

Delek Logistics Partners, LP
Form 10-Q
August 06, 2015
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 June 30, 2015

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 001-35721

DELEK LOGISTICS PARTNERS, LP
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of incorporation or organization)

45-5379027
(I.R.S. Employer Identification No.)

7102 Commerce Way
Brentwood, Tennessee
(Address of principal executive offices)
(615) 771-6701
(Registrant's telephone number, including area code)

37027
(Zip Code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

At July 31, 2015, there were 12,250,847 common units, 11,999,258 subordinated units, and 494,900 general partner units outstanding.

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- Exhibit 31.1
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- EX-101 INSTANCE DOCUMENT
- EX-101 SCHEMA DOCUMENT
- EX-101 CALCULATION LINKBASE DOCUMENT
- EX-101 LABELS LINKBASE DOCUMENT
- EX-101 PRESENTATION LINKBASE DOCUMENT

Part I.
FINANCIAL INFORMATION

Item 1. Financial Statements
Delek Logistics Partners, LP
Condensed Consolidated Balance Sheets (Unaudited)

| | June 30, 2015 | December 31, 2014 ⁽¹⁾ |
|--|----------------|-------------------------------------|
| | (In thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 124 | \$ 1,861 |
| Accounts receivable | 39,117 | 27,986 |
| Inventory | 4,308 | 10,316 |
| Deferred tax assets | 28 | 28 |
| Other current assets | 485 | 768 |
| Total current assets | 44,062 | 40,959 |
| Property, plant and equipment: | | |
| Property, plant and equipment | 317,208 | 308,088 |
| Less: accumulated depreciation | (61,965) | (53,309) |
| Property, plant and equipment, net | 255,243 | 254,779 |
| Equity method investments | 18,472 | — |
| Goodwill | 11,654 | 11,654 |
| Intangible assets, net | 15,944 | 16,520 |
| Other non-current assets | 6,621 | 7,374 |
| Total assets | \$ 351,996 | \$ 331,286 |
| LIABILITIES AND EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,754 | \$ 17,929 |
| Accounts payable to related parties | 8,732 | 628 |
| Excise and other taxes payable | 7,186 | 5,443 |
| Accrued expenses and other current liabilities | 2,330 | 1,588 |
| Tank inspection liabilities | 2,541 | 2,829 |
| Pipeline release liabilities | 3,069 | 1,899 |
| Total current liabilities | 38,612 | 30,316 |
| Non-current liabilities: | | |
| Revolving credit facility | 316,900 | 251,750 |
| Asset retirement obligations | 3,379 | 3,319 |
| Deferred tax liabilities | 297 | 231 |
| Other non-current liabilities | 8,610 | 5,889 |
| Total non-current liabilities | 329,186 | 261,189 |
| Equity (Deficit): | | |
| Predecessor division equity | — | 19,726 |
| Common unitholders - public; 9,451,589 units issued and outstanding at June 30, 2015 (9,417,189 at December 31, 2014) | 197,052 | 194,737 |
| Common unitholders - Delek; 2,799,258 units issued and outstanding at June 30, 2015 (2,799,258 at December 31, 2014) | (281,852) | (241,112) |
| Subordinated unitholders - Delek; 11,999,258 units issued and outstanding at June 30, 2015 (11,999,258 at December 31, 2014) | 76,439 | 73,515 |
| General partner - Delek; 494,900 units issued and outstanding at June 30, 2015 (494,197 at December 31, 2014) | (7,441) | (7,085) |

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| | | |
|--|------------|------------|
| Total (deficit) equity | (15,802 |) 39,781 |
| Total liabilities and (deficit) equity | \$ 351,996 | \$ 331,286 |

(1) Adjusted to include the historical balances of the Logistics Assets Predecessor. See Notes 1 and 2 for further discussion.

See accompanying notes to condensed consolidated financial statements

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Delek Logistics Partners, LP

Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---|---------------------|---------------------|---------------------|
| | June 30, | | June 30, | |
| | 2015 | 2014 ⁽¹⁾ | 2015 ⁽²⁾ | 2014 ⁽¹⁾ |
| | (In thousands, except unit and per unit data) | | | |
| Net sales: | | | | |
| Affiliate | \$39,871 | \$28,893 | \$72,151 | \$54,175 |
| Third-Party | 132,263 | 207,450 | 243,495 | 385,695 |
| Net sales | 172,134 | 236,343 | 315,646 | 439,870 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 132,494 | 196,574 | 240,901 | 368,783 |
| Operating expenses | 10,798 | 9,719 | 21,575 | 19,215 |
| General and administrative expenses | 2,982 | 2,242 | 6,391 | 4,905 |
| Depreciation and amortization | 4,744 | 3,623 | 9,244 | 7,100 |
| (Gain) loss on asset disposals | (23 |) 74 | (18 |) 74 |
| Total operating costs and expenses | 150,995 | 212,232 | 278,093 | 400,077 |
| Operating income | 21,139 | 24,111 | 37,553 | 39,793 |
| Interest expense, net | 2,616 | 2,342 | 4,773 | 4,325 |
| Loss on equity method investments | 149 | — | 149 | — |
| Total non-operating expenses | 2,765 | 2,342 | 4,922 | 4,325 |
| Income before income tax expense | 18,374 | 21,769 | 32,631 | 35,468 |
| Income tax expense | 63 | 281 | 317 | 428 |
| Net income | 18,311 | 21,488 | 32,314 | 35,040 |
| Less: loss attributable to Predecessors | — | (266 |) (637 |) (1,386 |
| Net income attributable to partners | \$18,311 | \$21,754 | \$32,951 | \$36,426 |
| Comprehensive income attributable to partners | \$18,311 | \$21,754 | \$32,951 | \$36,426 |
| Less: General partner's interest in net income, including incentive distribution rights | (1,109 |) (620 |) (1,996 |) (914 |
| Limited partners' interest in net income | \$17,202 | \$21,134 | \$30,955 | \$35,512 |
| Net income per limited partner unit: | | | | |
| Common units - (basic) | \$0.71 | \$0.88 | \$1.28 | \$1.47 |
| Common units - (diluted) | \$0.70 | \$0.87 | \$1.27 | \$1.46 |
| Subordinated units - Delek (basic and diluted) | \$0.71 | \$0.87 | \$1.28 | \$1.47 |
| Weighted average limited partner units outstanding: | | | | |
| Common units - (basic) | 12,224,007 | 12,159,732 | 12,220,248 | 12,156,135 |
| Common units - (diluted) | 12,360,519 | 12,291,273 | 12,350,621 | 12,281,598 |
| Subordinated units - Delek (basic and diluted) | 11,999,258 | 11,999,258 | 11,999,258 | 11,999,258 |
| Cash distributions per limited partner unit | \$0.550 | \$0.475 | \$1.080 | \$0.900 |

⁽¹⁾ Adjusted to include the historical results of the Logistics Assets Predecessor. See Notes 1 and 2 for further discussion.

⁽²⁾ The information presented includes the results of operations of the Logistics Assets Predecessor. See Notes 1 and 2 for further discussion.

See accompanying notes to condensed consolidated financial statements

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Delek Logistics Partners, LP

Condensed Consolidated Statements of Cash Flows (Unaudited)

| | Six Months Ended June 30, | |
|--|---------------------------|---------------------|
| | 2015 ⁽¹⁾ | 2014 ⁽²⁾ |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | \$32,314 | \$35,040 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,244 | 7,100 |
| Amortization of unfavorable contract liability to revenue | — | (1,334) |
| Amortization of deferred financing costs | 730 | 634 |
| Accretion of asset retirement obligations | 124 | 209 |
| Deferred income taxes | 66 | 52 |
| Loss on equity method investments | 149 | — |
| (Gain) loss on asset disposals | (18) |) 74 |
| Unit-based compensation expense | 194 | 121 |
| Changes in assets and liabilities, net of acquisitions: | | |
| Accounts receivable | (11,131) |) (8,975) |
| Inventories and other current assets | 6,291 | (7,779) |
| Accounts payable and other current liabilities | 192 | 18,872 |
| Accounts payable to related parties | 8,219 | 1,083 |
| Non-current assets and liabilities, net | 186 | (649) |
| Net cash provided by operating activities | 46,560 | 44,448 |
| Cash flows from investing activities: | | |
| Business combinations | (400) |) — |
| Purchases of property, plant and equipment | (13,535) |) (4,200) |
| Proceeds from sales of property, plant and equipment | 1,183 | — |
| Equity method investments | (14,789) |) — |
| Net cash used in investing activities | (27,541) |) (4,200) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of additional units to maintain 2% General Partner interest | 31 | 22 |
| Distributions to general partner | (1,574) |) (414) |
| Distributions to common unitholders - public | (9,801) |) (7,856) |
| Distributions to common unitholders - Delek | (2,911) |) (2,352) |
| Distributions to subordinated unitholders | (12,479) |) (10,080) |
| Distributions to Delek for acquisitions | (61,890) |) (95,900) |
| Proceeds from revolving credit facility | 203,514 | 283,100 |
| Payments of revolving credit facility | (138,364) |) (208,900) |
| Predecessor division equity contribution | 115 | 3,625 |
| Reimbursement of capital expenditures by Sponsor | 2,603 | — |
| Net cash used in financing activities | (20,756) |) (38,755) |
| Net (decrease) increase in cash and cash equivalents | (1,737) |) 1,493 |
| Cash and cash equivalents at the beginning of the period | 1,861 | 924 |
| Cash and cash equivalents at the end of the period | \$ 124 | \$2,417 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$3,863 | \$3,508 |
| Income taxes | \$5 | \$18 |
| Non-cash investing activities: | | |

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| | | |
|--------------------------------------|---------|-------|
| Equity method investments | \$3,832 | \$— |
| Non-cash financing activities: | | |
| Sponsor contribution of fixed assets | \$418 | \$706 |

(1) Includes the historical cash flows of the Logistics Assets Predecessor. See Notes 1 and 2 for further discussion.

