

CVR Refining, LP  
Form 10-Q  
April 27, 2018  
Table of Contents

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

Form 10-Q  
(Mark One)

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

For the quarterly period ended March 31, 2018

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: 001-35781  
CVR Refining, LP  
(Exact name of registrant as specified in its charter)

Delaware 37-1702463  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

2277 Plaza Drive, Suite 500  
Sugar Land, Texas 77479  
(Address of principal executive offices) (Zip Code)

(281) 207-3200  
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Edgar Filing: CVR Refining, LP - Form 10-Q

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller  
reporting company)

Smaller reporting company

Emerging growth company

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

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

There were 147,600,000 common units outstanding at April 24, 2018.

---

CVR REFINING, LP AND SUBSIDIARIES

INDEX TO QUARTERLY REPORT ON FORM 10-Q  
For The Quarter Ended March 31, 2018

	Page No.
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	<u>6</u>
<u>Condensed Consolidated Balance Sheets — March 31, 2018 (unaudited) and December 31, 2017</u>	<u>6</u>
<u>Condensed Consolidated Statements of Operations — Three Months Ended March 31, 2018 and 2017 (unaudited)</u>	<u>7</u>
<u>Condensed Consolidated Statement of Changes in Partners' Capital — Three Months Ended March 31, 2018 (unaudited)</u>	<u>8</u>
<u>Condensed Consolidated Statements of Cash Flows — Three Months Ended March 31, 2018 and 2017 (unaudited)</u>	<u>9</u>
<u>Notes to the Condensed Consolidated Financial Statements — March 31, 2018 (unaudited)</u>	<u>10</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>47</u>
<u>Item 4. Controls and Procedures</u>	<u>48</u>
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>49</u>
<u>Item 1A. Risk Factors</u>	<u>49</u>
<u>Item 5. Other Information</u>	<u>49</u>
<u>Item 6. Exhibits</u>	<u>49</u>
<u>Signatures</u>	<u>51</u>

Table of Contents

GLOSSARY OF SELECTED TERMS

The following are definitions of certain terms used in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (this "Report").

2017 Form 10-K — Our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission ("SEC") on February 26, 2018.

2022 Notes — \$500.0 million aggregate principal amount of 6.5% Senior Notes due 2022, which were issued by Refining LLC and Coffeyville Finance on October 23, 2012 and fully and unconditionally guaranteed by the Partnership and each of Refining LLC's domestic subsidiaries other than Coffeyville Finance.

2-1-1 crack spread — The approximate gross margin resulting from processing two barrels of crude oil to produce one barrel of gasoline and one barrel of distillate. The 2-1-1 crack spread is expressed in dollars per barrel.

Amended and Restated ABL Credit Facility — Our senior secured asset based revolving credit facility with a group of lenders and Wells Fargo, as administrative agent and collateral agent.

barrel — Common unit of measure in the oil industry which equates to 42 gallons.

blendstocks — Various compounds that are combined with gasoline or diesel from the crude oil refining process to make finished gasoline and diesel fuel; these may include natural gasoline, fluid catalytic cracking unit or FCCU gasoline, ethanol, reformat or butane, among others.

bpd — Abbreviation for barrels per day.

bpcd — Abbreviation for barrels per calendar day, which refers to the total number of barrels processed in a refinery within a year, divided by the total number of days in the year (365 or 366 days), thus reflecting all operational and logistical limitations.

bulk sales — Volume sales through third-party pipelines, in contrast to tanker truck quantity rack sales.

capacity — Capacity is defined as the throughput a process unit is capable of sustaining, either on a calendar or stream day basis. The throughput may be expressed in terms of maximum sustainable, nameplate or economic capacity. The maximum sustainable or nameplate capacities may not be the most economical. The economic capacity is the throughput that generally provides the greatest economic benefit based on considerations such as crude oil and other feedstock costs, product values and downstream unit constraints.

catalyst — A substance that alters, accelerates, or instigates chemical changes, but is neither produced, consumed nor altered in the process.

Coffeyville Finance — Coffeyville Finance Inc., a wholly owned subsidiary of Refining LLC and an indirect wholly-owned subsidiary of the Partnership.

crack spread — A simplified calculation that measures the difference between the price for light products and crude oil. For example, the 2-1-1 crack spread is often referenced and represents the approximate gross margin resulting from processing two barrels of crude oil to produce one barrel of gasoline and one barrel of distillate.

Edgar Filing: CVR Refining, LP - Form 10-Q

CRLLC — Coffeyville Resources, LLC, a wholly-owned subsidiary of CVR Energy.

CRPLLC — Coffeyville Resources Pipeline, LLC.

CRRM — Coffeyville Resource Refining & Marketing, LLC, a wholly-owned subsidiary of Refining LLC and indirect wholly-owned subsidiary of the Partnership.

CVR Energy — CVR Energy, Inc., a publicly traded company listed on the NYSE under the ticker symbol "CVI," which indirectly owns our general partner and a majority of our common units.

3

---

Table of Contents

CVR Partners — CVR Partners, LP, a publicly traded limited partnership listed on the NYSE under the ticker symbol "UAN," which produces and markets nitrogen fertilizers in the form of urea ammonium nitrate ("UAN") and ammonia.

CVR Refining — CVR Refining, LP and its subsidiaries.

CVR Refining GP or general partner — CVR Refining GP, LLC, an indirect wholly-owned subsidiary of CVR Energy.

distillates — Primarily diesel fuel, kerosene and jet fuel.

ethanol — A clear, colorless, flammable oxygenated hydrocarbon. Ethanol is typically produced chemically from ethylene, or biologically from fermentation of various sugars from carbohydrates found in agricultural crops and cellulosic residues from crops or wood. It is used in the United States as a gasoline octane enhancer and oxygenate.

FCCU — Fluid Catalytic Cracking Unit.

feedstocks — Petroleum products, such as crude oil and natural gas liquids, that are processed and blended into refined products, such as gasoline, diesel fuel and jet fuel, during the refining process.

Group 3 — A geographic subset of the PADD II region comprising refineries in Oklahoma, Kansas, Missouri, Nebraska and Iowa. Current Group 3 refineries include our Coffeyville and Wynnewood refineries; the Valero Ardmore refinery in Ardmore, OK; HollyFrontier's Tulsa refinery in Tulsa, OK and El Dorado refinery in El Dorado, KS; Phillips 66's Ponca City refinery in Ponca City, OK; and CHS Inc.'s refinery in McPherson, KS.

heavy crude oil — A relatively inexpensive crude oil characterized by high relative density and viscosity. Heavy crude oils require greater levels of processing to produce high value products such as gasoline and diesel fuel.

independent petroleum refiner — A refiner that does not have crude oil exploration or production operations. An independent refiner purchases the crude oil throughputs in its refinery operations from third parties.

intercompany credit facility — A \$150.0 million senior unsecured revolving credit facility between CRLLC and Refining LLC.

LIBOR — London Interbank Offered Rate.

light crude oil — A relatively expensive crude oil characterized by low relative density and viscosity. Light crude oils require lower levels of processing to produce high value products such as gasoline and diesel fuel.

Midway — Midway Pipeline LLC.

MSCF — One thousand standard cubic feet, a customary gas measurement unit.

natural gas liquids — Natural gas liquids, often referred to as NGLs, are feedstocks used in the manufacture of refined fuels, as well as products of the refining process. Common NGLs used include propane, isobutane, normal butane and natural gasoline.

PADD II — Midwest Petroleum Area for Defense District which includes Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee and Wisconsin.

Partnership — CVR Refining and its subsidiaries.

petroleum coke (pet coke) — A coal-like substance that is produced during the refining process.

rack sales — Sales which are made at terminals into third-party tanker trucks or railcars.

refined products — Petroleum products, such as gasoline, diesel fuel and jet fuel, that are produced by a refinery.

Refining LLC — CVR Refining, LLC, a wholly-owned subsidiary of the Partnership.

4

---

Table of Contents

RFS — Renewable Fuel Standard of the Environmental Protection Agency ("EPA").

RINs — Renewable fuel credits, known as renewable identification numbers.

sour crude oil — A crude oil that is relatively high in sulfur content, requiring additional processing to remove the sulfur. Sour crude oil is typically less expensive than sweet crude oil.

spot market — A market in which commodities are bought and sold for cash and delivered immediately.

sweet crude oil — A crude oil that is relatively low in sulfur content, requiring less processing to remove the sulfur. Sweet crude oil is typically more expensive than sour crude oil.

throughput — The volume processed through a unit or a refinery or transported on a pipeline.

turnaround — A periodically required standard procedure to inspect, refurbish, repair and maintain our refineries. This process involves the shutdown and inspection of major processing units and occurs every four to five years.

Velocity — Velocity Central Oklahoma Pipeline LLC.

Vitol — Vitol Inc.

Vitol Agreement — The Amended and Restated Crude Oil Supply Agreement between Vitol and CCRM.

VPP — Velocity Pipeline Partners, LLC.

WCS — Western Canadian Select crude oil, a medium to heavy, sour crude oil, characterized by an American Petroleum Institute gravity ("API gravity") of between 20 and 22 degrees and a sulfur content of approximately 3.3 weight percent.

WTI — West Texas Intermediate crude oil, a light, sweet crude oil, characterized by an API gravity between 39 and 41 degrees and a sulfur content of approximately 0.4 weight percent that is used as a benchmark for other crude oils.

WTS — West Texas Sour crude oil, a relatively light, sour crude oil characterized by an API gravity of between 30 and 32 degrees and a sulfur content of approximately 2.0 weight percent.

yield — The percentage of refined products that is produced from crude oil and other feedstocks.



Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## CVR REFINING, LP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (unaudited)	December 31, 2017 (unaudited)
	(in millions, except unit data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$106.9	\$173.8
Accounts receivable, net of allowance for doubtful accounts of \$0.9 and \$1.1, including \$0.0 and \$0.1 due from affiliates at March 31, 2018 and December 31, 2017, respectively	164.4	168.9
Inventories	366.6	331.2
Prepaid expenses and other current assets, including \$1.5 and \$1.5 due from affiliates at March 31, 2018 and December 31, 2017, respectively	107.9	25.9
Total current assets	745.8	699.8
Property, plant, and equipment, net of accumulated depreciation	1,459.4	1,478.8
Equity method investments in affiliates	83.5	82.8
Other long-term assets	6.6	8.5
Total assets	\$2,295.3	\$2,269.9
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Current liabilities:		
Note payable and capital lease obligations	\$2.2	\$2.1
Accounts payable, including \$4.9 and \$4.9 due to affiliates at March 31, 2018 and December 31, 2017, respectively	323.3	312.3
Personnel accruals, including \$2.5 and \$4.1 due to affiliates at March 31, 2018 and December 31, 2017, respectively	15.6	27.3
Accrued taxes other than income taxes	21.7	24.9
Accrued expenses and other current liabilities, including \$3.1 and \$10.6 due to affiliates at March 31, 2018 and December 31, 2017, respectively	65.9	115.7
Total current liabilities	428.7	482.3
Long-term liabilities:		
Long-term debt and capital lease obligations, net of current portion	538.2	538.5
Other long-term liabilities	1.3	2.3
Total long-term liabilities	539.5	540.8
Commitments and contingencies		
Partners' capital:		
Common unitholders, 147,600,000 units issued and outstanding at March 31, 2018 and December 31, 2017	1,327.1	1,246.8
General partner interest	—	—
Total partners' capital	1,327.1	1,246.8
Total liabilities and partners' capital	\$2,295.3	\$2,269.9

See accompanying notes to the condensed consolidated financial statements.



Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2018	2017
	(unaudited)	
	(in millions, except per unit data)	
Net sales	\$1,458.2	\$1,423.5
Operating costs and expenses:		
Cost of materials and other	1,217.7	1,201.3
Direct operating expenses (exclusive of depreciation and amortization as reflected below)	93.0	102.1
Depreciation and amortization	32.7	33.3
Cost of sales	1,343.4	1,336.7
Selling, general and administrative expenses (exclusive of depreciation and amortization as reflected below)	16.6	20.0
Depreciation and amortization	1.0	0.8
Total operating costs and expenses	1,361.0	1,357.5
Operating income	97.2	66.0
Other income (expense):		
Interest expense and other financing costs	(11.4 )	(11.2 )
Interest income	0.1	—
Gain on derivatives, net	59.3	12.2
Other income, net	1.5	—
Total other income	49.5	1.0
Income before income tax expense	146.7	67.0
Income tax expense	—	—
Net income	\$146.7	\$67.0
Net income per common unit - basic and diluted	\$0.99	\$0.45
Weighted-average common units outstanding:		
Basic and diluted	147.6	147.6

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' CAPITAL

	Common Units Issued	Common Unitholders	General Partner Interest	Total Partners' Capital
	(unaudited)			
	(in millions, except unit data)			
Balance at December 31, 2017	147,600,000	\$ 1,246.8	\$	—\$1,246.8
Cash distributions to common unitholders - Affiliates	—	(46.4 )	—	(46.4 )
Cash distributions to common unitholders - Non-affiliates	—	(20.0 )	—	(20.0 )
Net income	—	146.7	—	146.7
Balance at March 31, 2018	147,600,000	\$ 1,327.1	\$	—\$1,327.1

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2018    2017 (unaudited) (in millions)	
Cash flows from operating activities:		
Net income	\$146.7	\$67.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33.7	34.1
Allowance for doubtful accounts	(0.2 )	0.7
Amortization of deferred financing costs	0.3	0.5
Loss on disposition of assets	—	0.5
Share-based compensation	0.9	2.1
Gain on derivatives, net	(59.3 )	(12.2 )
Current period settlements on derivative contracts	13.7	1.2
Income from equity method investments, net of distributions	(0.7 )	—
Changes in assets and liabilities:		
Accounts receivable	4.8	9.3
Inventories	(35.5 )	1.3
Prepaid expenses and other current assets	(78.9 )	29.3
Other long-term assets	0.9	—
Accounts payable	13.1	(5.6 )
Accrued expenses and other current liabilities	(22.7 )	(11.7 )
Other long-term liabilities	(0.9 )	(0.4 )
Net cash provided by operating activities	15.9	116.1
Cash flows from investing activities:		
Capital expenditures	(16.0 )	(19.6 )
Investment in affiliates, net of return of investment	0.1	(1.4 )
Net cash used in investing activities	(15.9 )	(21.0 )
Cash flows from financing activities:		
Payment of capital lease obligations	(0.5 )	(0.4 )
Distributions to common unitholders – affiliates	(46.4 )	—
Distributions to common unitholders – non-affiliates	(20.0 )	—
Net cash used in financing activities	(66.9 )	(0.4 )
Net increase (decrease) in cash and cash equivalents	(66.9 )	94.7
Cash and cash equivalents, beginning of period	173.8	314.1
Cash and cash equivalents, end of period	\$106.9	\$408.8
Supplemental disclosures:		
Cash paid for interest net of capitalized interest of \$0.3 and \$0.3 in 2018 and 2017, respectively	\$3.0	\$2.8
Non-cash investing and financing activities:		
Construction in process additions included in accounts payable	\$4.7	\$8.9
Change in accounts payable related to construction in process additions	\$(2.2 )	\$(0.3 )

See accompanying notes to the condensed consolidated financial statements.



Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

(unaudited)

(1) Organization and Nature of Business

CVR Refining, LP and subsidiaries ("CVR Refining" or the "Partnership") is an independent petroleum refiner and marketer of high value transportation fuels. The Partnership owns a complex full coking medium-sour crude oil refinery in Coffeyville, Kansas and a complex crude oil refinery in Wynnewood, Oklahoma. As of March 31, 2018, Coffeyville Resources, LLC ("CRLLC"), a wholly-owned subsidiary of CVR Energy, Inc. ("CVR Energy"), owned 100% of the Partnership's noneconomic general partner interest and approximately 66% of the Partnership's outstanding limited partner interests. As of March 31, 2018, Icahn Enterprises L.P. ("IEP") and its affiliates owned approximately 82% of CVR Energy's outstanding shares. CVR Refining's common units, which are listed on the New York Stock Exchange ("NYSE"), began trading on January 17, 2013 under the symbol "CVRR."

