, 2017. The Tax Reform Act reduces the U.S. federal corporate tax rate from 35% to 21%, provides for immediate deduction of qualified capital assets placed in service, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. Adjustments made upon finalization of our accounting analysis were not material to our consolidated financial statements. See Note 15 for further discussion.

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act") was enacted into law. The CARES Act includes several significant provisions for corporations, including the usage of net operating losses, interest deductions and payroll benefits.

### **Equity-Based Compensation**

ASC 718, *Compensation - Stock Compensation* ("ASC 718"), requires the cost of all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement and establishes fair value as the measurement objective in accounting for share-based payment arrangements. ASC 718 requires the use of a valuation model to calculate the fair value of stock-based awards on the date of grant. Delek uses the Black-Scholes-Merton option-pricing model to determine the fair value of stock option and stock appreciation right (SAR) awards.

Restricted stock units ("RSUs") are valued based on the fair market value of the underlying stock on the date of grant. Performance-based RSUs ("PRSUs") include a market condition based on the Company's total shareholder return over the performance period and are valued using a Monte-Carlo simulation model. We record compensation expense for these awards based on the grant date fair value of the award, recognized ratably over the measurement period. Vested RSUs and PRSUs are not issued until the minimum statutory withholding requirements have been remitted to us for payment to the taxing authority. As a result, the actual number of shares accounted for as issued may be less than the number of RSUs vested, due to any withholding amounts which have not been remitted.

We generally recognize compensation expense related to stock-based awards with graded or cliff vesting on a straight-line basis over the vesting period. It is our practice to issue new shares when share-based awards are exercised. Our equity-based compensation expense includes estimates for forfeitures and volatility based on our historical experience. If actual forfeitures differ from our estimates, we adjust equity-based compensation expense accordingly.

### **Postretirement Benefits**

In connection with the Delek/Alon Merger, we assumed defined benefit pension and postretirement medical plans for certain former Alon employees. We recognize the underfunded status of our defined benefit pension and postretirement medical plans as a liability. Changes in the funded status of our defined benefit pension and postretirement medical plans are recognized in other comprehensive income in the period when the changes occur. The funded status represents the difference between the projected benefit obligation and the fair value of the plan assets. The projected benefit obligation is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases. Plan assets are measured at fair value. We use December 31 of each year, or more frequently as necessary, as the measurement date for plan assets and obligations for all of our defined benefit pension and postretirement medical plans. We straight-line amortize prior service costs and actuarial gains and losses over the average future service of members expected to receive benefits and use a 10% corridor in regards to the actuarial gains and losses. See Note 23 for more information regarding our postretirement benefits.

The service cost component of net periodic benefit is included as part of general and administrative expenses in the accompanying consolidated statements of income. The other components of net periodic benefit are included as part of other expense (income), net in the accompanying consolidated statements of income.

## ***New Accounting Pronouncements Adopted During 2020***

### ***ASU 2018-15, Intangible - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract***

In August 2018, the Financial Accounting Standards Board (the "FASB") issued guidance related to customers' accounting for implementation costs incurred in a cloud computing arrangement that is considered a service contract. This pronouncement aligns the requirements for capitalizing implementation costs in such arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. We adopted this guidance prospectively on January 1, 2020 and the adoption did not have a material impact on our business, financial condition or results of operations.

### ***ASU 2018-13, Fair Value Measurement - Changes to the Disclosure Requirements for Fair Value Measurement***

In August 2018, the FASB issued guidance related to disclosure requirements for fair value measurements. The pronouncement eliminates, modifies and adds disclosure requirements for fair value measurements. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. We adopted this guidance on January 1, 2020 and the adoption did not have a material impact on our business, financial condition or results of operations. See Note 13.

### ***ASU 2016-13, Financial Instruments - Measurement of Credit Losses on Financial Instruments***

In June 2016, the FASB issued guidance requiring the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Organizations will now use forward-looking information to better inform their credit loss estimates. This guidance is effective for interim and annual periods beginning after December 15, 2019. We adopted this guidance on January 1, 2020 using the modified retrospective approach as of the adoption date. The adoption did not have a material impact on the Company's operating results, financial position or disclosures.

## ***Accounting Pronouncements Not Yet Adopted***

### ***ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity***

In August 2020, the FASB issued ASU 2020-06, which is intended to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. The guidance allows for either full retrospective adoption or modified retrospective adoption. The pronouncement is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2021, and early adoption is permitted. The Company is evaluating the impact of this guidance but does not currently expect adopting this new guidance will have a material impact on its consolidated financial statements and related disclosures.

### ***ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)***

In March 2020, the FASB issued an amendment which is intended to provide temporary optional expedients and exceptions to GAAP guidance on contracts, hedge accounting and other transactions affected by the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank rates. This guidance is effective for all entities at any time beginning on March 12, 2020 through December 31, 2022 and may be applied from the beginning of an interim period that includes the issuance date of the ASU. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures.

### ***ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815***

In January 2020, the FASB issued ASU 2020-01 which is intended to clarify interactions between the guidance to account for certain equity securities under Topics 321, 323 and 815, and improve current GAAP by reducing diversity in practice and increasing comparability of accounting. The pronouncement is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2020. We expect to adopt this guidance on the effective date and do not expect adopting this new guidance will have a material impact on our business, financial condition and results of operations.

### ***ASU 2019-12, Simplifying the Accounting for Income Taxes***

In December 2019, the FASB issued guidance which is intended to simplify various aspects related to accounting for income taxes, eliminate certain exceptions within ASC 740 and clarify certain aspects of the current guidance to promote consistency among reporting entities. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2020. We expect to adopt this guidance on the effective date and do not expect adopting this new guidance will have a material impact on our business, financial condition and results of operations.

### ***ASU 2018-14, Compensation - Changes to the Disclosure Requirements for Defined Benefit Plans***

In August 2018, the FASB issued guidance related to disclosure requirements for defined benefit plans. The pronouncement eliminates, modifies and adds disclosure requirements for defined benefit plans. The pronouncement is effective for fiscal years beginning after December 15, 2020. We expect to adopt this guidance on the effective date and do not expect adopting this new guidance will have a material impact on our business, financial condition or results of operations.

## **3. Acquisitions**

### ***Alon***

Effective July 1, 2017, we acquired the outstanding common stock of Alon resulting in a new post-combination consolidated registrant renamed as Delek US Holdings, Inc. In connection with the Delek/Alon Merger, Alon, Delek and U.S. Bank National Association, as trustee (the "Trustee") entered into a First Supplemental Indenture (the "Supplemental Indenture"), effective as of July 1, 2017, which provided that Alon's 3.0% Convertible Senior Notes due 2018, which were previously convertible into Alon common stock, would thereafter be convertible into Delek common stock based on the exchange rate applied in the Delek/Alon Merger (the "Convertible Notes"). Additionally, in connection with the Convertible Notes, Alon also entered into equity instruments, including call options (the "Call Options") and warrants (the "Warrants"), designed, in combination, to hedge a portion of the risk associated with the potential exercise of the conversion feature of the Convertible Notes and to mitigate the dilutive effect of such potential conversion. These instruments were exchanged in connection with the Delek/Alon Merger into instruments that were indexed to Delek common stock. See Note 11 for further discussion of these instruments and subsequent activity.

The Delek/Alon Merger was accounted for using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized on the balance sheet at their fair value as of the acquisition date. During the year ended December 31, 2018, we continued our procedures to determine the fair value of assets acquired and liabilities assumed in the Delek/Alon Merger, all of which were completed by June 30, 2018. Transaction costs incurred by the Company in connection with the Delek/Alon Merger totaled approximately \$6.6 million for the year ended December 31, 2018. Such costs were included in general and administrative expenses in the accompanying consolidated statements of income.

## **4. Segment Data**

We aggregate our operating segments into three reportable segments: Refining, Logistics and Retail. Operations that are not specifically included in the reportable segments are included in Corporate, Other and Eliminations, which consists of the following:

- our corporate activities;
- results of certain immaterial operating segments, including our Canadian crude trading operations (as discussed in Note 12);
- wholesale crude operations;
- Alon's asphalt terminal operations;
- our discontinued Paramount and Long Beach, California refinery and California renewable fuels facility operations (acquired as part of the Delek/Alon Merger) (see Note 8 for further discussion); and
- intercompany eliminations.

Decisions concerning the allocation of resources and assessment of operating performance are made based on this segmentation. Management measures the operating performance of each of the reportable segments based on the segment contribution margin. Segment contribution margin is defined as net revenues less cost of materials and other and operating expenses, excluding depreciation and amortization.

During the first quarter of 2020, we revised the structure of the internal financial information reviewed by management and began allocating the results of hedging activity associated with managing risks of our refineries, previously reported in corporate, other and eliminations, to our refining segment. The historical results of this hedging activity have been reclassified to conform to the current presentation. The assets and/or liabilities associated with this hedging activity have not been allocated to the refining segment.

### ***Refining Segment***

The refining segment processes crude oil and other feedstocks for the manufacture of transportation motor fuels, including various grades of gasoline, diesel fuel and aviation fuel, asphalt and other petroleum-based products that are distributed through owned and third-party product terminals. The refining segment has a combined nameplate capacity of 302,000 bpd as of December 31, 2020, including the following:

- 75,000 bpd Tyler, Texas refinery (the "Tyler refinery");
- 80,000 bpd El Dorado, Arkansas refinery (the "El Dorado refinery");
- 73,000 bpd Big Spring, Texas refinery (the "Big Spring refinery");

- 74,000 bpd Krotz Springs, Louisiana refinery (the "Krotz Springs refinery"); and
- a non-operating refinery located in Bakersfield, California, which was sold May 7, 2020.

As of December 31, 2020, the refining segment also owns and operates three biodiesel facilities involved in the production of biodiesel fuels and related activities, located in Crossett, Arkansas, Cleburne, Texas and New Albany, Mississippi. The biodiesel industry has historically been substantially aided by federal and state tax incentives. One tax incentive program that has been significant to our renewable fuels facilities is the federal blender's tax credit (also known as the biodiesel tax credit or "BTC"). The BTC provides a \$1.00 refundable tax credit per gallon of pure biodiesel to the first blender of biodiesel with petroleum-based diesel fuel. The blender's tax credit was re-enacted in December 2019 for the years 2020 through 2022 and was retroactively reinstated for 2018 and 2019.

On May 7, 2020, we sold our equity interests in Alon Bakersfield Property, Inc., an indirect wholly-owned subsidiary that owns our non-operating refinery located in Bakersfield, California, to a subsidiary of Global Clean Energy Holdings, Inc. ("GCE") for total cash consideration of \$40.0 million. As a result of this sale, we recognized a gain of \$56.8 million, largely due to the buyer assuming substantially all of the asset retirement obligations and environmental liabilities associated with this refinery, which is included in gain on sale of non-operating refinery on the accompanying consolidated statements of income. As part of the transaction, GCE granted a call option to Delek to acquire up to a 33 1/3% limited member interest in the acquiring subsidiary of GCE for \$400 per unit (up to \$13.3 million), subject to certain adjustments. Such option is exercisable by Delek through the 90th day after GCE demonstrates commercial operations, as contractually defined.

The refining segment's petroleum-based products are marketed primarily in the south central, southwestern and western regions of the United States. This segment also ships and sells gasoline into wholesale markets in the southern and eastern United States. Motor fuels are sold under the Alon or Delek brand through various terminals to supply Alon or Delek branded retail sites. In addition, we sell motor fuels through its wholesale distribution network on an unbranded basis.

### ***Logistics Segment***

Our logistics segment owns and operates crude oil and refined products logistics and marketing assets. The logistics segment generates revenue by charging fees for gathering, transporting and storing crude oil and for marketing, distributing, transporting and storing intermediate and refined products in select regions of the southeastern United States and West Texas for our refining segment and third parties, and sales of wholesale products in the West Texas market.

### ***Retail Segment***

Our retail segment includes the operations of owned and leased convenience store sites located primarily in Central and West Texas and New Mexico. These convenience stores typically offer various grades of gasoline and diesel under the Alon or Delek brand name and food products, food service, tobacco products, non-alcoholic and alcoholic beverages, general merchandise as well as money orders to the public, primarily under the 7-Eleven and Alon brand names. Substantially all of the motor fuel sold through our retail segment is supplied by our Big Spring refinery, which is transferred to the retail segment at prices substantially determined by reference to published commodity pricing information. We operated 253 and 252 stores as of December 31, 2020 and 2019, respectively.

In November 2018, we terminated the license agreement with 7-Eleven, Inc. The terms of such agreement and subsequent amendments require the removal of all 7-Eleven branding on a store-by-store basis by December 31, 2023. Merchandise sales at our convenience store sites will continue to be sold under the 7-Eleven brand name until 7-Eleven branding is removed at such convenience store sites. In connection with certain strategic initiatives, we closed one store in 2020 and for the year ended December 31, 2019, we closed or sold 30 under-performing or non-strategic store locations for total proceeds of \$15.1 million.

### ***Significant Inter-segment Transactions***

All inter-segment transactions have been eliminated in consolidation and consists primarily of the following:

- refining segment refined product sales to the retail segment to be sold through the store locations;
- refining segment sales of asphalt and refined product to entities included in corporate, other and eliminations;
- logistics segment service fee revenue under service agreements with the refining segment based on the number of gallons sold and to share a portion of the margin achieved in return for providing marketing, sales and customer services;
- logistics segment sales of wholesale finished product to our refining segment; and
- logistics segment crude transportation, terminalling and storage fee revenue from our refining segment for the utilization of pipeline, terminal and storage assets.

### ***Business Segment Operating Performance***

The following is a summary of business segment operating performance as measured by contribution margin for the year ended indicated (in millions):



Year Ended December 31, 2020

(In millions)	Refining	Logistics	Retail	Corporate, Other and Eliminations	Consolidated
Net revenues (excluding intercompany fees and revenues)	\$ 5,363.1	\$ 183.6	\$ 681.7	\$ 1,073.4	\$ 7,301.8
Inter-segment fees and revenues	454.6	379.8	—	(834.4)	—
Operating costs and expenses:					
Cost of materials and other	5,745.5	269.1	523.6	303.0	6,841.2
Operating expenses (excluding depreciation and amortization presented below)	402.7	56.2	90.5	10.4	559.8
Segment contribution margin	\$ (330.5)	\$ 238.1	\$ 67.6	\$ (74.4)	(99.2)
Depreciation and amortization	\$ 198.3	\$ 35.7	\$ 13.2	\$ 20.4	267.6
Impairment of goodwill	\$ 126.0	\$ —	\$ —	\$ —	126.0
General and administrative expenses					248.3
Other operating income, net					(13.1)
Operating loss					\$ (728.0)
Capital spending (excluding business combinations)	\$ 201.0	\$ 15.8	\$ 9.1	\$ 13.7	\$ 239.6

Year Ended December 31, 2019

(In millions)	Refining <sup>(1) (2)</sup>	Logistics	Retail	Corporate, Other and Eliminations <sup>(2)</sup>	Consolidated
Net revenues (excluding intercompany fees and revenues)	\$ 8,095.9	\$ 323.0	\$ 838.0	\$ 41.3	\$ 9,298.2
Inter-segment fees and revenues	702.6	261.0	—	(963.6)	—
Operating costs and expenses:					
Cost of materials and other	7,528.2	336.5	684.7	(892.2)	7,657.2
Operating expenses (excluding depreciation and amortization presented below)	492.4	74.1	94.8	20.9	682.2
Segment contribution margin	\$ 777.9	\$ 173.4	\$ 58.5	\$ (51.0)	958.8
Depreciation and amortization	\$ 134.3	\$ 26.7	\$ 11.2	\$ 22.1	194.3
General and administrative expenses					274.7
Other operating income, net					(2.5)
Operating income					\$ 492.3
Capital spending (excluding business combinations)	\$ 266.6	\$ 9.9	\$ 20.5	\$ 131.1	\$ 428.1

Year Ended December 31, 2018

(In millions)	Refining <sup>(1) (2)</sup>	Logistics	Retail	Corporate, Other and Eliminations <sup>(2)</sup>	Consolidated
Net revenues (excluding intercompany fees and revenues)	\$ 8,771.4	\$ 416.8	\$ 915.4	\$ 129.5	\$ 10,233.1
Inter-segment fees and revenues	839.0	240.8	—	(1,079.8)	—
Operating costs and expenses:					
Cost of materials and other	8,305.5	429.1	755.8	(929.9)	8,560.5
Operating expenses (excluding depreciation and amortization presented below)	465.4	58.7	100.7	20.2	645.0
Segment contribution margin	\$ 839.5	\$ 169.8	\$ 58.9	\$ (40.6)	1,027.6
Depreciation and amortization	\$ 133.7	\$ 26.0	\$ 24.6	\$ 15.1	199.4
General and administrative expenses					247.6
Other operating income, net					(31.3)
Operating income					\$ 611.9
Capital spending (excluding business combinations)	\$ 203.9	\$ 11.6	\$ 10.0	\$ 91.7	\$ 317.2

<sup>(1)</sup> Refining segment contribution margin for the year ended December 31, 2019 includes \$77.6 million of BTC that was re-enacted in 2019, \$36.0 million of which related to 2018 renewable blending activities. Refining segment contribution margin for the year ended December 31, 2018 includes \$24.9 million of BTC that was enacted in 2018 all of which related to 2017 renewable blending activities.

<sup>(2)</sup> The refining segment results of operations for the years ended December 31, 2019 and 2018, includes hedging gains (losses), a component of cost of materials and other, of \$16.3 million and \$(25.6) million, respectively, which was previously included and reported in corporate, other and eliminations.



## Other Segment Information

Total assets by segment were as follows as of:

	December 31, 2020				
	Refining	Logistics	Retail	Corporate, Other and Eliminations	Consolidated
Total assets	\$ 5,848.9	\$ 956.5	\$ 258.9	\$ (930.2)	\$ 6,134.1
Less:					
Inter-segment notes receivable	(1,285.8)	—	—	1,285.8	—
Inter-segment right of use lease assets	(370.6)	—	—	370.6	—
Total assets, excluding inter-segment notes receivable and right of use assets	<u>\$ 4,192.5</u>	<u>\$ 956.5</u>	<u>\$ 258.9</u>	<u>\$ 726.2</u>	<u>\$ 6,134.1</u>
	December 31, 2019				
	Refining	Logistics	Retail	Corporate, Other and Eliminations	Consolidated
Total assets	\$ 6,549.4	\$ 744.4	\$ 344.9	\$ (622.4)	\$ 7,016.3
Less:					
Inter-segment notes receivable	(1,586.8)	—	—	1,586.8	—
Inter-segment right of use lease assets	(441.3)	—	—	441.3	—
Total assets, excluding inter-segment notes receivable and right of use assets	<u>\$ 4,521.3</u>	<u>\$ 744.4</u>	<u>\$ 344.9</u>	<u>\$ 1,405.7</u>	<u>\$ 7,016.3</u>

## 5. Earnings (Loss) Per Share

### Earnings (Loss) Per Share

Basic earnings per share (or "EPS") is computed by dividing net income (loss) by the weighted average common shares outstanding. Diluted earnings per share is computed by dividing net income (loss), as adjusted for changes to income that would result from the assumed settlement of the dilutive equity instruments included in diluted weighted average common shares outstanding, by the diluted weighted average common shares outstanding. For all years presented, we have outstanding various equity-based compensation awards that are considered in our diluted EPS calculation (when to do so would not be anti-dilutive), and is inclusive of awards disclosed in Note 21 to these consolidated financial statements. For those instruments that are indexed to our common stock, they are generally dilutive when the market price of the underlying indexed share of common stock is in excess of the exercise price. Additionally, in connection with the Delek/Alon Merger, we assumed certain equity instruments, including conversion options (associated with Convertible Notes) and Warrants, that were dilutive in certain periods in which they were outstanding (see discussion of these instruments in Note 11). The Convertible Notes conversion options were dilutive during the period they were outstanding when the incremental EPS calculated by dividing the increase in income associated with the elimination of interest expense on the convertible debt, net of tax, by the number of shares that would be issued upon conversion using the treasury stock method (which is applicable because of the cash settlement feature associated with the underlying principal) is dilutive to the overall diluted EPS calculation. The Warrants were generally dilutive during the periods they were outstanding when the market price of the underlying indexed share of common stock was in excess of the exercise price. All such instruments that may otherwise be dilutive may not be dilutive when there is net loss for the period. We also assumed Call Options in connection with the Delek/Alon Merger which were not reflected in the diluted weighted average common shares outstanding because to do so would have been antidilutive. On September 17, 2018, Delek settled the Convertible Notes for a combination of cash and shares of Delek common stock (See Note 11) and in November 2018, Delek entered into Warrant Unwind Agreements (the "Unwind Agreements" - See Note 11) with the holders of our outstanding common stock warrants; therefore, these instruments were only potentially dilutive for EPS for the year ended December 31, 2018. The following table sets forth the computation of basic and diluted earnings per share.