(2) Adjusted to include the historical cash flows of the Logistics Assets Predecessor. See Notes 1 and 2 for further discussion.

See accompanying notes to condensed consolidated financial statements

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Delek Logistics Partners, LP

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization and Basis of Presentation

As used in this report, the terms "Delek Logistics Partners, LP," the "Partnership," "we," "us," or "our" may refer to Delek Logistics Partners, LP, one or more of its consolidated subsidiaries or all of them taken as a whole. References in this report to "Delek" refer collectively to Delek US Holdings, Inc. and any of its subsidiaries, other than (a) Delek Logistics Partners, LP and its subsidiaries and (b) its general partner (as hereinafter defined).

The Partnership is a Delaware limited partnership formed in April 2012 by Delek Logistics GP, LLC, a subsidiary of Delek and our general partner (our "general partner").

On February 10, 2014, the Partnership, through its wholly owned subsidiary Delek Logistics Operating, LLC ("OpCo"), acquired from Delek (i) the refined products terminal (the "El Dorado Terminal") located at Delek's El Dorado, Arkansas refinery (the "El Dorado Refinery") and (ii) 158 storage tanks and certain ancillary assets (the "El Dorado Tank Assets" and together with the El Dorado Terminal, the "El Dorado Terminal and Tank Assets") at and adjacent to the El Dorado Refinery (such transaction, the "El Dorado Acquisition").

On March 31, 2015, the Partnership, through OpCo, acquired from Delek two crude oil rail offloading racks, which are designed to receive up to 25,000 barrels per day ("bpd") of light crude oil or 12,000 bpd of heavy crude oil, or any combination of the two, delivered by rail to the El Dorado Refinery and related ancillary assets (the "El Dorado Assets") (such transaction, the "El Dorado Offloading Racks Acquisition").

On March 31, 2015, the Partnership, through its wholly owned subsidiary Delek Marketing & Supply, LP, acquired from Delek a crude oil storage tank located adjacent to the Tyler Refinery (the "Tyler Crude Tank") and certain ancillary assets (collectively with the Tyler Crude Tank, the "Tyler Assets") (such transaction, the "Tyler Crude Tank Acquisition"). The Tyler Crude Tank has approximately 350,000 barrels of shell capacity and is expected to primarily support Delek's Tyler, Texas refinery (the "Tyler Refinery"). The Tyler Assets, together with the El Dorado Assets, are hereinafter collectively referred to as the "Logistics Assets."

The El Dorado Acquisition, the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition were accounted for as transfers between entities under common control. As entities under common control with Delek, we record the assets that Delek has contributed to us on our balance sheet at Delek's historical basis instead of fair value. Transfers between entities under common control are accounted for as if the transfer occurred at the beginning of the period, and prior years are retrospectively adjusted to furnish comparative information. Accordingly, the accompanying financial statements and related notes of the Partnership have been retrospectively adjusted to include (i) the historical results of the El Dorado Terminal and Tank Assets, as owned and operated by Delek, for all periods presented through February 10, 2014 (the "El Dorado Predecessor"), (ii) the historical results of the El Dorado Assets, as owned and operated by Delek, for all periods presented through March 31, 2015 (the "El Dorado Assets Predecessor") and (iii) the historical results of the Tyler Assets, as owned and operated by Delek, for all periods through March 31, 2015 (the "Tyler Assets Predecessor"). The El Dorado Assets Predecessor, together with the Tyler Assets Predecessor, are hereinafter collectively referred to as the "Logistics Assets Predecessor." We refer to the historical results of the El Dorado Predecessor, the El Dorado Assets Predecessor and the Tyler Assets Predecessor collectively as our "Predecessors." See Note 2 for further information regarding the El Dorado Acquisition, the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition.

The accompanying unaudited condensed consolidated financial statements and related notes for the six months ended June 30, 2015 and for the three and six months ended June 30, 2014 include the consolidated financial position, results

of operations, cash flows and division equity of our Predecessors as appropriate. The financial statements of our Predecessors have been prepared from the separate records maintained by Delek and may not necessarily be indicative of the conditions that would have existed or the results of operations if our Predecessors had been operated as unaffiliated entities. For example, our Predecessors did not record revenues for intercompany terminalling, throughput or storage services.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted, although management believes that the disclosures herein are adequate to make the financial information presented not misleading. Our unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP applied on a consistent basis with those of the annual audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 (our

"Annual Report on Form 10-K"), filed with the Securities and Exchange Commission (the "SEC") on February 26, 2015. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2014 included in our Annual Report on Form 10-K.

In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the interim periods presented have been included. All significant intercompany transactions and account balances have been eliminated in the consolidation. Such intercompany transactions do not include those with Delek or our general partner. All adjustments are of a normal, recurring nature. Operating results for the interim period should not be viewed as representative of results that may be expected for any future interim period or for the full year.

Certain prior period amounts have been reclassified in order to conform to the current year presentation. These reclassifications had no effect on net income or shareholders' equity as previously reported.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Acquisitions

Acquisitions from Delek

El Dorado Offloading Racks Acquisition

On March 31, 2015, the Partnership completed the El Dorado Offloading Racks Acquisition and acquired the El Dorado Assets. The purchase price paid for the El Dorado Assets acquired was \$42.5 million in cash financed with borrowings under the Partnership's amended and restated senior secured revolving credit facility.

In connection with the El Dorado Offloading Racks Acquisition, the Partnership and Delek entered into (i) an asset purchase agreement, (ii) a third amended and restated omnibus agreement, (iii) a throughput agreement with respect to the El Dorado Assets, (iv) a lease and access agreement, and (v) an amended and restated site services agreement. See Note 14 for additional information regarding certain of these agreements.

Tyler Crude Tank Acquisition

On March 31, 2015, the Partnership completed the Tyler Crude Tank Acquisition and acquired the Tyler Assets, including the Tyler Crude Tank. The purchase price paid for the Tyler Assets was \$19.4 million in cash financed with borrowings under the Partnership's amended and restated senior secured revolving credit facility.

El Dorado Acquisition

On February 10, 2014, the Partnership completed the El Dorado Acquisition and acquired the El Dorado Terminal and Tank Assets. The purchase price paid for the assets acquired was approximately \$95.9 million in cash.

In connection with the El Dorado Acquisition, the Partnership and Delek entered into (i) an asset purchase agreement, (ii) a second amended and restated omnibus agreement, (iii) a throughput and tankage agreement with respect to the El Dorado Terminal and Tank Assets, (iv) a lease and access agreement, and (v) a site services agreement.

Financial Results of the El Dorado Assets, the Tyler Assets and the El Dorado Terminal and Tank Assets

The acquisitions of the El Dorado Assets, the Tyler Assets and the El Dorado Terminal and Tank Assets, were considered transfers of businesses between entities under common control. Accordingly, the El Dorado Offloading Racks Acquisition, the Tyler Crude Tank Acquisition and the El Dorado Acquisition, were recorded at amounts based on Delek's historical carrying values as of each respective acquisition date, which were \$7.6 million as of March 31, 2015, \$11.6 million as of March 31, 2015 and \$25.2 million as of February 10, 2014, respectively. Our historical financial statements have been retrospectively adjusted to reflect the results of operations, financial position, cash flows and equity attributable to the El Dorado Assets, the Tyler Assets and the El Dorado Terminal and Tank Assets, as if we owned the assets for all periods presented. The results of the El Dorado Terminal are included in the wholesale marketing and terminalling segment, and the results of the El Dorado Assets, the Tyler Assets and the El Dorado Tank Assets, are included in the pipelines and transportation segment.

The results of the El Dorado Assets' and the Tyler Assets' operations prior to the completion of the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition on March 31, 2015 have been included in the El Dorado Assets Predecessor results and the Tyler Assets Predecessor results in the tables below. The results of the El Dorado Terminal and Tank Assets' operations prior to the completion of the El Dorado Acquisition on February 10, 2014 have been included in the El Dorado Predecessor results in the tables below. The results of the El Dorado Terminal and Tank Assets' operations subsequent to February 10, 2014, have been included in the Partnership's results.

The tables on the following pages present our results of operations, the effect of including the results of the Logistics Assets and the El Dorado Terminal and Tank Assets and the adjusted total amounts included in our condensed consolidated financial statements.

Condensed Combined Balance Sheet

| | Delek Logistics Partners, LP | El Dorado Assets (El Dorado Assets Predecessor) | Tyler Assets (Tyler Assets Predecessor) | December 31, 2014 |
|--|---------------------------------|--|---|-------------------|
| | (In thousands) | | | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 1,861 | \$— | \$— | \$ 1,861 |
| Accounts receivable | 27,986 | — | — | 27,986 |
| Inventory | 10,316 | — | — | 10,316 |
| Deferred tax assets | 28 | — | — | 28 |
| Other current assets | 768 | — | — | 768 |
| Total current assets | 40,959 | — | — | 40,959 |
| Property, plant and equipment: | | | | |
| Property, plant and equipment | 288,045 | 8,267 | 11,776 | 308,088 |
| Less: accumulated depreciation | (52,992 |) (317 |) — | (53,309 |
| Property, plant and equipment, net | 235,053 | 7,950 | 11,776 | 254,779 |
| Goodwill | 11,654 | — | — | 11,654 |
| Intangible assets, net | 16,520 | — | — | 16,520 |
| Other non-current assets | 7,374 | — | — | 7,374 |
| Total assets | \$311,560 | \$7,950 | \$11,776 | \$331,286 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 17,929 | \$— | \$— | \$ 17,929 |
| Accounts payable to related parties | 628 | — | — | 628 |
| Excise and other taxes payable | 5,443 | — | — | 5,443 |
| Accrued expenses and other current liabilities | 1,588 | — | — | 1,588 |
| Tank inspection liabilities | 2,829 | — | — | 2,829 |
| Pipeline release liabilities | 1,899 | — | — | 1,899 |
| Total current liabilities | 30,316 | — | — | 30,316 |
| Non-current liabilities: | | | | |
| Revolving credit facility | 251,750 | — | — | 251,750 |
| Asset retirement obligations | 3,319 | — | — | 3,319 |
| Deferred tax liabilities | 231 | — | — | 231 |
| Other non-current liabilities | 5,889 | — | — | 5,889 |
| Total non-current liabilities | 261,189 | — | — | 261,189 |
| Equity: | | | | |
| Predecessors division equity | — | 7,950 | 11,776 | 19,726 |
| Common unitholders - public (9,417,189 units issued and outstanding) | 194,737 | — | — | 194,737 |
| Common unitholders - Delek (2,799,258 units issued and outstanding) | (241,112 |) — | — | (241,112 |
| Subordinated unitholders - Delek (11,999,258 units issued and outstanding) | 73,515 | — | — | 73,515 |
| | (7,085 |) — | — | (7,085 |