Management and Operations

The Partnership is party to a services agreement pursuant to which the Partnership and its general partner obtain certain management and other services from CVR Energy. The Partnership's general partner manages the Partnership's activities subject to the terms and conditions specified in CVR Refining's partnership agreement. The operations of the general partner, in its capacity as general partner, are managed by its board of directors. Actions by the general partner that are made in its individual capacity are made by CVR Refining Holdings, LLC, a subsidiary of CRLLC, as the sole member of the Partnership's general partner and not by the board of directors of the general partner. The members of the board of directors of the Partnership's general partner are not elected by the Partnership's unitholders and are not subject to re-election on a regular basis. The officers of the general partner manage the day-to-day affairs of the business.

(2) Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). These condensed consolidated financial statements should be read in conjunction with the December 31, 2017 audited consolidated financial statements and notes thereto included in CVR Refining's Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 26, 2018 (the "2017 Form 10-K").

The condensed consolidated financial statements include certain selling, general and administrative expenses (exclusive of depreciation and amortization) and direct operating expenses (exclusive of depreciation and amortization) that CVR Energy and its affiliates incurred on behalf of and charged to the Partnership. These related party transactions are governed by the services agreement. See Note 15 ("Related Party Transactions") for additional discussion of the services agreement and billing of certain costs.

In the opinion of the Partnership's management, the accompanying condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to fairly present the financial position of the Partnership as of March 31, 2018 and December 31, 2017, the results of operations of the Partnership for the three month periods ended March 31, 2018 and 2017, the changes in partners' capital for the Partnership for the three month period ended March 31, 2018 and the cash flows of the Partnership for the three month periods ended March 31, 2018 and 2017.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Results of operations and cash flows for the interim periods presented are not necessarily indicative of the results that will be realized for the year ending December 31, 2018 or any other interim or annual period.



Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

## (3) Recent Accounting Pronouncements

## Adoption of New Accounting Standard

On January 1, 2018, the Partnership adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606") using the modified retrospective method applied to contracts which were not completed as of January 1, 2018. The standard was applied prospectively and the comparative information for 2017 has not been restated and continues to be reported under the accounting standards in effect for the prior period. The Partnership did not identify any material differences in its existing revenue recognition methods that require modification under the new standard and, as such, a cumulative effect adjustment of applying the standard using the modified retrospective method was not recorded.

## Impact on Financial Statements

The Partnership identified a presentation change associated with a fee collected from certain customers that were previously recorded as a reduction to cost of materials and other. The particular fee, the Oil Spill Liability Tax, relates to taxes imposed on refineries as part of the crude oil procurement process, and is charged to certain of the Partnership's customers on product sales and is required under the new standard to be included in the transaction price.

The following table displays the effect of the change to the Condensed Consolidated Statement of Operations for the three months ended March 31, 2018 for the adoption of ASC 606. The Partnership's Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Cash Flows were not impacted due to the adoption of ASC 606 as of and for the three months ended March 31, 2018.

	Three Months Ended March 31, 2018		
	Balances		
As Reported	Without Adoption of ASC 606	Effect of Change	
	(in millions)		
Revenues			
Net sales	\$1,458.2	\$1,458.0	\$ 0.2

## Cost and Expenses

Cost of materials and other	1,217.7	1,217.5	0.2
-----------------------------	---------	---------	-----

## New Accounting Standards Issued But Not Yet Implemented

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02") creating a new topic, FASB ASC Topic 842, "Leases," which supersedes lease requirements in FASB ASC Topic 840, "Leases." The new standard revises accounting for operating leases by a lessee, among other changes, and requires a lessee to recognize a liability related to future lease payments and an asset representing its right to use the underlying asset for the lease term in the

balance sheet. Quantitative and qualitative disclosures, including disclosures regarding significant judgments made by management, will be required. The standard is effective for the first interim and annual periods beginning after December 15, 2018, with early adoption permitted. At adoption, ASU 2016-02 will be applied using the modified retrospective application method and allows for certain practical expedients. The Partnership expects its assessment and implementation plan to be ongoing during 2018 and is currently unable to reasonably estimate the impact of adopting the new lease standard on its consolidated financial statements and related disclosures. The Partnership currently believes the most significant change will relate to the recognition of right-of-use assets and leases liability on the balance sheet for existing long-term operating leases, and the potential recognition for agreements that do not currently meet the definition of a lease under ASC Topic 840, which will require an evaluation of the Partnership's unconditional purchase obligations primarily related to petroleum transportation and storage service agreements. The impact of the new standard on right-of-use assets, leases liability and related disclosures could be material to the Partnership's consolidated financial statements.

Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

## (4) Revenue

The following table presents the Partnership's revenue disaggregated by major product.

	Three Months Ended March 31, 2018 (in millions)
Major Product	
Gasoline	\$ 711.7
Distillates	652.2
Freight revenue	5.5
Other (a)	87.3
Revenue from product sales	1,456.7
Other revenue (b)	1.5
Total revenue	\$ 1,458.2

(a) Other product sales primarily include crude oil, feedstocks and asphalt sales.

(b) Other revenue consists primarily of Cushing, OK storage tank lease revenue.

The Partnership's revenue from product sales is recorded upon delivery of the products to customers, which is the point at which title is transferred and the customer has assumed the risk of loss. This generally takes place as product passes into the pipeline, as a product transfer order occurs within a pipeline system, or as product enters equipment or locations supplied or designated by the customer. The Partnership has elected to apply the sales tax practical expedient, whereby qualifying excise and other taxes collected from customers and remitted to governmental authorities are not included in reported revenues.

Many of the Partnership's contracts have index-based pricing which is considered variable consideration that should be estimated in determining the transaction price. The Partnership determined that it does not need to estimate the variable consideration because the uncertainty related to the consideration is resolved on the pricing date or the date when the product is delivered.

The Partnership may incur broker commissions or transportation costs prior to product transfer on some of its sales. The Partnership has elected to apply the practical expedient allowing it to expense the broker costs since the contract durations are less than a year in length. Transportation costs are accounted for as fulfillment costs and are expensed as incurred since they do not meet the requirement for capitalization.

The Partnership's contracts with its customers state the terms of the sale, including the description, quantity, and price of each product sold. Depending on the product sold, payment from customers is generally due in full within 2 to 32 days of product delivery or invoice date. The Partnership's contracts with customers commonly include a provision which states that the Partnership will accept customer returns of off-spec product, refund the customer (or provide

on-spec product), and pay for damages to any customer equipment which resulted from the off-spec product. Typically, if the customer is not satisfied with the product, the price is adjusted downward instead of the product being returned or exchanged. The Partnership has determined that product returns or refunds are very rare and will account for them as they occur. The Partnership generally provides no warranty other than the implicit promise that goods delivered are free of liens and encumbrances and meet the agreed upon specification.

Freight revenue recognized by the Partnership is primarily tariff and line loss charges rebilled to customers to reimburse the Partnership for expenses incurred from a pipeline operator. An offsetting expense is included in cost of materials and other.

Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

Transaction price allocated to remaining performance obligations

As of March 31, 2018, approximately \$41.7 million of revenue from remaining performance obligations is expected to be recognized from a contract with an initial duration of greater than one year. The Partnership will recognize revenue ratably each month through 2036 as the take-or-pay obligations under the Hydrogen Purchase and Sale Agreement are satisfied or expire. See Note 15 ("Related Party Transactions") for a description of the Hydrogen Purchase and Sale Agreement.

The Partnership has elected an optional exemption to not disclose the amount of transaction price allocated to remaining performance obligations for contracts with an original expected duration of less than one year.

The Partnership does not disclose variable consideration related to index-based or market-based pricing as it qualifies for the variable consideration allocation exception under the new revenue standard. The variable consideration relates specifically to the Partnership's efforts to transfer each unit of product to the customer in which the pricing is directly related to the period to which the sale occurs.

(5) Share-Based Compensation

Certain employees of CVR Refining and employees of CVR Energy and its subsidiaries who perform services for CVR Refining participate in the equity compensation plans of CVR Refining's affiliates. Accordingly, CVR Refining has recorded compensation expense for these plans in accordance with Staff Accounting Bulletin ("SAB") Topic 1-B, "Allocations of Expenses and Related Disclosures in Financial Statements of Subsidiaries, Divisions or Lesser Business Components of Another Entity," and in accordance with guidance regarding the accounting for share-based compensation granted to employees of an equity method investee. All compensation expense related to these plans for full-time employees of CVR Refining has been attributed 100% to CVR Refining. For employees of CVR Energy performing services for CVR Refining, CVR Refining recorded share-based compensation relative to the percentage of time spent by each employee providing services to CVR Refining as compared to the total calculated share-based compensation by CVR Energy.

Long-Term Incentive Plan—CVR Energy

CVR Energy has a Long-Term Incentive Plan ("CVR Energy LTIP") that permits the grant of options, stock appreciation rights ("SARs"), restricted shares, restricted share units, dividend equivalent rights, share awards and performance awards (including performance share units, performance units and performance based restricted stock). As of March 31, 2018, only performance units remain outstanding under the CVR Energy LTIP. Individuals who are eligible to receive awards and grants under the CVR Energy LTIP include CVR Energy's or its subsidiaries' (including CVR Refining) employees, officers, consultants and directors.

Performance Unit Awards

In December 2016, CVR Energy entered into a performance unit award agreement (the "2016 Performance Unit Award Agreement") with Mr. Lipinski, CVR Energy's then Chief Executive Officer and President. The Partnership was responsible for reimbursing CVR Energy for its allocated portion of the performance unit award. Compensation cost for the 2016 Performance Unit Award Agreement of \$1.8 million was recognized over the performance cycle from January 1, 2017 to December 31, 2017. As of December 31, 2017, the Partnership had an outstanding liability of

\$1.8 million related to the 2016 performance unit award. During the three months ended March 31, 2018, \$1.8 million was paid by the Partnership related to the 2016 performance unit award.

Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

In November 2017, CVR Energy entered into a performance unit agreement (the "2017 Performance Unit Agreement") with David Lamp, CVR Energy's current Chief Executive Officer and President. Compensation cost for the 2017 Performance Unit Agreement will be recognized over the performance cycle from January 1, 2018 to December 31, 2018. The performance unit award of 1,500 performance units under the 2017 Performance Unit Agreement represents the right to receive, upon vesting, a cash payment equal to \$1,000 multiplied by the applicable performance factor. The performance factor is determined based on the level of attainment of the applicable performance objective, and both the performance factor and performance objective(s) will be determined by CVR Energy's compensation committee. The amount paid pursuant to the award, if any, will be paid following the end of the performance cycle for the award, but no later than March 6, 2019. The Partnership is responsible for reimbursing CVR Energy for its allocated portion of the performance unit awards. Assuming a target performance threshold and that the allocation of costs from CVR Energy remains consistent with the allocation percentages in place at March 31, 2018, there was approximately \$0.6 million of total unrecognized compensation cost related to the 2017 Performance Unit Agreement to be recognized over a period of 0.8 years. Total compensation expense for the three months ended March 31, 2018 was approximately \$0.2 million. As of March 31, 2018, the Partnership had a liability of \$0.2 million for the performance unit awards, which is recorded in personnel accruals on the Condensed Consolidated Balance Sheets.

In November 2017, CVR Energy entered into a performance unit award agreement (the "2017 Performance Unit Award Agreement") with Mr. Lamp. The performance unit award represents the right to receive upon vesting, a cash payment equal to \$10.0 million if the average closing price of CVR Energy's common stock over the 30-trading day period from January 4, 2022 to February 15, 2022 is equal to or greater than \$60 per share. The Partnership will be responsible for reimbursing CVR Energy for its allocated portion of the performance unit award. Assuming the target is met and that the allocation of costs from CVR Energy remains consistent with the allocation percentages in place at March 31, 2018, there was approximately \$4.7 million of total unrecognized compensation cost related to the 2017 Performance Unit Award Agreement to be recognized over a period of 3.8 years. Compensation expense for the three months ended March 31, 2018 related to the award was approximately \$0.3 million. As of March 31, 2018, the Partnership had a liability of \$0.3 million, for its allocated portion of the 2017 Performance Unit Award Agreement, which is recorded in personnel accruals on the Condensed Consolidated Balance Sheets.

#### Incentive Unit Awards

CVR Energy has granted awards of incentive units and distribution equivalent rights to certain employees of CRLLC, CVR Energy and CVR GP, LLC. The awards are generally graded vesting awards, which are expected to vest over three years with one-third of each award vesting each year. Compensation expense is recognized on a straight-line basis over the vesting period of the respective tranche of the award. Each incentive unit and distribution equivalent right represents the right to receive, upon vesting, a cash payment equal to (i) the average fair market value of one unit of the Partnership's common units in accordance with the award agreement, plus (ii) the per unit cash value of all distributions declared and paid by the Partnership from the grant date to and including the vesting date. The awards, which are liability-classified, will be remeasured at each subsequent reporting date until they vest.

Assuming the portion of time spent on CVR Refining-related matters by CVR Energy employees providing services to CVR Refining remains consistent with the amount of services provided during the three months ended March 31, 2018, there was approximately \$2.5 million of total unrecognized compensation cost related to the incentive unit awards and associated distribution equivalent rights to be recognized over a weighted-average period of approximately 1.4 years. Inclusion of the vesting table is not considered meaningful due to changes in allocation percentages that

may occur from time to time. The unrecognized compensation expense has been determined by the number of incentive units and associated distribution equivalent rights and respective allocation percentages for individuals for whom, as of March 31, 2018, compensation expense has been allocated to the Partnership. Total compensation (benefit) expense recorded for the three months ended March 31, 2018 and 2017 related to the awards was approximately \$(0.4) million and \$0.8 million, respectively. The Partnership is responsible for reimbursing CVR Energy for its allocated portion of the incentive unit awards.

As of March 31, 2018 and December 31, 2017, the Partnership had liabilities of approximately \$1.7 million and \$2.2 million, respectively, for its allocated portion of non-vested incentive units and associated distribution equivalent rights, which are recorded in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets.



Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

## Long-Term Incentive Plan – CVR Refining

CVR Refining has a long-term incentive plan ("CVR Refining LTIP") that provides for the grant of options, unit appreciation rights, restricted units, phantom units, unit awards, substitute awards, other-unit based awards, cash awards, performance awards, and distribution equivalent rights, each in respect of common units. The maximum number of common units issuable under the CVR Refining LTIP is 11,070,000. Individuals who are eligible to receive awards under the CVR Refining LTIP include (i) employees of the Partnership and its subsidiaries, (ii) employees of the general partner, (iii) members of the board of directors of the general partner and (iv) certain employees, consultants and directors of CRLLC and CVR Energy who perform services for the benefit of the Partnership.

Awards of phantom units and distribution equivalent rights were granted to employees of the Partnership and its subsidiaries, its general partner and certain employees of CRLLC and CVR Energy who perform services solely for the benefit of the Partnership. The awards are generally graded-vesting awards, which are expected to vest over three years with one-third of each award vesting each year. Compensation expense is recognized on a straight-line basis over the vesting period of the respective tranche of the award. Each phantom unit and distribution equivalent right represents the right to receive, upon vesting, a cash payment equal to (i) the average fair market value of one unit of the Partnership's common units in accordance with the award agreement, plus (ii) the per unit cash value of all distributions declared and paid by the Partnership from the grant date to and including the vesting date. The awards, which are liability-classified, will be remeasured at each subsequent reporting date until they vest.

A summary of phantom unit activity and changes under the CVR Refining LTIP during the three months ended March 31, 2018 is presented below:

	Phantom Units	Weighted- Average Grant-Date Fair Value
Non-vested at December 31, 2017	986,480	\$ 12.03
Granted	6,658	15.02
Vested	—	—
Forfeited	(7,835 )	12.37
Non-vested at March 31, 2018	985,303	\$ 12.05

As of March 31, 2018, there was approximately \$8.7 million of total unrecognized compensation cost related to the awards under the CVR Refining LTIP to be recognized over a weighted-average period of 1.4 years. Total compensation expense recorded for the three months ended March 31, 2018 and 2017 related to the awards under the CVR Refining LTIP was approximately \$0.8 million and \$1.0 million, respectively.

As of March 31, 2018 and December 31, 2017, the Partnership had liabilities of approximately \$4.6 million and \$3.7 million, respectively, for non-vested phantom unit awards and associated distribution equivalent rights, which are recorded in personnel accruals and accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets.



Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

## (6) Inventories

Inventories consisted of the following:

	March 31,	December 31,
	2018	2017
	(in millions)	
Finished goods	\$ 160.1	\$ 158.3
Raw materials and precious metals	127.2	107.5
In-process inventories	36.3	22.4
Parts and supplies	43.0	43.0
Total Inventories	\$ 366.6	\$ 331.2

## (7) Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	March 31,	December 31,
	2018	2017
	(in millions)	
Land and improvements	\$ 29.9	\$ 29.8
Buildings	64.1	63.6
Machinery and equipment	2,382.3	2,374.7
Automotive equipment	24.3	24.3
Furniture and fixtures	10.6	10.2
Leasehold improvements	0.8	0.8
Construction in progress	48.5	44.5
	2,560.5	2,547.9
Less: Accumulated depreciation	1,101.1	1,069.1
Total property, plant and equipment, net	\$ 1,459.4	\$ 1,478.8

Capitalized interest recognized as a reduction in interest expense for both of the three months ended March 31, 2018 and 2017 totaled approximately \$0.3 million. Land, buildings and equipment that are under a capital lease obligation had an original carrying value of approximately \$24.8 million at both March 31, 2018 and December 31, 2017.

Amortization of assets held under capital leases is included in depreciation expense.

## (8) Equity Method Investments

## VPP Joint Venture

On September 19, 2016, Coffeyville Resources Pipeline, LLC ("CRPLLC"), an indirect wholly-owned subsidiary of CVR Refining, entered into an agreement with Velocity Central Oklahoma Pipeline LLC ("Velocity") related to their joint ownership of Velocity Pipeline Partners, LLC ("VPP"), which is a pipeline company that operates a 12-inch crude oil pipeline with a capacity of approximately 65,000 barrels per day and an estimated length of 25 miles with a connection to the Partnership's Wynnewood refinery and a trucking terminal at Lowrance, Oklahoma. CRPLLC holds a 40% interest in VPP. Velocity holds a 60% interest in VPP and serves as the day-to-day operator of VPP. As of both March 31, 2018 and December 31, 2017, the carrying value of CRPLLC's investment in VPP was \$6.1 million, which

is recorded in equity method investments in affiliates on the Condensed Consolidated Balance Sheets. Contributions by CRPLLC to VPP during the pipeline construction totaled \$7.0 million, of which \$1.4 million was contributed in the first quarter of 2017.

The pipeline commenced operations in April 2017 following completion of construction. Equity income from VPP for the three months ended March 31, 2018 was \$0.4 million which is recorded in other income, net on the Condensed Consolidated Statement of Operations. For the three months ended March 31, 2018, the Partnership received a cash distribution of \$0.4 million from VPP.

Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

Coffeyville Resources Refining & Marketing, LLC ("CRRM") is party to a transportation agreement with VPP for an initial term of 20 years under which VPP provides transportation services to CRRM for crude oil purchased within a defined geographic area, and CRRM entered into a terminalling services agreement with Velocity under which it receives access to Velocity's terminal in Lowrance, Oklahoma to unload and pump crude oil into VPP's pipeline for an initial term of 20 years. For the three months ended March 31, 2018, CRRM incurred costs of \$1.5 million under the transportation agreement with VPP. CRRM's crude shipments on the pipeline for the three months ended March 31, 2018 averaged approximately 41,000 barrels per day. As of March 31, 2018 and December 31, 2017, the Condensed Consolidated Balance Sheets included a liability of \$0.5 million and \$0.3 million, respectively, to VPP.

## Midway Joint Venture

On October 31, 2017, subsidiaries of CVR Refining and Plains All American Pipeline, L.P. ("Plains") formed a 50/50 joint venture, Midway Pipeline LLC ("Midway"), which acquired the approximately 100-mile, 16-inch Cushing to Broome pipeline system from Plains. The Cushing to Broome pipeline system connects CVR Refining's Coffeyville, Kansas refinery to the Cushing, Oklahoma oil hub. Midway has a contract with Plains pursuant to which Plains will continue its role as operator of the pipeline. In November 2017, the Partnership contributed \$76.0 million to Midway. During the three months ended March 31, 2018, equity income from Midway was \$1.1 million, which is recorded in other income, net on the Condensed Consolidated Statements of Operations. For the three months ended March 31, 2018, the Partnership received a cash distribution of \$0.5 million from Midway. As of March 31, 2018 and December 31, 2017, the carrying value of the investment in Midway was \$77.3 million and \$76.7 million, respectively, which is recorded in equity method investments in affiliates on the Condensed Consolidated Balance Sheets.

For the three months ended March 31, 2018, the Partnership incurred costs of \$3.1 million with Midway for crude oil transportation services. Crude shipments on the pipeline for the three months ended March 31, 2018 averaged approximately 73,000 barrels per day.

## (9) Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
6.5% Senior Notes due 2022	\$500.0	\$ 500.0
Capital lease obligations	44.5	45.0
Total debt	544.5	545.0
Unamortized debt issuance costs	(4.1 )	(4.4 )
Current portion of capital lease obligations	(2.2 )	(2.1 )
Long-term debt, net of current portion	\$538.2	\$ 538.5

## 2022 Senior Notes

On October 23, 2012, CVR Refining, LLC ("Refining LLC") and Coffeyville Finance Inc. ("Coffeyville Finance") issued \$500.0 million aggregate principal amount of the 6.5% Second Lien Senior Notes due 2022 (the "2022 Notes"). The debt issuance costs of the 2022 Notes totaled approximately \$8.7 million and are being amortized over the term of

the 2022 Notes as interest expense using the effective-interest amortization method. As of March 31, 2018, the 2022 Notes had an aggregate principal balance and a net carrying value of \$500.0 million.

Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

The indenture governing the 2022 Notes imposes covenants that restrict the Partnership's ability to (i) issue debt, (ii) incur or otherwise cause liens to exist on any of its property or assets, (iii) declare or pay dividends, repurchase equity, or make payments on subordinated or unsecured debt, (iv) make certain investments, (v) sell certain assets, (vi) merge, consolidate with or into another entity, or sell all or substantially all of its assets, and (vii) enter into certain transactions with affiliates. Most of the foregoing covenants would cease to apply at such time that the 2022 Notes are rated investment grade by both Standard & Poor's Financial Services LLC and Moody's Investors Service, Inc. However, such covenants would be reinstated if the 2022 Notes subsequently lost their investment grade rating. In addition, the indenture contains customary events of default, the occurrence of which would result in, or permit the trustee or the holders of at least 25% of the 2022 Notes to cause, the acceleration of the 2022 Notes, in addition to the pursuit of other available remedies.

The indenture governing the 2022 Notes prohibits the Partnership from making distributions to unitholders if any default or event of default (as defined in the indenture) exists. In addition, the indenture limits the Partnership's ability to pay distributions to unitholders. The covenants will apply differently depending on our fixed charge coverage ratio (as defined in the indenture). If the fixed charge coverage ratio is not less than 2.5 to 1.0, the Partnership will generally be permitted to make restricted payments, including distributions to its unitholders, without substantive restriction. If the fixed charge coverage ratio is less than 2.5 to 1.0, the Partnership will generally be permitted to make restricted payments, including distributions to its unitholders, up to an aggregate \$100.0 million basket plus certain other amounts referred to as "incremental funds" under the indenture. The Partnership was in compliance with the covenants as of March 31, 2018, and the ratio was satisfied (not less than 2.5 to 1.0).

At March 31, 2018, the estimated fair value of the 2022 Notes was approximately \$510.0 million. This estimate of fair value is Level 2 as it was determined by quotations obtained from a broker dealer who makes a market in these and similar securities.

#### Amended and Restated Asset Based (ABL) Credit Facility

On November 14, 2017, CRLLC, CVR Refining, Refining LLC and each of the operating subsidiaries of Refining LLC (collectively, the "Credit Parties") entered into Amendment No. 1 to the Amended and Restated ABL Credit Agreement (the "Amendment") with a group of lenders and Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent and collateral agent. The Amendment amends certain provisions of the Amended and Restated ABL Credit Agreement, dated December 20, 2012, by and among Wells Fargo, the group of lenders party thereto and the Credit Parties (the "Existing Credit Agreement" and as amended by the Amendment, the "Amended and Restated ABL Credit Facility"), which was otherwise scheduled to mature on December 20, 2017. The Amended and Restated ABL Credit Facility is scheduled to mature on November 14, 2022.

The Amended and Restated ABL Credit Facility is a \$400.0 million, asset-based revolving credit facility, with sub-limits for letters of credit and swingline loans of \$60.0 million and \$40.0 million, respectively. The Amended and Restated ABL Credit Facility permits the payment of distributions, subject to the following conditions: (i) no default or event of default exists, (ii) excess availability exceeds 15% of the lesser of the borrowing base and the total commitments and (iii) the fixed charge coverage ratio for the immediately preceding twelve-month period shall be equal to or greater than 1.00 to 1.00. The Amended and Restated ABL Credit Facility has a five-year maturity and may be used for working capital and other general corporate purposes (including permitted acquisitions).

Borrowings under the Amended and Restated ABL Credit Facility bear interest at either a base rate or London Interbank Offered Rate ("LIBOR") plus an applicable margin. The applicable margin is (i) (a) 1.50% for LIBOR borrowings and (b) 0.50% for prime rate borrowings, in each case if quarterly average excess availability exceeds 50% of the lesser of the borrowing base and the total commitments and (ii) (a) 1.75% for LIBOR borrowings and (b) 0.75% for prime rate borrowings, in each case if quarterly average excess availability is less than or equal to 50% of the lesser of the borrowing base and the total commitments. The Amended and Restated ABL Credit Facility also requires the payment of customary fees, including an unused line fee of (i) 0.375% if the daily average amount of loans and letters of credit outstanding is less than 50% of the lesser of the borrowing base and the total commitments and (ii) 0.25% if the daily average amount of loans and letters of credit outstanding is equal to or greater than 50% of the lesser of the borrowing base and the total commitments. The Credit Parties are also required to pay customary letter of credit fees equal to, for standby letters of credit, the applicable margin on LIBOR loans on the maximum amount available to be drawn under and, for commercial letters of credit, the applicable margin on LIBOR loans less 0.50% on the maximum amount available to be drawn under, and customary facing fees equal to 0.125% of the face amount of, each letter of credit.



Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

The lenders under the Amended and Restated ABL Credit Facility were granted a perfected, first priority security interest (subject to certain customary exceptions) in the ABL Priority Collateral (as defined in the ABL Intercreditor Agreement) and a second priority lien (subject to certain customary exceptions) and security interest in the Note Priority Collateral (as defined in the ABL Intercreditor Agreement).

The Amended and Restated ABL Credit Facility also contains customary covenants for a financing of this type that limit the ability of the Credit Parties and their respective subsidiaries to, among other things, incur liens, engage in a consolidation, merger, purchase or sale of assets, pay dividends, incur indebtedness, make advances, investments and loans, enter into affiliate transactions, issue equity interests, or create subsidiaries and unrestricted subsidiaries. The Amended and Restated ABL Credit Facility also contains a fixed charge coverage ratio financial covenant, as defined under the facility. The Credit Parties were in compliance with the covenants of the Amended and Restated ABL Credit Facility as of March 31, 2018.

As of March 31, 2018, the Partnership had availability under the Amended and Restated ABL Credit Facility of \$297.9 million and had letters of credit outstanding of approximately \$6.4 million. There were no borrowings outstanding under the Amended and Restated ABL Credit Facility as of March 31, 2018. Availability under the Amended and Restated ABL Credit Facility was limited by borrowing base conditions as of March 31, 2018.

#### Intercompany Credit Facility

The Partnership maintains a \$150.0 million senior unsecured revolving credit facility (the "intercompany credit facility") with CRLLC as the lender, to be used to fund growth capital expenditures. The intercompany credit facility bears interest at a rate of LIBOR plus 3% per annum, payable quarterly and has a term of six years which matures in January 2019.

The intercompany credit facility contains covenants that require the Partnership to, among other things, notify CRLLC of the occurrence of any default or event of default and provide CRLLC with information in respect of the Partnership's business and financial status as it may reasonably require, including, but not limited to, copies of its unaudited quarterly financial statements and its audited annual financial statements. The Partnership was in compliance with the covenants of the intercompany credit facility as of March 31, 2018.

In addition, the intercompany credit facility contains customary events of default, including, among others, failure to pay any sum payable when due; the occurrence of a default under other indebtedness in excess of \$25.0 million; and the occurrence of an event that results in either (i) CRLLC no longer directly or indirectly controlling the general partner, or (ii) CRLLC and its affiliates no longer owning a majority of the Partnership's equity interests. As of March 31, 2018, the Partnership had no borrowings outstanding and \$150.0 million available under the intercompany credit facility.

#### Capital Lease Obligations

CVR Refining maintains two leases, accounted for as a capital lease and a financial obligation, related to Magellan Pipeline Terminals, L.P. ("Magellan Pipeline") and Excel Pipeline LLC ("Excel Pipeline"). The underlying assets and related depreciation are included in property, plant and equipment, net of accumulated depreciation on the Condensed Consolidated Balance Sheets. The capital lease, which relates to a sales-lease back agreement with Sunoco Pipeline, L.P. for its membership interest in the Excel Pipeline, has 139 months remaining of its term and will expire in

September 2029. The financing arrangement, which relates to the Magellan Pipeline terminals, bulk terminal and loading facility, has a lease term with 138 months remaining and will expire in September 2029.

(10) Partners' Capital and Partnership Distributions

The Partnership had two types of partnership interests outstanding at March 31, 2018:

• common units; and

• a general partner interest, which is not entitled to any distributions, and which is held by the general partner.

Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

At March 31, 2018, the Partnership had a total of 147,600,000 common units issued and outstanding, of which 97,315,764 common units were owned by CVR Refining Holdings, LLC representing approximately 66% of the total Partnership common units outstanding.

The board of directors of the Partnership's general partner has adopted a policy for the Partnership to distribute all available cash generated on a quarterly basis. Cash distributions will be made to the common unitholders of record on the applicable record date, generally within 60 days after the end of each quarter. Available cash for distribution for each quarter will be determined by the board of directors of the general partner following the end of such quarter. Available cash for distribution for each quarter will generally equal Adjusted EBITDA reduced for (i) cash needed for debt service, (ii) reserves for environmental and maintenance capital expenditures, (iii) reserves for major scheduled turnaround expenses and, (iv) to the extent applicable, reserves for future operating or capital needs that the board of directors of the general partner deems necessary or appropriate, if any. Adjusted EBITDA represents EBITDA (net income before interest expense and other financing costs, net of interest income; income tax expense; and depreciation and amortization) adjusted for (i) FIFO impact, (favorable) unfavorable, (ii) major scheduled turnaround expenses (that many of our competitors capitalize and thereby exclude from their measures of EBITDA and adjusted EBITDA), (iii) (gain) loss on derivatives, net and (iv) current period settlements on derivative contracts. Available cash for distribution may be increased by the release of previously established cash reserves, if any, and other excess cash, at the discretion of the board of directors of the general partner. The board of directors of the general partner may modify the cash distribution policy at any time, and the partnership agreement does not require the board of directors of the general partner to make distributions at all.

On March 12, 2018, the Partnership paid a cash distribution to its unitholders of record as of March 5, 2018 for the fourth quarter of 2017 in the amount of \$0.45 per common unit, or \$66.4 million in aggregate.

## (11) Net Income per Common Unit

The Partnership's net income is allocated wholly to the common units as the general partner does not have an economic interest. Basic and diluted net income per common unit is calculated by dividing net income by the weighted-average number of common units outstanding during the period and, when applicable, giving effect to unvested common units granted under the CVR Refining LTIP. There were no dilutive awards outstanding during the three months ended March 31, 2018 and 2017, as all unvested awards under the CVR Refining LTIP were liability-classified awards.