Year Ended December 31,

	2020	2019	2018
<u>Numerator:</u>			
Numerator for EPS - continuing operations			
(Loss) Income from continuing operations	\$ (570.4)	\$ 331.0	\$ 383.6
Less: Income from continuing operations attributed to non-controlling interest	37.6	25.6	26.7
(Loss) income from continuing operations attributable to Delek (numerator for basic EPS - continuing operations attributable to Delek)	(608.0)	305.4	356.9
Interest on convertible debt, net of tax	—	—	2.6
Numerator for diluted EPS - continuing operations attributable to Delek	<u>\$ (608.0)</u>	<u>\$ 305.4</u>	<u>\$ 359.5</u>
Numerator for EPS - discontinued operations			
Income (loss) from discontinued operations, including gain (loss) on sale of discontinued operations	\$ —	\$ 6.6	\$ (10.9)
Less: Income tax expense (benefit)	—	1.4	(2.2)
Income (loss) from discontinued operations, net of tax	—	5.2	(8.7)
Less: Income from discontinued operations attributed to non-controlling interest	—	—	8.1
Income (loss) from discontinued operations attributable to Delek	<u>\$ —</u>	<u>\$ 5.2</u>	<u>\$ (16.8)</u>
<u>Denominator:</u>			
Weighted average common shares outstanding (denominator for basic EPS)	73,598,389	75,853,187	82,797,110
Dilutive effect of convertible debt	—	—	1,525,846
Dilutive effect of warrants	—	—	967,352
Dilutive effect of stock-based awards	—	720,904	1,478,093
Weighted average common shares outstanding, assuming dilution	<u>73,598,389</u>	<u>76,574,091</u>	<u>86,768,401</u>
<u>EPS:</u>			
Basic (loss) income per share:			
(Loss) income from continuing operations	\$ (8.26)	\$ 4.03	\$ 4.31
Income (loss) from discontinued operations	—	0.07	(0.20)
Total basic (loss) income per share	<u>\$ (8.26)</u>	<u>\$ 4.10</u>	<u>\$ 4.11</u>
Diluted (loss) income per share:			
(Loss) income from continuing operations	\$ (8.26)	\$ 3.99	\$ 4.14
Income (loss) from discontinued operations	—	0.07	(0.19)
Total diluted (loss) income per share	<u>\$ (8.26)</u>	<u>\$ 4.06</u>	<u>\$ 3.95</u>
The following equity instruments were excluded from the diluted weighted average common shares outstanding because their effect would be anti-dilutive:			
Antidilutive stock-based compensation (because average share price is less than exercise price)	466,254	1,932,179	1,462,112
Antidilutive due to loss	3,616,690	—	—
Total antidilutive stock-based compensation	<u>4,082,944</u>	<u>1,932,179</u>	<u>1,462,112</u>

## 6. Delek Logistics and the Alon Partnership

### Delek Logistics

Delek Logistics is a publicly traded limited partnership that was formed by Delek in 2012 to own, operate, acquire and construct crude oil and refined products logistics and marketing assets. A substantial majority of Delek Logistics' assets are integral to Delek's refining and marketing operations. As of December 31, 2020, we owned an 80.0% interest in Delek Logistics, consisting of 34,745,868 common limited partner units and the non-economic general partner interest. The limited partner interests in Delek Logistics not owned by us are reflected in net income attributable to non-controlling interest in the accompanying consolidated statements of income and in non-controlling interest in subsidiaries in the accompanying consolidated balance sheets.

On August 13, 2020, Delek Logistics completed a transaction to eliminate the incentive distribution rights ("IDRs") held by Delek Logistics GP, LLC ("Logistics GP"), the general partner, and convert the 2.0% economic general partner interest into a non-economic general partner interest in exchange for total consideration consisting of \$45.0 million cash and 14.0 million newly issued common limited partner units. Contemporaneously, we repurchased 5.2% ownership interest in the general partner from affiliates, who are also members of the general partner's management and board of directors, for \$23.1 million, increasing our ownership interest in the general partner to 100.0%. As a result of these transactions, the non-controlling interest in our consolidated balance sheets decreased by \$50.8 million, with a \$37.2 million increase to additional paid-in capital which is net of \$11.5 million related to deferred income taxes and \$2.1 million of transaction costs.

In August 2020, Delek Logistics filed a shelf registration statement, which subsequently became effective, with the U.S. Securities and Exchange Commission for the proposed re-sale or other disposition from time to time by Delek of up to 14.0 million common limited partner units representing our limited partner interests in Delek Logistics. No units were sold for the year ended December 31, 2020.

We have agreements with Delek Logistics that, among other things, establish fees for certain administrative and operational services provided by us and our subsidiaries to Delek Logistics, provide certain indemnification obligations and establish terms for fee-based commercial logistics and marketing services provided by Delek Logistics and its subsidiaries to us. The revenues and expenses associated with these agreements are eliminated in consolidation.

Delek Logistics is a variable interest entity, as defined under GAAP, and is consolidated into our consolidated financial statements, representing our logistics segment. The assets of Delek Logistics can only be used to settle its own obligations and its creditors have no recourse to our assets. Exclusive of intercompany balances and the marketing agreement intangible asset between Delek Logistics and Delek which are eliminated in consolidation, the Delek Logistics consolidated balance sheets are included in the consolidated balance sheets of Delek. The Delek Logistics consolidated balance sheets are presented below (in millions):

	December 31,	
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4.2	\$ 5.5
Accounts receivable	15.7	13.2
Accounts receivable from related parties	5.9	—
Inventory	3.1	12.6
Other current assets	0.4	2.3
Property, plant and equipment, net	464.8	295.0
Equity method investments	253.7	247.0
Operating lease right-of-use assets	24.2	3.7
Goodwill	12.2	12.2
Intangible assets, net	160.1	146.6
Other non-current assets	12.1	6.3
Total assets	<u>\$ 956.4</u>	<u>\$ 744.4</u>
<b>LIABILITIES AND DEFICIT</b>		
Accounts payable	\$ 6.7	\$ 12.5
Accounts payable to related parties	—	8.9
Current portion of operating lease liabilities	8.7	1.4
Accrued expenses and other current liabilities	12.9	12.2
Long-term debt	992.3	833.1
Asset retirement obligations	6.0	5.6
Operating lease liabilities, net of current portion	15.4	2.3
Deferred tax liabilities	0.6	0.2
Other non-current liabilities	22.1	19.3
Deficit	(108.3)	(151.1)
Total liabilities and deficit	<u>\$ 956.4</u>	<u>\$ 744.4</u>

Effective May 1, 2020, Delek through its wholly owned subsidiaries Lion Oil Company ("Lion Oil") and Delek Refining, Ltd. ("Delek Refining") contributed certain leased and owned tractors and trailers and related assets used in the provision of trucking and transportation services for crude oil, petroleum and certain other products throughout Arkansas, Oklahoma and Texas to Delek Trucking, LLC ("Delek Trucking"), a direct wholly owned subsidiary of Lion Oil. Following this contribution, Lion Oil sold all of the issued and outstanding membership interests in Delek Trucking (the "Trucking Acquisition") to DKL Transportation, LLC ("DKL Transportation"), a wholly owned subsidiary of Delek Logistics. Promptly following the consummation of the Trucking Acquisition, Delek Trucking merged with and into DKL Transportation, with DKL Transportation continuing as the surviving entity. Total consideration for the Trucking Acquisition was approximately \$48.0 million in cash, subject to certain post-closing adjustments, financed primarily with borrowings under Delek Logistics' revolving credit facility. In connection with the Trucking Acquisition, Delek Refining, Lion Oil and DKL Transportation entered into a Transportation Services Agreement pursuant to which DKL Transportation will gather, coordinate the pickup of, transport and deliver petroleum products for Delek Refining and Lion Oil, as well as provide ancillary services as requested. Prior periods have not been recast in our Note 4 - Segment Data, as these assets did not constitute a business in accordance with ASU 2017-01, *Clarifying the Definition of a Business* ("ASU 2017-01"), and the transaction was accounted for as an acquisition of assets between entities under common control.

Effective March 31, 2020, Delek Logistics, through its wholly-owned subsidiary DKL Permian Gathering, LLC, acquired the Big Spring Gathering System, located in Howard, Borden and Martin Counties, Texas, from Delek, which included the execution of related commercial agreements. In connection with the closing of the transaction, Delek, Delek Logistics and various of their respective subsidiaries entered into a Throughput and Deficiency Agreement (the "T&D Agreement"). Under the T&D Agreement, Delek Logistics will operate and maintain the Big Spring Gathering System connecting our interests in and to certain crude oil production with the Delek Logistics' Big Spring, Texas terminal and provide gathering, transportation and other related services. The total consideration was subject to certain post-closing adjustments and was comprised of \$100.0 million in cash and 5.0 million common units representing limited partner interest in Delek Logistics. The cash component of this dropdown was financed with borrowings on the DKL Credit Facility (as defined in Note 11). Prior periods have not been recast in our Note 4 - Segment Data, as these assets did not constitute a business in accordance with ASU 2017-01 and the transaction was accounted for as an acquisition of assets between entities under common control.

Additionally, in March 2020, we purchased 451,822 of Delek Logistics limited partner units from an investor pursuant to a Common Unit Purchase Agreement between Delek Marketing & Supply, LLC and such investor. The purchase price of the units amounted to approximately \$5.0 million.

In March 2018, Delek Logistics, through its wholly-owned subsidiary DKL Big Spring, LLC, completed the acquisition from a subsidiary of Delek (the Alon Partnership) of storage tanks and terminals that support our Big Spring, Texas refinery (the "Big Spring Logistic Assets Acquisition"), which included the execution of related commercial agreements. In addition, a new marketing agreement was entered into between the subsidiary of Delek Logistics and the Alon Partnership pursuant to which the subsidiary of Delek Logistics provides marketing services for product sales from the Big Spring refinery. The cash paid for the transferred assets was \$170.8 million, and the cash paid for the marketing agreement was \$144.2 million. The transactions were financed with borrowings under the 2014 Facility (as defined in Note 11). Additionally, the transaction resulted in the creation of a deferred tax asset related to the tax-book basis difference in the sold assets totaling \$98.8 million, against which we have recorded a valuation allowance totaling \$5.5 million for the portion of the deferred tax asset that relates to basis difference attributable to the non-controlling interest and therefore may not be realizable. Prior periods have not been recast in our Note 4 - Segment Data, as these assets did not constitute a business in accordance with the ASU 2017-01, and were accounted for as acquisitions of assets between entities under common control.

### ***Alon Partnership***

As part of the Delek/Alon Merger, we acquired the Alon Partnership which owns the assets and conducts the operations of the Big Spring refinery and the associated integrated wholesale marketing operations. On February 7, 2018 (the "Merger Date"), Delek acquired from the Alon Partnership all of the outstanding limited partner units that Delek did not already own in an all-equity transaction (the "Alon Partnership Merger"). Delek owned approximately 51.0 million limited partner units of the Alon Partnership, or approximately 81.6% of the outstanding units, immediately prior to the Merger Date. Under terms of the merger agreement, the owners of the remaining outstanding units in the Alon Partnership that Delek did not own immediately prior to the Merger Date received a fixed exchange ratio of 0.49 shares of Delek common stock for each limited partner unit of the Alon Partnership, resulting in the issuance of approximately 5.6 million shares of Delek common stock to the public unitholders of the Alon Partnership. Because the transaction represented a combination of ownership interests under common control, the transfer of equity from non-controlling interest to owned interest (additional paid-in capital) was recorded at carrying value and no gain or loss was recognized in connection with the transaction. Additionally, book-tax basis difference was created as a result of the transaction that resulted in a deferred tax asset of approximately \$13.5 million, net of a valuation allowance on certain state income tax components, that also increased additional paid-in capital. Transaction costs incurred by the Company in connection with the Alon Partnership Merger totaled approximately \$3.0 million for the year ended December 31, 2018. Such costs were included in general and administrative expenses in the accompanying consolidated statements of income.

## 7. Equity Method Investments

### *Wink to Webster Pipeline*

On July 30, 2019, we, through our wholly-owned direct subsidiary Delek US Energy, Inc. ("Delek Energy"), entered into a limited liability company agreement (the "LLCA") and related agreements with multiple joint venture members of Wink to Webster Pipeline LLC ("WWP"). Pursuant to the LLCA, Delek Energy acquired a 15% ownership interest in WWP ("WWP Joint Venture"). WWP intends to construct and operate a crude oil pipeline system from Wink, Texas to Webster, Texas along with certain pipelines from Webster, Texas to other destinations in the Gulf Coast area. Pursuant to the LLCA, Delek Energy will be required to contribute its percentage interest of the applicable construction costs (including certain costs previously incurred by WWP) and, at the date we acquired our ownership interest, it was anticipated that Delek Energy's capital contributions would total approximately \$340 million to \$380 million over the course of construction (expected to be two to three years). Construction of the crude oil pipeline system remains ongoing, where the main segment of the pipeline system connecting the Permian Basin to Houston, Texas was recently completed and began transporting crude oil in October 2020.

During the years ended December 31, 2020 and 2019, we made capital contributions totaling \$18.9 million and \$126.7 million, respectively. As of December 31, 2019, Delek's investment balance in WWP totaled \$125.3 million, and our portion of net losses was \$1.4 million for the year ended December 31, 2019.

On February 21, 2020, we through our wholly-owned direct subsidiary Delek Energy, entered into the W2W Holdings LLC Agreement with MPLX Operations LLC ("MPLX") (collectively, with its wholly-owned subsidiaries, the "WWP Project Financing Joint Venture" or the "WWP Project Financing JV"). The WWP Project Financing JV was created for the specific purpose of obtaining financing to fund our combined capital calls resulting from and occurring during the construction period of the pipeline system under the WWP Joint Venture, and to service that debt. In connection with the arrangement, both Delek Energy and MPLX contributed their respective 15% ownership interests to the WWP Project Financing JV as collateral for and in service of the related project financing. Accordingly, distributions received from WWP through the WWP Project Financing JV will first be applied in service of the related project financing debt, with excess distributions being made to the members of the WWP Project Financing JV as provided for in the W2W Holdings LLC Agreement and as allowed under the project financing debt. The obligations of the members under the joint venture are guaranteed by the parents of the members of the WWP Project Financing JV.

The Company evaluated Delek's investment in W2W Holdings LLC ("HoldCo") and determined that HoldCo is a variable interest entity. The Company determined it is not the primary beneficiary since it does not have the power to direct activities that most significantly impact HoldCo. The Company does not hold a controlling financial interest in HoldCo because no single party has the power to direct the activities that most significantly impact HoldCo's economic performance since power to make the decisions about the significant activities is shared equally with MPLX and all significant decisions require unanimous consent of the Board of Directors. The Company accounts for its investment in HoldCo using the equity method of accounting due to its significant influence with its 50% membership interest.

The Company's maximum exposure to any losses incurred by HoldCo is limited to its investment. As of December 31, 2020, except for the guarantee of member obligations under the joint venture, the Company does not have other existing guarantees with or to HoldCo, or any third-party work contracted with it.

As of December 31, 2020, Delek's investment balance in WWP Project Financing Joint Venture totaled \$66.6 million and is included as part of total assets in corporate, other and eliminations in our segment disclosure. During the year ended December 31, 2020, we received distributions of \$69.3 million from WWP Project Financing Joint Venture to return excess capital contributions made. In addition, we recognized a loss on the investment of \$8.5 million for the year ended December 31, 2020.

### *Delek Logistics Investments*

In May 2019, Delek Logistics, through its wholly owned indirect subsidiary DKL Pipeline, LLC ("DKL Pipeline"), entered into a Contribution and Subscription Agreement (the "Contribution Agreement") with Plains Pipeline, L.P. ("Plains") and Red River Pipeline Company LLC ("Red River"). Pursuant to the Contribution Agreement, DKL Pipeline contributed \$124.7 million, substantially all of which was financed under the Delek Logistics Credit Facility (as defined in Note 11), to Red River in exchange for a 33% membership interest in Red River and DKL Pipeline's admission as a member of Red River ("Red River Pipeline Joint Venture"). Red River owns a 16-inch crude oil pipeline running from Cushing, Oklahoma to Longview, Texas. In August 2020, Red River completed a planned expansion project to increase the pipeline capacity which commenced operations on October 1, 2020. Delek Logistics contributed an additional \$3.5 million related to such expansion project in May 2019. During the year ended December 31, 2020, we made additional capital contributions totaling \$12.2 million based on capital calls received. As of December 31, 2020 and 2019, Delek's investment balance in Red River totaled \$141.8 million and \$131.0 million, respectively. We recognized income on the investment totaling \$8.9 million and \$8.4 million for the years ended December 31, 2020 and 2019, respectively. This investment is accounted for using the equity method and is included as part of total assets in our logistics segment.

In addition to Red River, Delek Logistics has two other joint ventures that own and operate logistics assets, and which serve third parties and subsidiaries of Delek. We own a 50% membership interest in the entity formed with an affiliate of Plains All American Pipeline, L.P. to operate one of these pipeline systems (the "Caddo Pipeline") and a 33% membership interest in Andeavor Logistics Rio Pipeline LLC which operates the other pipeline system (the "Rio Pipeline"). As of December 31, 2020 and 2019, Delek Logistics' investment balance in these joint ventures was \$111.9 million and \$116.0 million, respectively, and are accounted for using the equity method. We recognized income on these investments totaling \$13.8 million and \$11.5 million for the years ended December 31, 2020 and 2019, respectively.



## **Other Investments**

Effective with the Delek/Alon Merger, we acquired a 50% interest in two joint ventures that own asphalt terminals located in Fernley, Nevada, and Brownwood, Texas. On May 21, 2018, Delek sold its 50% interest in the asphalt terminal located in Fernley, Nevada. See Note 8 for further discussion. As of December 31, 2020 and 2019, Delek's investment balance in the Brownwood, Texas joint venture was \$39.3 million and \$30.7 million, respectively. We recognized income on this investment totaling \$15.4 million and \$15.2 million for the years ended December 31, 2020 and 2019, respectively. This investment is accounted for using the equity method and is included as part of total assets in the corporate, other and eliminations in our segment disclosure.

Delek Renewables, LLC, a wholly-owned subsidiary of Delek, has a 50% interest in a joint venture that owns, operates and maintains a terminal consisting of an ethanol unit train facility with an ethanol tank in North Little Rock, Arkansas. As of December 31, 2020 and 2019, Delek Renewables, LLC's investment balance in this joint venture was \$4.0 million and \$4.3 million, respectively, and was accounted for using the equity method. We recognized nominal income on this investment for the both years ended December 31, 2020 and 2019. The investment in this joint venture is reflected in the refining segment.