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General Partner unitholders - Delek
(494,197 units issued and outstanding)

| | | | | |
|------------------------------|-----------|---------|----------|-----------|
| Total equity | 20,055 | 7,950 | 11,776 | 39,781 |
| Total liabilities and equity | \$311,560 | \$7,950 | \$11,776 | \$331,286 |

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Condensed Combined Statements of Operations

| | Delek Logistics Partners, LP | El Dorado Assets (El Dorado Assets Predecessor) | Tyler Assets (Tyler Assets Predecessor) | Six Months Ended June 30, 2015 |
|---|------------------------------------|--|---|--|
| | (In thousands) | | | |
| Net Sales | \$315,646 | \$— | \$— | \$315,646 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 240,901 | — | — | 240,901 |
| Operating expenses | 21,408 | 167 | — | 21,575 |
| General and administrative expenses | 6,391 | — | — | 6,391 |
| Depreciation and amortization | 8,774 | 372 | 98 | 9,244 |
| Gain on asset disposals | (18 |) — | — | (18 |
| Total operating costs and expenses | 277,456 | 539 | 98 | 278,093 |
| Operating income (loss) | 38,190 | (539 |) (98 |) 37,553 |
| Interest expense, net | 4,773 | — | — | 4,773 |
| Loss on equity method investments | 149 | — | — | 149 |
| Total non-operating costs and expenses | 4,922 | — | — | 4,922 |
| Net income (loss) before income tax expense | 33,268 | (539 |) (98 |) 32,631 |
| Income tax expense | 317 | — | — | 317 |
| Net income (loss) | 32,951 | (539 |) (98 |) 32,314 |
| Less: loss attributable to Predecessors | — | (539 |) (98 |) (637 |
| Net income attributable to partners | \$32,951 | \$— | \$— | \$32,951 |
| | Delek Logistics Partners, LP | El Dorado Assets (El Dorado Assets Predecessor) | Tyler Assets (Tyler Assets Predecessor) | Three Months Ended June 30, 2014 ⁽¹⁾ |
| | (In thousands) | | | |
| Net Sales | \$236,343 | \$— | \$— | \$236,343 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 196,574 | — | — | 196,574 |
| Operating expenses | 9,544 | 175 | — | 9,719 |
| General and administrative expenses | 2,242 | — | — | 2,242 |
| Depreciation and amortization | 3,532 | 91 | — | 3,623 |
| Loss on asset disposals | 74 | — | — | 74 |
| Total operating costs and expenses | 211,966 | 266 | — | 212,232 |
| Operating income (loss) | 24,377 | (266 |) (266 |) 24,111 |
| Interest expense, net | 2,342 | — | — | 2,342 |
| Net income (loss) before income tax expense | 22,035 | (266 |) (266 |) 21,769 |
| Income tax expense | 281 | — | — | 281 |
| Net income (loss) | 21,754 | (266 |) (266 |) 21,488 |
| Less: loss attributable to Predecessors | — | (266 |) (266 |) (266 |
| Net income attributable to partners | \$21,754 | \$— | \$— | \$21,754 |

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| | Delek Logistics Partners, LP | El Dorado Assets (El Dorado Assets Predecessor) | El Dorado Terminal and Tank Assets (El Dorado Predecessor) | Six Months Ended June 30, 2014 ⁽¹⁾ |
|---|------------------------------|---|--|---|
| | (In thousands) | | | |
| Net Sales | \$439,870 | \$— | \$— | \$439,870 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 368,783 | — | — | 368,783 |
| Operating expenses | 18,080 | 352 | 783 | 19,215 |
| General and administrative expenses | 4,859 | — | 46 | 4,905 |
| Depreciation and amortization | 6,895 | 91 | 114 | 7,100 |
| Loss on asset disposals | 74 | — | — | 74 |
| Total operating costs and expenses | 398,691 | 443 | 943 | 400,077 |
| Operating income (loss) | 41,179 | (443) | (943) | 39,793 |
| Interest expense, net | 4,325 | — | — | 4,325 |
| Net income (loss) before income tax expense | 36,854 | (443) | (943) | 35,468 |
| Income tax expense | 428 | — | — | 428 |
| Net income (loss) | 36,426 | (443) | (943) | 35,040 |
| Less: Loss attributable to Predecessors | — | (443) | (943) | (1,386) |
| Net income attributable to partners | \$36,426 | \$— | \$— | \$36,426 |

⁽¹⁾ There were no revenues or expenses associated with the Tyler Assets Predecessor included in our condensed consolidated financial statements for the three and six months ended June 30, 2014 as the Tyler Assets were not fully constructed and were not placed into service until January 2015.

Acquisitions from Third Parties

Trucking Assets Acquisition

On December 17, 2014, through a new subsidiary, DKL Transportation, LLC, we completed the purchase of substantially all of the assets of Frank Thompson Transport, Inc. ("FTT"), a company that primarily hauled crude oil and asphalt products by transport truck, to complement our existing assets and increase our overall third party business. The assets purchased from FTT include approximately 135 trucks and 205 trailers (the "FTT Assets").

Terminal and Pipeline Acquisition

On October 1, 2014, we completed the purchase from an affiliate of Magellan Midstream Partners, LP of (i) a light products terminal in Mount Pleasant, Texas (the "Mount Pleasant Terminal"), (ii) a light products storage facility in Greenville, Texas (the "Greenville Storage Facility"), (iii) a 76-mile pipeline connecting the locations (the "Greenville-Mount Pleasant Pipeline") and (iv) finished product and other related inventory. The Mount Pleasant Terminal, the Greenville Storage Facility and the Greenville-Mount Pleasant Pipeline are hereinafter collectively referred to as the "Greenville-Mount Pleasant Assets." The Mount Pleasant Terminal consists of approximately 200,000 barrels of light product storage capacity, three truck loading lanes and ethanol blending capability. The Greenville Storage Facility has approximately 325,000 barrels of storage capacity and is connected to the Explorer Pipeline System, which is a common carrier pipeline owned by a third party. We acquired the Greenville-Mount Pleasant Assets to complement our existing assets and provide enhanced logistical capabilities.

Purchase Price Allocations - Acquisitions from Third Parties

The following table summarizes the allocation of the aggregate purchase price for each of the third party acquisitions described above (in thousands):

| | FTT Assets ⁽¹⁾ | Greenville-Mount Pleasant Assets ⁽²⁾ |
|-------------------------------|---------------------------|---|
| Property, plant and equipment | \$ 11,145 | \$4,829 |
| Intangible assets | — | 5,171 |
| Inventory | — | 1,125 |
| Accounts receivable | 1,901 | — |
| Accounts payable | (1,121 |) — |
| Total | \$ 11,925 | \$ 11,125 |

During the six months ended June 30, 2015, we adjusted our previously disclosed purchase price allocation and certain of the acquisition date fair values in connection with working capital adjustments and an additional \$0.4 million of consideration paid for additional assets. The property, plant and equipment, accounts receivable and accounts payable valuation are subject to change during the purchase price allocation period.

During the six months ended June 30, 2015, we adjusted our purchase price allocation and certain of the acquisition date fair values previously disclosed. The property, plant and equipment, intangible assets and inventory valuation are subject to change during the purchase price allocation period.

Pro Forma Financial Information - Acquisitions from Third Parties

Below are the unaudited pro forma consolidated results of operations of the Partnership for the three and six months ended June 30, 2014, as if these acquisitions had occurred on January 1, 2014 (in thousands):

| | Three Months Ended June 30, 2014 | Six Months Ended June 30, 2014 |
|-----------------------------------|-------------------------------------|-----------------------------------|
| FTT Assets: | | |
| Net sales | \$239,871 | \$446,632 |
| Net income | \$21,699 | \$35,418 |
| Greenville-Mount Pleasant Assets: | | |
| Net sales | \$236,516 | \$440,215 |
| Net income | \$21,379 | \$34,822 |

3. Inventory

Inventories consisted of \$4.3 million and \$10.3 million of refined petroleum products as of June 30, 2015 and December 31, 2014, respectively. Cost of inventory is stated at the lower of cost or market, determined on a first-in, first-out basis.

4. Second Amended and Restated Credit Agreement

We entered into a senior secured revolving credit agreement on November 7, 2012, with Fifth Third Bank, as administrative agent, and a syndicate of lenders. The agreement was amended and restated on July 9, 2013 (the "Amended and Restated Credit Agreement") and was most recently amended and restated on December 30, 2014 (the "Second Amended and Restated Credit Agreement"). Under the terms of the Second Amended and Restated Credit Agreement, the lender commitments were increased from \$400.0 million to \$700.0 million. The Second Amended and Restated Credit Agreement also contains an accordion feature whereby the Partnership can increase the size of the credit facility to an aggregate of \$800.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. The Second Amended and Restated Credit Agreement matures on December 30, 2019. While the majority of the terms of the Second Amended and Restated Credit Agreement are substantially unchanged from the predecessor facility, among other things, changes were made to certain negative covenants, the financial covenants and the interest rate pricing grid. The Second Amended and Restated Credit Agreement contains an option for Canadian dollar denominated borrowings.