The following table illustrates the Partnership's calculation of net income per common unit for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018 2017 (in millions, except per unit data)	
Net income	\$146.7	\$67.0
Net income per common unit, basic and diluted	\$0.99	\$0.45
Weighted-average common units outstanding, basic and diluted	147.6	147.6



Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

## (12) Commitments and Contingencies

## Leases and Unconditional Purchase Obligations

The minimum required payments for CVR Refining's operating lease agreements and unconditional purchase obligations are as follows:

	Operating Leases	Unconditional Purchase Obligations <sup>(1)</sup>
	(in millions)	
Nine months ending December 31, 2018	\$0.5	\$ 100.2
Year Ending December 31,		
2019	0.4	113.9
2020	0.1	96.0
2021	0.1	86.6
2022	—	82.2
Thereafter	0.2	536.4
	\$1.3	\$ 1,015.3

This amount includes approximately \$678.9 million payable ratably over 13 years pursuant to petroleum transportation service agreements between CRRM and each of TransCanada Keystone Pipeline Limited Partnership and TransCanada Keystone Pipeline, LP (together, "TransCanada"). The purchase obligation reflects the exchange rate between the Canadian dollar and the U.S. dollar as of March 31, 2018, where applicable. Under the agreements, CRRM receives transportation of at least 25,000 barrels per day of crude oil with a delivery point at Cushing, Oklahoma for a term of 20 years on TransCanada's Keystone pipeline system.

CVR Refining leases equipment, including railcars and real properties, under long-term operating leases expiring at various dates through 2035. For the three months ended March 31, 2018 and 2017, lease expense totaled approximately \$0.1 million and \$0.4 million, respectively. Some agreements are renewable, at CVR Refining's option, for additional periods. It is expected, in the ordinary course of business, that leases will be renewed or replaced as they expire.

Additionally, in the normal course of business, CVR Refining has long-term commitments to purchase storage capacity and pipeline transportation services. For the three months ended March 31, 2018 and 2017, total expense of approximately \$32.6 million and \$37.9 million, respectively, was incurred related to long-term commitments.

## Crude Oil Supply Agreement

On August 31, 2012, CRRM and Vitol Inc. ("Vitol") entered into an Amended and Restated Crude Oil Supply Agreement (as amended, the "Vitol Agreement"). Under the Vitol Agreement, Vitol supplies the petroleum business with crude oil and intermediation logistics, which helps to reduce the Partnership's inventory position and mitigate crude oil pricing risk. The Vitol Agreement will automatically renew for successive one-year terms (each such term, a "Renewal Term") unless either party provides the other with notice of nonrenewal at least 180 days prior to expiration of any Renewal Term. The Vitol Agreement currently extends through December 31, 2018.



Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

Litigation

From time to time, CVR Refining is involved in various lawsuits arising in the normal course of business, including matters such as those described below under "Environmental, Health and Safety ("EHS") Matters." Liabilities related to such litigation are recognized when the related costs are probable and can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. It is possible that management's estimates of the outcomes will change within the next year due to uncertainties inherent in litigation and settlement negotiations. There were no new proceedings or material developments in proceedings from those provided in the 2017 Form 10-K. In the opinion of management, the ultimate resolution of any other litigation matters is not expected to have a material adverse effect on the accompanying condensed consolidated financial statements. There can be no assurance that management's beliefs or opinions with respect to liability for potential litigation matters will prove to be accurate.

The U.S. Attorney's office for the Southern District of New York contacted CVR Energy in September 2017 seeking production of information pertaining to CVR Refining's, CVR Energy's and Mr. Carl C. Icahn's activities relating to the Renewable Fuel Standard ("RFS") and Mr. Icahn's role as an advisor to the President. CVR Refining is cooperating with the request and is providing information in response to the subpoena. The U.S. Attorney's office has not made any claims or allegations against CVR Refining or Mr. Icahn. CVR Refining maintains a strong compliance program and, while no assurances can be made, CVR Refining does not believe this inquiry will have a material impact on its business, financial condition, results of operations or cash flows.

Environmental, Health and Safety ("EHS") Matters

CVR Refining's subsidiaries are subject to various stringent federal, state, and local EHS rules and regulations. Liabilities related to EHS matters are recognized when the related costs are probable and can be reasonably estimated. Estimates of these costs are based upon currently available facts, existing technology, site-specific costs, and currently enacted laws and regulations. In reporting EHS liabilities, no offset is made for potential recoveries.

Except as otherwise described below, there have been no new developments or material changes to the environmental accruals or expected capital expenditures related to compliance with the environmental matters from those provided in the 2017 Form 10-K. CVR Refining believes its subsidiaries are in material compliance with existing EHS rules and regulations. There can be no assurance that the EHS matters described or referenced herein or other EHS matters which may develop in the future will not have a material adverse effect on CVR Refining's business, financial condition or results of operations.

At March 31, 2018, CVR Refining's Condensed Consolidated Balance Sheets included total environmental accruals of \$3.6 million, as compared with \$3.9 million at December 31, 2017. Management periodically reviews and, as appropriate, revises its environmental accruals. Based on current information and regulatory requirements, management believes that the accruals established for environmental expenditures are adequate.

Environmental expenditures are capitalized when such expenditures are expected to result in future economic benefits. For both the three months ended March 31, 2018 and 2017, capital expenditures were approximately \$4.7 million. These expenditures were incurred for environmental compliance and efficiency of the operations.

## Renewable Fuel Standards

CVR Refining is subject to the RFS which requires refiners to either blend "renewable fuels" in with their transportation fuels or purchase renewable fuel credits, known as RINs, in lieu of blending. Due to mandates in the RFS requiring increasing volumes of renewable fuels to replace petroleum products in the U.S. transportation fuel market, there may be a decrease in demand for petroleum products. CVR Refining is not able to blend the substantial majority of its transportation fuels and has to purchase RINs on the open market, as well as waiver credits for cellulosic biofuels from the EPA, in order to comply with the RFS.

The price of RINs has been extremely volatile over the last year. The cost of RINs is dependent upon a variety of factors, which include the availability of RINs for purchase, the price at which RINs can be purchased, transportation fuel production levels, the mix of the petroleum business' petroleum products, as well as the fuel blending performed at its refineries and downstream terminals, all of which can vary significantly from period to period.



Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

The net cost of RINs for the three months ended March 31, 2018 and 2017 was a negative \$22.7 million and a negative \$6.4 million, respectively. The net cost of RINs was a reduction to cost of materials and other in the Condensed Consolidated Statements of Operations. RINs expense includes the purchased cost of RINs, the impact of recognizing the Partnership's uncommitted biofuel blending obligation at fair value based on market prices at each reporting date and is reduced by the valuation change of RINs purchases in excess of the Partnership's RFS obligation as of the reporting date. During the three months ended March 31, 2018, the net cost of RINs was favorably impacted by a reduction in the Partnership's RFS obligation and reduced market pricing. As of March 31, 2018 and December 31, 2017, CVR Refining's biofuel blending obligation was approximately \$21.4 million and \$28.3 million, respectively, which is recorded in accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheets. As of March 31, 2018, the Partnership recorded a RINs asset within prepaid and other current assets in the Condensed Consolidated Balance Sheet of \$59.9 million, representing excess RINs primarily due to a reduction in its RFS obligation.

## (13) Fair Value Measurements

In accordance with ASC Topic 820 — Fair Value Measurements and Disclosures ("ASC 820"), the Partnership utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets or liabilities, such as a business.

ASC 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1 — Quoted prices in active markets for identical assets or liabilities

Level 2 — Other significant observable inputs (including quoted prices in active markets for similar assets or liabilities)

Level 3 — Significant unobservable inputs (including CVR Refining's own assumptions in determining the fair value)

The following tables set forth the assets and liabilities measured at fair value on a recurring basis, by input level, as of March 31, 2018 and December 31, 2017:

Location and Description	March 31, 2018			Total
	Level 1	Level 2	Level 3	
	(in millions)			
Other current assets (commodity derivatives)	\$-\$3.1	\$		-\$3.1
Total Assets	\$-\$3.1	\$		-\$3.1
Other current liabilities (commodity derivatives)	\$-(21.8)	\$		-(21.8)
Other current liabilities (biofuel blending obligation)	\$-(19.5)	\$		-(19.5)
Total Liabilities	\$-(41.3)	\$		-(41.3)

Location and Description	December 31, 2017	
	Level 2	Total

Edgar Filing: CVR Refining, LP - Form 10-Q

	Level 1	Level 3
	(in millions)	
Other current liabilities (commodity derivatives)	\$-(64.3)	\$ -(64.3)
Other current liabilities (biofuel blending obligation)	—(1.0 )	— (1.0 )
Total Liabilities	\$-(65.3)	\$ -(65.3)

Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

As of March 31, 2018 and December 31, 2017, the only financial assets and liabilities that are measured at fair value on a recurring basis are CVR Refining's derivative instruments and uncommitted biofuel blending obligation. Additionally, the fair value of the debt issuances is disclosed in Note 9 ("Long-Term Debt"). The commodity derivative contracts and the uncommitted biofuel blending obligation, which use fair value measurements and are valued using broker quoted market prices of similar instruments, are considered Level 2 inputs. CVR Refining had no transfers of assets or liabilities between any of the above levels during the three months ended March 31, 2018.

## (14) Derivative Financial Instruments

Current period settlements on derivatives contracts and Gain on derivatives, net were as follows:

	Three Months Ended March 31, 2018 2017 (in millions)	
Current period settlements on derivative contracts	\$13.7	\$1.2
Gain on derivatives, net	59.3	12.2

CVR Refining is subject to price fluctuations caused by supply conditions, weather, economic conditions, interest rate fluctuations and other factors. To manage price risk on crude oil and other inventories and to fix margins on certain future production, CVR Refining from time to time enters into various commodity derivative transactions.

CVR Refining has adopted accounting standards which impose extensive record-keeping requirements in order to designate a derivative financial instrument as a hedge. CVR Refining holds derivative instruments, such as exchange-traded crude oil futures and certain over-the-counter forward swap agreements, which it believes provide an economic hedge on future transactions, but such instruments are not designated as hedges under GAAP. Gains or losses related to the change in fair value and periodic settlements of these derivative instruments are classified as gain (loss) on derivatives, net in the Condensed Consolidated Statements of Operations. There are no premiums paid or received at inception of the derivative contracts and upon settlement, there is no cost recovery associated with these contracts.

CVR Refining maintains a margin account to facilitate other commodity derivative activities. A portion of this account may include funds available for withdrawal. These funds are included in cash and cash equivalents within the Condensed Consolidated Balance Sheets. The maintenance margin balance is included within other current assets within the Condensed Consolidated Balance Sheets. Dependent upon the position of the open commodity derivatives, the amounts are accounted for as other current assets or other current liabilities within the Condensed Consolidated Balance Sheets. From time to time, CVR Refining may be required to deposit additional funds into this margin account. The fair value of the open commodity positions as of March 31, 2018 was a net loss of \$0.2 million included in other current liabilities. For the three months ended March 31, 2018 and 2017, the Partnership recognized net losses of \$0.2 million and \$0.1 million, respectively, which are recorded in gain on derivatives, net in the Condensed Consolidated Statements of Operations.

## Commodity Derivatives

CVR Refining enters into commodity swap contracts in order to fix the margin on a portion of future production. Additionally, CVR Refining may enter into price and basis swaps in order to fix the price on a portion of its commodity purchases and product sales. The physical volumes are not exchanged and these contracts are net settled with cash. The contract fair value of the commodity swaps is reflected on the Condensed Consolidated Balance Sheets with changes in fair value currently recognized in the Condensed Consolidated Statements of Operations. Quoted prices for similar assets or liabilities in active markets (Level 2) are considered to determine the fair values for the purpose of marking to market the hedging instruments at each period end. At March 31, 2018, the Partnership had net open commodity swap instruments consisting of 1.7 million barrels of 2-1-1 crack spreads, 0.6 million barrels of distillate crack spreads, and 0.6 million barrels of gasoline crack spreads. At December 31, 2017, CVR Refining had open commodity swap instruments consisting of 7.1 million barrels of 2-1-1 crack spreads, 3.6 million barrels of distillate crack spreads, and 3.6 million barrels of gasoline crack spreads. Additionally, as of March 31, 2018 and December 31, 2017, the Partnership had open forward purchase and sale commitments for 4.2 million barrels and 5.8 million barrels, respectively, of Canadian crude oil priced at fixed differentials that are not considered probable of physical settlement and are accounted for as derivatives. The fair value of the outstanding commodity derivative contracts at March 31, 2018 was a net

Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

unrealized loss of \$18.5 million, of which \$3.1 million is included in other current assets and \$21.6 million is included in other current liabilities. The fair value of the outstanding contracts at December 31, 2017 was a net unrealized loss of \$64.3 million, of which the entire balance is recorded in other current liabilities. For the three months ended March 31, 2018 and 2017, the Partnership recognized net gains of \$59.7 million and \$12.3 million, respectively, which are recorded in gain on derivatives, net in the Condensed Consolidated Statements of Operations.

## Counterparty Credit Risk

CVR Refining's exchange-traded crude oil futures and certain over-the-counter forward swap agreements are potentially exposed to concentrations of credit risk as a result of economic conditions and periods of uncertainty and illiquidity in the credit and capital markets. CVR Refining manages credit risk on its exchange-traded crude oil futures by completing trades with an exchange clearinghouse, which subjects the trades to mandatory margin requirements until the contract settles. CVR Refining also monitors the creditworthiness of its commodity swap counterparties and assesses the risk of nonperformance on a quarterly basis. Counterparty credit risk identified as a result of this assessment is recognized as a valuation adjustment to the fair value of the commodity swaps recorded in the Condensed Consolidated Balance Sheets. As of March 31, 2018, the counterparty credit risk adjustment was not material to the condensed consolidated financial statements. Additionally, CVR Refining does not require any collateral to support commodity swaps into which it enters; however, it does have master netting arrangements that allow for the setoff of amounts receivable from and payable to the same party, which mitigates the risk associated with nonperformance.

## Offsetting Assets and Liabilities

The commodity swap agreements discussed above include multiple derivative positions with a number of counterparties for which CVR Refining has entered into agreements governing the nature of the derivative transactions. Each of the counterparty agreements provides for the right to setoff each individual derivative position to arrive at the net receivable due from the counterparty or payable owed by CVR Refining. As a result of the right to setoff, CVR Refining's recognized assets and liabilities associated with the outstanding commodity swap derivative positions have been presented net in the Condensed Consolidated Balance Sheets. The tables below outline the gross amounts of the recognized assets and liabilities and the gross amounts offset in the Condensed Consolidated Balance Sheets for the various types of open derivative positions.

The offsetting assets and liabilities for CVR Refining's derivatives as of March 31, 2018 and December 31, 2017 are recorded as current assets and current liabilities in prepaid expenses and other current assets and accrued expenses and other current liabilities, respectively, in the Condensed Consolidated Balance Sheets as follows:

As of March 31, 2018

Description	Gross Current Assets	Gross Amounts Offset	Net Current Assets Presented	Cash Not Offset	Net Amount
	(in millions)				
Commodity Derivatives	\$8.0	\$ (4.9 )	\$ 3.1	\$	—\$3.1
Total	\$8.0	\$ (4.9 )	\$ 3.1	\$	—\$3.1

As of March 31, 2018

Description	Gross	Cash	Net
-------------	-------	------	-----

Edgar Filing: CVR Refining, LP - Form 10-Q

	Gross	Amounts	Net	Collateral	Amount
	Current	Offset	Current	Not	
	Liabilities		Liabilities	Offset	
			Presented		
	(in millions)				
Commodity Derivatives	\$ (26.7)	\$ 4.9	\$ (21.8 )	\$	—\$(21.8 )
Total	\$ (26.7)	\$ 4.9	\$ (21.8 )	\$	—\$(21.8 )

Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

Description	As of December 31, 2017				
	Gross Current Liabilities	Gross Amounts Offset	Net Current Liabilities Presented	Cash Collateral Not Offset	Net Amount
	(in millions)				
Commodity Derivatives	\$7.0	\$ (7.0 )	\$ —	\$	—\$ —
Total	\$7.0	\$ (7.0 )	\$ —	\$	—\$ —

Description	As of December 31, 2017				
	Gross Current Liabilities	Gross Amounts Offset	Net Current Liabilities Presented	Cash Collateral Not Offset	Net Amount
	(in millions)				
Commodity Derivatives	\$71.3	\$ (7.0 )	\$ 64.3	\$	—\$ 64.3
Total	\$71.3	\$ (7.0 )	\$ 64.3	\$	—\$ 64.3

## (15) Related Party Transactions

CVR Refining is party to, or otherwise subject to certain agreements with CVR Energy and its subsidiaries (including CVR Partners, LP and its subsidiary, Coffeyville Resources Nitrogen Fertilizer, LLC ("CRNF")) that govern the business relations among each party including the: (i) Feedstock and Shared Services Agreement; (ii) Hydrogen Purchase and Sales Agreement; (iii) Coke Supply Agreement; (iv) Environmental Agreement; (v) Services Agreement; and (vi) Limited Partnership Agreement. The agreements are described as in effect at March 31, 2018. Except as otherwise described below, there have been no new developments or material changes to these agreements from those provided in the 2017 Form 10-K.