## **8. Discontinued Operations and Assets Held for Sale**

### **Asphalt Terminals Held for Sale**

On February 12, 2018, Delek announced it had reached a definitive agreement to sell certain assets and operations of four asphalt terminals (included in corporate, other and eliminations in our segment disclosure), as well as an equity method investment in an additional asphalt terminal, to an affiliate of Andeavor. This transaction included asphalt terminal assets in Bakersfield, Mojave and Elk Grove, California and Phoenix, Arizona, as well as Delek's 50% equity interest in the Paramount-Nevada Asphalt Company, LLC joint venture that operated an asphalt terminal located in Fernley, Nevada. On May 21, 2018, Delek completed the transaction and received net proceeds of approximately \$110.8 million, inclusive of the \$75.0 million base proceeds as well as certain preliminary working capital adjustments. The assets associated with the owned terminals met the definition of held for sale pursuant to ASC 360 as of February 1, 2018, but did not meet the definition of discontinued operations pursuant to ASC 205-20, *Presentation of Financial Statements - Discontinued Operations* ("ASC 205-20"), as the sale of these asphalt assets did not represent a strategic shift that would have a major effect on the entity's operations and financial results. Accordingly, depreciation ceased as of February 1, 2018, and the assets to be sold were reclassified to assets held for sale as of that date and were written down to the estimated fair value less costs to sell, resulting in an impairment loss on assets held for sale of \$27.5 million for the year ended December 31, 2018. All goodwill associated with the asphalt operations sold was written off in connection with the impairment charge discussed above. In connection with the completion of the sale transaction, we recognized a gain of approximately \$13.3 million, resulting primarily from the recognition of certain additional proceeds at closing associated with the asphalt terminals which were not previously determinable or probable and the recognition of the gain on the sale of the joint venture which was not previously recognized as held for sale (as it did not meet the criteria). Such gain on sale of the asphalt assets is reflected in results of continuing operations on the accompanying consolidated statement of income for the year ended December 31, 2018.

### **California Discontinued Entities**

During the third quarter 2017, we committed to a plan to sell certain assets associated with our Paramount and Long Beach, California refineries (both non-operating refineries) and our California renewable fuels facility ("AltAir"), which were acquired as part of the Delek/Alon Merger. Such operations were designated and reported as discontinued operations.

#### **Sale of Paramount Refinery Assets and Altair**

On March 16, 2018, Delek sold to World Energy, LLC ("World Energy") (i) all of Delek's membership interests in AltAir (ii) certain refining assets and other related assets located in Paramount, California and (iii) certain associated tank farm and pipeline assets and other related assets located in California. The sale involved initial proceeds due at closing, a subsequent working capital settlement as well as contingent proceeds for Delek's pro rata portion of any BTC relating to AltAir activities in 2018 earned through the sale date in connection with the re-enactment of the 2018 BTC that occurred in December 2019, and other final adjustments on retained contingent liabilities. Total proceeds for the sale were \$93.3 million, and we recognized a loss in discontinued operations on the sale before taxes of \$33.3 million, \$41.4 million of which was recognized in 2018 with the remainder recognized in 2019.

#### **Sale of Long Beach Refinery Net Assets**

The transaction to dispose of certain assets and liabilities associated with our Long Beach, California refinery to Bridge Point Long Beach, LLC closed July 17, 2018 resulting in initial cash proceeds of approximately \$14.5 million, net of expenses, and resulting in a gain on sale of discontinued operations of approximately \$1.4 million during the third quarter of 2018. We retained certain asset retirement obligations in connection with the disposition of the Long Beach refinery related to work that was required subsequent to the sale. As of December 31, 2019, the work was completed and the remaining unused asset retirement obligations were written off resulting in additional gain on sale of discontinued operations of \$1.9 million.



### Operating Results of Discontinued Operations

The operating results, net of tax, from discontinued operations associated with the California Discontinued Entities are presented separately in Delek's consolidated statements of income and the notes to the consolidated financial statements have been adjusted to exclude the discontinued operations. Classification as discontinued operations requires retrospective reclassification of the associated assets, liabilities and results of operations for all periods presented. The loss from discontinued operations, net of tax of \$8.7 million for the year ended December 31, 2018, included operating income of \$26.1 million and a preliminary loss on sale of California Discontinued Entities of \$40.0 million, which was subsequently adjusted in 2019 by \$6.6 million for a final loss on the sale of \$33.4 million.

### 9. Inventory

Carrying value of inventories consisted of the following (in millions):

	December 31, 2020	December 31, 2019
Refinery raw materials and supplies	\$ 270.7	\$ 400.4
Refinery work in process	92.1	109.1
Refinery finished goods	327.1	397.5
Retail fuel	6.2	7.3
Retail merchandise	28.5	19.8
Logistics refined products	3.1	12.6
Total inventories	<u>\$ 727.7</u>	<u>\$ 946.7</u>

At December 31, 2020, we recorded a pre-tax inventory valuation reserve of \$31.1 million, \$30.3 million of which related to LIFO inventory, due to a market price decline below our cost of certain inventory products. At December 31, 2019, we recorded a pre-tax inventory valuation reserve of \$1.7 million, \$1.2 million of which related to LIFO inventory, which reversed in the first quarter of 2020 due to the sale of inventory quantities that gave rise to the December 31, 2019 reserve. For the years ended December 31, 2020, 2019 and 2018, we recognized a net reduction (increase) in cost of materials and other in the accompanying consolidated statements of income related to the change in pre-tax inventory valuation of \$(29.2) million, \$52.3 million and \$(51.3) million, respectively.

At December 31, 2020 and 2019, the excess of replacement cost compared to the carrying value (LIFO) of the Tyler refinery inventories was \$3.4 million and \$14.9 million, respectively.

### Permanent Liquidations

We incurred a permanent reduction in a LIFO layer resulting in liquidation (loss) gain in our refinery inventory of \$(1.6) million, \$9.2 million and \$(7.5) million during the years ended December 31, 2020, 2019 and 2018, respectively. These liquidation (losses) gains were recognized as a component of cost of materials and other in the accompanying consolidated statements of income.

### 10. Inventory Supply and Offtake Obligations

Delek has Supply and Offtake Agreements with J. Aron in connection with its El Dorado, Big Spring and Krotz Springs refineries. Pursuant to the Supply and Offtake Agreements, (i) J. Aron agrees to sell to us, and we agree to buy from J. Aron, at market prices, crude oil for processing at these refineries and (ii) we agree to sell, and J. Aron agrees to buy, at market prices, certain refined products produced at these refineries. The Supply and Offtake Agreements also provide for the lease to J. Aron of crude oil and refined product storage facilities, and the identification of prospective purchasers of refined products on J. Aron's behalf. At the inception of the Supply and Offtake Agreements, we transferred title to a certain number of barrels of crude and other inventories to J. Aron (the "Step-In"), and the Supply and Offtake Agreements require the repurchase of remaining inventory (including certain "Baseline Volumes") at the termination of those Agreements (the "Step-Out"). The Supply and Offtake Agreements are accounted for as inventory financing arrangements under the fair value election provided by ASC 815 and ASC 825.

Barrels subject to the Supply and Offtake Agreements are as follows:

<i>(in millions)</i>	El Dorado	Big Spring	Krotz Springs
Baseline Volumes pursuant to the respective Supply and Offtake Agreements	2.0	0.8	1.3
Barrels of inventory consigned under the respective Supply and Offtake Agreements as of December 31, 2020 <sup>(1)</sup>	4.0	1.3	1.2
Barrels of inventory consigned under the respective Supply and Offtake Agreements as of December 31, 2019 <sup>(1)</sup>	3.5	2.0	1.7

<sup>(1)</sup> Includes Baseline Volumes plus/minus over/short quantities.

The Supply and Offtake Agreements have certain termination provisions, which may include requirements to negotiate with third parties for the assignment to us of certain contracts, commitments and arrangements, including procurement contracts, commitments for the sale of product, and pipeline, terminalling, storage and shipping arrangements.

The Supply and Offtake Agreements were amended in December 2018 for Big Spring and in January 2019 for El Dorado and Krotz Springs so that the repurchase of Baseline Volumes at the end of the Supply and Offtake Agreement term (representing the "Baseline Step-Out Liability" or, collectively, the "Baseline Step-Out Liabilities") were based upon a fixed price where, prior to those amendments, the Baseline Step-Out Liabilities were based on market-indexed pricing. As a result of these amendments, the subsequent changes in fair value of the Baseline Step-Out Liabilities were recorded in interest expense. In September 2019, we amended the Supply and Offtake Agreements to increase the fixed Step-Out price on Baseline Volumes. As a result of the change in the contractual terms, we received cash, net of estimated fees paid, totaling approximately \$38.9 million. No gain or loss was recognized as a result of these September 2019 amendments. In January 2020, we amended our three Supply and Offtake Agreements so that the Baseline Step-Out Liabilities were once again based on market-indexed prices subject to commodity price risk. As a result of the amendment, such Baseline Step-Out Liabilities continued to be recorded at fair value under the fair value election provided by ASC 815 and ASC 825, where the fair value now reflected changes in commodity price risk rather than interest rate risk with subsequent changes in fair value being recorded in cost of materials and other.

In April 2020, we amended and restated our three Supply and Offtake Agreements to renew and extend the terms to December 30, 2022, with J. Aron having the sole discretion to further extend to May 30, 2025 by giving at least 6 months prior notice to the current maturity date. As part of this amendment, there were changes to the underlying market index, annual fee, the crude purchase fee, crude roll fees and timing of cash settlements related to periodic price adjustments (the "Periodic Price Adjustments"). The Baseline Step-Out Liabilities continue to be recorded at fair value under the fair value election included under ASC 815 and ASC 825. The Baseline Step-Out Liabilities have a floating component whose fair value reflects changes to commodity price risk with changes in fair value recorded in cost of materials and other and a fixed component whose fair value reflects changes to interest rate risk with changes in fair value recorded in interest expense. There was no amendment date change in fair value resulting from the modification. The Baseline Step-Out Liabilities are reflected as non-current liabilities on our consolidated balance sheet to the extent that they are not contractually due within twelve months.

Pursuant to the Periodic Price Adjustments provision in the Supply and Offtake Agreements, the Company may be required to pay down all or a portion of the fixed component of the Baseline Step-Out Liabilities or may receive additional proceeds depending on the change in fair value of the inventory collateral subject to a threshold at certain specified Periodic Pricing Dates, which occur on October 1st and May 1st, annually, not to extend beyond expiration of the Supply and Offtake Agreements. Additionally, at the Periodic Pricing Dates, if a Periodic Price Adjustment is triggered, the prospective pricing underlying the fixed component of the Baseline Step-Out Liabilities will be adjusted to reflect either the pay-down or the incremental proceeds, accordingly. On October 1, 2020, the provision was triggered and a paydown amounting to \$20.8 million was made to J. Aron on October 30, 2020. The prospective pricing underlying the fixed component of the Baseline Step-Out liabilities was adjusted accordingly to reflect this payment, resulting in a reduction to the fixed differential component of our long-term Supply and Offtake Obligation totaling \$20.8 million and a prospective contractual reset of the fixed differentials subject to future Periodic Price Adjustments. Contemporaneous with the payment, J. Aron separately refunded to us the \$10.0 million of deferred additional monthly fees. As of December 31, 2020, the fixed component of the Baseline Step-Out Liabilities subject to the Periodic Price Adjustments amounted to approximately \$33.1 million. All or some portion of that amount may become due or payable in periods occurring within twelve months, if Periodic Price Adjustments are triggered in May 2021 and October 2021.

Monthly activity resulting in over and short volumes continue to be valued using market-indexed pricing, and are included in current liabilities (or receivables) on our consolidated balance sheet. Net balances payable (receivable) under the Supply and Offtake Agreements were as follows as of the balance sheet dates:

(in millions)

**Balances as of December 31, 2020:**

Baseline Step-Out Liability  
 Revolving over/short product financing liability (receivable)  
 Total Obligations Under Supply and Offtake Agreements  
 Less: Current portion<sup>(1)</sup>  
 Obligations Under Supply and Offtake Agreements - Noncurrent portion  
 Other payable for monthly activity true-up

	El Dorado	Big Spring	Krotz Springs	Total
	\$ 106.3	\$ 47.9	\$ 70.7	\$ 224.9
	102.0	25.3	(4.5)	122.8
	208.3	73.2	66.2	347.7
	102.0	25.3	(4.5)	122.8
	\$ 106.3	\$ 47.9	\$ 70.7	\$ 224.9
	\$ 6.6	\$ 7.0	\$ —	\$ 13.6

(in millions)

**Balances as of December 31, 2019:**

	<u>El Dorado</u>	<u>Big Spring</u>	<u>Krotz Springs</u>	<u>Total</u>
Baseline Step-Out Liability	\$ 125.5	\$ 57.2	\$ 87.6	\$ 270.3
Revolving over/short product financing liability	<u>93.0</u>	<u>73.5</u>	<u>40.5</u>	<u>207.0</u>
Total Obligations Under Supply and Offtake Agreements	218.5	130.7	128.1	477.3
Less: Current portion	218.5	73.5	40.5	332.5
Obligations Under Supply and Offtake Agreements - Noncurrent portion	<u>\$ —</u>	<u>\$ 57.2</u>	<u>\$ 87.6</u>	<u>\$ 144.8</u>
Other receivable for monthly activity true-up	<u>\$ (16.4)</u>	<u>\$ (3.1)</u>	<u>\$ (3.5)</u>	<u>\$ (23.0)</u>

<sup>(1)</sup> Current portion for Krotz Springs includes \$1.9 million of current portion of obligations under Supply and Offtake Agreements and \$6.4 million of current assets presented in our consolidated balance sheet.

The Supply and Offtake Agreements require payments of fees which are factored into the interest rate yield under the fair value accounting model. Recurring cash fees paid during the periods presented were as follows:

(in millions)

	<u>El Dorado</u>	<u>Big Spring</u>	<u>Krotz Springs</u>	<u>Total</u>
Recurring cash fees paid during the year ended December 31, 2020	<u>\$ 9.7</u>	<u>\$ 3.4</u>	<u>\$ 4.1</u>	<u>\$ 17.2</u>
Recurring cash fees paid during the year ended December 31, 2019	<u>\$ 11.6</u>	<u>\$ 6.2</u>	<u>\$ 10.3</u>	<u>\$ 28.1</u>
Recurring cash fees paid during the year ended December 31, 2018	<u>\$ 10.7</u>	<u>\$ 7.1</u>	<u>\$ 6.7</u>	<u>\$ 24.5</u>

Interest expense recognized under the Supply and Offtake Agreements includes the yield attributable to recurring cash fees, one-time cash fees (e.g., in connection with amendments), as well as other changes in fair value, which may increase or decrease interest expense. Total interest expense incurred during the periods presented was as follows:

(in millions)

	<u>El Dorado</u>	<u>Big Spring</u>	<u>Krotz Springs</u>	<u>Total</u>
Interest expense for the year ended December 31, 2020	<u>\$ 10.1</u>	<u>\$ 6.5</u>	<u>\$ 4.5</u>	<u>\$ 21.1</u>
Interest expense for the year ended December 31, 2019	<u>\$ 15.4</u>	<u>\$ 5.5</u>	<u>\$ 12.1</u>	<u>\$ 33.0</u>
Interest expense for the year ended December 31, 2018	<u>\$ 10.7</u>	<u>\$ 7.1</u>	<u>\$ 6.7</u>	<u>\$ 24.5</u>

Reflected in interest expense are losses totaling \$3.9 million for the year ended December 31, 2020, and gains totaling \$9.3 million for the year ended December 31, 2019 related to the changes in fair value in the Baseline Step-Out Liabilities component of Obligations Under Supply and Offtake Agreements.

We maintained letters of credit under the Supply and Offtake Agreements as follows:

(in millions)

	<u>El Dorado</u>	<u>Big Spring and Krotz Springs</u>
Letters of credit outstanding as of December 31, 2020	<u>\$ 195.0</u>	<u>\$ 10.0</u>
Letters of credit outstanding as of December 31, 2019	<u>\$ 180.0</u>	<u>\$ 44.0</u>

## 11. Long-Term Obligations and Notes Payable

Outstanding borrowings, net of unamortized debt discounts and certain deferred financing costs, under Delek's existing debt instruments are as follows (in millions):

	December 31, 2020	December 31, 2019
Revolving Credit Facility	\$ —	\$ 30.0
Term Loan Credit Facility <sup>(1)</sup>	1,246.8	1,069.5
Hapoalim Term Loan <sup>(2)</sup>	39.3	39.5
Delek Logistics Credit Facility	746.6	588.4
Delek Logistics Notes <sup>(3)</sup>	245.7	244.7
Reliant Bank Revolver	50.0	50.0
Promissory Notes	20.0	45.0
	2,348.4	2,067.1
Less: Current portion of long-term debt and notes payable	33.4	36.4
	\$ 2,315.0	\$ 2,030.7

<sup>(1)</sup> Net of deferred financing costs of \$2.9 million and \$3.5 million, respectively, and debt discount of \$23.3 million and \$12.5 million, respectively, at December 31, 2020 and December 31, 2019.

<sup>(2)</sup> Net of deferred financing costs of \$0.2 million and \$0.3 million, respectively, and debt discount of \$0.1 million and \$0.2 million, respectively, at December 31, 2020 and December 31, 2019.

<sup>(3)</sup> Net of deferred financing costs of \$3.3 million and \$4.0 million, respectively, and debt discount of \$1.0 million and \$1.3 million, respectively, at December 31, 2020 and December 31, 2019.

### Delek Revolver and Term Loan

On March 30, 2018 (the "Closing Date"), Delek entered into (i) a new term loan credit agreement with Wells Fargo Bank, National Association, as administrative agent (the "Term Administrative Agent"), Delek, as borrower, certain subsidiaries of Delek, as guarantors, and the lenders from time to time party thereto, providing for a senior secured term loan facility in an amount of \$700.0 million (the "Term Loan Credit Facility") and (ii) a second amended and restated credit agreement with Wells Fargo Bank, National Association, as administrative agent (the "Revolver Administrative Agent"), Delek, as borrower, certain subsidiaries of Delek, as guarantors, and the other lenders party thereto, providing for a senior secured asset-based revolving credit facility with commitments of \$1.0 billion (the "Revolving Credit Facility" and, together with the Term Loan Credit Facility, the "New Credit Facilities").

The Revolving Credit Facility permits borrowings in Canadian dollars of up to \$50.0 million. The Revolving Credit Facility also permits the issuance of letters of credit of up to \$400.0 million, including letters of credit denominated in Canadian dollars of up to \$10.0 million. Delek may designate restricted subsidiaries as additional borrowers under the Revolving Credit Facility.

The Term Loan Credit Facility was drawn in full for \$700.0 million on the Closing Date at an original issue discount of 0.50%. Proceeds under the Term Loan Credit Facility, as well as proceeds of approximately \$300.0 million in borrowings under the Revolving Credit Facility on the Closing Date, were used to repay certain indebtedness of Delek and its subsidiaries (the "Refinancing"), as well as certain fees, costs and expenses in connection with the closing of the New Credit Facilities with any remaining proceeds held in cash. Proceeds of future borrowings under the Revolving Credit Facility will be used for working capital and general corporate purposes of Delek and its subsidiaries. In connection with the Refinancing, we recorded a loss on extinguishment of debt totaling approximately \$9.1 million during 2018.