Borrowings denominated in U.S. dollars bear interest at either a U.S. dollar prime rate, plus an applicable margin, or the London Interbank Offered Rate ("LIBOR"), plus an applicable margin, at the election of the borrowers. Borrowings denominated in Canadian dollars bear interest at either a Canadian dollar prime rate, plus an applicable margin, or the Canadian Dealer Offered Rate, plus an applicable margin, at the election of the borrowers. The applicable margin in each case varies based upon the Partnership's most recent leverage ratio calculation delivered to the lenders, as called for and defined under the terms of the credit facility. At June 30, 2015, the weighted average interest rate for our borrowings under the facility was approximately 2.6%. Additionally, the Second Amended and Restated Credit Agreement requires us to pay a leverage ratio dependent quarterly fee on the average unused revolving commitment. As of June 30, 2015, this fee was 0.4% per year.

The obligations under the Second Amended and Restated Credit Agreement remain secured by first priority liens on substantially all of the Partnership's and its subsidiaries' tangible and intangible assets. Additionally, Delek Marketing & Supply, LLC ("Delek Marketing"), a direct, wholly owned subsidiary of Delek, continues to provide a limited guaranty of the Partnership's obligations under the Second Amended and Restated Credit Agreement. Delek Marketing's guaranty is (i) limited to an amount equal to the principal amount, plus unpaid and accrued interest, of a promissory note made by Delek US in favor of Delek Marketing (the "Holdings Note"), and (ii) secured by Delek Marketing's pledge of the Holdings Note to our lenders under the Second Amended and Restated Credit Agreement. As of June 30, 2015, the principal amount of the Holdings Note was \$102.0 million, plus unpaid interest accrued since the issuance date.

As of June 30, 2015, we had approximately \$316.9 million of outstanding borrowings under the Second Amended and Restated Credit Agreement. Additionally, we had in place letters of credit totaling approximately \$5.5 million, primarily securing obligations with respect to gasoline and diesel purchases. No amounts were drawn under these letters of credit at June 30, 2015. Amounts available under the Second Amended and Restated Credit Agreement as of June 30, 2015 were approximately \$377.6 million.

5. Income Taxes

For tax purposes, each partner of the Partnership is required to take into account its share of income, gain, loss and deduction in computing its federal and state income tax liabilities, regardless of whether cash distributions are made to such partner by the Partnership. The taxable income reportable to each partner takes into account differences between the tax basis and fair market value of our assets, the acquisition price of such partner's units and the taxable income allocation requirements under our partnership agreement.

6. Net Income Per Unit

We use the two-class method when calculating the net income per unit applicable to limited partners because we have more than one participating class of securities. Our participating securities consist of common units, subordinated units, general partner units and incentive distribution rights ("IDRs"). The two-class method is based on the weighted-average number of common units outstanding during the period. Basic net income per unit applicable to limited partners (including subordinated unitholders) is computed by dividing limited partners' interest in net income, after deducting our general partner's 2% interest and incentive distribution rights, by the weighted-average number of outstanding common and subordinated units. Our net income is allocated to our general partner and limited partners in accordance with their respective partnership percentages after giving effect to priority income allocations for incentive distribution rights to our general partner, which is the holder of the incentive distribution rights pursuant to our partnership agreement, which are declared and paid following the close of each quarter.

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Earnings in excess of distributions are allocated to our general partner and limited partners based on their respective ownership interests. Payments made to our unitholders are determined in relation to actual distributions declared and are not based on the net income allocations used in the calculation of net income per unit.

Diluted net income per unit applicable to common limited partners includes the effects of potentially dilutive units on our common units. At present, the only potentially dilutive units outstanding consist of unvested phantom unit awards under the Delek Logistics GP, LLC 2012 Long-Term Incentive Plan (the "LTIP"). Basic and diluted net income per unit applicable to subordinated limited partners are the same because there are no potentially dilutive subordinated units outstanding.

Our distributions earned with respect to a given period are declared subsequent to quarter end. Therefore, the table below represents total cash distributions applicable to the period in which the distributions are earned. The expected date of distribution for the distributions earned during the period ended June 30, 2015 is August 14, 2015. The calculation of net income per unit is as follows (dollars in thousands, except per unit amounts):

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------|------------------|------------|
| | June 30, | | June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Net income attributable to partners | \$18,311 | \$21,754 | \$32,951 | \$36,426 |
| Less: General partner's distribution (including IDRs) ⁽¹⁾ | 1,030 | 424 | 1,898 | 633 |
| Less: Limited partners' distribution | 6,738 | 5,787 | 13,213 | 10,952 |
| Less: Subordinated partner's distribution | 6,600 | 5,699 | 12,959 | 10,799 |
| Earnings in excess of distributions | \$3,943 | \$9,844 | \$4,881 | \$14,042 |
| General partner's earnings: | | | | |
| Distributions (including IDRs) ⁽¹⁾ | \$1,030 | \$424 | \$1,898 | \$633 |
| Allocation of earnings in excess of distributions | 79 | 196 | 98 | 281 |
| Total general partner's earnings | \$1,109 | \$620 | \$1,996 | \$914 |
| Limited partners' earnings on common units: | | | | |
| Distributions | \$6,738 | \$5,787 | \$13,213 | \$10,952 |
| Allocation of earnings in excess of distributions | 1,952 | 4,861 | 2,416 | 6,930 |
| Total limited partners' earnings on common units | \$8,690 | \$10,648 | \$15,629 | \$17,882 |
| Limited partners' earnings on subordinated units: | | | | |
| Distributions | \$6,600 | \$5,699 | \$12,959 | \$10,799 |
| Allocation of earnings in excess of distributions | 1,912 | 4,787 | 2,367 | 6,831 |
| Total limited partner's earnings on subordinated units | \$8,512 | \$10,486 | \$15,326 | \$17,630 |
| Weighted average limited partner units outstanding: | | | | |
| Common units - (basic) | 12,224,007 | 12,159,732 | 12,220,248 | 12,156,135 |
| Common units - (diluted) | 12,360,519 | 12,291,273 | 12,350,621 | 12,281,598 |
| Subordinated units - Delek (basic and diluted) | 11,999,258 | 11,999,258 | 11,999,258 | 11,999,258 |
| Net income per limited partner unit: | | | | |
| Common units - (basic) | \$0.71 | \$0.88 | \$1.28 | \$1.47 |
| Common units - (diluted) | \$0.70 | \$0.87 | \$1.27 | \$1.46 |
| Subordinated units - Delek (basic and diluted) | \$0.71 | \$0.87 | \$1.28 | \$1.47 |

(1) General partner distributions (including IDRs) consist of the 2% general partner interest and IDRs, which represent the right of the general partner to receive increasing percentages of quarterly distributions of available cash from operating surplus in excess of \$0.43125 per unit per quarter. See Note 7 for further discussion related to IDRs.

7. Equity

We had 9,451,589 common limited partner units held by the public outstanding as of June 30, 2015. Additionally, as of June 30, 2015, Delek owned a 59.8% limited partner interest in us, consisting of 2,799,258 common limited partner units and 11,999,258 subordinated limited partner units as well as a 95.6% interest in our general partner, which owns the entire 2.0% general partner interest consisting of 494,900 general partner units. Affiliates own the remaining 4.4% interest in our general partner. In accordance with our partnership agreement, Delek's subordinated units may convert to common units once specified distribution targets and other requirements have been met.

Equity Activity

The summarized changes in the carrying amount of our equity are as follows (in thousands):

| | Equity of Predecessors | Common - Public | Common - Delek ⁽¹⁾ | Subordinated | General Partner ⁽¹⁾ | Total |
|---|---------------------------|--------------------|----------------------------------|--------------|-----------------------------------|------------|
| Balance at December 31, 2014 | \$19,726 | \$194,737 | \$(241,112) | \$73,515 | \$(7,085) | \$39,781 |
| Sponsor contributions of equity to the Logistics Assets Predecessor | 115 | — | — | — | — | 115 |
| Loss attributable to the Logistics Assets Predecessor | (637) | — | — | — | — | (637) |
| Allocation of net assets acquired by the unitholders | (19,204) | — | 18,820 | — | 384 | — |
| Cash distributions | — | (9,801) | (63,563) | (12,479) | (2,812) | (88,655) |
| Sponsorship contribution of fixed assets | — | — | 410 | — | 8 | 418 |
| Net income attributable to partners | — | 12,053 | 3,576 | 15,326 | 1,996 | 32,951 |
| Unit-based compensation | — | 422 | 125 | 537 | (890) | 194 |
| Other | — | (359) | (108) | (460) | 958 | 31 |
| Balance at June 30, 2015 | \$— | \$197,052 | \$(281,852) | \$76,439 | \$(7,441) | \$(15,802) |

(1) Cash distributions include \$61.9 million in cash payments for the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition. As an entity under common control with Delek, we record the assets that we acquire from Delek on our balance sheet at Delek's historical book basis instead of fair value. Additionally, any excess of cash paid over the historical book basis of the assets acquired from Delek is recorded within equity. As a result of the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, our equity balance decreased \$42.7 million during the six months ended June 30, 2015.

Allocations of Net Income

Our partnership agreement contains provisions for the allocation of net income and loss to our unitholders and our general partner. For purposes of maintaining partner capital accounts, the partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interests. Normal allocations according to percentage interests are made after giving effect to priority income allocations, if any, in an

amount equal to incentive cash distributions allocated 100% to our general partner.