Amounts owed to CVR Refining and CRRM from CVR Energy and its subsidiaries with respect to these agreements are included in accounts receivable and prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets. Conversely, amounts owed to CVR Energy and its subsidiaries by CVR Refining and CRRM with respect to these agreements are included in accounts payable, personnel accruals, accrued expenses and other current liabilities, and other long-term liabilities, on CVR Refining's Condensed Consolidated Balance Sheets.

## Feedstock and Shared Services Agreement

CRRM is party to a feedstock and shared services agreement with CRNF, under which the two parties provide feedstocks and other services to one another. These feedstocks and services are utilized in the respective production processes of CRRM's Coffeyville, Kansas refinery and CRNF's Coffeyville, Kansas nitrogen fertilizer plant. Feedstocks provided under the agreement include, among others, hydrogen, high-pressure steam, nitrogen, instrument air, oxygen and natural gas.

Hydrogen sales to CRNF are governed pursuant to the hydrogen purchase and sale agreement discussed below, but hydrogen purchases from CRNF remain governed pursuant to the feedstock and shared services agreement. For the three months ended March 31, 2018, the gross purchases of hydrogen from CRNF pursuant to the feedstock and

shared services agreement was nominal. For the three months ended March 31, 2017, the gross purchases of hydrogen from CRNF pursuant to the feedstock and shared services agreement were approximately \$0.1 million and was included in cost of materials and other in the Condensed Consolidated Statements of Operations. The monthly hydrogen purchases are cash settled net on a monthly basis with hydrogen sales, pursuant to the hydrogen purchase and sale agreement.

At both March 31, 2018 and December 31, 2017, payables of \$0.2 million, were included in accounts payable on the Condensed Consolidated Balance Sheets associated with amounts yet to be paid related to components of the feedstock and shared services agreement, other than amounts associated with hydrogen purchases discussed above. At March 31, 2018 and December 31, 2017, receivables of approximately \$0.8 million and \$1.0 million, respectively, were included in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets associated with receivables related to components of the feedstock and shared services agreement.



Table of Contents

## CVR REFINING, LP AND SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

## Hydrogen Purchase and Sale Agreement

CRRM and CRNF entered into a hydrogen purchase and sale agreement, pursuant to which CRRM agrees to sell and deliver a committed hydrogen volume of 90,000 mscf per month, and CRNF agrees to purchase and receive the committed volume.

For the three months ended March 31, 2018 and 2017, the gross sales of hydrogen to CRNF were approximately \$1.3 million and \$1.2 million, respectively. The monthly hydrogen sales are cash settled net with hydrogen purchases pursuant to the feedstock and shared services agreement. At March 31, 2018 and December 31, 2017, approximately \$0.5 million and \$0.3 million, respectively, was included in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets associated with receivables related to the net hydrogen sales to CRNF.

## Coke Supply Agreement

CRRM is party to a coke supply agreement with CRNF pursuant to which CRRM supplies CRNF with pet coke.

Net sales associated with the transfer of pet coke from CRRM to CRNF was approximately \$0.3 million and \$0.4 million for the three months ended March 31, 2018 and 2017, respectively. Receivables of \$0.0 million and \$0.1 million related to the coke supply agreement were included in accounts receivable on the Condensed Consolidated Balance Sheets at March 31, 2018 and December 31, 2017, respectively.

## Services Agreement

CVR Refining obtains certain management and other services from CVR Energy pursuant to a services agreement between the Partnership, CVR Refining GP and CVR Energy. Net amounts incurred under the services agreement for the three months ended March 31, 2018 and 2017 were as follows:

	Three Months Ended	
	March 31, 2018	2017
	(in millions)	
Direct operating expenses (exclusive of depreciation and amortization)	\$ 2.4	\$ 3.0
Selling, general and administrative expenses (exclusive of depreciation and amortization)	9.7	12.1
Total	\$ 12.1	\$ 15.1

At March 31, 2018 and December 31, 2017, payables and liabilities of approximately \$6.0 million and \$14.0 million, respectively, were included in accounts payable, personnel accruals and accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets with respect to amounts billed in accordance with the services agreement.

#### Limited Partnership Agreement

The partnership agreement provides that the Partnership will reimburse its general partner for all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any person to perform services for the Partnership or for its general partner in connection with operating the Partnership). For the three months ended March 31, 2018 and 2017, approximately \$1.8 million and \$2.2 million, respectively, were incurred under the partnership agreement.

#### Intercompany Credit Facility

The Partnership has an intercompany credit facility with CRLLC with a borrowing capacity of \$150.0 million. As of March 31, 2018, the Partnership had no borrowings outstanding under the intercompany credit facility. For both the three months ended March 31, 2018 and 2017, the Partnership paid \$0.0 million of interest to CRLLC. See Note 9 ("Long-Term Debt") for additional discussion of the intercompany credit facility.

Table of Contents

CVR REFINING, LP AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2018

(unaudited)

Insight Portfolio Group

Insight Portfolio Group LLC ("Insight Portfolio Group") is an entity formed by Mr. Icahn in order to maximize the potential buying power of a group of entities with which Mr. Icahn has a relationship in negotiating with a wide range of suppliers of goods, services and tangible and intangible property at negotiated rates. In January 2013, CVR Energy acquired a minority equity interest in Insight Portfolio Group. The Partnership participates in Insight Portfolio Group's buying group through its relationship with CVR Energy. The Partnership may purchase a variety of goods and services as members of the buying group at prices and on terms that management believes would be more favorable than those which would be achieved on a stand-alone basis.

Joint Venture Agreements

The Partnership holds a 40% and 50% interest in the VPP and Midway joint ventures, respectively. The joint ventures provide the Partnership with crude oil transportation services. See Note 8 ("Equity Method Investments") for additional discussion of the joint ventures.

(16) Subsequent Events

Distribution

On April 25, 2018, the board of directors of the Partnership's general partner declared a cash distribution for the first quarter of 2018 to the Partnership's unitholders of \$0.51 per common unit, or \$75.3 million in aggregate. The cash distribution will be paid on May 14, 2018 to unitholders of record at the close of business on May 7, 2018.

Table of Contents

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes and with the statistical information and financial data appearing in this Report, as well as our 2017 Form 10-K. Results of operations and cash flows for the three months ended March 31, 2018 are not necessarily indicative of results to be attained for any other period.

Forward-Looking Statements

This Report, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains "forward-looking statements" as defined by the Securities and Exchange Commission ("SEC"), including statements concerning contemplated transactions and strategic plans, expectations and objectives for future operations. Forward-looking statements include, without limitation:

• statements, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future;

• statements relating to future financial or operational performance, future distributions, future capital sources and capital expenditures; and

• any other statements preceded by, followed by or that include the words "anticipates," "believes," "expects," "plans," "intends," "estimates," "projects," "could," "should," "may" or similar expressions.

Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Report, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. These statements are based on assumptions made by us based on our experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate in the circumstances. Such statements are subject to a number of risks and uncertainties, many of which are beyond our control. You are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements as a result of various factors, including but not limited to those set forth under Part I — Item 1A. "Risk Factors" in the 2017 Form 10-K. Such factors include, among others:

- our ability to make cash distributions on the common units;
- the price volatility of crude oil, other feedstocks and refined products, and variable nature of our distributions;
- the ability of our general partner to modify or revoke our distribution policy at any time;
- our ability to forecast our future financial condition or results of operations and our future revenues and expenses;
- the effects of transactions involving forward and derivative instruments;
- our ability in the future to obtain an adequate crude oil supply pursuant to supply agreements or at all;
- our continued access to crude oil and other feedstock and refined products pipelines;

the level of competition from other petroleum refiners;

changes in our credit profile;

potential operating hazards from accidents, fire, severe weather, floods, or other natural disasters, or other operating hazards resulting in unscheduled downtime;

our continued ability to secure RINs, as well as environmental and other governmental permits necessary for the operation of our business;

Table of Contents

- costs of compliance with existing, or compliance with new, environmental laws and regulations, as well as the potential liabilities arising from, and capital expenditures required to, remediate current or future contamination;
- the seasonal nature of our business;
- our dependence on significant customers;
- our potential inability to obtain or renew permits;
- our ability to continue safe, reliable operations without unplanned maintenance events prior to and when approaching the end-of-cycle turnaround operations;
- new regulations concerning the transportation of hazardous chemicals, risks of terrorism, and the security of chemical manufacturing facilities;
- the risk of security breaches;
- our lack of asset diversification;
- the potential loss of our transportation cost advantage over our competitors;
- our ability to comply with employee safety laws and regulations;
- potential disruptions in the global or U.S. capital and credit markets;
- the success of our acquisition and expansion strategies;
- our reliance on CVR Energy's senior management team;
- the risk of a substantial increase in costs or work stoppages associated with negotiating collective bargaining agreements with the unionized portion of our workforce;
- the potential shortage of skilled labor or loss of key personnel;
- successfully defending against third-party claims of intellectual property infringement;
- our indebtedness;
- our potential inability to generate sufficient cash to service all of our indebtedness;
- the limitations contained in our debt agreements that limit our flexibility in operating our business;
- the dependence on our subsidiaries for cash to meet our debt obligations;
- our limited operating history as a stand-alone entity;
- potential increases in costs and distraction of management resulting from the requirements of being a publicly traded partnership;

• exemptions we will rely on in connection with the New York Stock Exchange ("NYSE") corporate governance requirements;

- risks relating to our relationships with CVR Energy;

• risks relating to the control of our general partner by CVR Energy;

• the conflicts of interest faced by our senior management team, which operates both us and CVR Energy, and our general partner;

• limitations on duties owed by our general partner that are included in the partnership agreement;

Table of Contents

• changes in our treatment as a partnership for U.S. income or state tax purposes; and

• instability and volatility in the capital and credit markets.

All forward-looking statements contained in this Report only speak as of the date of this Report. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that occur after the date of this Report, or to reflect the occurrence of unanticipated events, except to the extent required by law.

Partnership Overview

We are an independent downstream energy limited partnership with refining and related logistics assets that operates two of only seven refineries in Group 3 of the PADD II region of the United States. We own and operate a complex full coking medium-sour crude oil refinery in Coffeyville, Kansas with a capacity of 132,000 bpcd and a complex crude oil refinery in Wynnewood, Oklahoma with a capacity of 74,500 bpcd capable of processing 20,000 bpcd of light sour crude oils (within its capacity of 74,500 bpcd). In addition, we also control and operate supporting logistics assets including (i) a crude oil gathering system with a gathering capacity of over 110,000 bpd serving Kansas, Nebraska, Oklahoma, Missouri, Colorado and Texas, (ii) a 170,000 bpd pipeline system, which transports crude oil to our Coffeyville refinery from our Broome Station facility located near Caney, Kansas, which is supported by approximately 570 miles of active owned, leased, and joint venture pipelines, (iii) approximately 6.4 million barrels of owned and leased crude oil storage, (iv) a rack marketing business supplying refined petroleum product through tanker trucks directly to customers located in close geographic proximity to Coffeyville, Kansas and Wynnewood, Oklahoma and located at throughput terminals on Magellan and NuStar refined petroleum products distribution systems and (v) over 4.6 million barrels of combined refined products and feedstocks storage capacity.

Our Coffeyville refinery is situated approximately 100 miles northeast of Cushing, Oklahoma ("Cushing"), a major crude oil trading and storage hub. Our Wynnewood refinery is located approximately 130 miles southwest of Cushing. Cushing is supplied by numerous pipelines from U.S. domestic locations and Canada. In addition to rack sales (sales which are made at terminals into third-party tanker trucks or railcars), we make bulk sales (sales through third-party pipelines) into the mid-continent markets and other destinations utilizing the product pipeline networks owned by Magellan and NuStar.

Crude oil is supplied to our Coffeyville refinery through our wholly-owned gathering system and by owned, leased and joint venture pipelines. We maintain capacity on the Keystone and Spearhead pipelines from Canada to Cushing. We also have contracted capacity on the Pony Express and White Cliffs pipelines, which originate in Colorado and extend to Cushing. We also maintain leased and owned storage in Cushing to facilitate optimal crude oil purchasing and blending. Crude oil is supplied to our Wynnewood refinery through third-party pipelines operated by Sunoco Pipeline, Excel Pipeline and Blueknight Pipeline and through the VPP joint venture pipeline. Historically, the crude has been sourced from Texas and Oklahoma. The access to a variety of crude oils coupled with the complexity of our refineries typically allows us to purchase crude oil at a discount to WTI. Our consumed crude oil cost discount to WTI for the first quarter of 2018 was a premium of \$1.15 per barrel compared to a discount of \$0.77 per barrel in the first quarter of 2017.



Table of Contents

Major Influences on Results of Operations

Our earnings and cash flows are primarily affected by the relationship between refined product prices and the prices for crude oil and other feedstocks that are processed and blended into refined products. The cost to acquire crude oil and other feedstocks and the price for which refined products are ultimately sold depend on factors beyond our control, including the supply of and demand for crude oil, as well as gasoline and other refined 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 the extent of government regulation. Because we apply first-in, first-out ("FIFO") accounting to value our inventory, crude oil price movements may impact net income in the short term because of changes in the value of our unhedged on-hand inventory. The effect of changes in crude oil prices on our results of operations is influenced by the rate at which the prices of refined products adjust to reflect these changes.

The prices of crude oil and other feedstocks and refined products are also affected by other factors, such as product pipeline capacity, local market conditions and the operating levels of competing refineries. Crude oil costs and the prices of refined products have historically been subject to wide fluctuations. Widespread expansion or upgrades of our competitors' facilities, price volatility, international political and economic developments and other factors are likely to continue to play an important role in refining industry economics. These factors can impact, among other things, the level of inventories in the market, resulting in price volatility and a reduction in product margins. Moreover, the refining industry typically experiences seasonal fluctuations in demand for refined products, such as increases in the demand for gasoline during the summer driving season and for volatile seasonal exports of diesel from the United States Gulf Coast markets. In addition to current market conditions, there are long-term factors that may impact the demand for refined products. These factors include mandated renewable fuels standards, proposed climate change laws and regulations and increased mileage standards for vehicles. We are also subject to the RFS, which requires us to either blend "renewable fuels" in with our transportation fuels or purchase RINs, in lieu of blending, by March 31, 2019 or otherwise be subject to penalties.

Refer to If sufficient RINs are unavailable for purchase or if we have to pay a significantly higher price for RINs, or if we are otherwise unable to meet the EPA's RFS mandates, our business, financial condition and results of operations could be materially adversely affected, in Part I, Item 1A, "Risk Factors" of our 2017 Form 10-K and Part I, Item 1, Note 12 ("Commitments and Contingencies"), "Environmental, Health and Safety ("EHS") Matters" of this Report for further discussion of the RFS.

The cost of RINs is dependent upon a variety of factors, which include the availability of RINs for purchase, the price at which RINs can be purchased, transportation fuel production levels, the mix of our products, as well as the fuel blending performed at our refineries and downstream terminals, all of which can vary significantly from period to period. Based upon recent market prices of RINs and current estimates related to the other variable factors, we currently estimate that the net cost of RINs will be approximately \$80.0 million for the year ending December 31, 2018.

In order to assess our operating performance, we compare our net sales, less cost of materials and other, or our refining margin, against an industry refining margin benchmark. The industry refining margin benchmark is calculated by assuming that two barrels of benchmark light sweet crude oil are converted into one barrel of conventional gasoline and one barrel of distillate. This benchmark is referred to as the 2-1-1 crack spread. Because we calculate the benchmark margin using the market value of New York Mercantile Exchange ("NYMEX") gasoline and heating oil against the market value of NYMEX WTI, we refer to the benchmark as the NYMEX 2-1-1 crack spread, or simply, the 2-1-1 crack spread. The 2-1-1 crack spread is expressed in dollars per barrel and is a proxy for the per barrel margin that a sweet crude oil refinery would earn assuming it produced and sold the benchmark production of gasoline and distillate.