On May 22, 2019 (the "First Incremental Effective Date"), we amended the Term Loan Credit Facility agreement pursuant to the terms of the First Incremental Amendment to Term Loan Credit Agreement (the "Incremental Amendment"). Pursuant to the Incremental Amendment, the Company borrowed \$250.0 million in aggregate principal amount of incremental term loans (the "Incremental Term Loans") at an original issue discount of 0.75%, increasing the aggregate principal amount of loans outstanding under the Term Loan Credit Facility on the First Incremental Effective Date to \$943.0 million. On November 12, 2019 (the "Second Incremental Effective Date"), we amended the Term Loan Credit facility agreement pursuant to the terms of the Second Incremental Amendment to the Term Loan Credit Agreement (the "Second Incremental Amendment") and borrowed \$150.0 million in aggregate principal amount of incremental term loans (the "Incremental Loans") at an original issue discount of 1.21%, increasing the aggregate principal amount of loans outstanding under the Term Loan Credit Facility on the Second Incremental Effective Date to \$1,088.3 million. The terms of the Incremental Term Loans and Incremental Loans are substantially identical to the terms applicable to the initial term loans under the Term Loan Credit Facility borrowed in March 2018. There are no restrictions on the Company's use of the proceeds of the Incremental Term Loans and Incremental Loans. The proceeds may be used for (i) reducing utilizations under the Revolving Credit Facility, (ii) general corporate purposes and (iii) paying transaction fees and expenses associated with the incremental amendments.

On May 19, 2020, we amended the Term Loan Credit Facility agreement and borrowed \$200.0 million in aggregate principal amount of incremental term loans (the "Third Incremental Term Loan") at an original issue discount of 7.00%. The Third Incremental Term Loan constitutes a separate class of term loan (the "Class B Loan") under the Term Loan Credit Facility from those initially borrowed in March 2018 and the incremental term loans borrowed in May 2019 and November 2019 (collectively, the "Class A Loans"). Delek will be required to pay a make-whole prepayment fee if the Third Incremental Term Loan is prepaid pursuant to an optional prepayment, in connection with a non-permitted debt issuance or in connection with an acceleration within one year of the incurrence of the Third Incremental Term Loan. Delek may voluntarily prepay the outstanding Third Incremental Term Loan at any time subject to customary breakage costs with respect to LIBOR loans and subject to a prepayment premium of 1.00% in connection with certain customary repricing events that may occur during the period from the day after the first anniversary of the Third Incremental Term Loan through the second anniversary of the Third Incremental Term Loan. The other terms of the Third Incremental Term Loan are substantially identical to the terms applicable to the Class A Loans. The proceeds of the Third Incremental Term Loan may be used (i) for general corporate purposes and (ii) to pay transaction fees and expenses associated with the Third Incremental Term Loan.

### ***Interest and Unused Line Fees***

The interest rates applicable to borrowings under the Term Loan Credit Facility and the Revolving Credit Facility are based on a fluctuating rate of interest measured by reference to either, at Delek's option, (i) a base rate, plus an applicable margin, or (ii) a reserve-adjusted LIBOR, plus an applicable margin (or, in the case of Revolving Credit Facility borrowings denominated in Canadian dollars, the Canadian dollar bankers' acceptances rate ("CDOR")). The initial applicable margin for all Term Loan Credit Facility borrowings was 1.50% per annum with respect to base rate borrowings and 2.50% per annum with respect to LIBOR borrowings. On October 26, 2018, Delek entered into an amendment to the Term Loan Credit Facility (the "First Amendment") to reduce the margin on borrowings under the Term Loan Credit Facility and incorporate certain other changes. The First Amendment decreased the applicable margins for Class A Loans under (i) Base Rate Loans from 1.50% to 1.25% and (ii) LIBOR Rate Loans from 2.50% to 2.25%, as such terms are defined in the Term Loan Credit Facility. Class B Loans incurred under the Third Incremental Term Loan bear interest at a rate that is determined, at the Company's election, at LIBOR or at base rate, in each case, plus an applicable margin of 5.50% with respect to LIBOR borrowings and 4.50% with respect to base rate borrowings. Additionally, Class B loans that are LIBOR borrowings are subject to a minimum LIBOR rate floor of 1.00%.

The initial applicable margin for Revolving Credit Facility borrowings was 0.25% per annum with respect to base rate borrowings and 1.25% per annum with respect to LIBOR and CDOR borrowings, and the applicable margin for such borrowings after September 30, 2018 is based on Delek's excess revolver availability as determined by reference to a borrowing base, ranging from 0.25% to 0.75% per annum with respect to base rate borrowings and from 1.25% to 1.75% per annum with respect to LIBOR and CDOR borrowings.

In addition, the Revolving Credit Facility requires Delek to pay an unused line fee on the average amount of unused commitments thereunder in each quarter, which fee will be at a rate of 0.25% or 0.375% per annum, depending on average commitment usage for such quarter. As of December 31, 2020, the unused line fee was set at 0.375% per annum.

### ***Maturity and Repayments***

The Revolving Credit Facility will mature and the commitments thereunder will terminate on March 30, 2023. The Term Loan Credit Facility matures on March 30, 2025 and requires scheduled quarterly principal payments on the last business day of the applicable quarter. Pursuant to the Incremental Amendment, quarterly payments increased from \$1.75 million to \$2.38 million. Pursuant to the Second Incremental Amendment, the quarterly payments increased to \$2.75 million commencing with December 31, 2019. Additionally, the Term Loan Credit Facility requires prepayments by Delek with the net cash proceeds from certain debt incurrences, asset dispositions and insurance or condemnation events with respect to Delek's assets, subject to certain exceptions, thresholds and reinvestment rights. The Term Loan Credit Facility also requires annual prepayments with a variable percentage of Delek's excess cash flow, ranging from 50% to 0% depending on Delek's consolidated fiscal year end secured net leverage ratio. The Third Incremental Term Loan requires quarterly payments on the Class B Loans of \$0.5 million commencing June 30, 2020.

### ***Guarantee and Security***

The obligations of the borrowers under the New Credit Facilities are guaranteed by Delek and each of its direct and indirect, existing and future, wholly-owned domestic subsidiaries, subject to customary exceptions and limitations, and excluding Delek Logistics, Delek Logistics GP, LLC, and each subsidiary of the foregoing (collectively, the "MLP Subsidiaries"). Borrowings under the New Credit Facilities are also guaranteed by DK Canada Energy ULC, a British Columbia unlimited liability company and a wholly-owned restricted subsidiary of Delek.

The Revolving Credit Facility is secured by a first priority lien over substantially all of Delek's and each guarantor's receivables, inventory, RINs, instruments, intercompany loan receivables, deposit and securities accounts and related books and records and certain other personal property, subject to certain customary exceptions (the "Revolving Priority Collateral"), and a second priority lien over substantially all of Delek's and each guarantor's other assets, including all of the equity interests of any subsidiary held by Delek or any guarantor (other than equity interests in certain MLP Subsidiaries) subject to certain customary exceptions, but excluding real property (such real property and equity interests, the "Term Priority Collateral"). The Term Loan Credit Facility is secured by a first priority lien on the Term Priority Collateral and a second priority lien on the Revolving Priority Collateral, all in accordance with an intercreditor agreement between the Term Administrative Agent and the Revolver Administrative Agent and acknowledged by Delek and the subsidiary guarantors. Certain excluded assets are not included in the Term Priority Collateral and the Revolving Priority Collateral.



### ***Additional Information***

At December 31, 2020, the weighted average borrowing rate under the Revolving Credit Facility was 3.5% with no principal amount outstanding. Additionally, there were letters of credit issued of approximately \$253.2 million as of December 31, 2020 under the Revolving Credit Facility. Unused credit commitments under the Revolving Credit Facility, as of December 31, 2020, were approximately \$746.8 million.

At December 31, 2020, the weighted average borrowing rate under the Term Loan Credit Facility was approximately 3.04% comprised entirely of LIBOR borrowings and the principal amount outstanding thereunder was \$1,273.0 million. As of December 31, 2020, the effective interest rate related to the Term Loan Credit Facility was 3.57%.

### ***Delek Hapoalim Term Loan***

On December 31, 2019, Delek entered into a term loan credit and guaranty agreement (the "Agreement") with Bank Hapoalim B.M. ("BHI") as the administrative agent. Pursuant to the Agreement, on December 31, 2019, Delek borrowed \$40.0 million (the "BHI Term Loan"). The interest rate under the Agreement is equal to LIBOR plus a margin of 3.00%. The Agreement has a maturity date of December 31, 2022 and requires quarterly loan amortization payments of \$0.1 million, commencing March 31, 2020. Proceeds may be used for general corporate purposes. The Agreement has an accordion feature that allows increasing the term loan to maximum size of \$100.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. Any such additional borrowings must be completed by December 31, 2021. On December 30, 2020, we amended the BHI Term Loan to modify one of the required quarterly financial covenant metrics; there were no other changes as a result of this amendment.

At December 31, 2020, the weighted average borrowing rate under the term loan was approximately 3.15% comprised entirely of a LIBOR borrowing and the principal amount outstanding thereunder was \$39.6 million. As of December 31, 2020, the effective interest rate related to the BHI Term Loan was 3.58%.

### ***Delek Logistics Credit Facility***

On September 28, 2018, Delek Logistics and all of its subsidiaries entered into a third amended and restated senior secured revolving credit agreement with Fifth Third Bank ("Fifth Third") as administrative agent and a syndicate of lenders (hereafter, the "Delek Logistics Credit Facility") with lender commitments of \$850.0 million. The Delek Logistics Credit Facility also contains an accordion feature whereby Delek Logistics can increase the size of the credit facility to an aggregate of \$1.0 billion, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent.

The obligations under the Delek Logistics Credit Facility are secured by first priority liens on substantially all of Delek Logistics' tangible and intangible assets.

The Delek Logistics Credit Facility has a maturity date of September 28, 2023. Borrowings under the Delek Logistics Credit Facility bear interest at either a U.S. dollar prime rate, Canadian dollar prime rate, LIBOR, or a CDOR rate, in each case plus applicable margins, at the election of the borrowers and as a function of draw down currency. The applicable margin, in each case, and the fee payable for the unused revolving commitments vary based upon Delek Logistics' most recent total leverage ratio calculation delivered to the lenders, as called for and defined under the terms of the Delek Logistics Credit Facility. At December 31, 2020, the weighted average borrowing rate was approximately 2.44%. Additionally, the Delek Logistics Credit Facility requires Delek Logistics to pay a leverage ratio dependent quarterly fee on the average unused revolving commitment. As of December 31, 2020, this fee was 0.35% on an annualized basis.

In connection with the elimination of IDRs in August 2020, Delek Logistics entered into a First Amendment to the Delek Logistics Credit Facility which, among other things, permitted the transfer of cash and equity consideration for the elimination of IDRs. It also modified the total leverage ratio and the senior leverage ratio (each as defined in the Delek Logistics Credit Facility) calculations to reduce the total funded debt (as defined in the Delek Logistics Credit Facility) component thereof by the total amount of unrestricted consolidated cash and cash equivalents on the balance sheet of Delek Logistics and its subsidiaries up to \$20.0 million.

As of December 31, 2020, Delek Logistics had \$746.6 million of outstanding borrowings under the Delek Logistics Credit Facility, with no letters of credit in place. Unused credit commitments under the Delek Logistics Credit Facility as of December 31, 2020, were \$103.4 million.

### ***Delek Logistics Notes***

On May 23, 2017, Delek Logistics and Delek Logistics Finance Corp. (collectively, the "Issuers") issued \$250.0 million in aggregate principal amount of 6.75% senior notes due in 2025 (the "Delek Logistics Notes") at a discount. The Delek Logistics Notes are general unsecured senior obligations of the Issuers. The Delek Logistics Notes are unconditionally guaranteed jointly and severally on a senior unsecured basis by Delek Logistics' existing subsidiaries (other than Delek Logistics Finance Corp., the "Guarantors") and will be unconditionally guaranteed on the same basis by certain of Delek Logistics' future subsidiaries. The Delek Logistics Notes rank equal in right of payment with all existing and future senior indebtedness of the Issuers, and senior in right of payment to any future subordinated indebtedness of the Issuers. Interest on the Delek Logistics Notes is payable semi-annually in arrears on each May 15 and November 15, commencing November 15, 2017.

In May 2018, the Delek Logistics Notes were exchanged for new notes with terms substantially identical in all material respects with the Delek Logistic Notes except the new notes do not contain terms with respect to transfer restrictions.



Beginning on May 15, 2020, the Issuers may, subject to certain conditions and limitations, redeem all or part of Delek Logistics Notes, at a redemption price of 105.063% of the redeemed principal for the twelve-month period beginning on May 15, 2020, 103.375% for the twelve-month period beginning on May 15, 2021, 101.688% for the twelve-month period beginning on May 15, 2022, and 100.00% beginning on May 15, 2023 and thereafter, plus accrued and unpaid interest, if any.

In the event of a change of control, accompanied or followed by a ratings downgrade within a certain period of time, subject to certain conditions and limitations, the Issuers will be obligated to make an offer for the purchase of the Delek Logistics Notes from holders at a price equal to 101.00% of the principal amount thereof, plus accrued and unpaid interest.

As of December 31, 2020, we had \$250.0 million in outstanding principal amount under the Delek Logistics Notes, and the effective interest rate was 7.45%.

### ***Alon Convertible Senior Notes (share values in dollars)***

In connection with the Delek/Alon Merger, Alon, Delek and U.S. Bank National Association, the Trustee, entered into the Supplemental Indenture, effective as of July 1, 2017, supplementing the Indenture, dated as of September 16, 2013 (the "Original Indenture"; the Original Indenture, as amended by the Supplemental Indenture, is referred to as the "Indenture"), pursuant to which Alon issued its 3.0% Convertible Senior Notes due 2018 (as previously defined, the "Convertible Notes") in the aggregate principal amount of \$150.0 million, which were convertible into shares of Alon's common stock, par value \$0.01 per share or cash or a combination of cash and Alon common stock, at Alon's election, all as provided in the Indenture. The Supplemental Indenture provides that, as of the Effective Time, the right to convert each \$1,000 principal amount of the Convertible Notes based on a number of shares of Alon common stock equal to the Conversion Rate (as defined in the Indenture) in effect immediately prior to the Delek/Alon Merger was changed into a right to convert each \$1,000 principal amount of Convertible Notes into or based on a number of shares of Delek common stock (at the exchange rate of 0.504), par value \$0.01 per share, equal to the Conversion Rate in effect immediately prior to the Merger. In addition, the Supplemental Indenture provided that, as of the Effective Time, Delek fully and unconditionally guaranteed, on a senior basis, Alon's obligations under the Convertible Notes.

Interest on the Convertible Notes was payable in arrears in March and September of each year. The Convertible Notes were not redeemable at our option prior to maturity. Under the terms of the Convertible Notes, the holders of the Convertible Notes could not require us to repurchase all or part of the notes except for instances of a fundamental change, as defined in the Indenture.

The holders of the Convertible Notes could convert their notes at any time after June 15, 2018 into a settlement amount determined in accordance with the terms of the Indenture. The Convertible Notes could be converted into shares of Delek common stock, into cash, or into a combination of cash and shares of Delek common stock, at our election. In May 2018, we made the election and notified holders of our intention to satisfy the principal amount outstanding with cash and the incremental value of the conversion options with shares at maturity. The conversion rate of the Convertible Notes was subject to adjustment upon the occurrence of certain events, including cash dividend adjustments. On September 17, 2018, Delek settled the Convertible Notes for a combination of cash and shares of Delek common stock. The maturity settlement in respect of the Convertible Notes consisted of (i) cash payments totaling approximately \$152.5 million which included a cash payment for outstanding principal of \$150.0 million, a cash payment for accrued interest of approximately \$2.2 million, a cash payment for dividends of approximately \$0.3 million and a nominal cash payment in lieu of fractional shares, and (ii) the issuance of approximately 2.7 million shares of Delek common stock to holders of the Convertible Notes (the "Conversion Shares"). The issuance of the Conversion Shares was made in exchange for the Convertible Notes pursuant to an exemption from the registration requirements provided by Section 3(a)(9) of the Securities Act of 1933, as amended. Prior to the conversion, the conversion feature met the definition for recognition as a bifurcated equity instrument.

### ***Convertible Note Hedge Transactions***

In connection with the Convertible Notes offering, Alon entered into convertible note hedge transactions with respect to Alon common stock (as previously defined, the "Call Options") with the initial purchasers of the Convertible Notes (the "Hedge Counterparties"). In connection with the Delek/Alon Merger, Alon, Delek and the Hedge Counterparties entered into amended and restated Call Options permitting us to purchase up to approximately 5.7 million shares of Delek common stock, subject to customary anti-dilution adjustments, that underlie the Convertible Notes sold in the offering.

On September 17, 2018, we exercised the Call Options in connection with the settlement of the Convertible Notes and received approximately 2.7 million shares of our common stock from the Call Option counterparties, a cash payment for dividends of approximately \$0.3 million and a nominal cash payment in lieu of fractional shares. On a net basis, the settlement of the Convertible Notes and the exercise of the Call Options resulted in no net dilution to our common stock. Prior to their exercise, the Call Options totaling \$23.3 million were included as a reduction of additional paid-in capital on the consolidated balance sheets.

### ***Warrant Transactions***

In connection with the Convertible Notes offering, Alon also entered into warrant transactions whereby warrants to acquire Alon common stock were sold to the Hedge Counterparties. In connection with the Delek/Alon Merger, Alon, Delek and the Hedge Counterparties entered into amended and restated Warrants which allowed the Hedge Counterparties to purchase up to approximately 5.7 million shares of Delek common stock, subject to customary anti-dilution adjustments. In November 2018, Delek entered into Warrant Unwind Agreements with the holders of our outstanding common stock Warrants. Pursuant to the terms of the Unwind Agreements, we settled for cash all outstanding Warrants with

the holders at various prices per Warrant as provided in the Unwind Agreements. The settlement amount was based on the volume-weighted average market price of our common stock taking into account an adjustment for the exercise price of the Warrants over a period of sixteen trading days beginning November 9, 2018 (the "Unwind Period"). Following the Unwind Period and upon the satisfaction of the payment obligation, the Warrants were canceled and the associated rights and obligations terminated. Based on the provisions of the Unwind Agreements, the amount paid to warrant holders in satisfaction of the payment obligation totaled approximately \$36 million.

### **Reliant Bank Revolver**

Delek has an unsecured revolving credit agreement with Reliant Bank (the "Reliant Bank Revolver"). On December 16, 2019, we amended the Reliant Bank Revolver to extend the maturity date to June 30, 2022, reduce the fixed interest rate from 4.75% to 4.50% per annum and increase the revolver commitment amount from \$30.0 million to \$50.0 million. There were no other significant changes to the agreement in connection with this amendment. On December 9, 2020, we amended the Reliant Bank Revolver to modify one of the required quarterly financial covenant metrics; there were no other changes as a result of this amendment. The revolving credit agreement requires us to pay a quarterly fee of 0.50% per year on the average unused revolving commitment. As of December 31, 2020, we had \$50.0 million outstanding under this facility and had no unused credit commitments under the Reliant Bank Revolver.

### **Promissory Notes**

Delek has four notes payable (the "Promissory Notes") with various assignees of Alon Israel Oil Company, Ltd., the holder of a predecessor consolidated promissory note, which bear interest at a fixed rate of 5.50% per annum and which, collectively, requires annual principal amortization payments of \$25.0 million through 2020 followed by a final principal amortization payment of \$20.0 million at maturity on January 4, 2021. As of December 31, 2020, a total principal amount of \$20.0 million was outstanding under the Promissory Notes.