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The following table presents the allocation of the general partner's interest in net income (in thousands, except percentage of ownership interest):

| | Three Months Ended June 30, | | Six Months Ended June 30, | | |
|--|-----------------------------|----------|---------------------------|----------|---|
| | 2015 | 2014 | 2015 | 2014 | |
| Net income attributable to partners | \$18,311 | \$21,754 | \$32,951 | \$36,426 | |
| Less: General partner's IDRs | (758) | (189) | (1,364) | (189) |) |
| Net income available to partners | \$17,553 | \$21,565 | \$31,587 | \$36,237 |) |
| General partner's ownership interest | 2.0 | % 2.0 | % 2.0 | % 2.0 | % |
| General partner's allocated interest in net income | \$351 | \$431 | \$632 | \$725 | |
| General partner's IDRs | 758 | 189 | 1,364 | 189 | |
| Total general partner's interest in net income | \$1,109 | \$620 | \$1,996 | \$914 | |

Incentive Distribution Rights

The following table illustrates the percentage allocations of available cash from operating surplus between our unitholders and our general partner based on the specified target distribution levels. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of our general partner and our unitholders in any available cash from operating surplus that we distribute up to and including the corresponding amount in the column "Total Quarterly Distribution per Unit Target Amount." The percentage interests shown for our unitholders and our general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our general partner include its 2.0% general partner interest and assume that (i) our general partner has contributed any additional capital necessary to maintain its 2.0% general partner interest, (ii) our general partner has not transferred its incentive distribution rights, and (iii) there are no arrearages on common units.

| | | Target Quarterly Distribution per Unit Target Amount | Marginal Percentage Interest in Distributions | | |
|--------------------------------|------------|--|---|-----------------|--------|
| | | | Unitholders | General Partner | |
| Minimum Quarterly Distribution | | \$0.37500 | 98.0 | % | 2.0 % |
| First Target Distribution | above | \$0.37500 | 98.0 | % | 2.0 % |
| | up to | \$0.43125 | | | |
| Second Target Distribution | above | \$0.43125 | 85.0 | % | 15.0 % |
| | up to | \$0.46875 | | | |
| Third Target Distribution | above | \$0.46875 | 75.0 | % | 25.0 % |
| | up to | \$0.56250 | | | |
| Thereafter | thereafter | \$0.56250 | 50.0 | % | 50.0 % |

Cash Distributions

Our partnership agreement sets forth the calculation to be used to determine the amount and priority of cash distributions that our common and subordinated unitholders and general partner will receive. Our distributions earned with respect to a given period are declared subsequent to quarter end. The table below summarizes the quarterly distributions related to our quarterly financial results:

| Quarter Ended | Total Quarterly Distribution Per Limited Partner Unit | Total Quarterly Distribution Per Limited Partner Unit, Annualized | Total Cash Distribution, including general partner IDRs (in thousands) | Date of Distribution | Unitholders Record Date |
|--------------------|---|---|--|--------------------------------|-------------------------|
| December 31, 2013 | \$0.415 | \$1.66 | \$10,228 | February 13, 2014 | February 4, 2014 |
| March 31, 2014 | \$0.425 | \$1.70 | \$10,474 | May 14, 2014 | May 6, 2014 |
| June 30, 2014 | \$0.475 | \$1.90 | \$11,910 | August 14, 2014 | August 7, 2014 |
| September 30, 2014 | \$0.490 | \$1.96 | \$12,394 | November 14, 2014 | November 6, 2014 |
| December 31, 2014 | \$0.510 | \$2.04 | \$13,056 | February 13, 2015 | February 6, 2015 |
| March 31, 2015 | \$0.530 | \$2.12 | \$13,702 | May 14, 2015 | May 4, 2015 |
| June 30, 2015 | \$0.550 | \$2.20 | \$14,368 | August 14, 2015 ⁽¹⁾ | August 6, 2015 |

⁽¹⁾ Expected date of distribution.

The allocation of total quarterly cash distributions expected to be made on August 14, 2015 to general and limited partners for the three and six months ended June 30, 2015 is set forth in the table below. Our distributions earned with respect to a given period are declared subsequent to quarter end. Therefore, the table below presents total cash distributions applicable to the period in which the distributions are earned (in thousands, except per unit amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| General partner's distributions: | | | | |
| General partner's distributions | \$272 | \$235 | \$534 | \$444 |
| General partner's IDRs | 758 | 189 | 1,364 | 189 |
| Total general partner's distributions | 1,030 | 424 | 1,898 | 633 |
| Limited partners' distributions: | | | | |
| Common | 6,738 | 5,787 | 13,213 | 10,952 |
| Subordinated | 6,600 | 5,699 | 12,959 | 10,799 |
| Total limited partners' distributions | 13,338 | 11,486 | 26,172 | 21,751 |
| Total cash distributions | \$14,368 | \$11,910 | \$28,070 | \$22,384 |
| Cash distributions per limited partner unit | \$0.550 | \$0.475 | \$1.080 | \$0.900 |

8. Equity Based Compensation

We incurred \$0.1 million and \$0.2 million of unit-based compensation expense related to the Partnership during the three and six months ended June 30, 2015, respectively, and a nominal amount and \$0.1 million during the three and six months ended June 30, 2014, respectively. These amounts are included in general and administrative expenses in the accompanying condensed consolidated statements of income. The fair value of phantom unit awards under the LTIP is determined based on the closing price of our common limited partner units on the grant date. The estimated fair value of our phantom units is amortized over the vesting period using the straight line method. All awards made

through June 9, 2015 vest over a five-year service period unless

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such awards are amended in accordance with the LTIP. Beginning June 10, 2015, all awards made to only non-employee directors vest over a three-year service period unless such awards are amended in accordance with the LTIP. As of June 30, 2015, there was \$1.1 million of total unrecognized compensation cost related to non-vested equity-based compensation arrangements, which is expected to be recognized over a weighted-average period of 2.4 years.

9. Equity Method Investments

In March 2015, the Partnership, through its indirect wholly owned subsidiary DKL Caddo, LLC ("DKL Caddo") became a member of Caddo Pipeline, LLC ("CP LLC") by entering into an amended and restated limited liability company agreement (the "Caddo LLC Agreement") with Plains Pipeline, L.P., an affiliate of Plains All American Pipeline, L.P. ("Plains"). CP LLC was formed to plan, develop, construct, own, operate and maintain a pipeline system and ancillary assets originating near Longview, Texas and extending to Shreveport, Louisiana (the "Caddo Pipeline System"). Pursuant to the terms of the Caddo LLC Agreement, DKL Caddo and Plains each own a 50% membership interest in CP LLC. Pursuant to separate agreements, Plains will have primary responsibility for the construction of the Caddo Pipeline System, and, upon its completion, Plains will also have primary day-to-day responsibility for its operations.

In March 2015, the Partnership, through its indirect wholly owned subsidiary, DKL RIO, LLC ("DKL RIO"), became a member of Rangeland RIO Pipeline, LLC ("Rangeland RIO") by entering into an amended and restated limited liability company agreement (the "Rangeland LLC Agreement") with Rangeland Energy II, LLC ("Rangeland"). Rangeland RIO was formed to develop, construct, operate and maintain a crude oil pipeline extending from Loving County, Texas, to Midland, Texas (the "RIO Pipeline"). Pursuant to the terms of the Rangeland LLC Agreement, DKL RIO owns 33% of Rangeland RIO, and Rangeland owns 67%. Rangeland will have primary day-to-day responsibility for the operations of the RIO Pipeline following completion of its construction.

The total projected investment in these two entities is approximately \$91.0 million and will be financed through a combination of cash from operations and borrowings under the Second Amended and Restated Credit Agreement. As of June 30, 2015, the investment in these joint ventures totaled \$18.5 million and was accounted for using the equity method.

10. Segment Data

We report our assets and operating results in two reportable segments: (i) pipelines and transportation and (ii) wholesale marketing and terminalling:

The assets and investments reported in the pipelines and transportation segment provide crude oil gathering, and crude oil, intermediate and finished products transportation and storage services to Delek's refining operations and independent third parties.

The assets in the wholesale marketing and terminalling segment provide marketing and terminalling services to Delek's refining operations and independent third parties.

Our operating segments adhere to the same accounting policies used for our consolidated financial statements. Our operating segments are managed separately because each segment requires different industry knowledge, technology and marketing strategies. Decisions concerning the allocation of resources and assessment of operating performance are made based on this segmentation. Management measures the operating performance of each reportable segment based on segment contribution margin. Segment contribution margin is defined as net sales less cost of sales and operating expenses, excluding depreciation and amortization.

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On February 10, 2014 and March 31, 2015, we acquired the El Dorado Terminal and Tank Assets and the Logistics Assets, respectively, from Delek. Our historical financial statements have been retrospectively adjusted to reflect the results of operations attributable to the El Dorado Terminal and Tank Assets and the Logistics Assets as if we owned the assets for all periods presented. The results of the El Dorado Terminal are included in the wholesale marketing and terminalling segment. The results of the El Dorado Tank Assets and the Logistics Assets are included in the pipelines and transportation segment.

The following is a summary of business segment operating performance as measured by contribution margin for the periods indicated (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|----------|
| | June 30, | 2014 | June 30, | 2014 |
| | 2015 | | 2015 | |
| Pipelines and Transportation | | | | |
| Net Sales: | | | | |
| Affiliate | \$26,093 | \$20,245 | \$50,078 | \$37,746 |
| Third-Party | 7,641 | 2,821 | 14,658 | 5,588 |
| Total Pipelines and Transportation | 33,734 | 23,066 | 64,736 | 43,334 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 5,102 | 1,130 | 9,915 | 2,256 |
| Operating expenses ^{(1) (2)} | 7,745 | 8,308 | 14,663 | 15,484 |
| Segment contribution margin | \$20,887 | \$13,628 | \$40,158 | \$25,594 |
| Capital spending (excluding business combinations) ^{(1) (2)} | \$3,057 | \$1,128 | \$7,610 | \$3,416 |
| Wholesale Marketing and Terminalling | | | | |
| Net Sales: | | | | |
| Affiliate | \$13,778 | \$8,648 | \$22,073 | \$16,429 |
| Third-Party | 124,622 | 204,629 | 228,837 | 380,107 |
| Total Wholesale Marketing and Terminalling | 138,400 | 213,277 | 250,910 | 396,536 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 127,392 | 195,444 | 230,986 | 366,527 |
| Operating expenses | 3,053 | 1,411 | 6,912 | 3,731 |
| Segment contribution margin | \$7,955 | \$16,422 | \$13,012 | \$26,278 |
| Capital spending (excluding business combinations) | \$2,905 | \$756 | \$5,925 | \$784 |
| Consolidated | | | | |
| Net Sales: | | | | |
| Affiliate | \$39,871 | \$28,893 | \$72,151 | \$54,175 |
| Third-Party | 132,263 | 207,450 | 243,495 | 385,695 |
| Net sales | 172,134 | 236,343 | 315,646 | 439,870 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 132,494 | 196,574 | 240,901 | 368,783 |
| Operating expenses ^{(1) (2)} | 10,798 | 9,719 | 21,575 | 19,215 |
| Contribution margin | 28,842 | 30,050 | 53,170 | 51,872 |
| General and administrative expenses | 2,982 | 2,242 | 6,391 | 4,905 |
| Depreciation and amortization | 4,744 | 3,623 | 9,244 | 7,100 |
| (Gain) loss on asset disposals | (23 |) 74 | (18 |) 74 |
| Operating income | \$21,139 | \$24,111 | \$37,553 | \$39,793 |
| Capital spending (excluding business combinations) ^{(1) (2)} | \$5,962 | \$1,884 | \$13,535 | \$4,200 |

⁽¹⁾ Includes operating expenses and capital spending expenditures incurred in connection with the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition for the six months ended June 30, 2015.