Although the 2-1-1 crack spread is a benchmark for our refining margin, because our refineries have certain feedstock costs and logistical advantages as compared to a benchmark refinery and our product yield is less than total refinery throughput, the crack spread does not account for all the factors that affect refining margin. Our Coffeyville refinery is able to process a blend of crude oil that includes quantities of heavy and medium sour crude oil that has historically cost less than WTI. Our Wynnewood refinery has the capability to process blends of a variety of crude oil ranging from medium sour to light sweet crude oil, although isobutane, gasoline components and normal butane are also typically used. We measure the cost advantage of our crude oil slate by calculating the spread between the price of the delivered crude oil and the price of WTI. The spread is referred to as our consumed crude oil differential. Our refining margin can be impacted significantly by the consumed crude oil differential. Our consumed crude oil differential will move directionally with changes in the WTS price differential to WTI and the WCS price differential to WTI as both these differentials indicate the relative price of heavier, more sour, crude oil slate to WTI. The correlation between our consumed crude oil differential and published differentials will vary depending on the volume of light medium sour crude oil and heavy sour crude oil we purchase as a percentage of our total crude oil volume and will correlate more closely with such published differentials the heavier and more sour the crude oil slate.

Table of Contents

We produce a high volume of high value products, such as gasoline and distillates. The fact that the actual product specifications used to determine the NYMEX 2-1-1 crack spread are different from the actual production in our refineries is because the prices we realize are different than those used in determining the 2-1-1 crack spread. The difference between our price and the price used to calculate the 2-1-1 crack spread is referred to as gasoline PADD II, Group 3 vs. NYMEX basis, or gasoline basis, and Ultra-Low Sulfur Diesel PADD II, Group 3 vs. NYMEX basis, or Ultra-Low Sulfur Diesel basis. If both gasoline and Ultra-Low Sulfur Diesel basis are greater than zero, this means that prices in our marketing area exceed those used in the 2-1-1 crack spread.

We are significantly affected by developments in the markets in which we operate. For example, numerous pipeline expansions in recent years expanding the connectivity of Cushing and Permian Basin markets to the gulf coast along with lifting the crude oil export ban has resulted in a decrease in the domestic crude advantage. The refining industry is directly impacted by these events and has seen a downward movement in refining margins as a result. The stabilization of oil prices led by the decision of the Organization of Petroleum Exporting Countries ("OPEC") to lower production volumes and the resurgent shale drilling in the Permian and other tight oil plays are expected to cause price spread volatility as the industry attempts to match infrastructure to supply.

Our direct operating expense structure is also important to our profitability. Major direct operating expenses include energy, employee labor, maintenance, contract labor and environmental compliance. Our predominant variable cost is energy, which is comprised primarily of electrical cost and natural gas. We are therefore sensitive to the movements of natural gas prices. Assuming the same rate of consumption of natural gas for the three months ended March 31, 2018, a \$1.00 change in natural gas prices would have increased or decreased our natural gas costs by approximately \$3.6 million.

Because crude oil and other feedstocks and refined products are commodities, we have no control over the changing market. Therefore, the lower target inventory we are able to maintain significantly reduces the impact of commodity price volatility on our petroleum product inventory position relative to other refiners. Our target inventory position is generally not hedged. To the extent our inventory position deviates from the target level, we consider risk mitigation activities usually through the purchase or sale of futures contracts on the NYMEX. Our hedging activities carry customary time, location and product grade basis risks generally associated with hedging activities. Because most of our titled inventory is valued under the FIFO costing method, price fluctuations on our target level of titled inventory may have a major effect on our financial results from period to period.

Safe and reliable operations at our refineries are key to our financial performance and results of operations. Unscheduled downtime at our refineries may result in lost margin opportunity, increased maintenance expense and a temporary increase in working capital investment and related inventory position. We seek to mitigate the financial impact of scheduled downtime, such as major turnaround maintenance, through a diligent planning process that takes into account the margin environment, the availability of resources to perform the needed maintenance, feedstock logistics and other factors. Our refineries generally require a facility turnaround every four to five years. The length of the turnaround is contingent upon the scope of work to be completed. The next turnaround scheduled for the Wynnewood refinery is being performed as a two phase turnaround. The first phase of its current turnaround was completed in November 2017 at a total estimated cost of approximately \$67.4 million. The second phase of the Wynnewood turnaround is expected to occur in the first half of 2019. Turnaround expenses associated with the second phase of the Wynnewood turnaround are estimated to be approximately \$25.0 million. In addition to the two phase turnaround, we accelerated certain planned turnaround activities in the first quarter of 2017 on the hydrocracker unit for a catalyst change-out. We incurred approximately \$13.0 million of major scheduled turnaround expenses for the hydrocracker. The next turnaround scheduled for the Coffeyville refinery is expected to be performed in the second half of 2020.



Table of Contents

Agreements with Affiliates

CVR Energy and its subsidiaries are party to several agreements with CVR Partners and its subsidiary that govern the business relations among CVR Partners, CVR Energy and their subsidiaries and affiliates, and the general partner of CVR Partners. In connection with our initial public offering in January 2013, some of the subsidiaries party to these agreements became subsidiaries of CVR Refining.

These intercompany agreements include: (i) a pet coke supply agreement under which CVR Partners purchases the pet coke we generate at our Coffeyville refinery for use in CVR Partners' manufacture of nitrogen fertilizer; (ii) a feedstock and shared services agreement, which governs the provision of feedstocks, including, but not limited to, hydrogen, high-pressure steam, nitrogen, instrument air, oxygen and natural gas; (iii) a raw water and facilities sharing agreement, which allocates raw water resources between the Coffeyville refinery and the nitrogen fertilizer plant; (iv) a lease agreement, pursuant to which we lease office and laboratory space to CVR Partners; (v) a cross-easement agreement, which grants easements to both parties for operational facilities, pipelines, equipment, access, and water rights; (vi) a hydrogen purchase and sale agreement; and (vii) an environmental agreement which provides for certain indemnification and access rights in connection with environmental matters affecting the Coffeyville refinery and the nitrogen fertilizer plant. These agreements were not the result of arm's-length negotiations and the terms of these agreements are not necessarily as favorable to the parties to these agreements as terms which could have been obtained from unaffiliated third parties. Refer to Part I, Item 1, Note 15 ("Related Party Transactions") for additional information.

Joint Ventures

Refer to Part I, Item 1, Note 8 ("Equity Method Investments") of this Report for information on the joint ventures.

Crude Oil Supply Agreement

Refer to Part I, Item 1, Note 12 ("Commitments and Contingencies") of this Report for information on the crude oil supply agreement.

Factors Affecting Comparability

Our historical results of operations for the periods presented may not be comparable with prior periods or to our results of operations in the future for the reasons presented and discussed below.

	Three Months Ended March 31, 2018	2017
Gain on derivatives, net	\$59.3	\$12.2
Major scheduled turnaround expenses <sup>(1)</sup>	—	12.9

<sup>(1)</sup> Represents expense associated with major scheduled turnaround activities performed at our Wynnewood refinery during 2017.

Distributions to CVR Refining Unitholders

Refer to Part I, Item 1, Note 10 ("Partners' Capital and Partnership Distributions") of this Report for discussion of the current available cash for distribution policy.

Table of Contents

## Results of Operations

The period to period comparisons of our results of operations have been prepared using the historical periods included in our condensed consolidated financial statements. The following tables provide an overview of the results of operations, relevant market indicators and key operating statistics for CVR Refining and our subsidiaries for the three months ended March 31, 2018 and 2017. The following data should be read in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Report. All information in "Management's Discussion and Analysis of Financial Condition and Results of Operations," except for the balance sheet data as of December 31, 2017, is unaudited.

Net sales consist principally of sales of refined fuel, and are mainly affected by crude oil and refined product prices, changes to the input mix and volume changes caused by operations. Product mix refers to the percentage of production represented by higher value light products, such as gasoline, versus lower value finished products, such as pet coke.

Industry-wide petroleum results are driven and measured by the relationship, or margin, between refined products and the prices for crude oil referred to as crack spreads. See "—Major Influences on Results of Operations." We discuss our results of petroleum operations in the context of per barrel consumed crack spreads and the relationship between net sales and cost of materials and other. Refining margin is a measurement calculated as the difference between net sales and cost of materials and other.

	Three Months Ended March 31, 2018      2017 (in millions)	
Consolidated Statements of Operations Data		
Net sales	\$1,458.2	\$1,423.5
Operating costs and expenses:		
Cost of materials and other	1,217.7	1,201.3
Direct operating expenses(1)(2)	93.0	89.2
Major scheduled turnaround expenses	—	12.9
Depreciation and amortization	32.7	33.3
Cost of sales	1,343.4	1,336.7
Selling, general and administrative expenses(1)	16.6	20.0
Depreciation and amortization	1.0	0.8
Operating income	97.2	66.0
Interest expense and other financing costs	(11.4	) (11.2
Interest income	0.1	—
Gain on derivatives, net	59.3	12.2
Other income, net	1.5	—
Income before income tax expense	146.7	67.0
Income tax expense	—	—
Net income	\$146.7	\$67.0
Gross profit(3)	\$114.8	\$86.8
Refining margin(4)	\$240.5	\$222.2
Adjusted EBITDA(5)	\$125.7	\$114.5
Available cash for distribution(6)	\$75.7	\$—





Table of Contents

	As of March 31, 2018	As of December 31, 2017	
	(audited)		
	(in millions)		
<b>Balance Sheet Data</b>			
Cash and cash equivalents	\$106.9	\$ 173.8	
Working capital	317.1	217.5	
Total assets	2,295.3	2,269.9	
Total debt, including current portion	540.4	540.6	
Total partners' capital	1,327.1	1,246.8	
			<b>Three Months Ended March 31, 2018 2017 (in millions)</b>
<b>Cash Flow Data</b>			
Net cash flow provided by (used in):			
Operating activities			\$15.9 \$116.1
Investing activities			(15.9 ) (21.0 )
Financing activities			(66.9 ) (0.4 )
Net increase (decrease) in cash and cash equivalents			\$(66.9) \$94.7
Capital expenditures for property, plant and equipment			\$16.0 \$19.6
	<b>Three Months Ended March 31, 2018</b>		<b>2017</b>
	(dollars per barrel)		
<b>Key Operating Statistics</b>			
Per crude oil throughput barrel:			
Gross profit(3)	\$ 7.18		\$ 4.50
Refining margin(4)	15.04		11.52
FIFO impact, (favorable) unfavorable	(1.27 )		0.02
Refining margin adjusted for FIFO impact(4)	13.77		11.54
Direct operating expenses and major scheduled turnaround expenses(1)(2)	5.82		5.29
Direct operating expenses excluding major scheduled	5.82		4.63

turnaround expenses(1)(2)		
Per total throughput barrel:		
Direct operating expenses and major scheduled turnaround expenses(1)(7)	5.49	4.96
Direct operating expenses excluding major scheduled turnaround expenses(1)(7)	5.49	4.34

Table of Contents

	Three Months Ended March			
	2018		2017	
		%		%
Refining Throughput and Production Data (bpd)				
Throughput:				
Condensate	17,714	9.4	7,503	3.3
Sweet	159,495	84.7	190,350	83.8
Sour	—	—	—	—
Heavy sour	490	0.3	16,516	7.2
Total crude oil throughput	177,699	94.4	214,369	93.8
All other feedstocks and blendstocks	10,669	5.6	14,243	6.2
Total throughput	188,368	100.0	228,612	100.0
Production:				
Gasoline	92,048	48.9	118,955	51.9
Distillate	78,866	41.9	89,907	39.2
Other (excluding internally produced fuel)	17,396	9.2	20,298	8.9
Total refining production (excluding internally produced fuel)	188,310	100.0	229,160	100.0

	Three Months Ended	
	2018	2017
Market Indicators (dollars per barrel)		
West Texas Intermediate (WTI) NYMEX	\$62.89	\$51.78
Crude Oil Differentials:		
WTI less WTS (light/medium sour)	1.43	1.42
WTI less WCS (heavy sour)	25.74	13.77
WTI less condensate	0.38	0.10
Midland Cushing Differential	0.38	(0.02 )
NYMEX Crack Spreads:		
Gasoline	15.35	14.68
Heating Oil	20.46	15.54
NYMEX 2-1-1 Crack Spread	17.91	15.11
PADD II Group 3 Basis:		
Gasoline	(1.87 )	(1.96 )
Ultra Low Sulfur Diesel	(0.61 )	(1.58 )
PADD II Group 3 Product Crack Spread:		
Gasoline	13.48	12.71
Ultra Low Sulfur Diesel	19.85	13.96
PADD II Group 3 2-1-1	16.67	13.34

(1) Amounts are shown exclusive of depreciation and amortization.

(2) Direct operating expense is presented on a per crude oil throughput barrel basis. In order to derive the direct operating expenses per crude oil throughput barrel, we utilize the total direct operating expenses, which do not include depreciation or amortization expense, and divide by the applicable number of crude oil throughput barrels for the period.



Table of Contents

(3) Gross profit, an accounting principle generally accepted in the United States of America ("GAAP") measure, is calculated as the difference between net sales and cost of materials and other, direct operating expenses (exclusive of depreciation and amortization), major scheduled turnaround expenses, and depreciation and amortization. Each of the components used in this calculation are taken directly from our Condensed Consolidated Statements of Operations. In order to derive the gross profit per crude oil throughput barrel, we utilize the total dollar figures for gross profit as derived above and divide by the applicable number of crude oil throughput barrels for the period.

(4) Refining margin per crude oil throughput barrel is a measurement calculated as the difference between net sales and cost of materials and other. Refining margin is a non-GAAP measure that management believes is important to investors in evaluating our refineries' performance as a general indication of the amount above our cost of materials and other at which we are able to sell refined products. Each of the components used in this calculation (net sales and cost of materials and other) are taken directly from our Condensed Consolidated Statements of Operations. Our calculation of refining margin may differ from similar calculations of other companies in our industry, thereby limiting its usefulness as a comparative measure. In order to derive the refining margin per crude oil throughput barrel, we utilize the total dollar figures for refining margin as derived above and divide by the applicable number of crude oil throughput barrels for the period. We believe that refining margin and refining margin per crude oil throughput barrel are important to enable investors to better understand and evaluate our ongoing operating results and allow for greater transparency in the review of our overall financial, operational and economic performance.

Refining margin per crude oil throughput barrel adjusted for FIFO impact is a measurement calculated as the difference between net sales and cost of materials and other adjusted for FIFO impact. Refining margin adjusted for FIFO impact is a non-GAAP measure that we believe is important to investors in evaluating our refineries' performance as a general indication of the amount above our cost of materials and other (taking into account the impact of our utilization of FIFO) at which we are able to sell refined products. Our calculation of refining margin adjusted for FIFO impact may differ from calculations of other companies in our industry, thereby limiting its usefulness as a comparative measure. Under our FIFO accounting method, changes in crude oil prices can cause fluctuations in the inventory valuation of our crude oil, work in process and finished goods, thereby resulting in a favorable FIFO impact when crude oil prices increase and an unfavorable FIFO impact when crude oil prices decrease. In order to derive the refining margin per crude oil throughput barrel adjusted for FIFO impact, we utilize the total dollar figures for refining margin adjusted for FIFO impact as derived above and divide by the applicable number of crude oil throughput barrels for the period. We believe that refining margin adjusted for FIFO impact and refining margin per crude oil throughput barrel adjusted for FIFO impact are important to enable investors to better understand and evaluate our ongoing operating results and allow for greater transparency in the review of our overall financial, operational and economic performance.