### **Restrictive Covenants**

Under the terms of our Revolving Credit Facility, Term Loan Credit Facility, Delek Logistics Credit Facility, Delek Logistics Notes, Reliant Bank Revolver and BHI Agreement, we are required to comply with certain usual and customary financial and non-financial covenants. The terms and conditions of the Revolving Credit Facility include periodic compliance with a springing minimum fixed charge coverage ratio financial covenant if excess availability under the revolver borrowing base is below certain thresholds, as defined in the credit agreement. The Term Loan Credit Facility does not have any financial maintenance covenants. We believe we were in compliance with all covenant requirements under each of our credit facilities as of December 31, 2020.

Certain of our debt facilities contain limitations on the incurrence of additional indebtedness, making of investments, creation of liens, dispositions and acquisitions of assets, and making of restricted payments and transactions with affiliates. These covenants may also limit the payment, in the form of cash or other assets, of dividends or other distributions, or the repurchase of shares with respect to our equity. Additionally, certain of our debt facilities limit our ability to make investments, including extensions of loans or advances to, or acquisitions of equity interests in, or guarantees of obligations of, any other entities.

### **Restricted Net Assets**

Some of Delek's subsidiaries have restrictions in their respective credit facilities limiting their use of assets, as has been discussed above. As of December 31, 2020, we had no subsidiaries with restricted net assets which would prohibit earnings from being transferred to the parent company for its use.

### **Future Maturities**

Principal maturities of Delek's existing third-party debt instruments for the next five years and thereafter are as follows as of December 31, 2020 (in millions):

	2021	2022	2023	2024	2025	Thereafter	Total
Revolving Credit Facility	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Term Loan Credit Facility	13.0	13.0	13.0	13.0	1,221.0	—	1,273.0
Hapoalim Term Loan	0.4	39.2	—	—	—	—	39.6
Delek Logistics Credit Facility	—	—	746.6	—	—	—	746.6
Delek Logistics Notes	—	—	—	—	250.0	—	250.0
Reliant Bank Revolver	—	50.0	—	—	—	—	50.0
Promissory Notes	20.0	—	—	—	—	—	20.0
<b>Total</b>	<b>\$ 33.4</b>	<b>\$ 102.2</b>	<b>\$ 759.6</b>	<b>\$ 13.0</b>	<b>\$ 1,471.0</b>	<b>\$ —</b>	<b>\$ 2,379.2</b>

## 12. Derivative Instruments

We use the majority of our derivatives to reduce normal operating and market risks with the primary objective of reducing the impact of market price volatility on our results of operations. As such, our use of derivative contracts is primarily aimed at:

- limiting the exposure to price fluctuations of commodity inventory above or below target levels at each of our segments;
- managing our exposure to commodity price risk associated with the purchase or sale of crude oil, feedstocks and finished grade fuel products at each of our segments;
- managing the cost of our RINs Obligation using future commitments to purchase or sell RINs at fixed prices and quantities; and
- limiting the exposure to interest rate fluctuations on our floating rate borrowings.

We primarily utilize commodity swaps, futures, forward contracts and options contracts, generally with maturity dates of three years or less, and from time to time interest rate swap agreements to achieve these objectives. Futures contracts are standardized agreements, traded on a futures exchange, to buy or sell the commodity at a predetermined price at a specified future date. Options provide the right, but not the obligation to buy or sell the commodity at a specified price in the future. Commodity swap and futures contracts require cash settlement for the commodity based on the difference between a fixed or floating price and the market price on the settlement date, and options require payment of an upfront premium. Because these derivatives are entered into to achieve objectives specifically related to our inventory and production risks, such gains and losses (to the extent not designated as accounting hedges and recognized on an unrealized basis in other comprehensive income) are recognized in cost of materials and other.

Commodity forward contracts are agreements to buy or sell a commodity at a predetermined price at a specified future date, and for our transactions, generally require physical delivery. Forward contracts where the underlying commodity will be used or sold in the normal course of business qualify as normal purchases and normal sales pursuant to ASC 815. If we elect the normal purchases and normal sales exception, such forward contracts are not accounted for as derivative instruments but rather are accounted for under other applicable GAAP. Commodity forward contracts accounted for as derivative instruments are recorded at fair value with changes in fair value recognized in earnings in the period of change. For the years ended December 31, 2020 and 2019, our commodity fixed-price forward contracts that were accounted for as derivative instruments primarily consisted of contracts related to our Canadian crude trading operations. Since Canadian crude trading activity is not related to managing supply or pricing risk of the actual inventory that will be used in production, such unrealized and realized gains and losses are recognized in other operating income, net rather than cost of materials and other on the accompanying consolidated statements of income.

Futures, swaps or other commodity related derivative instruments that are utilized to specifically provide economic hedges on our Canadian forward contract or investment positions are recognized in other operating income, net because that is where the related underlying transactions are reflected.

From time to time, we also enter into future commitments to purchase or sell RINs at fixed prices and quantities, which are used to manage the costs associated with our RINs Obligation. These future RINs commitment contracts are forward contracts that meet the definition of derivative instruments under ASC 815, and are recorded at estimated fair value in accordance with the provisions of ASC 815. Changes in the fair value of these future RINs commitment contracts are recorded in cost of materials and other on the consolidated statements of income.

At this time, we do not believe there is any material credit risk with respect to the counterparties to any of our derivative contracts.

In accordance with ASC 815, certain of our commodity swap contracts were designated as cash flow hedges and the change in fair value between the execution date and the end of period was recorded in other comprehensive income. The fair value of these contracts is recognized in income in the same financial statement line item as hedged transaction at the time the positions are closed and the hedged transactions are recognized in income.

The following table presents the fair value of our derivative instruments as of December 31, 2020 and 2019. The fair value amounts below are presented on a gross basis and do not reflect the netting of asset and liability positions permitted under our master netting arrangements, including cash collateral on deposit with our counterparties. We have elected to offset the recognized fair value amounts for multiple derivative instruments executed with the same counterparty in our financial statements. As a result, the asset and liability amounts below differ from the amounts presented in our consolidated balance sheets. See Note 13 for further information regarding the fair value of derivative instruments as presented below (in millions):

Derivative Type	Balance Sheet Location	December 31, 2020		December 31, 2019	
		Assets	Liabilities	Assets	Liabilities
Derivatives not designated as hedging instruments:					
Commodity derivatives <sup>(1)</sup>	Other current assets	\$ 48.9	\$ (24.8)	\$ 188.9	\$ (202.1)
Commodity derivatives <sup>(1)</sup>	Other current liabilities	930.7	(943.8)	24.4	(34.0)
Commodity derivatives <sup>(1)</sup>	Other long-term assets	2.4	(2.3)	—	—
Commodity derivatives <sup>(1)</sup>	Other long-term liabilities	415.2	(415.8)	23.4	(24.8)
RINs commitment contracts <sup>(2)</sup>	Other current assets	33.6	—	0.6	—
RINs commitment contracts <sup>(2)</sup>	Other current liabilities	—	(22.5)	—	(1.9)
Derivatives designated as hedging instruments:					
Commodity derivatives <sup>(1)</sup>	Other current assets	0.5	(0.3)	3.4	(2.0)
Commodity derivatives <sup>(1)</sup>	Other current liabilities	—	—	—	—
Commodity derivatives <sup>(1)</sup>	Other long-term assets	—	—	0.2	(0.1)
Total gross fair value of derivatives		1,431.3	(1,409.5)	240.9	(264.9)
Less: Counterparty netting and cash collateral <sup>(3)</sup>		1,358.3	(1,373.1)	210.7	(249.5)
Total net fair value of derivatives		\$ 73.0	\$ (36.4)	\$ 30.2	\$ (15.4)

<sup>(1)</sup> As of December 31, 2020 and 2019, we had open derivative positions representing 159,682,606 and 86,484,065 barrels, respectively, of crude oil and refined petroleum products. Of these open positions, contracts representing 600,000 barrels were designated as cash flow hedging instruments as of December 31, 2019. There were no open positions designated as cash flow hedging instruments as of December 31, 2020. Additionally, as of December 31, 2020 and 2019, we had open derivative positions representing 22,130,000 and 49,350,000 One Million British Thermal Units ("MMBTU"), respectively, of natural gas products.

<sup>(2)</sup> As of December 31, 2020 and 2019, we had open RINs commitment contracts representing 746,050,000 and 147,000,000 RINs, respectively.

<sup>(3)</sup> As of December 31, 2020 and 2019, \$14.8 million and \$38.8 million, respectively, of cash collateral held by counterparties has been netted with the derivatives with each counterparty.

Total (losses) gains on our hedging derivatives and RINs commitment contracts recorded in the consolidated statements of income are as follows (in millions):

	Year Ended December 31,		
	2020	2019	2018
(Losses) gains on derivatives not designated as hedging instruments recognized in cost of materials and other <sup>(1)</sup>	\$ (88.0)	\$ 18.0	\$ 0.9
Gains on commodity derivatives not designated as hedging instruments recognized in other operating income, net <sup>(1)(2)</sup>	7.9	—	7.7
Realized gains (losses) reclassified out of accumulated other comprehensive income and into cost of materials and other on commodity derivatives designated as cash flow hedging instruments	4.6	4.8	(1.7)
Gains recognized in cost of materials and other due to cash flow hedging ineffectiveness on commodity derivatives designated as hedging instruments	—	—	0.9
Total (losses) gains	\$ (75.5)	\$ 22.8	\$ 7.8

<sup>(1)</sup> Gains (losses) on commodity derivatives that are economic hedges but not designated as hedging instruments include unrealized gains (losses) of \$23.1 million, \$(41.0) million and \$32.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

<sup>(2)</sup> See separate table below for disclosures about "trading derivatives."

The effect of cash flow hedge accounting on the consolidated statements of income is as follows (in millions):

	Year Ended December 31,	
	2020	2019
Gain (loss) on cash flow hedging relationships recognized in cost of materials and other:		
Commodity contracts:		
Hedged items	\$ (4.6)	\$ (4.8)
Derivative designated as hedging instruments	4.6	4.8
Total	\$ —	\$ —

For cash flow hedges, no component of the derivative instruments' gains or losses was excluded from the assessment of hedge effectiveness for the years ended December 31, 2020, 2019 and 2018. Losses of \$3.6 million, \$3.8 million and \$1.5 million, net of tax, on settled commodity contracts were reclassified into cost of materials and other in the consolidated statements of income during the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, we estimate that \$0.2 million of deferred gains related to commodity cash flow hedges will be reclassified into cost of materials and other over the next 12 months as a result of hedged transactions that are forecasted to occur.

Total (losses) gains on our trading physical forward contract derivatives (none of which were designated as hedging instruments) recorded in other operating loss (income) expense, net on the consolidated statements of income are as follows (in millions):

	Year Ended December 31,		
	2020	2019	2018
Realized (losses) gains	\$ (3.1)	\$ 5.1	\$ 23.1
Unrealized (losses) gains	(0.3)	3.6	(3.0)
Total	\$ (3.4)	\$ 8.7	\$ 20.1

### 13. Fair Value Measurements

Our assets and liabilities that are measured at fair value include commodity derivatives, investment commodities, environmental credits obligations and Supply and Offtake Agreements. ASC 820 requires disclosures that categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

Our commodity derivative contracts, which consist of commodity swaps, exchange-traded futures, options and physical commodity forward purchase and sale contracts (that do not qualify as normal purchases or normal sales exception under ASC 815), are valued based on exchange pricing and/or price index developers such as Platts or Argus and are, therefore, classified as Level 2.

In April 2020, we entered into a contract with the Department of Energy to deposit one million barrels of crude oil into one of the Strategic Petroleum Reserve ("SPR") storage locations which was stored on our behalf until October 2020 for a fee of approximately 100,000 barrels. The fee of 100,000 barrels was recorded as a prepaid asset at cost, and the right to receive the 900,000 barrels was recorded as a financial asset, measured at fair value based on the value of the underlying commodity using published market prices of the commodity on the applicable exchange. Such asset was, therefore, classified as Level 2. Such barrels were received in the fourth quarter of 2020. The realized gain on the underlying commodity related to the SPR financial asset for the year ended December 31, 2020 of \$10.8 million was recorded in other (income) expense, net.

Our RINs commitment contracts are future commitments to purchase or sell RINs at fixed prices and quantities, which are used to manage the costs associated with our Consolidated Net RINs Obligation. These RINs commitment contracts (which are forward contracts accounted for as derivatives – see Note 12) are categorized as Level 2, and are measured at fair value based on quoted prices from an independent pricing service.

Our environmental credits obligation surplus or deficit includes the Consolidated Net RINs Obligation surplus or deficit, as well as Other Environmental Credit Obligation surplus or deficit positions subject to fair value accounting pursuant to our accounting policy (see Note 20). The environmental credits obligation surplus or deficit is categorized as Level 2, if measured at fair value either directly through observable inputs or indirectly through market-corroborated inputs.

The environmental credits obligation is impacted by government regulation requiring such credits, and the obligation, and likewise the value of the underlying credits, may be impacted by exemptions granted by the regulatory agencies. During the third quarter of 2019, the Tyler, El Dorado and Krotz Springs refineries received approval from the EPA for a small refinery exemption from the requirements of the renewable fuel



standard ("RIN Waivers") for the 2018 calendar year, which resulted in a reduction of our Consolidated Net RINs Obligation and related cost of materials and other of approximately \$20.7 million for the year ended December 31, 2019. During the first quarter 2019, the Tyler and Big Spring refineries received RIN Waivers for the 2017 calendar year, which had an immaterial impact on our results of operations, while the 2017 RIN Waivers for the El Dorado and Krotz Springs refineries received in March 2018 resulted in a reduction of our Consolidated Net RINs Obligation and related cost of materials and other of approximately \$90.9 million for the year ended December 31, 2018. We have not received any additional RIN Waivers impacting the year ended December 31, 2020.

As of and for the years ended December 31, 2020 and 2019, we elected to account for our J. Aron step-out liability at fair value in accordance with ASC 825, as it pertains to the fair value option. This standard permits the election to carry financial instruments and certain other items similar to financial instruments at fair value on the balance sheet, with all changes in fair value reported in earnings. With respect to the amended and restated Supply and Offtake Agreements, such amendments being effective April 2020 for all the agreements, we apply fair value measurement as follows: (1) we determine fair value for our amended variable step-out liability based on changes in fair value related to market volatility based on a floating commodity-index price, and for our amended fixed step-out liability based on changes to interest rates and the timing and amount of expected future cash settlements where such obligation is categorized as Level 2. Gains (losses) related to changes in fair value due to commodity-index price are recorded as a component of cost of materials and other, and changes in fair value due to interest rate risk are recorded as a component of interest expense in the consolidated statements of income; and (2) we determine fair value of the commodity-indexed revolving over/short inventory financing liability based on the market prices for the consigned crude oil and refined products collateralizing the financing/funding where such obligation is categorized as Level 2 and is presented in the current portion of the Obligation under Supply and Offtake Agreements on our consolidated balance sheets. Gains (losses) related to the change in fair value are recorded as a component of cost of materials and other in the consolidated statements of income. Before the January 2020 amendments, we determined the fair value for the fixed price step-out liability based on changes to interest rates reflecting changes to the interest rate risk, with obligation categorized as Level 2.

For all other financial instruments, the fair value approximates the historical or amortized cost basis comprising our carrying value and therefore are not included in the table below. The fair value hierarchy for our financial assets and liabilities accounted for at fair value on a recurring basis was as follows (in millions):

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Commodity derivatives	\$ —	\$ 1,397.7	\$ —	\$ 1,397.7
RINs commitment contracts	—	33.6	—	33.6
Total assets	—	1,431.3	—	1,431.3
<b>Liabilities</b>				
Commodity derivatives	—	(1,387.0)	—	(1,387.0)
RINs commitment contracts	—	(22.5)	—	(22.5)
Environmental credits obligation deficit	—	(59.6)	—	(59.6)
J. Aron supply and offtake obligations	—	(354.1)	—	(354.1)
Total liabilities	—	(1,823.2)	—	(1,823.2)
Net assets (liabilities)	\$ —	\$ (391.9)	\$ —	\$ (391.9)
	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Commodity derivatives	\$ —	\$ 240.3	\$ —	\$ 240.3
Investment commodities	12.1	—	—	12.1
RINs commitment contracts	—	0.6	—	0.6
Environmental credits obligation surplus	—	16.8	—	16.8
Total assets	12.1	257.7	—	269.8
<b>Liabilities</b>				
Commodity derivatives	—	(263.0)	—	(263.0)
RINs commitment contracts	—	(1.9)	—	(1.9)
Environmental credits obligation deficit	—	(18.5)	—	(18.5)
J. Aron supply and offtake obligations	—	(477.3)	—	(477.3)
Total liabilities	—	(760.7)	—	(760.7)
Net assets (liabilities)	\$ 12.1	\$ (503.0)	\$ —	\$ (490.9)

The derivative values above are based on analysis of each contract as the fundamental unit of account as required by ASC 820. In the table above, derivative assets and liabilities with the same counterparty are not netted where the legal right of offset exists. This differs from the



presentation in the financial statements which reflects our policy, wherein we have elected to offset the fair value amounts recognized for multiple derivative instruments executed with the same counterparty and where the legal right of offset exists. As of December 31, 2020 and 2019, \$14.8 million and \$38.8 million, respectively, of cash collateral was held by counterparty brokerage firms and has been netted with the net derivative positions with each counterparty. See Note 12 for further information regarding derivative instruments.

## **14. Commitments and Contingencies**

### ***Litigation***

In the ordinary conduct of our business, we are from time to time subject to lawsuits, investigations and claims, including environmental claims and employee-related matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, including civil penalties or other enforcement actions, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our financial statements. Certain environmental matters that have or may result in penalties or assessments are discussed below in the "Environmental, Health and Safety" section of this note.

One of our Alon subsidiaries was the defendant in a legal action related to an easement dispute arising from a purchase of property that occurred in October 2013, prior to the Delek/Alon Merger. In June 2019, the court found in favor of the plaintiffs and assessed damages against such subsidiary totaling \$6.7 million, which was reduced to \$6.4 million in the fourth quarter of 2019 and is included as of December 31, 2020 in accrued expenses and other current liabilities on the accompanying consolidated balance sheet. As a result of this liability, a \$5.7 million increase in the accrual was recorded during the year ended December 31, 2019. Additionally, we incurred \$1.2 million of related legal expenses during the year ended December 31, 2019 that was recorded in general and administrative expenses in the accompanying consolidated statements of income. The judgment of \$6.4 million is currently stayed while the case is under appeal with the Ninth Circuit Court of Appeals. The estimated resolution date is indeterminable at this time.

As of December 31, 2019 and 2018, AltAir (one of the California Discontinued Entities) was the party to a lawsuit whereby the plaintiff alleged breach of contract relating to a supply agreement during the period prior to the Delek/Alon Merger. We recorded a contingent liability associated with this matter (the "Ten-Tex Litigation") totaling \$5.0 million as part of the purchase price allocation, which was finalized in June 2018. In July 2019, we reached a settlement with the plaintiff, whereby we were obligated for \$2.3 million of the judgment against AltAir plus expected legal fees of approximately \$0.2 million. Related to this obligation, we reduced our litigation accrual by \$2.4 million during the year ended December 31, 2019, which was recorded in discontinued operations. In August 2019, we reached an agreement with World Energy to offset amounts payable by Delek under our seller obligations for the Ten-Tex Litigation matter against the working capital settlement receivable, and to convert the net receivable into a note receivable from World Energy. As a result, this obligation is not reflected in our liabilities on the consolidated balance sheet as of December 31, 2019. See Note 8 for further discussion of these matters.