(2) Adjusted to include operating expenses and capital spending expenditures incurred in connection with the assets acquired in the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition for the six months ended June 30, 2014.

The following table summarizes the total assets for each segment as of June 30, 2015 and December 31, 2014 (in thousands).

| | June 30, 2015 | December 31, 2014 |
|--------------------------------------|---------------|-------------------|
| Pipelines and Transportation | \$285,733 | \$230,293 |
| Wholesale Marketing and Terminalling | 66,263 | 100,993 |
| Total Assets | \$351,996 | \$331,286 |

Property, plant and equipment and accumulated depreciation as of June 30, 2015 and depreciation expense by reporting segment as of and for the three and six months ended June 30, 2015 were as follows (in thousands):

| | Pipelines and Transportation | Wholesale Marketing and Terminalling | Consolidated |
|--|---------------------------------|---|--------------|
| Property, plant and equipment | \$291,375 | \$25,833 | \$317,208 |
| Less: accumulated depreciation | (50,017 |) (11,948 |) (61,965 |
| Property, plant and equipment, net | \$241,358 | \$13,885 | \$255,243 |
| Depreciation expense for the three months ended June 30, 2015 | \$3,447 | \$1,031 | \$4,478 |
| Depreciation expense for the six months ended June 30, 2015 | \$6,923 | \$1,789 | \$8,712 |

In accordance with ASC 360, Property, Plant & Equipment, we evaluate the realizability of property, plant and equipment as events occur that might indicate potential impairment.

11. Fair Value Measurements

The fair values of financial instruments are estimated based upon current market conditions and quoted market prices for the same or similar instruments. Management estimates that the carrying value approximates fair value for all of our assets and liabilities that fall under the scope of ASC 825, Financial Instruments.

We apply the provisions of ASC 820, Fair Value Measurements ("ASC 820"), which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements. ASC 820 applies to our interest rate and commodity derivatives that are measured at fair value on a recurring basis. The standard also requires that we assess the impact of nonperformance risk on our derivatives. Nonperformance risk is not considered material at this time.

ASC 820 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

Over the counter commodity swaps, interest rate swaps and caps are generally valued using industry-standard models that consider various assumptions, including quoted forward prices, spot prices, interest rates, time value, volatility factors and contractual prices for the underlying instruments, as well as other relevant economic measures. The degree to which these inputs are observable in the forward markets determines the classification as Level 2 or 3. Our

contracts are valued using quotations provided by brokers based on exchange pricing and/or price index developers such as Platts or Argus and are, therefore, classified as Level 2.

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The fair value hierarchy for our financial assets accounted for at fair value on a recurring basis at June 30, 2015 and December 31, 2014 was as follows (in thousands):

| | As of June 30, 2015 | | | Total |
|---------------------------|-------------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Interest rate derivatives | \$— | \$1 | \$— | \$1 |
| Commodity derivatives | — | 11 | — | 11 |
| Total assets | — | 12 | — | 12 |
| Liabilities | | | | |
| Commodity derivatives | — | (25) | — | (25) |
| Net liabilities | \$— | \$(13) | \$— | \$(13) |
| | As of December 31, 2014 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Interest rate derivatives | \$— | \$24 | \$— | \$24 |
| Commodity derivatives | — | 456 | — | 456 |
| Total assets | — | 480 | — | 480 |
| Liabilities | | | | |
| Commodity derivatives | — | (61) | — | (61) |
| Net assets | \$— | \$419 | \$— | \$419 |

The derivative values above are based on analysis of each contract as the fundamental unit of account as required by ASC 820. Derivative assets and liabilities with the same counterparty are not netted where the legal right of offset exists. This differs from the presentation in the financial statements which reflects our policy under the guidance of ASC 815-10-45, Derivatives and Hedging - Other Presentation Matters ("ASC 815-10-45"), wherein we have elected to offset the fair value amounts recognized for multiple derivative instruments executed with the same counterparty where the legal right of offset exists.

Our policy under the guidance of ASC 815-10-45 is to net the fair value amounts recognized for multiple derivative instruments executed with the same counterparty and offset these values against the cash collateral arising from these derivative positions. As of June 30, 2015 and December 31, 2014, no cash collateral was held by counterparty brokerage firms.

12. Derivative Instruments

From time to time, we enter into forward fuel contracts to limit the exposure to price fluctuations for physical purchases of finished products in the normal course of business. We use derivatives to reduce normal operating and market risks with a primary objective in derivative instrument use being the reduction of the impact of market price volatility on our results of operations.

Typically, we enter into forward fuel contracts with major financial institutions in which we fix the purchase price of finished grade fuel for a predetermined number of units with fulfillment terms of less than 90 days.

From time to time, we may also enter into interest rate hedging agreements to limit floating interest rate exposure under the Second Amended and Restated Credit Agreement. Our initial credit facility required us to maintain interest rate hedging arrangements on at least 50% of the amount funded on November 7, 2012 under the credit facility, which was required to be in place for at least a three-year period beginning no later than March 7, 2013. Accordingly, effective February 25, 2013, we entered into interest rate hedges in the form of a LIBOR interest rate cap for a term of three years for a total notional amount of \$45.0 million, thereby meeting the requirements in effect at that time. These

requirements were eliminated in connection with the Amended and Restated Credit Agreement in July 2013, but the interest rate hedge remains in place in accordance with its terms.

The tables below present the fair value of our derivative instruments, as of June 30, 2015 and December 31, 2014. During the three and six months ended June 30, 2015 and June 30, 2014, we did not elect hedge treatment for these derivative positions. As a result, all changes in fair value are marked to market in the accompanying condensed consolidated statements of income.

| (in thousands) | | June 30, 2015 | | December 31, 2014 | |
|---|------------------------|---------------|-------------|-------------------|-------------|
| Derivative Type | Balance Sheet Location | Assets | Liabilities | Assets | Liabilities |
| Derivatives not designated as hedging instruments: | | | | | |
| Interest rate derivatives | Other current assets | \$1 | \$— | \$— | \$— |
| Interest rate derivatives | Other long term assets | — | — | 24 | — |
| Commodity derivatives ⁽¹⁾ | Other current assets | 11 | (25) | 456 | (61) |
| Total gross value of derivatives | | 12 | (25) | 480 | (61) |
| Less: Counterparty netting and cash collateral ⁽²⁾ | | 11 | (11) | 61 | (61) |
| Total net fair value of derivatives | | \$1 | \$(14) | \$419 | \$— |

⁽¹⁾ As of June 30, 2015 and December 31, 2014, we had open derivative contracts representing 48,000 barrels and 142,000 barrels, respectively, of refined petroleum products.

⁽²⁾ As of June 30, 2015 and December 31, 2014, no cash collateral associated with our commodity derivatives has been netted with the derivative positions with each counterparty.

Recognized gains (losses) associated with derivatives not designated as hedging instruments for the three and six months ended June 30, 2015 and 2014 were as follows (in thousands):

| Derivative Type | Income Statement Location | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------|---------------------------|-----------------------------|----------|---------------------------|----------|
| | | 2015 | 2014 | 2015 | 2014 |
| Interest rate derivatives | Interest expense | \$(4) | \$(54) | \$(23) | \$(75) |
| Commodity derivatives | Cost of goods sold | (157) | (175) | 182 | (304) |
| Total | | \$(161) | \$(229) | \$159 | \$(379) |

13. Commitments and Contingencies

Litigation

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

Rate Regulation of Petroleum Pipelines

The rates and terms and conditions of service on certain of our pipelines are subject to regulation by the Federal Energy Regulatory Commission (“FERC”) under the Interstate Commerce Act (“ICA”) and by the state regulatory commissions in the states in which we transport crude oil and refined products, including the Railroad Commission of Texas, the Louisiana Public Service Commission, and the Arkansas Public Service Commission. Certain of our pipeline systems are subject to such regulation and have filed tariffs with the appropriate authorities. We also comply

with the reporting requirements for these pipelines. Other of our pipelines have received a waiver from the application of FERC's tariff requirements but comply with other applicable regulatory requirements.

FERC regulates interstate transportation under the ICA, the Energy Policy Act of 1992 and the rules and regulations promulgated under those laws. The ICA and its implementing regulations require that tariff rates for interstate service on oil

pipelines, including pipelines that transport crude oil and refined products in interstate commerce (collectively referred to as "petroleum pipelines"), be just and reasonable and non-discriminatory and that such rates and terms and conditions of service be filed with FERC. Under the ICA, shippers may challenge new or existing rates or services. FERC is authorized to suspend the effectiveness of a challenged rate for up to seven months, though rates are typically not suspended for the maximum allowable period. Tariff rates are typically contractually subject to increase or decrease annually, by the amount of any change in various inflation-based indices, including the FERC oil pipeline index, the consumer price index and the producer price index; provided, however, that in no event will the fees be adjusted below the amount initially set forth in the applicable agreement.