Table of Contents

The calculation of refining margin, refining margin adjusted for FIFO impact, refining margin per crude oil throughput barrel and refining margin adjusted for FIFO impact per crude oil throughput barrel (each a non-GAAP financial measure), including a reconciliation to the most directly comparable GAAP financial measure for the three months ended March 31, 2018 and 2017 is as follows:

	Three Months Ended March 31, 2018 2017 (in millions)	
Net sales	\$1,458.2	\$1,423.5
Cost of materials and other	1,217.7	1,201.3
Direct operating expenses (exclusive of depreciation and amortization and major scheduled turnaround expenses as reflected below)	93.0	89.2
Major scheduled turnaround expenses	—	12.9
Depreciation and amortization	32.7	33.3
Gross profit	114.8	86.8
Add:		
Direct operating expenses (exclusive of depreciation and amortization and major scheduled turnaround expenses as reflected below)	93.0	89.2
Major scheduled turnaround expenses	—	12.9
Depreciation and amortization	32.7	33.3
Refining margin	240.5	222.2
FIFO impact, (favorable) unfavorable	(20.4	) 0.3
Refining margin adjusted for FIFO impact	\$220.1	\$222.5

	Three Months Ended March 31, 2018 2017	
Total crude oil throughput barrels per day	177,699	214,369
Days in the period	90	90
Total crude oil throughput barrels	15,992,910	19,293,210

	Three Months Ended March 31, 2018 2017 (in millions, except for \$ per barrel data)	
Refining margin	\$240.5	\$222.2
Divided by: crude oil throughput barrels	16.0	19.3
Refining margin per crude oil throughput barrel	\$15.04	\$11.52

Three Months  
Ended  
March 31,  
2018 2017  
(in millions,  
except for \$

Edgar Filing: CVR Refining, LP - Form 10-Q

	per barrel data)
Refining margin adjusted for FIFO impact	\$220.1 \$222.5
Divided by: crude oil throughput barrels	16.0 19.3
Refining margin adjusted for FIFO impact per crude oil throughput barrel	\$13.77 \$11.54

39

---

Table of Contents

EBITDA and Adjusted EBITDA. EBITDA represents net income before (i) interest expense and other financing costs, net of interest income, (ii) income tax expense and (iii) depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted for (i) FIFO impact (favorable) unfavorable, (ii) major scheduled turnaround expenses (that many of our competitors capitalize and thereby exclude from their measures of EBITDA and adjusted EBITDA), (iii) (gain) loss on derivatives, net and (iv) current period settlements on derivative contracts. We present Adjusted EBITDA because it is the starting point for our determination of available cash for distribution. EBITDA and Adjusted EBITDA are not recognized terms under GAAP and should not be substituted for net income (loss) or cash flow from operations. Management believes that EBITDA and Adjusted EBITDA enable investors to better understand our ability to make distributions to our common unitholders, help investors evaluate our ongoing operating results and allow for greater transparency in reviewing our overall financial, operational and economic performance. EBITDA and Adjusted EBITDA presented by other companies may not be comparable to our presentation, since each company may define these terms differently. Below is a reconciliation of net income to EBITDA and EBITDA to Adjusted EBITDA for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018    2017 (in millions)	
Net income	\$146.7	\$67.0
Add:		
Interest expense and other financing costs, net of interest income	11.3	11.2
Income tax expense	—	—
Depreciation and amortization	33.7	34.1
EBITDA	191.7	112.3
Add:		
FIFO impact, (favorable) unfavorable(a)	(20.4 )	0.3
Major scheduled turnaround expenses(b)	—	12.9
Gain on derivatives, net	(59.3 )	(12.2 )
Current period settlements on derivative contracts(c)	13.7	1.2
Adjusted EBITDA	\$125.7	\$114.5

FIFO is our basis for determining inventory value under GAAP. Changes in crude oil prices can cause fluctuations in the inventory valuation of our crude oil, work in process and finished goods, thereby resulting in a favorable FIFO impact when crude oil prices increase and an unfavorable FIFO impact when crude oil prices decrease. The FIFO impact is calculated based upon inventory values at the beginning of the accounting period and at the end of the accounting period. In order to derive the FIFO impact per crude oil throughput barrel, we utilize the total dollar figures for the FIFO impact and divide by the number of crude oil throughput barrels for the period.

(a) Represents expense associated with major scheduled turnaround activities at the Wynnewood refinery during 2017.

(b) Represents the portion of (gain) loss on derivatives, net related to contracts that matured during the respective (c) periods and settled with counterparties. There are no premiums paid or received at the inception of the derivative contracts and upon settlement, there is no cost recovery associated with these contracts.





Table of Contents

Available cash for distribution is generally equal to Adjusted EBITDA reduced for cash needed for (i) debt service, (ii) reserves for environmental and maintenance capital expenditures, (iii) reserves for major scheduled turnaround expenses and, to the extent applicable, (iv) reserves for future operating or capital needs that the board of directors of our general partner deems necessary or appropriate, if any. Available cash for distribution may be increased by the release of previously established cash reserves, if any, and other excess cash, at the discretion of the board of (6) directors of our general partner. Available cash for distribution is not a recognized term under GAAP. Available cash for distribution should not be considered in isolation or as an alternative to net income (loss) or operating income (loss), as a measure of operating performance. In addition, available cash for distribution is not presented as, and should not be considered an alternative to cash flows from operations or as a measure of liquidity. Available cash for distribution as reported by the Partnership may not be comparable to similarly titled measures of other entities, thereby limiting its usefulness as a comparative measure.

	Three Months Ended March 31, 2018 (in millions, except per unit data)
Reconciliation of Adjusted EBITDA to Available cash for distribution	
Adjusted EBITDA	\$ 125.7
Adjustments:	
Less:	
Cash needs for debt service	(10.0 )
Reserves for environmental and maintenance capital expenditures	(25.0 )
Reserves for major scheduled turnaround expenses	(15.0 )
Available cash for distribution	\$ 75.7
Distribution declared, per common unit	\$ 0.51
Common units outstanding	147.6

(7) Direct operating expense is presented on a per total throughput barrel basis. In order to derive the direct operating expenses per total throughput barrel, we utilize the total direct operating expenses, which do not include depreciation or amortization expense, and divide by the applicable number of total throughput barrels for the period.

	Three Months Ended March 31, 2018			
	2018		2017	
	%		%	
Coffeyville Refinery Throughput and Production Data (bpd)				
Throughput:				
Condensate	17,714	17.0	7,503	5.3
Sweet	80,527	77.4	106,740	75.3
Sour	—	—	—	—
Heavy sour	490	0.5	16,516	11.7
Total crude oil throughput	98,731	94.9	130,759	92.3

Edgar Filing: CVR Refining, LP - Form 10-Q

All other feedstocks and blendstocks	5,365	5.1	10,915	7.7
Total throughput	104,096	100.0	141,674	100.0
Production:				
Gasoline	48,453	45.9	74,538	51.6
Distillate	44,245	41.9	59,444	41.2
Other (excluding internally produced fuel)	12,831	12.2	10,335	7.2
Total refining production (excluding internally produced fuel)	105,529	100.0	144,317	100.0

Table of Contents

	Three Months Ended March 31,			
	2018		2017	
		%		%
Wynnewood Refinery Throughput and Production Data (bpd)				
Throughput:				
Condensate	—	—	—	—
Sweet	78,968	93.7	83,610	96.2
Sour	—	—	—	—
Heavy sour	—	—	—	—
Total crude oil throughput	78,968	93.7	83,610	96.2
All other feedstocks and blendstocks	5,304	6.3	3,328	3.8
Total throughput	84,272	100.0	86,938	100.0
Production:				
Gasoline	43,595	52.7	44,417	52.4
Distillate	34,621	41.8	30,463	35.9
Other (excluding internally produced fuel)	4,565	5.5	9,963	11.7
Total refining production (excluding internally produced fuel)	82,781	100.0	84,843	100.0

## Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017

Net Sales. Net sales were \$1,458.2 million for the three months ended March 31, 2018 compared to \$1,423.5 million for the three months ended March 31, 2017. The increase of \$34.7 million, or 2.4%, was largely the result of higher sales prices for our transportation fuels and by-products, partially offset by decreased sales volumes. For the three months ended March 31, 2018, our average sales price per gallon for gasoline of \$1.82, increased by approximately 18.2%, as compared to \$1.54 for the three months ended March 31, 2017, and our average sales price per gallon for distillates of \$1.99 for the three months ended March 31, 2018, increased by approximately 25.9%, as compared to \$1.58 for the three months ended March 31, 2017. Overall sales volumes decreased approximately 17.1% for the three months ended March 31, 2018, as compared to the three months ended March 31, 2017. Sales volumes for the three months ended March 31, 2018 were impacted by decreased production as a result of the FCC unit outage at the Coffeyville refinery for approximately 48 days.

The following table demonstrates the impact of changes in sales volumes and sales prices for gasoline and distillates for the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017		Total Variance		Price Variance (in millions)	Volume Variance		
	\$ per Volume <sup>(1)</sup> barrel	Sales \$(2)	\$ per Volume <sup>(1)</sup> barrel	Sales \$(2)	Volume <sup>(1)</sup> \$(2)	Sales \$(2)				
Gasoline	9.3	\$76.35	\$711.7	12.2	\$64.60	\$791.2	(2.9)	\$(79.5)	\$109.6	\$(189.1)
Distillate	7.8	\$83.39	\$652.2	8.2	\$66.31	\$544.2	(0.4)	\$108.0	\$133.5	\$(25.5)

(1) Barrels in millions

(2) Sales dollars in millions



Table of Contents

Cost of materials and other. Cost of materials and other includes cost of crude oil, other feedstocks and blendstocks, purchased products for resale, RINs and transportation and distribution costs. Cost of materials and other was \$1,217.7 million for the three months ended March 31, 2018 compared to \$1,201.3 million for the three months ended March 31, 2017. The increase of \$16.4 million, or 1.4%, was primarily the result of increases in the cost of consumed crude oil and increase in costs of products purchased for resale partially offset by decreases in the cost of other feedstocks and RINs. The increase in consumed crude oil costs was due to an increase in crude prices which was partially offset by a decrease in crude oil throughput volume. The WTI benchmark crude price increased approximately 21.5% from the three months ended March 31, 2017. Our average cost per barrel of crude oil consumed for the three months ended March 31, 2018 was \$64.06 compared to \$51.09 for the comparable period of 2017, an increase of approximately 25.4%. Our crude oil throughput volume decreased by approximately 17.1% for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017 in order to manage FCC feedstock inventory during the FCC unit outage at the Coffeyville refinery. The increase in the costs of products purchased for resale is primarily due to higher purchase prices for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. The decrease in the cost of other feedstocks was primarily due to a decrease in throughput volumes for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. The net cost of RINs was favorably impacted by a reduction in the Partnership's RFS obligation and reduced market pricing. Under the FIFO method of accounting, changes in crude oil prices can also cause fluctuations in the inventory valuation of our crude oil, work in process and finished goods, thereby resulting in a favorable or unfavorable FIFO inventory impact when crude oil prices increase or decrease. For the three months ended March 31, 2018, we had a favorable FIFO inventory impact of \$20.4 million compared to an unfavorable FIFO inventory impact of \$0.3 million for the comparable period of 2017.

Refining margin per barrel of crude oil throughput increased to \$15.04 for the three months ended March 31, 2018 from \$11.52 for the three months ended March 31, 2017. Refining margin adjusted for FIFO impact was \$13.77 per crude oil throughput barrel for the three months ended March 31, 2018, as compared to \$11.54 per crude oil throughput barrel for the three months ended March 31, 2017. Gross profit per barrel increased to \$7.18 per barrel for the three months ended March 31, 2018, as compared to \$4.50 per barrel in the comparative period in 2017. The increase in refining margin and gross profit per barrel was primarily due to a higher spread between crude oil and transportation fuels pricing and a favorable change in gasoline basis. The NYMEX 2-1-1 crack spread for the three months ended March 31, 2018 was \$17.91 per barrel, an increase of approximately 18.5% over the NYMEX 2-1-1 crack spread of \$15.11 per barrel for the three months ended March 31, 2017. The Group 3 gasoline basis was \$(1.87) per barrel for the three months ended March 31, 2018 as compared to \$(1.96) per barrel for the three months ended March 31, 2017. Partially offsetting these favorable impacts were increases in consumed crude oil costs and the cost of products purchased for resale.

Direct Operating Expenses (Exclusive of Depreciation and Amortization). Direct operating expenses (exclusive of depreciation and amortization) include costs associated with the actual operations of our refineries, such as energy and utility costs, property taxes, catalyst and chemical costs, repairs and maintenance, labor and environmental compliance costs. Direct operating expenses and major scheduled turnaround expenses (exclusive of depreciation and amortization) were \$93.0 million for the three months ended March 31, 2018 compared to \$102.1 million for the three months ended March 31, 2017. The decrease of \$9.1 million was the result of decreases in turnaround expenses (\$12.9 million), energy and utility costs (\$2.1 million), production chemicals (\$0.8 million) and allocated expenses (\$0.6 million). These decreases were partially offset by an increase in repair and maintenance expenses (\$7.7 million). Direct operating expenses per barrel of crude oil throughput for the three months ended March 31, 2018 increased to \$5.82 per barrel, as compared to \$5.29 per barrel for the three months ended March 31, 2017. The increase in the direct operating expenses per barrel of crude oil throughput is primarily a function of lower throughput rates.

Selling, General and Administrative Expenses (Exclusive of Depreciation and Amortization). Selling, general and administrative expenses include the direct selling, general and administrative expenses of our business, as well as

certain expenses incurred on our behalf by CVR Energy and CRLLC and billed or allocated to us. Selling, general and administrative expenses (exclusive of depreciation and amortization) were \$16.6 million for the three months ended March 31, 2018 compared to \$20.0 million for the three months ended March 31, 2017. The decrease of approximately \$3.4 million was primarily due to a decrease in share-based compensation expense and management services allocations.

**Operating Income.** Operating income was \$97.2 million million for the three months ended March 31, 2018, as compared to operating income of \$66.0 million for the three months ended March 31, 2017. The increase of \$31.2 million was primarily the result of an increase in refining margin of \$18.3 million due to higher sales prices for our transportation fuels and by-products and decreases in direct operating expenses (\$9.1 million), selling, general and administrative expenses (\$3.4 million) and depreciation and amortization expenses (\$0.4 million).

## Table of Contents

Gain on Derivatives, net. For the three months ended March 31, 2018, we recorded a \$59.3 million net gain on derivatives, as compared to a \$12.2 million net gain on derivatives for the three months ended March 31, 2017. The increase in net gain was primarily due to an increase in the volume of derivatives positions in 2018 coupled with higher mark-to-market valuations. The gross swap positions in 2018 were 11.5 million barrels compared to 4.0 million barrels in 2017. We enter into commodity hedging instruments in order to fix the price on a portion of our future crude oil purchases and to fix margin on a portion of future production.

## Liquidity and Capital Resources

Our principal uses of cash are for working capital, capital expenditures, funding our debt service obligations and paying distributions to our unitholders, as discussed further below.

We believe that our cash flows from operations and existing cash and cash equivalents, along with borrowings, as necessary, under the Amended and Restated ABL Credit Facility and the \$150.0 million intercompany credit facility, will be sufficient to satisfy the anticipated cash requirements associated with our existing operations for at least the next 12 months. However, future capital expenditures and other cash requirements could be higher than we currently expect as a result of various factors. Additionally, our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control.

Our general partner's current policy is to distribute an amount equal to the available cash we generate each quarter to our unitholders. As a result, we will rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund our acquisitions and expansion capital expenditures. To the extent we are unable to finance our growth externally, the growth in our business, and our liquidity, may be negatively impacted.

## Cash Balance and Other Liquidity

As of March 31, 2018, we had cash and cash equivalents of \$106.9 million. Working capital at March 31, 2018 was \$317.1 million, consisting of \$745.8 million in current assets and \$428.7 million in current liabilities. Working capital at December 31, 2017 was \$217.5 million, consisting of \$699.8 million in current assets and \$482.3 million in current liabilities. As of April 24, 2018, we had cash and cash equivalents of \$225.3 million.

## Borrowing Activities

2022 Notes. The 2022 Notes are unsecured and fully and unconditionally guaranteed by CVR Refining and each of Refining LLC's existing domestic subsidiaries (other than the co-issuer, Coffeyville Finance) on a joint and several basis.

The 2022 Notes mature on November 1, 2022, unless earlier redeemed or repurchased. Interest is payable on the 2022 Notes semi-annually on May 1 and November 1 of each year, to holders of record at the close of business on April 15 and October 15, as the case may be, immediately preceding each such interest payment date.

We have the right to redeem the 2022 Notes at a redemption price of (i) 103.250% of the principal amount thereof, if redeemed during the 12 month period beginning on November 1, 2017; (ii) 102.167% of the principal amount thereof, if redeemed during the 12 month period beginning on November 1, 2018; (iii) 101.083% of the principal amount thereof, if redeemed during the 12 month period beginning on November 1, 2019 and (iv) 100% of the principal amount, if redeemed on or after November 1, 2020, in each case, plus any accrued and unpaid interest. None of the 2022 Notes have been redeemed as of March 31, 2018.