### ***Self-insurance***

Delek records a self-insurance accrual for workers' compensation claims up to a \$4.0 million deductible on a per accident basis, general liability claims up to \$4.0 million on a per occurrence basis, and medical claims for eligible full-time employees up to \$0.3 million per covered individual per calendar year. We also record a self-insurance accrual for auto liability up to a \$4.0 million deductible on a per accident basis.

We have umbrella liability insurance available to each of our segments in an amount determined reasonable by management.

### ***Environmental Health and Safety***

We are subject to extensive federal, state and local environmental and safety laws and regulations enforced by various agencies, including the EPA, the United States Department of Transportation and the Occupational Safety and Health Administration, as well as numerous state, regional and local environmental, safety and pipeline agencies. These laws and regulations govern the discharge of materials into the environment, waste management practices, pollution prevention measures and the composition of the fuels we produce, as well as the safe operation of our plants and pipelines and the safety of our workers and the public. Numerous permits or other authorizations are required under these laws and regulations for the operation of our refineries, renewable fuels facilities, terminals, pipelines, underground storage tanks, trucks, rail cars and related operations, and may be subject to revocation, modification and renewal.

These laws and permits raise potential exposure to future claims and lawsuits involving environmental and safety matters which could include soil and water contamination, air pollution, personal injury and property damage allegedly caused by substances which we manufactured, handled, used, released or disposed of, transported, or that relate to pre-existing conditions for which we have assumed responsibility. We believe that our current operations are in substantial compliance with existing environmental and safety requirements. However, there have been and will continue to be ongoing discussions about environmental and safety matters between us and federal and state authorities, including notices of violations, citations and other enforcement actions, some of which have resulted or may result in changes to operating procedures and in capital expenditures. While it is often difficult to quantify future environmental or safety related expenditures, we anticipate that continuing capital investments and changes in operating procedures will be required for the foreseeable future to comply with existing and new requirements, as well as evolving interpretations and more strict enforcement of existing laws and regulations.

On November 5, 2018, Alon and certain of its subsidiaries including Alon Bakersfield Property, Inc. (which was subsequently sold on May 7, 2020 - See Note 4) (collectively, "ABPI") entered into a Settlement and Release Agreement (the "Settlement Agreement") with Equilon

Enterprises, LLC, doing business as Shell Oil Products, US ("Shell"), a former owner of our non-operating Bakersfield refinery which was acquired by Delek in connection with the Delek/Alon Merger. The Settlement Agreement resolved certain disputed indemnification matters related to environmental obligations and asset retirement obligations at the Bakersfield refinery. As a result of this Settlement Agreement, Shell paid ABPI a lump sum payment of \$34.0 million and conveyed to ABPI ownership of a non-operating terminal located on the site of the Bakersfield refinery (deemed to have little or no value) and the parties will terminate a nominal lease agreement related to such terminal. Of this total lump sum settlement payment, \$14.0 million was previously recognized as an indemnification receivable in the purchase price allocation associated with the Delek/Alon Merger as of July 1, 2017, because such amounts represented indemnification that was deemed by the Company to be probable of realization based on existing indemnification agreements in place on the date of the acquisition and that related to identified asset retirement obligations that were also recognized in the purchase price allocation. Of the remaining settlement amount received, \$16.0 million is attributable to additional recoveries of remediation costs and is included as a reduction of operating expenses, and \$4.0 million is considered additional consideration for concessions made under the Settlement Agreement and is included as other income in the accompanying consolidated statements of income for the year ended December 31, 2018.

The Big Spring refinery negotiated an agreement with the EPA for over 10 years under the EPA's National Petroleum Refinery Initiative regarding alleged historical violations of the federal Clean Air Act related to emissions and emissions control equipment. A consent decree resolving these alleged historical violations for the Big Spring refinery was lodged with the United States District Court for the Northern District of Texas on June 6, 2017. An amendment to such consent decree was agreed upon by the Delek and the EPA/Department of Justice ("DOJ") in late 2018 and was executed by Delek. That amended consent decree was lodged during the first quarter of 2019, and was entered by the Court on June 5, 2019. The civil penalty of \$0.5 million was paid on June 18, 2019. Per the amended consent decree, the Company will be required to expend capital for pollution control equipment that may be significant over the next 10 years.

As of December 31, 2020, we have recorded an environmental liability of approximately \$112.6 million, primarily related to the estimated probable costs of remediating or otherwise addressing certain environmental issues of a non-capital nature at our refineries, as well as terminals, some of which we no longer own. This liability includes estimated costs for ongoing investigation and remediation efforts for known contamination of soil and groundwater. Approximately \$5.2 million of the total liability is expected to be expended over the next 12 months, with most of the balance expended by 2032, although some costs may extend up to 30 years. In the future, we could be required to extend the expected remediation period or undertake additional investigations of our refineries, pipelines and terminal facilities, which could result in the recognition of additional remediation liabilities.

Environmental liabilities with payments that are fixed or reliably determinable have been discounted to present value at various rates depending on their expected payment stream. These discount rates vary from 1.51% to 2.84%.

The table below summarizes our environmental liability accruals (in millions):

	December 31,	
	2020	2019
Discounted environmental liabilities	\$ 35.3	\$ 59.5
Undiscounted environmental liabilities	77.3	86.6
Total accrued environmental liabilities	<u>\$ 112.6</u>	<u>\$ 146.1</u>

As of December 31, 2020, the estimated future payments of environmental obligations for which discounts have been applied are as follows (in millions):

2021	\$ 1.8
2022	1.9
2023	1.5
2024	1.5
2025	1.5
Thereafter	32.0
Discounted environmental liabilities, gross	40.2
Less: Discount applied	4.9
Discounted environmental liabilities	<u>\$ 35.3</u>

### **Crude Oil and Other Releases**

We have experienced several crude oil and other releases involving our assets, including five releases that occurred in 2019 and six releases that occurred in 2018. There were no material releases that occurred during the year ended December 31, 2020. For releases that occurred in prior years, we have received regulatory closure or a majority of the cleanup and remediation efforts are substantially complete. For the release sites that have not yet received regulatory closure, we expect to receive regulatory closure in 2021 and do not anticipate material costs associated with any fines or penalties or to complete activities that may be needed to achieve regulatory closure.

Expenses incurred for the remediation of these crude oil and other releases are included in operating expenses in our consolidated statements of income.

### **Asset Retirement Obligations**

The reconciliation of the beginning and ending carrying amounts of asset retirement obligations is as follows (in millions):

	December 31,	
	2020	2019
Beginning balance	\$ 68.6	\$ 75.5
Liabilities settled	(32.5)	(8.6)
Accretion expense	1.4	1.7
Ending balance	<u>\$ 37.5</u>	<u>\$ 68.6</u>

### **Letters of Credit**

As of December 31, 2020, we had in place letters of credit totaling approximately \$253.2 million with various financial institutions securing obligations primarily with respect to our commodity purchases for the refining segment and certain of our insurance programs. There were no amounts drawn by beneficiaries of these letters of credit at December 31, 2020.

## **15. Income Taxes**

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.

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act") was enacted into law. The CARES Act includes several significant provisions for corporations, including the usage of net operating losses, interest deductions and payroll benefits. The Company recognized \$16.8 million of current federal income tax benefit for the year ended December 31, 2020, attributable to anticipated tax refunds from net operating loss carryback to prior 35% tax rate years under the CARES Act. Also, we recorded a federal income tax receivable specifically related to the net operating loss carryback totaling \$156.2 million of which \$135.6 million is current and \$20.6 million is non-current as of December 31, 2020.

On December 22, 2017, the U.S. government enacted the Tax Reform Act, which made broad and complex changes to the U.S. tax code, including a permanent reduction in the U.S. federal corporate tax rate from 35% to 21% ("Rate Reduction"). The Tax Reform Act also put into place new tax laws that will apply prospectively, which include, but are not limited to, modifying the rules governing the deductibility of certain executive compensation; extending and modifying the additional first-year depreciation deduction to accelerate expensing of certain qualified property; creating a limitation on deductible interest expense; and changing rules related to uses and limitations of net operating loss carryforwards. At December 31, 2018, we finalized our accounting analysis based on the guidance, interpretations, and data available. We continue to monitor IRS guidance including final regulations, revenue rulings, revenue procedures, and applicable notices.

We applied the guidance in Staff Accounting Bulletin 118 ("SAB 118"), when accounting for the effects of the Tax Reform Act. In 2017, we made a reasonable estimate of the effects on our existing deferred tax balances, and recognized a provisional benefit amount of \$166.9 million, which was included as a component of income tax expense from continuing operations. We remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21% for federal purposes. For the year ended December 31, 2018, we completed the analysis of the accounting for the tax effects of the Tax Reform Act, resulting in our recording of an additional tax benefit of \$0.6 million during 2018. These adjustments to the previously recorded provisional amounts include the tax effects on the existing deferred tax balances and executive compensation. We also had a reclassification of \$1.6 million from accumulated other comprehensive income to retained earnings for stranded tax effects as of December 31, 2018 resulting from the Tax Reform Act.

On January 1, 2018, we adopted ASU 2016-16. As a result of the adoption, we decreased prepaid income taxes by \$59.4 million, increased income taxes payable by \$3.0 million, increased deferred tax assets by \$18.0 million (net of a valuation allowance of \$17.2 million), and decreased retained earnings by \$44.4 million for the cumulative effect related to new guidance that requires recognizing the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs.

Significant components of Delek's deferred tax assets (liabilities) reported in the accompanying consolidated financial statements as of December 31, 2020 and 2019 were as follows (in millions):

	December 31,	
	2020	2019
<b>Non-Current Deferred Taxes:</b>		
Property, plant and equipment, and intangibles	\$ (261.0)	\$ (306.3)
Right-of-use asset	(35.1)	(40.7)
Partnership and equity investments	(133.3)	(15.5)
Deferred revenues	(4.8)	(5.3)
Total deferred tax liabilities	(434.2)	(367.8)
Compensation and employee benefits	13.6	14.5
Net operating loss carryforwards	136.4	52.4
Tax credit carryforwards	17.0	—
Lease obligation	35.2	40.7
Reserves and accruals	33.4	48.3
Other	4.1	9.8
Total deferred tax assets	239.7	165.7
Valuation allowance	(55.0)	(65.8)
Total net deferred tax liabilities <sup>(1)</sup>	\$ (249.5)	\$ (267.9)

<sup>(1)</sup> Total net deferred tax liabilities includes \$6.0 million of state deferred tax assets recorded in other non-current assets in our consolidated balance sheet.

The difference between the actual income tax expense and the tax expense computed by applying the statutory federal income tax rate to income from continuing operations was attributable to the following (in millions):

	Year Ended December 31,		
	2020	2019	2018
Provision for federal income taxes at statutory rate	\$ (160.3)	\$ 84.6	\$ 102.0
State income tax (benefit) expense, net of federal tax provision	(11.3)	6.3	3.4
Income tax benefit attributable to non-controlling interest	(7.9)	(5.4)	(7.3)
Tax credits and incentives <sup>(1)</sup>	(9.6)	(23.2)	(8.3)
Changes in valuation allowance	(10.8)	7.3	7.7
Impact of Tax Reform Act	—	—	(0.6)
Impact of CARES Act NOL carryback	(16.8)	—	—
Goodwill impairment	21.4	—	5.3
Other items	2.6	2.1	(0.3)
Income tax (benefit) expense	\$ (192.7)	\$ 71.7	\$ 101.9

<sup>(1)</sup> Tax credits and incentives include work opportunity and research and development credits, as well as incentives for the Company's biodiesel blending operations.

Income tax (benefit) expense from continuing operations was as follows (in millions):

	Year Ended December 31,		
	2020	2019	2018
Current	\$ (160.6)	\$ 7.1	\$ 128.7
Deferred	(32.1)	64.6	(26.8)
	\$ (192.7)	\$ 71.7	\$ 101.9

We carry valuation allowances against certain state deferred tax assets and net operating losses that may not be recoverable with future taxable income. We also carry valuation allowances related to basis differences that may not be recoverable. During the years ended December 31, 2020 and 2019, we recorded decreases to the valuation allowance of \$10.8 million and increases of \$7.3 million, respectively. The 2020 decrease in the valuation allowance was primarily driven by the reversal of allowance for deferred tax assets in partnership investments due to changes in the future realizability of deferred tax basis differences.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods for which the deferred tax assets are deductible, management believes it is

more likely than not Delek will realize the benefits of these deductible differences, net of the existing valuation allowance. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. Subsequently recognized tax benefit or expense relating to the valuation allowance for deferred tax assets will be reported as an income tax benefit or expense in the consolidated statement of income.

Federal net operating loss and credit carryforwards at December 31, 2020 totaled \$355.2 million and \$14.9 million, respectively, a portion of which are subject to a valuation allowance. Federal net operating losses have an indefinite carryforward life, and federal tax credit carryforwards will begin expiring in 2028. State net operating loss and credit carryforwards at December 31, 2020 totaled \$1,259.9 million and \$2.9 million, respectively, a portion of which are subject to a valuation allowance. State net operating losses and tax credit carryforwards will begin expiring in 2021.

Delek files a consolidated U.S. federal income tax return, as well as income tax returns in various state jurisdictions. Delek is no longer subject to U.S. federal income tax examinations by tax authorities for years through 2011. Delek is under Joint Committee of Taxation review for tax years 2012 through 2017. Pre-acquisition tax returns for Alon USA Energy & Subsidiaries ("Alon") are closed for U.S. federal income tax examinations through the tax year ended December 31, 2016 as of December 31, 2020. Alon is currently under Joint Committee of Taxation review for tax year 2017. Delek is currently under audit in various states for tax years 2014 through 2019. No material adjustments have been identified at this time.

ASC 740 provides a recognition threshold and guidance for measurement of income tax positions taken or expected to be taken on a tax return. ASC 740 requires the elimination of the income tax benefits associated with any income tax position where it is not "more likely than not" that the position would be sustained upon examination by the taxing authorities.

Increases and decreases to the beginning balance of unrecognized tax benefits, which includes interest and penalties were as follows (in millions):

	Year Ended December 31,		
	2020	2019	2018
Balance at the beginning of the year	\$ 12.1	\$ 19.2	\$ 6.1
Additions based on tax positions related to current year	1.9	0.4	11.2
Additions for tax positions related to prior years and acquisitions	2.4	6.4	3.4
Reductions for tax positions related to prior years	(0.8)	(13.0)	(0.9)
Reductions for tax positions related to lapse of applicable statute of limitations	(0.2)	—	—
Settlements with taxing authorities	(5.8)	(0.9)	(0.6)
Balance at the end of the year	\$ 9.6	\$ 12.1	\$ 19.2

The amount of the unrecognized benefit above, that if recognized would change the effective tax rate, is \$6.2 million and \$7.4 million as of December 31, 2020 and 2019, respectively.

Delek recognizes accrued interest and penalties related to unrecognized tax benefits as an adjustment to the current provision for income taxes. We recognized interest expense (income) of \$0.5 million, \$(1.1) million, and \$2.9 million related to unrecognized tax benefits during the years ended December 31, 2020, 2019 and 2018. The total recognized liability for interest was \$1.4 million and \$2.4 million as of December 31, 2020 and 2019, respectively.

Uncertain tax positions have been examined by Delek for any material changes in the next 12 months, and no material changes are expected.

## 16. Related Party Transactions

Our related party transactions consist primarily of transactions with our equity method investees (See Note 7). Transactions with our related parties were as follows for the periods presented:

(in millions)	Year Ended December 31,		
	2020	2019	2018
Revenues <sup>(1)</sup>	\$ 69.0	\$ 86.0	\$ 33.7
Cost of materials and other <sup>(2)</sup>	\$ 46.7	\$ 44.9	\$ 21.4

<sup>(1)</sup> Consists primarily of asphalt sales which are recorded in corporate, other and eliminations segment.

<sup>(2)</sup> Consists primarily of pipeline throughput fees paid by the refining segment and asphalt purchases.

## 17. Property, Plant and Equipment

Property, plant and equipment, at cost, consist of the following (in millions):

	December 31,	
	2020	2019
Land	\$ 58.0	\$ 59.5
Building and building improvements	114.3	108.5
Refinery machinery and equipment	1,989.5	2,019.4
Pipelines and terminals	562.3	427.3
Retail store equipment and site improvements	53.1	56.3
Refinery turnaround costs	151.7	179.9
Other equipment	162.1	142.7
Construction in progress	428.5	369.2
	<u>\$ 3,519.5</u>	<u>\$ 3,362.8</u>
Less: accumulated depreciation	(1,152.3)	(934.5)
	<u>\$ 2,367.2</u>	<u>\$ 2,428.3</u>

Property, plant and equipment, accumulated depreciation and depreciation expense by reporting segment are as follows (in millions):

	As of and For the Year Ended December 31, 2020				
	Refining	Logistics	Retail	Corporate, Other and Eliminations	Consolidated
Property, plant and equipment	\$ 2,566.0	\$ 692.3	\$ 165.3	\$ 95.9	\$ 3,519.5
Less: Accumulated depreciation	(811.2)	(227.5)	(48.9)	(64.7)	(1,152.3)
Property, plant and equipment, net	<u>\$ 1,754.8</u>	<u>\$ 464.8</u>	<u>\$ 116.4</u>	<u>\$ 31.2</u>	<u>\$ 2,367.2</u>
Depreciation expense <sup>(1)</sup>	<u>\$ 191.5</u>	<u>\$ 35.7</u>	<u>\$ 12.4</u>	<u>\$ 20.4</u>	<u>\$ 260.0</u>

	As of and For the Year Ended December 31, 2019				
	Refining	Logistics	Retail	Corporate, Other and Eliminations	Consolidated
Property, plant and equipment	\$ 2,444.4	\$ 461.3	\$ 156.4	\$ 300.7	\$ 3,362.8
Less: Accumulated depreciation	(658.6)	(166.3)	(36.6)	(73.0)	(934.5)
Property, plant and equipment, net	<u>\$ 1,785.8</u>	<u>\$ 295.0</u>	<u>\$ 119.8</u>	<u>\$ 227.7</u>	<u>\$ 2,428.3</u>
Depreciation expense	<u>\$ 128.7</u>	<u>\$ 26.7</u>	<u>\$ 10.4</u>	<u>\$ 22.1</u>	<u>\$ 187.9</u>

<sup>(1)</sup> Depreciation expense includes accelerated depreciation of \$19.0 million taken in the fourth quarter of 2020 primarily due to the decision to abandon certain property and equipment. Of this amount, \$11.1 million, \$1.6 million and \$6.3 million relate to refining, logistics and other segments, respectively.

## 18. Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the identifiable net assets acquired and is not amortized. Delek performs an annual assessment of whether goodwill retains its value. This assessment is done more frequently if indicators of potential impairment exist. We performed our annual goodwill impairment review in the fourth quarter of 2020, 2019 and 2018. This review was performed at the reporting unit level, which is at or one level below our operating segment. We estimated the value of each of our reporting units using a discounted cash flows ("DCF") analysis and a multiple of expected future cash flows, such as those used by third-party analysts. The DCF analysis included a market participant weighted average cost of capital, forecasted crack spreads, gross margin, capital expenditures, and long-term growth rate based on historical information and our best estimate of future forecasts. The market approach involves significant judgment, including selection of an appropriate peer group, selection of valuation multiples, and determination of the appropriate weighting in our valuation model. With respect to the goodwill associated with the reporting units within the logistics segment, we performed a qualitative assessment in 2020, 2019 and 2018. For the year ended December 31, 2020, the annual impairment review resulted in an impairment charge



of \$126.0 million. For the years ended December 31, 2019 and 2018, no impairment of goodwill had occurred. Accumulated goodwill impairment was \$126.0 million as of December 31, 2020.