While FERC regulates rates for shipments of crude oil or refined products in interstate commerce, state agencies may regulate rates and service for shipments in intrastate commerce. We own pipeline assets in Texas, Arkansas, and Louisiana, and accordingly, such assets may be subject to additional regulation by the applicable governmental authorities in those states.

Environmental Health and Safety

We are subject to various federal, state and local environmental and safety laws enforced by agencies including the United States Environmental Protection Agency (the "EPA"), the United States Department of Transportation, the Occupational Safety and Health Administration, the Texas Commission on Environmental Quality, the Texas Railroad Commission, the Arkansas Department of Environmental Quality, the Louisiana Oil Spill Coordinating Office, the Louisiana Department of Environmental Quality, the Louisiana Department of Wildlife and Fisheries and the Tennessee Department of Environment and Conservation, as well as other state and federal agencies. Numerous permits or other authorizations are required under these laws for the operation of our terminals, pipelines, and related operations, and such permits and authorizations may be subject to revocation, modification and renewal.

These laws and permits raise potential exposure to future claims and lawsuits involving environmental and safety matters, which could include soil and water contamination, air pollution, personal injury and property damage allegedly caused by substances we manufactured, stored, transported, handled, used, released or disposed of, or that relate to pre-existing conditions for which we have assumed responsibility. We believe that our current operations are in substantial compliance with existing environmental and safety requirements. However, there have been and will continue to be ongoing discussions about environmental and safety matters between us and federal and state authorities, including notices of violations, citations and other enforcement actions, some of which have resulted or may result in changes to operating procedures and in capital expenditures. See "Crude Oil Releases" below. While it is often difficult to quantify future environmental or safety related expenditures, we anticipate that continuing capital investments and changes in operating procedures will be required for the foreseeable future to comply with existing and new requirements, as well as evolving interpretations and more strict enforcement of existing laws and regulations.

Crude Oil Releases

We have detected several crude oil releases involving our assets, including, without limitation, a release at our Magnolia Station in March 2013, a release near Macedonia, Arkansas in October 2013 and a release in Haynesville, Louisiana in April 2014. We incurred costs of approximately \$1.0 million during the three and six months ended June 30, 2014 related to the release in Haynesville. As of June 30, 2015, we have accrued approximately \$0.2 million for additional expenses expected to be incurred related to this release. In June 2015, the United States Department of Justice notified the Partnership that it was evaluating an enforcement action on behalf of the EPA with regard to potential Clean Water Act violations arising from the March 2013 release at Magnolia Station; however, no specific claim for penalties or affirmative relief has been made at this time. We do not believe the total costs associated with these events, whether alone or in the aggregate, including any fines or penalties and net of any reimbursement and/or indemnification by Delek pursuant to the Third Restated Omnibus Agreement and any partial insurance

reimbursement, will have a material adverse effect upon our business, financial condition or results of operations.

On April 28, 2015, a crude oil release of an estimated 130 barrels of crude oil was discovered from a gathering line in a remote area near Fouke, Arkansas. Cleanup operations were coordinated with state and federal officials and concluded in May 2015. We believe that substantially all of the oil was recovered or evaporated. Site maintenance and remediation may continue for several months or longer. As of June 30, 2015, we have accrued \$1.6 million for costs related to this release, which are expected to be reimbursed pursuant to the Third Restated Omnibus Agreement (as defined in Note 14). We do not believe the total costs associated with this event, including any fines or penalties and net of any reimbursement and/or indemnification by Delek pursuant to the Third Restated Omnibus Agreement and any partial insurance reimbursement, will have a material adverse effect upon our business, financial condition or results of operations.

Contracts and Agreements

The majority of the petroleum products we sell in west Texas are purchased from Noble Petro, Inc. ("Noble Petro"). Under the terms of a supply contract (the "Abilene Contract") with Noble Petro, we have the right to purchase up to 20,350 bpd of petroleum products at the Abilene, Texas terminal, which we own, for sales at the Abilene and San Angelo terminals and to exchange barrels with third parties. We lease the Abilene and San Angelo, Texas terminals to Noble Petro, under a separate Terminal and Pipeline Lease and Operating Agreement, with a term that runs concurrent with that of the Abilene Contract. The Abilene Contract expires on December 31, 2017 and does not include any options for renewal. We also purchase spot barrels from various third parties and from Delek for sale to wholesale customers in west Texas.

Letters of Credit

As of June 30, 2015, we had in place letters of credit totaling approximately \$5.5 million under the Second Amended and Restated Credit Agreement, primarily securing obligations with respect to gasoline and diesel purchases. No amounts were drawn under these letters of credit at June 30, 2015.

Operating Leases

We lease certain equipment and have surface leases under various operating lease arrangements, most of which provide the option to renew after the current lease term. None of these lease arrangements includes fixed rental rate increases. Lease expense for all operating leases totaled \$0.4 million and \$0.6 million for the three and six months ended June 30, 2015, respectively, and \$0.2 million and \$0.4 million for the three and six months ended June 30, 2014, respectively.

14. Related Party Transactions

Commercial Agreements

The Partnership has various agreements with Delek, the majority of which are long-term, fee-based commercial agreements with Delek under which we provide crude oil gathering, crude oil and intermediate and refined products transportation and storage services, and marketing and terminalling services to Delek. Each of these agreements includes minimum quarterly volume or throughput commitments and has tariffs or fees indexed to inflation, provided that the tariffs or fees will not be decreased below the initial amount. Fees under each agreement are payable to us monthly by Delek or certain third parties to whom Delek has assigned certain of its rights. In most circumstances, if Delek or the applicable third party assignee fails to meet or exceed the minimum volume or throughput commitment during any calendar quarter, Delek, and not any third party assignee, will be required to make a quarterly shortfall payment to us equal to the volume of the shortfall multiplied by the applicable fee.

The tariffs, throughput fees and the storage fees under our agreements with Delek are subject to increase or decrease annually, by the amount of any change in various inflation-based indices, including the FERC oil pipeline index, the consumer price index and the producer price index; provided, however, that in no event will the fees be adjusted below the amount initially set forth in the applicable agreement.

See our Annual Report on Form 10-K for a description of certain of our commercial agreements and other agreements with Delek. During the six months ended June 30, 2015, we entered into the following material commercial agreements with Delek:

| Asset/Operation | Initiation Date | Initial/Maximum Service Term (years) ⁽¹⁾ | Minimum Throughput | Fee (/bbl) |
|-----------------|-----------------|---|--------------------|------------|
|-----------------|-----------------|---|--------------------|------------|

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| | | | | Commitment (bpd) | |
|------------------------------|------------|--------|-------------------------------------|---------------------|-----------------------|
| El Dorado Assets Throughput: | | | | | |
| Light Crude Throughput: | March 2015 | 9 / 15 | Dedicated offloading services | N/A ⁽³⁾ | \$1.00 ⁽²⁾ |
| Heavy Crude Throughput: | March 2015 | 9 / 15 | Dedicated offloading services | N/A ⁽³⁾ | \$2.25 ⁽²⁾ |

⁽¹⁾ Maximum term gives effect to the extension of the commercial agreement pursuant to the terms thereof.

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- (2) Fees payable to the Partnership by Delek.
- (3) The El Dorado Assets Throughput Agreement provides for an obligated quarterly minimum throughput fee of \$1.5 million for throughput of a combination of light and heavy crude.

El Dorado Assets Throughput Agreement. On March 31, 2015, in connection with the El Dorado Offloading Racks Acquisition, we and Delek entered into the Throughput Agreement (El Dorado Rail Offloading Facility) (the "Throughput Agreement") with respect to the El Dorado Assets. Under the Throughput Agreement, we will provide Delek with rail offloading services in return for throughput fees. The fees under the Throughput Agreement are indexed annually for inflation. The initial term of the Throughput Agreement is nine years and Delek, at its sole option, may extend the term for two renewal terms of three years each.

Omnibus Agreement. The second amended and restated omnibus agreement between the Partnership, Delek and the general partner was amended and restated on March 31, 2015. This amendment and restatement provided for the following: (i) revisions of the schedules to include the El Dorado Assets and the Tyler Assets, (ii) revisions of certain provisions and schedules with respect to certain environmental matters, (iii) the addition of DKL Transportation, LLC as a party to the agreement, (iv) the elimination of certain provisions under the Omnibus Agreement that had expired, and (v) updating the annual administrative fee payable by us to Delek for general corporate and administrative services that Delek and its affiliates provide to us to reflect the inflationary increase provided under the Omnibus Agreement, from \$3.3 million to \$3.4 million, which is prorated and payable monthly. The Partnership entered into an amendment to the third amended and restated omnibus agreement on August 3, 2015, but effective as of April 1, 2015, a copy of which is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q (the third amended and restated omnibus agreement between the Partnership, Delek and the general partner, as amended by the aforementioned amendment effective April 1, 2015 is referred to as the "Third Restated Omnibus Agreement"). This amendment eliminated a \$1.0 million per event deductible that applied before Delek was required to reimburse the Partnership with respect to certain asset failures.

Predecessors' Transactions

Related-party transactions of the Predecessors were settled through division equity. Costs related specifically to us have been identified and included in the accompanying consolidated statements of income and comprehensive income. Prior to the El Dorado Acquisition, the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, we were not allocated certain corporate costs. These costs were primarily allocated based on a percentage of salaries expense and property, plant and equipment costs. In the opinion of management, the methods for allocating these costs are reasonable. It is not practicable to estimate the costs that would have been incurred by us if we had been operated on a stand-alone basis.

Summary of Transactions

Revenues from affiliates consist of revenues from gathering, pipeline transportation, storage, wholesale marketing and products terminalling services provided primarily to Delek and its affiliates based on regulated tariff rates or contractually based fees, as well as product sales to Alon USA Energy, Inc., an equity method investee of Delek. Affiliate operating expenses are primarily comprised of amounts we reimburse Delek or our general partner, as the case may be, for the services provided to us under our partnership agreement. These expenses could also include reimbursement and indemnification amounts from Delek, as provided under the Third Restated Omnibus Agreement. Additionally, the Partnership is required to reimburse Delek for direct or allocated costs and expenses incurred by Delek on behalf of the Partnership and for charges incurred for the management and operation of our logistics assets, including an annual fee for the provision of various centralized corporate services, which are included in general and administrative services. In addition to these transactions, we purchase finished products and bulk biofuels from Delek, the costs of which are included in cost of goods sold.