In the event of a "change of control," the issuers are required to offer to buy back all of the 2022 Notes at 101% of their principal amount. A change of control is generally defined as (i) the direct or indirect sale or transfer (other than by a merger) of all or substantially all of the assets of Refining LLC to any person other than qualifying owners (as defined in the indenture), (ii) liquidation or dissolution of Refining LLC, or (iii) any person, other than a qualifying owner, directly or indirectly acquiring 50% of the membership interest of Refining LLC.

See Part I, Item 1, Note 9 ("Long-Term Debt") of this Report for additional information on the 2022 Notes, including a description of the covenants contained therein. We were in compliance with the covenants as of March 31, 2018.

Table of Contents

Amended and Restated Asset Based (ABL) Credit Facility. On November 14, 2017, CRLLC, CVR Refining, Refining LLC and each of the operating subsidiaries of Refining LLC (collectively, the "Credit Parties") entered into Amendment No. 1 to the Amended and Restated ABL Credit Agreement (the "Amendment") with a group of lenders and Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent and collateral agent. The Amendment amends certain provisions of the Amended and Restated ABL Credit Agreement, dated December 20, 2012, by and among Wells Fargo, the group of lenders party thereto and the Credit Parties (the "Existing Credit Agreement" and as amended by the Amendment, the "Amended and Restated ABL Credit Facility"), which was otherwise scheduled to mature in December 2017. The Amended and Restated ABL Credit Facility is a \$400.0 million asset-based revolving credit facility, with sub-limits for letters of credit and swingline loans of \$60.0 million and \$40.0 million, respectively. The Amended and Restated ABL Credit Facility also includes a \$200.0 million uncommitted incremental facility. The proceeds of the loans may be used for capital expenditures, working capital and general corporate purposes. The Amended and Restated Credit Facility matures in November 2022.

See Part I, Item 1, Note 9 ("Long-Term Debt") of this Report for additional information on the Amended and Restated ABL Credit Facility, including a description of the covenants contained therein. We were in compliance with the covenants as of March 31, 2018.

Intercompany Credit Facility. On January 23, 2013, we entered into a new \$150.0 million senior unsecured revolving credit facility (the "intercompany credit facility") with CRLLC as the lender to be used to fund growth capital expenditures. On October 29, 2014, we entered into a first amendment to the intercompany credit facility with CRLLC to expand the borrowing capacity to \$250.0 million. In conjunction with the Amended and Restated ABL Credit Facility extension in 2017, we reviewed the needs of the intercompany credit facility and decided to lower the borrowing capacity back to the original level of \$150.0 million effective December 1, 2017. The intercompany credit facility matures in January 2019. The intercompany credit facility provides us with borrowing availability of up to \$150.0 million. As of March 31, 2018, we had \$150.0 million available under the intercompany credit facility.

See Part I, Item 1, Note 9 ("Long-Term Debt") of this Report for additional information on the intercompany credit facility including a description of the covenants contained therein. We were in compliance with the covenants as of March 31, 2018.

### Capital Spending

We divide our capital spending needs into two categories: maintenance and growth. Maintenance capital spending includes only non-discretionary maintenance projects and projects required to comply with environmental, health and safety regulations. We undertake discretionary capital spending based on the expected return on incremental capital employed. Discretionary capital projects generally involve an expansion of existing capacity, improvement in product yields and/or a reduction in direct operating expenses. Major scheduled turnaround expenses are expensed when incurred.

The following table summarizes our total actual capital expenditures for the three months ended March 31, 2018 and current estimated capital expenditures for the full year 2018 by major category. These estimates may change as a result of unforeseen circumstances or a change in our plans, and amounts may not be spent in the manner allocated below:

	Three Months Ended 2018 MarchEstimate 31, 2018 Actual (in millions)	
Coffeyville refinery:		
Maintenance	\$7.2	\$ 52.0

Edgar Filing: CVR Refining, LP - Form 10-Q

Growth	0.4	4.5
Coffeyville refinery total capital spending	7.6	56.5
Wynnewood refinery:		
Maintenance	3.6	45.0
Growth	2.4	9.0
Wynnewood refinery total capital spending	6.0	54.0
Other Petroleum:		
Maintenance	1.5	13.0
Growth	0.9	6.5
Other petroleum total capital spending	2.4	19.5
Total capital spending	\$16.0	\$ 130.0

Table of Contents

Our estimated capital expenditures are subject to change due to unanticipated changes in the cost, scope and completion time for our capital projects. For example, we may experience increases/decreases in labor or equipment costs necessary to comply with government regulations or to complete projects that sustain or improve the profitability of our refineries. We may also accelerate or defer some capital expenditures from time to time.

## Cash Flows

The following table sets forth our consolidated cash flows for the periods indicated below:

	Three Months Ended March 31, 2018 2017 (unaudited) (in millions)	
Net cash provided by (used in):		
Operating activities	\$ 15.9	\$ 116.1
Investing activities	(15.9 )	(21.0 )
Financing activities	(66.9 )	(0.4 )
Net increase (decrease) in cash and cash equivalents	\$(66.9)	\$94.7

## Cash Flows Provided by Operating Activities

For purposes of this cash flow discussion, we define trade working capital as accounts receivable, inventory and accounts payable. Other working capital is defined as all other current assets and liabilities except trade working capital.

Net cash flows provided by operating activities for the three months ended March 31, 2018 were approximately \$15.9 million. The positive cash flow from operating activities generated over this period was primarily driven by net income of \$146.7 million, non-cash depreciation and amortization of \$33.7 million and the current period settlements on derivative contracts of \$13.7 million, offset by the net cash outflow of \$17.6 million for trade working capital, net cash outflow for other working capital of \$101.6 million and gain on derivatives of \$59.3 million. The net cash outflow from trade working capital was primarily due to an increase in inventories (\$35.5 million) partially offset by a decrease in accounts receivable (\$4.8 million) and an increase in accounts payable (\$13.1 million). The increase in inventories was primarily due to a build up of gasoline and crude volumes due to the FCC unit outage at the Coffeyville refinery for approximately 48 days during the first quarter of 2018. The increase in accounts payable was primarily attributable to increased payables for gathered crude oil purchases due to an increase in the volume of gathered crude. The net cash outflow from other working capital was primarily due to an increase in prepaid expenses and other current assets (\$78.9 million) and a decrease in other current liabilities (\$22.7 million). The increase in prepaid expense and other current assets was primarily attributable to the RINs asset recorded for excess RINs due to a reduction in the Partnership's RFS obligation coupled with an increase in crude oil barrels in-transit. The decrease in other current liabilities was primarily related to decreases in commodity derivatives unrealized loss positions as of March 31, 2018 coupled with a decrease in the Partnership's uncommitted biofuel blending obligation.

Net cash flows provided by operating activities for the three months ended March 31, 2017 were approximately \$116.1 million. The positive cash flow from operating activities generated over this period was primarily driven by net income of \$67.0 million, favorable changes to other working capital of \$17.6 million, non-cash depreciation and amortization of \$34.1 million and cash inflow of \$5.0 million for trade working capital, partially offset by net derivatives activity of \$11.0 million. The cash inflow from other working capital was primarily due to a decrease in prepaid expense (\$29.3 million) offset by a decrease in accrued expenses and other current liabilities (\$11.7 million).

The decrease in other current liabilities was primarily due to a decreased biofuel blending obligation as a result of the decreased market value of RINs as applied to the uncommitted required volumes at March 31, 2017, partially offset by an increase in accrued interest due to timing of semi-annual payments on the 2022 Notes. The net cash inflow for trade working capital was attributable to decreases in accounts receivable of \$9.3 million and inventory of \$1.3 million, partially offset by a decrease in accounts payable of \$5.6 million. The decreases in accounts receivable and inventory were primarily due to increased sales.

## Table of Contents

### Cash Flows Used In Investing Activities

Net cash used in investing activities for the three months ended March 31, 2018 was \$15.9 million compared to \$21.0 million for the three months ended March 31, 2017. Cash flows related to investing activities decreased primarily as a result of lower capital expenditures of \$3.6 million in the first quarter of 2018 and a contribution to the VPP joint venture of \$1.4 million in the first quarter of 2017.

### Cash Flows Used in Financing Activities

Net cash used in financing activities was \$66.9 million and \$0.4 million, respectively, for the three months ended March 31, 2018 and 2017. The net cash used in financing activities for the three months ended March 31, 2018 was primarily attributable to distributions to common unit holders of \$66.4 million. There were no distributions for the three months ended March 31, 2017.

As of and for the three months ended March 31, 2018, there were no borrowings or repayments under the Amended and Restated ABL Credit Facility or under the intercompany credit facility.

### Contractual Obligations

As of March 31, 2018, our contractual obligations included long-term debt, operating leases, capital lease obligations, unconditional purchase obligations, environmental liabilities and interest payments. There were no material changes outside the ordinary course of our business with respect to our contractual obligations during the three months ended March 31, 2018 from those disclosed in our 2017 Form 10-K.

### Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2018, as defined within the rules and regulations of the SEC.

### Recent Accounting Pronouncements

Refer to Part I, Item 1, Note 3 ("Recent Accounting Pronouncements") of this Report for a discussion of recent accounting pronouncements applicable to the Partnership.

### Critical Accounting Policies

Our critical accounting policies are disclosed in the "Critical Accounting Policies" section of our 2017 Form 10-K. No modifications have been made to our critical accounting policies.

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

The risk inherent in our market risk sensitive instruments and positions is the potential loss from adverse changes in commodity prices, RINs prices and interest rates. None of our market risk sensitive instruments are held for trading purposes. Except as discussed below, information about market risks for the three months ended March 31, 2018 does not differ materially from that discussed under Part II — Item 7A of our 2017 Form 10-K. We are exposed to market pricing for all of the products sold in the future, as all our products are commodities.

Our earnings and cash flows and estimates of future cash flows are sensitive to changes in energy prices. The prices of crude oil and refined products have fluctuated substantially in recent years. These prices depend on many factors,

including the overall demand for crude oil and refined products, which in turn depends, among other factors, on general economic conditions, the level of foreign and domestic production of crude oil and refined products, the availability of imports of crude oil and refined products, the marketing of alternative and competing fuels, the extent of government regulations and global market dynamics. The prices we receive for refined products are also affected by factors such as local market conditions and the level of operations of other refineries in our markets. The prices at which we can sell gasoline and other refined products are strongly influenced by the price of crude oil. Generally, an increase or decrease in the price of crude oil results in a corresponding increase or decrease in the price of gasoline and other refined products. The timing of the relative movement of the prices, however, can impact profit margins, which could significantly affect our earnings and cash flows.

## Table of Contents

### Commodity Price Risk

At March 31, 2018, the Partnership had net open commodity swap instruments consisting of 1.7 million barrels of 2-1-1 crack spreads, 0.6 million barrels of distillate crack spreads and 0.6 million barrels of gasoline crack spreads. Additionally, as of March 31, 2018, the Partnership had open forward purchase and sale commitments for 4.2 million barrels of Canadian crude oil priced at fixed differentials that are not considered probable of physical settlement and are accounted for as derivatives at March 31, 2018. A change of \$1.00 per barrel in the fair value of the benchmark crude or product basis would result in an increase or decrease in the related fair value of the commodity instruments and forward purchase and sale commitments of \$5.9 million.

### Compliance Program Price Risk

As a producer of transportation fuels from petroleum, we are required to blend biofuels into the products we produce or to purchase RINs in the open market in lieu of blending to meet the mandates established by the EPA. We are exposed to market risk related to the volatility in the price of RINs needed to comply with the RFS. To mitigate the impact of this risk on our results of operations and cash flows, we purchase RINs when prices are deemed favorable or otherwise appropriate for business purposes. See Note 12 ("Commitments and Contingencies") to Part I, Item 1 of this Report and "Major Influences on Results of Operations" in Part I, Item 2 of this Report for further discussion about compliance with the RFS.

### Foreign Currency Exchange

Given that our operations are based entirely in the United States, we are not significantly exposed to foreign currency exchange rate risk. A portion of our pipeline transportation costs are transacted in Canadian dollars. Commitments for future periods under this agreement reflect the exchange rate between the Canadian Dollar and the U.S. Dollar as of the end of the reporting period. Based on the short period of time between the billing and settlement of these transportation costs in Canadian dollars, the exposure to foreign currency exchange rate risk and the resulting foreign currency gain (loss) is not considered material.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

As of March 31, 2018, we have evaluated, under the direction of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that 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 that 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 any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any system of disclosure controls and procedures is based in part upon assumptions about the likelihood of future events. Due to these and other inherent limitations of any such system, there can be no assurance that any design will always succeed in achieving its stated goals under all potential future conditions.



Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting required by Rule 13a-15 of the Exchange Act that occurred during the fiscal quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 12 ("Commitments and Contingencies") to Part I, Item 1 of this Report, which is incorporated by reference into this Part II, Item 1, for a description of certain litigation, legal and administrative proceedings and environmental matters.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the "Risk Factors" section of our 2017 Form 10-K.

Item 5. Other Information

Amendment to Partnership Agreement

On April 26, 2018, in response to certain changes to the Internal Revenue Code of 1986, as amended, enacted by the Bipartisan Budget Act of 2015 relating to partnership audit and adjustment procedures, our general partner entered into Amendment No. 1 ("Amendment No. 1") to the First Amended and Restated Agreement of Limited Partnership of CVR Refining, LP dated as of January 23, 2013 (the "Partnership Agreement"). Amendment No. 1 is effective as of January 1, 2018.

The foregoing description of Amendment No. 1 does not purport to be complete and is qualified in its entirety by reference to the complete text of Amendment No. 1, a copy of which is filed as Exhibit 3.1 to this Report and is incorporated herein by reference. A composite copy of the Partnership Agreement, as amended by Amendment No. 1, is separately attached as Exhibit 3.2 to this Report and is incorporated herein by reference.

Item 6. Exhibits

Exhibit Number	Exhibit Description
<u>3.1*</u>	<u>Amendment No. 1 to the First Amended and Restated Agreement of Limited Partnership of CVR Refining, LP, dated April 26, 2018.</u>
<u>3.2*</u>	<u>Composite copy of the First Amended and Restated Agreement of Limited Partnership of CVR Refining, LP (as amended by Amendment No. 1 referenced in Exhibit 3.1 above).</u>
<u>31.1*</u>	<u>Rule 13a-14(a)/15d-14(a) Certification of President and Chief Executive Officer.</u>
<u>31.2*</u>	<u>Rule 13a-14(a)/15d-14(a) Certification of Executive Vice President, Chief Financial Officer and Treasurer.</u>
<u>32.1†</u>	<u>Section 1350 Certification of President and Chief Executive Officer.</u>
<u>32.2†</u>	<u>Section 1350 Certification of Executive Vice President, Chief Financial Officer and Treasurer.</u>
101*	The following financial information for CVR Refining, LP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 formatted in XBRL ("Extensible Business Reporting Language") includes: (i) Condensed Consolidated Balance Sheets (unaudited), (ii) Condensed Consolidated Statements of Operations (unaudited), (iii) Condensed Consolidated Statement of Changes in Partners' Capital (unaudited), (iv) Condensed Consolidated Statements of Cash Flows (unaudited), and (v) the Notes to Condensed Consolidated Financial Statements (unaudited), tagged in detail.

\* Filed herewith.  
 † Furnished herewith.



Table of Contents

PLEASE NOTE: Pursuant to the rules and regulations of the SEC, we may file or incorporate by reference agreements as exhibits to the reports which we file with or furnish to the SEC. The agreements are filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other factual information about the Partnership or its business or operations. In particular, the assertions embodied in any representations, warranties and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties and covenants in the agreements may have been used for the purpose of allocating risk between the parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Partnership's public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Partnership or its business or operations on the date hereof.

Table of Contents

SIGNATURES

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

CVR Refining, LP

By: CVR Refining GP, LLC, its general partner

April 27, 2018 By: /s/ DAVID L. LAMP  
President and Chief Executive Officer  
(Principal Executive Officer)

April 27, 2018 By: /s/ SUSAN M. BALL  
Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)