A summary of our goodwill by segment is as follows (in millions):

	Refining	Logistics	Retail	Corporate, Other and Eliminations	Total
Balance, December 31, 2017	\$ 750.9	\$ 12.2	\$ 30.8	\$ 22.7	\$ 816.6
Finalization of purchase price allocation for 2017 Delek/Alon Merger	50.4	—	13.5	2.4	66.3
Write-down resulting from asset held for sale impairment <sup>(1)</sup>	—	—	—	(25.1)	(25.1)
Balance, December 31, 2018	801.3	12.2	44.3	—	857.8
Write-off of goodwill associated with retail stores sold	—	—	(2.1)	—	(2.1)
Balance, December 31, 2019	801.3	12.2	42.2	—	855.7
Goodwill Impairment	(126.0)	—	—	—	(126.0)
Balance, December 31, 2020	\$ 675.3	\$ 12.2	\$ 42.2	\$ —	\$ 729.7

<sup>(1)</sup> This write-down of goodwill resulted from the impairment of assets held for sale associated with the asphalt business to net realizable value, as discussed in Note 8.

## 19. Other Intangible Assets

A summary of our identifiable intangible assets are as follows (in millions):

As of December 31, 2020	Useful Life	Gross	Accumulated Amortization	Net
Intangible Assets subject to amortization:				
Third-party fuel supply agreement	10 years	\$ 49.0	\$ (17.2)	\$ 31.8
Fuel trade name	5 years	4.0	(2.8)	1.2
Intangible assets not subject to amortization:				
Rights-of-way	Indefinite	52.1		52.1
Line space history	Indefinite	12.0		12.0
Liquor licenses	Indefinite	8.5		8.5
Refinery permits	Indefinite	2.2		2.2
Total		\$ 127.8	\$ (20.0)	\$ 107.8
As of December 31, 2019	Useful Life	Gross	Accumulated Amortization	Net
Intangible Assets subject to amortization:				
Third-party fuel supply agreement	10 years	49.0	(12.3)	36.7
Fuel trade name	5 years	4.0	(2.0)	2.0
Intangible assets not subject to amortization:				
Rights-of-way	Indefinite	48.9		48.9
Line space history	Indefinite	12.0		12.0
Liquor licenses	Indefinite	8.5		8.5
Refinery permits	Indefinite	2.2		2.2
Total		\$ 124.6	\$ (14.3)	\$ 110.3

Amortization of intangible assets was \$5.7 million, \$5.7 million, and \$6.1 million during the years ended December 31, 2020, 2019 and 2018, respectively, and is included in depreciation and amortization on the accompanying consolidated statements of income.

Amortization expense for the next five years is estimated to be as follows (in millions):

2021	\$ 5.7
2022	\$ 5.3
2023	\$ 4.9
2024	\$ 4.9
2025	\$ 4.9

## 20. Other Current Assets and Liabilities

The detail of other current assets is as follows (in millions):

Other Current Assets	December 31, 2020	December 31, 2019
Income and other tax receivables	\$ 142.0	\$ 61.9
Short-term derivative assets (see Note 12)	72.9	30.2
Prepaid expenses	21.8	21.9
Biodiesel tax credit (see Note 4)	2.9	97.5
Investment commodities	1.1	12.1
Consolidated Net RINs Obligation surplus (see Note 13)	—	10.7
Other	15.7	34.4
Total	<u>\$ 256.4</u>	<u>\$ 268.7</u>

The detail of accrued expenses and other current liabilities is as follows (in millions):

Accrued Expenses and Other Current Liabilities	December 31, 2020	December 31, 2019
Product financing agreements	\$ 198.0	\$ 21.1
Income and other taxes payable	109.5	119.6
Crude purchase liabilities	62.1	72.1
Consolidated Net RINs Obligation deficit (see Note 13)	59.6	—
Short-term derivative liabilities (see Note 12)	35.8	14.1
Employee costs	30.2	47.6
Other	51.2	72.3
Total	<u>\$ 546.4</u>	<u>\$ 346.8</u>

## 21. Equity-Based Compensation

### Delek US Holdings, Inc. 2006 Long-Term Incentive Plan

The Delek US Holdings, Inc. 2006 Long-Term Incentive Plan, as amended (the "2006 Plan"), allowed Delek to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted common stock units ("RSUs"), performance awards ("PRsUs"), and other stock-based awards of up to 5,053,392 shares of Delek's common stock to certain directors, officers, employees, consultants and other individuals who performed services for Delek or its affiliates. Stock options and SARs granted under the 2006 Plan were generally granted at market price or higher. The vesting of all outstanding awards was subject to continued service to Delek or its affiliates except that vesting of awards granted to certain executive employees could, under certain circumstances, accelerate upon termination of their employment and the vesting of all outstanding awards could accelerate upon the occurrence of an Exchange Transaction (as defined in the 2006 Plan). In the second quarter of 2010, Delek's Board of Directors and its Incentive Plan Committee began using stock-settled SARs, rather than stock options, as the primary form of appreciation award under the 2006 Plan. The 2006 Plan expired in April 2016.

### Delek US Holdings, Inc. 2016 Long-Term Incentive Plan

On May 5, 2016, our stockholders approved our 2016 Long-Term Incentive Plan (the "2016 Plan") to succeed our 2006 Plan. The 2016 Plan allows Delek to grant stock options, SARs, restricted stock, RSUs, performance awards and other stock-based awards of up to 4,400,000 shares of Delek's common stock to certain directors, officers, employees, consultants and other individuals who perform services for Delek or its affiliates. On May 18, 2018 and May 5 2020, the Company's stockholders approved an amendment to the 2016 plan that increased the number of Common Stock available under this plan by 4,500,000 shares and 2,120,000 shares, respectively, to 11,020,000 shares. Stock options and SARs issued under the 2016 Plan are granted at prices equal to (or greater than) the fair market value of Delek's common stock on the grant date and are generally subject to a vesting period of one year or more. No awards will be made under the 2016 Plan after May 5, 2026.

### Alon USA Energy, Inc. 2005 Long-Term Incentive Plan

In connection with the Delek/Alon Merger, Delek assumed the Alon USA Energy, Inc. Second Amended and Restated 2005 Incentive Compensation Plan ("the Alon 2005 Plan" and, collectively with the 2006 Plan and the 2016 Plan, the "Incentive Plans") as a component of its overall executive incentive compensation program. The Alon 2005 Plan permits the granting of awards to Alon's officers and key employees in the form of options to purchase common stock, SARs, restricted shares of common stock, RSUs, performance shares, performance units and senior executive plan bonuses. Effective with the Delek/Alon Merger, all contractually unvested share-based awards were converted into share-

based awards denominated in Delek common stock. Committed but unissued share-based awards were exchanged and converted into rights to receive share-based awards indexed to Delek common stock.

### Option and SAR Assumptions

The table below provides the assumptions used in estimating the fair values of our outstanding stock options and SARs under the Incentive Plans. For all awards granted, we calculated volatility using historical volatility and implied volatility of a peer group of public companies using weekly stock prices.

	2019 Grants (Graded Vesting) 4 years	2018 Grants (Graded Vesting) 4 years
Expected volatility	48.16%-48.94%	47.52%-49.42%
Dividend yield	2.03%-2.60%	2.00%-2.33%
Expected term	4.57- 4.62 years	4.38-4.62 years
Risk free rate	1.57%-2.41%	1.56%-2.92%
Fair value per share	\$11.46	\$15.00

### Stock Option and SAR Activity

The following table summarizes the stock option and SAR activity under the Incentive Plans for the years ended December 31, 2020, 2019 and 2018:

	Number of Shares Under Option	Weighted- Average Strike Price	Weighted- Average Contractual Term (in years)	Average Intrinsic Value (in millions)
Options and SARs outstanding, December 31, 2017	4,191,007	\$ 26.71		
Granted	1,497,400	\$ 43.49		
Exercised	(1,286,527)	\$ 30.55		
Forfeited	(827,775)	\$ 29.01		
Options and SARs outstanding, December 31, 2018	3,574,105	\$ 32.67		
Granted	593,500	\$ 34.96		
Exercised	(466,569)	\$ 29.61		
Forfeited	(494,826)	\$ 33.47		
Options and SARs outstanding, December 31, 2019	3,206,210	\$ 34.21		
Granted	17,000	\$ 36.56		
Exercised	(23,675)	\$ 14.68		
Forfeited	(709,055)	\$ 34.25		
Options and SARs outstanding, December 31, 2020	2,490,480	\$ 34.16	6.8	\$ 0.1
Vested options and SARs exercisable, December 31, 2020	1,501,155	\$ 32.60	6.4	\$ 0.1

### Restricted Stock Units

The Incentive Plans provide for the award of RSUs and PRSUs to certain employees and non-employee directors. RSUs granted to employees vest ratably over three to five years from the date of grant, and RSUs granted to non-employee directors vest quarterly over the year following the date of grant. The grant date fair value of RSUs is determined based on the closing price of Delek's common stock on the grant date. PRSUs initially granted to employees will typically vest in one to three tranches, the first of which vests on December 31 of the year following the grant date, the second and third on the subsequent December 31. PRSUs subsequently granted to employees will typically vest at the end of a three calendar year performance period. The number of PRSUs that will ultimately vest is based on the Company's total shareholder return over the performance period. The grant date fair value of PRSUs is determined using a Monte-Carlo simulation model. We record compensation expense for these awards based on the grant date fair value of the award, recognized ratably over the measurement period.

### Performance-Based Restricted Stock Unit Assumptions

The table below provides the assumptions used in estimating the fair values of our outstanding PRSUs under the Plan. For all awards granted, we calculated volatility using historical volatility and implied volatility of a peer group of public companies using weekly stock prices.

	2020 Grants	2019 Grants	2018 Grants
Expected volatility	45.06%-62.70%	39.67%-39.98%	36.11%-44.66%
Expected term	2.56-2.81 years	2.06-2.81 years	2.06-2.81 years
Risk free rate	0.20%-0.56%	1.64%-2.42%	2.40%-2.73%
Fair value per share	\$ 10.65	\$ 41.19	\$ 57.93

The following table summarizes the RSU and PRSU activity under the Incentive Plans for the years ended December 31, 2020, 2019 and 2018:

		Number of RSUs	Weighted-Average Grant Date Price
Balance	December 31, 2017	1,059,670	\$ 25.68
Granted		440,896	\$ 53.10
Vested		(341,774)	\$ 25.62
Forfeited		(154,780)	\$ 36.96
Balance	December 31, 2018	1,004,012	\$ 36.00
Granted		701,875	\$ 36.30
Vested		(604,971)	\$ 24.88
Forfeited		(133,243)	\$ 39.19
Performance Achieved		145,169	\$ 16.55
Balance	December 31, 2019	1,112,842	\$ 39.31
Granted		1,624,695	\$ 15.14
Vested		(512,914)	\$ 29.72
Forfeited		(413,499)	\$ 24.98
Performance Achieved		18,651	\$ 29.19
Balance	December 31, 2020	1,829,775	\$ 23.62

### Compensation Expense Related to Equity-based Awards Granted Under the Incentive Plans

Compensation expense for Delek equity-based awards amounted to \$22.3 million, \$25.2 million and \$20.9 million for the years ended December 31, 2020, 2019 and 2018, respectively. These amounts are included in general and administrative expenses in the accompanying consolidated statements of income. We recognized income tax expense (benefits) for equity-based awards of \$2.3 million, \$(2.5) million and \$(2.2) million for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, there was \$33.7 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.6 years.

The aggregate intrinsic value, which represents the difference between the underlying stock's market price and the award's exercise price, of the share-based awards exercised or vested during the years ended December 31, 2020, 2019 and 2018 was \$8.4 million, \$27.0 million and \$39.4 million, respectively. During the years December 31, 2020, 2019 and 2018, respectively, we issued net shares of common stock of 369,843, 508,950 and 580,455 as a result of exercised or vested equity-based awards. These amounts are net of 167,094, 564,090 and 1,027,398 shares, respectively, withheld to satisfy employee tax obligations related to the exercises and vesting for the years ended December 31, 2020, 2019 and 2018. Delek paid approximately \$2.4 million, \$9.2 million and \$11.5 million of taxes in connection with the settlement of these awards both for the years ended December 31, 2020, 2019 and 2018. We issue new shares of common stock upon exercise or vesting of share-based awards.

### Delek Logistics GP, LLC 2012 Long-Term Incentive Plan

Logistics GP maintains a unit-based compensation plan for officers, directors and employees of Logistics GP or its affiliates and certain consultants, affiliates of Logistics GP or other individuals who perform services for Delek Logistics. The Delek Logistics GP, LLC 2012 Long-Term Incentive Plan ("Logistics LTIP") permits the grant of unit options, restricted units, phantom units, unit appreciation rights, distribution equivalent rights, other unit-based awards, and unit awards. The Logistics LTIP limits the number of units that may be delivered pursuant to vested awards to 612,207 common units, subject to proportionate adjustment in the event of unit splits and similar events. Awards granted under the Logistics LTIP will be settled with Delek Logistics units. Equity-based compensation expense is included in general and administrative expenses in the accompanying consolidated statements of income and is immaterial for the years ended December 31, 2020, 2019 and 2018.

## **22. Shareholders' Equity**

### ***Stockholder Rights Plan***

On March 20, 2020, our Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of Delek's common stock and adopted a stockholder rights plan (the "Rights Agreement"). The dividend was distributed in a non-cash transaction on March 30, 2020 to the stockholders of record on that date. The Rights initially trade with, and are inseparable from, Delek's common stock. Once the Rights become exercisable, each Right will allow its holder to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share (a "Preferred Share") for \$92.24, subject to adjustment (the "Exercise Price"). This portion of a Preferred Share will give the stockholder approximately the same dividend, voting and liquidation rights as would one share of Delek's common stock. Prior to exercise, the Right does not give its holder any dividend, voting or liquidation rights.

The Rights will not be exercisable until 10 days after the public announcement that a person or group that has become an "Acquiring Person" (as defined in the Rights Agreement). The point at which these terms are met is otherwise referred to as the "Distribution Date." If a person or group becomes an Acquiring Person, all holders of Rights except the Acquiring Person may, for the Exercise Price, purchase shares of the Company's common stock with a market value of two times the Exercise Price, based on the market price of the common stock prior to such acquisition. In addition, subject to certain conditions set forth in the Rights Agreement, the Board may extinguish the Rights. If the Company is later acquired in a merger or similar transaction after the Distribution Date, all holders of Rights except the Acquiring Person may, for the Exercise Price, purchase shares of the acquiring corporation with a market value of two times the Exercise Price, based on the market price of the acquiring corporation's stock prior to such merger.

In the event the Company receives a fully financed, all-cash tender offer satisfying the conditions set forth in the Rights Agreement (a "Qualifying Offer"), and certain other events occur, the Rights Agreement provides a mechanism for stockholders holding more than 20% of the shares of Delek common stock then outstanding (excluding shares beneficially owned by the person making the Qualifying Offer) to demand a special meeting of the stockholders of the Company to vote on a resolution exempting such Qualifying Offer from the provisions of the Rights Agreement.

The Rights will expire on March 19, 2021, subject to a possible earlier expiration to the extent provided in the Rights Agreement.

### ***Preferred Stock***

On March 20, 2020, our Board of Directors authorized 1,000,000 shares of preferred stock with a par value of \$0.01 per share as Series A Junior Participating Preferred Stock.

### ***Stock Repurchase Program***

In December 2016, our Board of Directors authorized a share repurchase program for up to \$150.0 million of Delek common stock. Any share repurchases under the repurchase program may be implemented through open market transactions or in privately negotiated transactions, in accordance with applicable securities laws. The timing, price and size of repurchases will be made at the discretion of management and will depend on prevailing market prices, general economic and market conditions and other considerations. The repurchase program does not obligate us to acquire any particular amount of stock and does not expire.

On February 26, 2018, the Board of Directors approved a new \$150.0 million authorization to repurchase Delek common stock. This amount has no expiration date and is in addition to any remaining amounts previously authorized. On November 6, 2018, the Board of Directors authorized the repurchase of an additional \$500.0 million of Delek common stock. During the year ended December 31, 2018, we repurchased 9,022,386 shares of our common stock for a total of \$365.3 million. The purchases included the 2.0 million shares of our common stock purchased from Alon Israel in connection with Delek's rights pursuant to a Stock Purchase Agreement dated April 14, 2015, by and between Delek and Alon Israel. Alon Israel delivered a right of first offer notice to Delek on January 16, 2018, informing Delek of Alon Israel's intention to sell the 2.0 million shares, and Delek accepted such offer on January 17, 2018. The total purchase price for the 2.0 million shares was approximately \$75.3 million, or \$37.64 per share.

During the years ended December 31, 2020 and 2019, we repurchased 58,713 and 5,039,034 shares of our common stock for a total of \$1.9 million and \$178.1 million, respectively. As of December 31, 2020, there was approximately \$229.7 million of authorization remaining under Delek's aggregate stock repurchase program (based on repurchases that had settled as of December 31, 2020). During the year ended December 31, 2020, we suspended the share repurchase program until our internal parameters are met for resuming such repurchases.

## **23. Employees**

### ***Workforce***

As of December 31, 2020, operations, maintenance and warehouse hourly employees along with truck drivers at the Tyler refinery were represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union

and its Local 202. Of the Tyler employees, 51.0% of operations, maintenance and warehouse hourly employees are currently covered by a collective bargaining agreement that expires January 31, 2022 while 13.2% of Tyler truck drivers are currently covered by a collective bargaining agreement that expires May 1, 2021. As of December 31, 2020, operations and maintenance hourly employees at the El Dorado refinery were represented by the International Union of Operating Engineers and its Local 381. Of the El Dorado employees, 40.7% are covered by a collective bargaining agreement which expires on August 1, 2021. As of December 31, 2020, our El Dorado and Texas based truck drivers for Lion Oil Company were represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL - CIO while our El Dorado refinery warehouse hourly employees were represented by the International Union of Operating Engineers and its Local 381; none are currently covered by a collective bargaining agreement. As of December 31, 2020, approximately 68.9% of employees who work at our Big Spring refinery are covered by a collective bargaining agreement that expires March 31, 2022. None of our employees in our logistics segment, retail segment or in our corporate office are represented by a union. We consider our relations with our employees to be satisfactory.

## Postretirement Benefits

### Pension Plans

Effective with the Delek/Alon Merger on July 1, 2017 (see Note 3), we had four defined benefit pension plans covering substantially all of Alon's employees, excluding employees of the retail segment. The benefits are based on years of service and the employee's final average monthly compensation. Our funding policy is to contribute annually no less than the minimum required nor more than the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those benefits expected to be earned in the future. The plans were frozen for non-union employees effective September 30, 2017.

During 2018, we completely settled the supplemental retirement income plan of the retail segment, had a partial settlement of Alon's executive non-qualified restoration plan, froze Alon's qualified pension plan for union employees effective July 31, 2018, and entered into an agreement with the International Union of Operating Engineers (the "Union") to extend the Union agreement to March 31, 2022. As part of the extended Union agreement, the Company agreed to compensate each pension-eligible employee in the Union for the loss of the pension benefit over the remaining union contract period in four annual installments beginning July 2018. Payments are contingent upon continued employment at each annual payment date and are expected to total approximately \$6.9 million in the aggregate without considering forfeitures (which cannot yet be estimated). The related expense (estimated without considering forfeitures) has been or will be recognized over the remaining union contract period. As of December 31, 2020, estimated remaining expense is approximately \$2.0 million during 2021, and approximately \$0.1 million in 2022.

On October 1, 2018, we spun off a portion of the Alon's qualified pension plan into a new plan - The Alon USA Pension Plan for Collectively Bargained Employees. This new plan consists of Union employees. The assets were allocated as required under IRC Section 414. The remaining accumulated other comprehensive income at that date was split between the two plans based on their respective portions of projected benefit obligation. The Alon USA Pension Plan for Collectively Bargained Employees was terminated. The plan's obligation was settled and paid out from the plan's asset on December 20, 2019.

Financial information related to our pension plans is presented below:

	Year Ended December 31,	
	2020	2019
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 131.5	\$ 131.0
Interest cost	4.2	5.4
Actuarial loss (gain)	18.3	13.6
Benefits paid	(5.3)	(5.3)
Other (effect of curtailment/settlement)	—	(13.2)
Projected benefit obligations at end of year	\$ 148.7	\$ 131.5
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 128.1	\$ 115.7
Actual gain on plan assets	15.7	29.5
Employer contribution	—	1.4
Benefits paid	(5.3)	(5.3)
Other (effect of curtailment/settlement)	—	(13.2)
Fair value of plan assets at end of year	\$ 138.5	\$ 128.1
Reconciliation of funded status:		
Fair value of plan assets at end of year	\$ 138.5	\$ 128.1
Less projected benefit obligations at end of year	148.7	131.5
Under-funded status at end of year	\$ (10.2)	\$ (3.4)



The pre-tax amounts related to the defined benefit plans recognized as pension benefit liability in the consolidated balance sheets as of December 31, 2020 was \$10.2 million.

The pre-tax amounts in accumulated other comprehensive income (loss) that have not yet been recognized as components of net periodic benefit cost were as follows:

	Year Ended December 31,	
	2020	2019
Net actuarial loss (gain)	\$ 9.3	\$ (0.1)
Prior service credit	—	—
Projected benefit obligations at end of year	\$ 9.3	\$ (0.1)

The accumulated benefit obligation for each of our pension plans was in excess of the fair value of plan assets. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans were as follows:

	Year Ended December 31,	
	2020	2019
Projected benefit obligation	\$ 148.7	\$ 131.5
Accumulated benefit obligation	\$ 148.7	131.6
Fair value of plan assets	\$ 138.5	128.1

The weighted-average assumptions used to determine benefit obligations were as follows:

	Year Ended December 31,	
	2020	2019
Discount rate	2.45 %	3.20 %
Rate of compensation increase	N/A	N/A

The discount rate used reflects the expected future cash flow based on our funding valuation assumptions and participant data as of the beginning of the plan period. The expected future cash flow is discounted by the Principal Pension Discount Yield Curve for the fiscal year end because it has been specifically designed to help pension funds comply with statutory funding guidelines.

The weighted-average assumptions used to determine net periodic benefit costs were as follows:

	Year Ended December 31,		
	2020	2019	2018
Discount rate	3.20 %	4.15 %	3.60 %
Expected long-term rate of return on plan assets	5.75 %	7.00 %	7.33 %
Rate of compensation increase	— %	— %	3.00 %

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

The components of net periodic benefit cost related to our benefit plans consisted of the following:

Components of net periodic benefit:	Year Ended December 31,		
	2020	2019	2018
Service cost	\$ —	\$ —	\$ 0.4
Interest cost	4.2	5.4	5.2
Expected return on plan assets	(6.8)	(7.5)	(8.0)
Recognition of gain due to settlement	—	—	(0.1)
Recognition of gain due to curtailment	—	(2.7)	(2.4)
Net periodic benefit	\$ (2.6)	\$ (4.8)	\$ (4.9)

The service cost component of net periodic benefit is included as part of general and administrative expenses in the accompanying statements of income. The other components of net periodic benefit are included as part of other non-operating expense (income), net.

The weighted-average asset allocation of our pension benefits plan assets were as follows:

	Year Ended December 31,	
	2020	2019
Investments in common collective trust consisting of:		
U.S. and International companies	40.4 %	40.0 %
Fixed-income	59.6 %	60.0 %
Total	100.0 %	100.0 %

The fair value of our pension assets by category were as follows:

	Quoted Prices in Active Markets For Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Consolidated Total
<b>Year Ended December 31, 2020</b>				
U.S. companies	\$ —	\$ 36.2	\$ —	\$ 36.2
International companies	—	19.7	—	19.7
Fixed-income	—	82.6	—	82.6
Total	\$ —	\$ 138.5	\$ —	\$ 138.5
<b>Year Ended December 31, 2019</b>				
U.S. companies	\$ —	\$ 38.5	\$ —	\$ 38.5
International companies	—	12.8	—	12.8
Fixed-income	—	76.8	—	76.8
Total	\$ —	\$ 128.1	\$ —	\$ 128.1

The investment policies and strategies for the assets of our pension benefits is to, over a five-year period, provide returns in excess of the benchmark. The portfolio in our common collective trust is expected to earn long-term returns from capital appreciation and a stable stream of current income. This approach recognizes that assets are exposed to price risk and the market value of the plans' assets may fluctuate from year to year. Risk tolerance is determined based on our specific risk management policies. In line with the investment return objective and risk parameters, the plans' mix of assets includes a diversified portfolio of underlying securities in companies and fixed-income. The underlying securities include domestic and international companies of various sizes of capitalization. The asset allocation of the plan is reviewed on at least an annual basis.

We made no contributions to the pension plans for the year ended December 31, 2020, and expect to contribute \$6.1 million to the pension plans in 2021. There were no employee contributions to the plans.

The benefits expected to be paid in each year 2021–2025 are \$6.1 million, \$6.6 million, \$6.5 million, \$7.0 million and \$6.9 million, respectively. The aggregate benefits expected to be paid in the five years from 2026–2030 are \$35.4 million. The expected benefits are based on the same assumptions used to measure our benefit obligation at December 31, 2020 and include estimated future employee service.

#### **401(k) Plans**

For the years ended December 31, 2020, 2019 and 2018, we sponsored a voluntary 401(k) Employee Retirement Savings Plans for eligible employees. Employees must be at least 21 years of age and have 45 days of service to be eligible to participate in the plan. Employee contributions are matched on a fully-vested basis by us up to a maximum of 8% of eligible compensation. Eligibility for the Company matching contribution begins on the first of the month following one year of employment. For the years ended December 31, 2020, 2019 and 2018, the 401(k) plans expense recognized was \$10.4 million, \$9.6 million and \$9.6 million, respectively.

#### **Postretirement Medical Plan**

In addition to providing pension benefits, Alon has an unfunded postretirement medical plan covering certain health care and life insurance benefits for certain employees of Alon that retired prior to January 2, 2017, who met eligibility requirements in the plan documents. This plan is closed to new participants. The health care benefits in excess of certain limits are insured. The accrued benefit liability related to this plan reflected in the consolidated balance sheet was \$1.8 million and \$2.6 million at December 31, 2020 and 2019, respectively.

## 24. Selected Quarterly Financial Data (Unaudited)

Quarterly financial information for the years ended December 31, 2020 and 2019 is summarized below. The sum of the quarterly results may differ from the annual results presented on our consolidated statements of operations due to rounding. The quarterly financial information summarized below has been prepared by Delek's management and is unaudited (in millions, except per share data).

	For the Three Month Periods Ended			
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Net revenues	\$ 1,821.2	\$ 1,535.5	\$ 2,062.9	\$ 1,882.2
Operating (loss) income	\$ (361.5)	\$ 22.8	\$ (75.2)	\$ (314.1)
Net (loss) income from continuing operations	\$ (307.0)	\$ 98.5	\$ (76.9)	\$ (285.0)
Net (loss) income	\$ (307.0)	\$ 98.5	\$ (76.9)	\$ (285.0)
Net (loss) income attributable to Delek	\$ (314.4)	\$ 87.7	\$ (88.1)	\$ (293.2)
Basic (loss) income per share from continuing operations	\$ (4.28)	\$ 1.19	\$ (1.20)	\$ (3.98)
Diluted (loss) income per share from continuing operations	\$ (4.28)	\$ 1.18	\$ (1.20)	\$ (3.98)

	For the Three Month Periods Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019 <sup>(1)</sup>
Net revenues	\$ 2,199.9	\$ 2,480.3	\$ 2,334.3	\$ 2,283.7
Operating income	\$ 222.4	\$ 134.3	\$ 87.4	\$ 48.2
Net income from continuing operations	\$ 154.4	\$ 84.6	\$ 60.0	\$ 32.0
Net income	\$ 154.4	\$ 83.8	\$ 60.0	\$ 38.0
Net income attributable to Delek	\$ 149.3	\$ 77.3	\$ 51.3	\$ 32.7
Basic income per share from continuing operations	\$ 1.92	\$ 1.02	\$ 0.68	\$ 0.36
Diluted income per share from continuing operations	\$ 1.90	\$ 1.01	\$ 0.68	\$ 0.36

The tables above include the following infrequently occurring items:

- <sup>(1)</sup> Net income from continuing operations for the quarter ended December 31, 2019 includes the benefit of retroactive biodiesel tax credits related to 2019 and 2018 blending activities totaling \$77.6 million. Of this amount, \$31.1 million related to the first three quarters of 2019 blending activities and \$36.0 million related to 2018 blending activities.

The quarterly earnings per share calculations for the three months ended December 31, 2020 and 2019 are presented below:

	Three Months Ended December 31,	
	2020	2019
<b>Numerator:</b>		
Numerator for EPS - continuing operations		
(Loss) income from continuing operations	\$ (285.0)	\$ 32.0
Less: Income from continuing operations attributed to non-controlling interest	8.2	5.3
Numerator for diluted EPS - continuing operations attributable to Delek	<u>\$ (293.2)</u>	<u>\$ 26.7</u>
Numerator for EPS - discontinued operations		
Income from discontinued operations	\$ —	\$ 6.0
<b>Denominator:</b>		
Weighted average common shares outstanding (denominator for basic EPS)	73,736,637	74,042,343
Dilutive effect of stock-based awards	—	658,583
Weighted average common shares outstanding, assuming dilution	<u>73,736,637</u>	<u>74,700,926</u>
<b>EPS:</b>		
Basic income per share:		
(Loss) income from continuing operations	\$ (3.98)	\$ 0.36
Income from discontinued operations	—	0.08
Total basic (loss) income per share	<u>\$ (3.98)</u>	<u>\$ 0.44</u>
Diluted income per share:		
(Loss) income from continuing operations	\$ (3.98)	\$ 0.36
Income from discontinued operations	—	0.08
Total diluted (loss) income per share	<u>\$ (3.98)</u>	<u>\$ 0.44</u>
The following equity instruments were excluded from the diluted weighted average common shares outstanding because their effect would be anti-dilutive:		
Antidilutive stock-based compensation	301,086	1,925,207
Antidilutive due to loss	3,685,519	—
Total antidilutive stock-based compensation	<u>3,986,605</u>	<u>1,925,207</u>

## 25. Leases

We lease certain retail stores, land, building and various equipment from others. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 15 years or more. The exercise of existing lease renewal options is at our sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Some of our lease agreements include a rate based on equipment usage and others include a rate with fixed increases or inflationary indices based increase. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We rent or sublease certain real estate and equipment to third parties. Our sublease portfolio consists primarily of operating leases within our retail stores and crude storage equipment.

As of December 31, 2020, \$26.4 million of our net property, plant, and equipment balance is subject to an operating lease. This agreement does not include options for the lessee to purchase our leasing equipment, nor does it include any material residual value guarantees or material restrictive covenants. The agreement includes a one year renewal option and certain variable payment based on usage.

The following table presents additional information related to our operating leases in accordance ASC 842, Leases ("ASC 842"):

(in millions)

	Year Ended December 31,	
	2020	2019
<b>Lease Cost</b>		
Operating lease costs <sup>(1)</sup>	\$ 64.0	\$ 49.5
Short-term lease costs <sup>(2)</sup>	24.4	17.4
Sublease income	(7.7)	(6.4)
Net lease costs	<u>\$ 80.7</u>	<u>\$ 60.5</u>
<b>Other Information</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases <sup>(1)</sup>	<u>\$ (64.0)</u>	<u>\$ (49.5)</u>
Leased assets obtained in exchange for new operating lease liabilities	<u>\$ 58.1</u>	<u>\$ 15.9</u>
	<b>December 31, 2020</b>	
Weighted-average remaining lease term (years) operating leases	<u>5.2</u>	
Weighted-average discount rate operating leases <sup>(3)</sup>	<u>6.4 %</u>	

<sup>(1)</sup> Includes an immaterial amount of financing lease cost.

<sup>(2)</sup> Includes an immaterial amount of variable lease cost.

<sup>(3)</sup> Our discount rate is primarily based on our incremental borrowing rate in accordance with ASC 842.

The following is an estimate of the maturity of our lease liabilities for operating leases having remaining noncancelable terms in excess of one year as of December 31, 2020 (in millions) under the new lease guidance ASC 842:

Maturity of Lease Liabilities	Total
12 months or less	\$ 216.6
13-24 months	214.7
25-36 months	192.8
37-48 months	182.2
49- 50 months	94.8
Thereafter	214.4
<b>Total future lease payments</b>	<u>1,115.5</u>
Less: Interest	<u>933.5</u>
<b>Present Value of Lease Liabilities</b>	<u>\$ 182.0</u>

## 26. Subsequent Events

During February 2021, the Company experienced a severe weather event at the Tyler, El Dorado and Krotz Springs refineries, resulting in units being temporarily shut down and damages to parts of the facilities due to extreme freezing conditions. The Company is currently determining the financial impact of the event and expects to incur certain recovery costs and repair costs. Additionally, the severe weather conditions and the resultant industry downtime have caused energy prices to rise in certain regions where we operate, which are expected to result in additional operating expenses for the refineries impacted until such time that supply is restored and energy prices stabilize.

On February 27, 2021, our El Dorado refinery experienced a fire in its Penex unit. The facility was in the process of undergoing turnaround activity, so there are no operational disruptions as a result of the fire. We are in the preliminary stages of assessing the extent of the damages.

## ITEM 16. FORM 10-K SUMMARY

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Delek US Holdings, Inc.

By: /s/ Reuven Spiegel

Reuven Spiegel

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Dated: March 1, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by or on behalf of the following persons on behalf of the registrant and in the capacities indicated on March 1, 2021:

/s/ Ezra Uzi Yemin

Ezra Uzi Yemin

Director (Chairman), President and Chief Executive Officer

(Principal Executive Officer)

/s/ Nilah Staskus

Nilah Staskus

Senior Vice President, Chief Accounting Officer

(Principal Accounting Officer)

/s/ William J. Finnerty

William J. Finnerty

Director

/s/ Richard J. Marcogliese

Richard J. Marcogliese

Director

/s/ Gary M. Sullivan, Jr.

Gary M. Sullivan, Jr.

Director

/s/ Vicky Sutil

Vicky Sutil

Director



/s/ Laurie Z. Tolson

Laurie Z. Tolson

Director

/s/ David Wiessman

David Wiessman

Director

/s/ Shlomo Zohar

Shlomo Zohar

Director

# Corporate and Shareholder Information

## BOARD OF DIRECTORS

Ezra Uzi Yemin

William J. Finnerty

Shlomo Zohar

Gary M. Sullivan, Jr.

David Wiessman

Vicky Sutil

Richard Marcogliese

Laurie Z. Tolson

## SENIOR MANAGEMENT

### EZRA UZI YEMIN

Chairman, President  
and Chief Executive Officer

### REUVEN SPIEGEL

Executive Vice President  
and Chief Financial Officer

### MARK PAGE

Executive Vice President -  
Strategic Projects

### SARIT SOCCARY BEN-YOCHANAN

Managing Partner -  
DK Innovation

### JARED SERFF

Executive Vice President  
and Chief Human Resource Officer

### LOUIS LABELLA

Executive Vice President  
and President of Refining

### ANTHONY L. MILLER

Executive Vice President - Retail

### DENISE MCWATTERS

Executive Vice President,  
General Counsel and Secretary

### TODD O'MALLEY

Executive Vice President,  
Chief Commercial Officer

## OTHER INFORMATION

### HEADQUARTERS

Delek US Holdings, Inc.  
7102 Commerce Way  
Brentwood, TN 37027

### AUDITORS

Ernst & Young, LLP  
Nashville, TN

### FORM 10-K

The Company's annual report on Form 10-K, which is filed with the Securities and Exchange Commission, is available upon request and may be obtained by contacting the Company's investor relations department.

### STOCK EXCHANGE LISTING

New York Stock Exchange  
Ticker Symbol: DK

### TRANSFER AGENT

American Stock Transfer &  
Trust Company  
6201 15th Ave.  
Brooklyn, NY 11219

### INVESTOR RELATIONS CONTACT

Blake Fernandez  
SVP - Investor Relations & Market Intelligence  
Direct: 615.224.1312  
Email: [blake.fernandez@delekus.com](mailto:blake.fernandez@delekus.com)

### ANNUAL MEETING

Annual Meeting of Stockholders expected to be held May 6, 2021

## FORWARD-LOOKING STATEMENTS:

Delek US Holdings, Inc. ("Delek US") and Delek Logistics Partners, LP ("Delek Logistics"; and collectively with Delek US, "we" or "our") are traded on the New York Stock Exchange in the United States under the symbols "DK" and "DKL", respectively. These slides and any accompanying oral and written presentations contain forward-looking statements within the meaning of federal securities laws that are based upon current expectations and involve a number of risks and uncertainties. Statements concerning current estimates, expectations and projections about future results, performance, prospects, opportunities, plans, actions and events and other statements, concerns, or matters that are not historical facts are "forward-looking statements," as that term is defined under the federal securities laws.

These forward-looking statements include, but are not limited to, the statements regarding the following: financial and operating guidance for future and uncompleted financial periods; financial strength and flexibility, potential for and projections of growth; return of cash to shareholders, stock repurchases and the payment of dividends, including the amount and timing thereof; cost reductions; crude oil throughput; crude oil market trends, including production, quality, pricing, demand, imports, exports and transportation costs; the performance of our joint venture investments, including Red River and Wink to Webster, and the benefits, flexibility, returns and EBITDA therefrom; the potential for, and estimates of cost savings and other benefits from, acquisitions, divestitures, dropdowns and financing activities; the attainment of certain regulatory benefits; long-term value creation from capital allocation; execution of strategic initiatives and the benefits therefrom, including cash flow stability from business model transition; and access to crude oil and the benefits therefrom. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "appears," "projects" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Investors are cautioned that the following important factors, among others, may affect these forward-looking statements: uncertainty related to timing and amount of value returned to shareholders; risks and uncertainties with respect to the quantities and costs of crude oil we are able to obtain and the price of the refined petroleum products we ultimately sell, including uncertainties regarding future decisions by OPEC regarding production and pricing disputes between OPEC members and Russia; uncertainty relating to the impact of the COVID-19 outbreak on the demand for crude oil, refined products and transportation and storage services; Delek US' ability to realize cost reductions; risks related to Delek US' exposure to Permian Basin crude oil, such as supply, pricing, production and transportation capacity; gains and losses from derivative instruments; management's ability to execute its strategy of growth through acquisitions and the transactional risks associated with acquisitions and dispositions; acquired assets may suffer a diminishment in fair value as a result of which we may need to record a write-down or impairment in carrying value of the asset; changes in the scope, costs, and/or timing of capital and maintenance projects; the ability of the Wink to Webster joint venture to construct the long-haul pipeline; the ability of the Red River joint venture to expand the Red River pipeline; the ability to grow the Big Spring Gathering System; operating hazards inherent in transporting, storing and processing crude oil and intermediate and finished petroleum products; our competitive position and the effects of competition; the projected growth of the industries in which we operate; general economic and business conditions affecting the geographic areas in which we operate; and other risks contained in Delek US' and Delek Logistics' filings with the United States Securities and Exchange Commission.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not be accurate indications of the times at, or by which such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Neither Delek US nor Delek Logistics undertakes any obligation to update or revise any such forward-looking statements.