A summary of revenue and expense transactions with Delek and its affiliates, including expenses directly charged and allocated to our Predecessors, are as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | \$39,871 | \$28,893 | \$72,151 | \$54,175 |
| Cost of goods sold | \$36,842 | \$8,857 | \$43,749 | \$20,562 |
| Operating and maintenance expenses ⁽¹⁾ | \$7,509 | \$5,336 | \$14,894 | \$10,905 |
| General and administrative expenses ⁽²⁾ | \$1,577 | \$1,182 | \$2,833 | \$2,464 |

Operating and maintenance expenses include costs allocated to the El Dorado Predecessor for operating support provided to the El Dorado Predecessor and the Logistics Assets Predecessor by Delek, including certain labor related costs, property and liability insurance costs and certain other operating expenses. With respect to the El

⁽¹⁾ Dorado Predecessor, the costs that were allocated to us by Delek were \$0.4 million for the six months ended June 30, 2014. With respect to the Logistics Assets Predecessor, the costs that were allocated to us by Delek were \$0.2 million for the six months ended June 30, 2015 and \$0.2 million and \$0.4 million for the three and six months ended June 30, 2014.

General and administrative expenses include costs allocated to the El Dorado Predecessor for general and administrative support provided to the El Dorado Predecessor by Delek, including services such as corporate

⁽²⁾ management, risk management, accounting and human resources. With respect to the El Dorado Predecessor, the costs that were allocated to us by Delek were \$0.1 million for the six months ended June 30, 2014. No costs were allocated to the Logistics Assets Predecessor to us by Delek for the six months ended June 30, 2015 or for the three and six months ended June 30, 2014.

In accordance with our partnership agreement, our common, subordinated and general partner unitholders are entitled to receive quarterly distributions of available cash. In February and May 2015, we paid quarterly cash distributions, of which \$7.8 million and \$8.7 million, respectively, were paid to Delek and our general partner. On July 27, 2015, our general partner's board of directors declared a quarterly cash distribution totaling \$14.4 million, based on the available cash as of the date of determination for the end of the second quarter of 2015, of which \$9.2 million will be paid to both Delek and our general partner, including incentive distribution rights.

15. Subsequent Events

Distribution Declaration

On July 27, 2015, our general partner's board of directors declared a quarterly cash distribution of \$0.550 per limited partner unit, payable on August 14, 2015, to unitholders of record on August 6, 2015.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, references in this report to "Delek Logistics Partners, LP," the "Partnership," and "we," "our," "us," or like terms, refer to Delek Logistics Partners, LP and its general partner and subsidiaries. Unless the context otherwise requires, references in this report to "Delek" refer collectively to Delek US Holdings, Inc. and any of its subsidiaries, other than Delek Logistics Partners, LP, its subsidiaries and its general partner. Those statements in this section that are not historical in nature should be deemed forward-looking statements that are inherently uncertain. See "Forward-Looking Statements" below for a discussion of the factors that could cause actual results to differ materially from those projected in such statements.

On February 10, 2014, the Partnership, through its wholly owned subsidiary Delek Logistics Operating, LLC ("OpCo"), acquired from Delek (i) the refined products terminal (the "El Dorado Terminal") located at Delek's El Dorado, Arkansas refinery (the "El Dorado Refinery") and (ii) 158 storage tanks and certain ancillary assets (the "El Dorado Tank Assets" and together with the El Dorado Terminal, the "El Dorado Terminal and Tank Assets") at and adjacent to the El Dorado Refinery (such transaction, the "El Dorado Acquisition").

On March 31, 2015, the Partnership, through OpCo, acquired from Delek two crude oil rail offloading racks, which racks are designed to receive up to 25,000 barrels per day ("bpd") of light crude oil or 12,000 bpd of heavy crude oil, or some combination of the two, delivered by rail to the El Dorado Refinery and related ancillary assets (the "El Dorado Assets") (such transaction, the "El Dorado Offloading Racks Acquisition").

On March 31, 2015, the Partnership, through its wholly owned subsidiary Delek Marketing & Supply, LP, acquired from Delek a crude oil storage tank (the "Tyler Crude Tank") located adjacent to Delek's Tyler, Texas refinery (the "Tyler Refinery") and certain ancillary assets (collectively, with the Tyler Crude Tank, the "Tyler Assets") (such transaction, the "Tyler Crude Tank Acquisition"). The Tyler Crude Tank has approximately 350,000 barrels of shell capacity and is expected to primarily support the Tyler Refinery. The Tyler Assets, together with the El Dorado Assets, are hereinafter collectively referred to as the "Logistics Assets."

The El Dorado Acquisition, the El Dorado Offloading Racks Acquisition, and the Tyler Crude Tank Acquisition were accounted for as transfers between entities under common control. As an entity under common control with Delek, we record the assets that Delek has contributed to us on our balance sheet at Delek's historical basis instead of fair value. Transfers between entities under common control are accounted for as if the transfer occurred at the beginning of the period, and prior years are retrospectively adjusted to furnish comparable information. Accordingly, the accompanying financial statements and related notes of the Partnership have been retrospectively adjusted to include (i) the historical results of the El Dorado Terminal and Tank Assets for all periods presented through February 10, 2014 (the "El Dorado Predecessor"), and (ii) the historical results of the Logistics Assets for all periods presented through March 31, 2015 (the "Logistics Assets Predecessor"). We refer to the historical results of the El Dorado Predecessor and the Logistics Assets Predecessor collectively as our "Predecessors."

You should read the following discussion of our financial condition and results of operations in conjunction with our historical condensed consolidated financial statements and notes thereto.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning our possible future results of operations, business and growth strategies, financing plans, expectations that

regulatory developments or other matters will not have a material adverse effect on our business or financial condition, our competitive position and the effects of competition, the projected growth of the industry in which we operate, and the benefits and synergies to be obtained from our completed and any future acquisitions, and statements of management's goals and objectives, and other similar expressions concerning matters that are not historical facts. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future plans," "believes," "estimates," "appears," "projects" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at or by which such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to

risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Important factors that, individually or in the aggregate, could cause such differences include, but are not limited to:

- our substantial dependence on Delek or its assignees and their respective ability to pay us under our commercial agreements;
- the age and condition of our assets and operating hazards and other risks incidental to transporting, storing and gathering crude oil, intermediate and refined products, including, but not limited to costs, penalties, regulatory or legal actions and other affects related to spills, releases and tank failures;
- the timing and extent of changes in commodity prices and demand for refined products;
- the suspension, reduction or termination of Delek's or its assignees' or any third party's obligations under our commercial agreements;
- disruptions due to acts of God, equipment interruption or failure at our facilities, Delek's facilities or third-party facilities on which our business is dependent;
- our reliance on information technology systems in our day-to-day operations;
- changes in general economic conditions;
- the effects of existing and future laws and governmental regulations, including, but not limited to, the rules and regulations promulgated by the Federal Energy Regulatory Commission (the "FERC") and those relating to environmental protection, pipeline integrity and safety;
- competitive conditions in our industry;
- actions taken by our customers and competitors;
- the demand for crude oil, refined products and transportation and storage services;
- our ability to successfully implement our business plan;
- our ability to complete internal growth projects on time and on budget;
- Delek's inability to grow as expected;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- interest rates;
- labor relations;
- large customer defaults;
- changes in the availability and cost of capital of debt and equity financing;
- changes in tax status;
- changes in insurance markets impacting costs and the level and types of coverage available;
- the effects of future litigation; and
- other factors discussed elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2014.

In light of these risks, uncertainties and assumptions, our actual results of operations and execution of our business strategy could differ materially from those expressed in, or implied by, the forward-looking statements, and you should not place undue reliance upon them. In addition, past financial and/or operating performance is not necessarily a reliable indicator of future performance and you should not use our historical performance to anticipate future period results or trends. There can be no assurance that any of the events anticipated by the forward-looking statements will occur or, if any such events do occur, what impact they will have on our results of operations and financial condition.

Forward-looking statements speak only as of the date the statements are made. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

Business Overview

The Partnership primarily owns and operates crude oil and intermediate and refined products logistics and marketing assets. We gather, transport and store crude oil and intermediate and refined products and market, distribute, transport and store refined products primarily in select regions of the southeastern United States and Texas for Delek and third parties, primarily in support of Delek's Tyler and El Dorado Refineries. A substantial majority of our existing assets are both integral to and dependent on the success of Delek's refining operations, as many of our assets are contracted exclusively to Delek in support of its Tyler and El Dorado Refineries.

The Partnership is not a taxable entity for federal income tax purposes or the income taxes of those states that follow the federal income tax treatment of partnerships. Instead, for purposes of these income taxes, each partner of the Partnership is required to take into account its share of items of income, gain, loss and deduction in computing its federal and state income tax liabilities, regardless of whether cash distributions are made to the partner by the Partnership. The taxable income reportable to each partner takes into account differences between the tax basis and the fair market value of our assets and financial reporting bases of assets and liabilities, the acquisition price of their units and the taxable income allocation requirements under our partnership agreement.

Our Reporting Segments and Assets

Our business consists of two operating segments: (i) our pipelines and transportation segment and (ii) our wholesale marketing and terminalling segment.

The assets and investments in our pipelines and transportation segment consist of and have been made in pipelines and trucks and ancillary assets, which provide crude oil gathering, crude oil and intermediate and refined products transportation and storage services primarily in support of Delek's refining operations in Tyler, Texas and El Dorado, Arkansas. Additionally, the assets in this segment provide crude oil transportation services to certain third parties, including a major integrated oil company. In providing these services, we do not take ownership of the products or crude oil that we transport or store; and, therefore, we are not directly exposed to changes in commodity prices with respect to this operating segment.

The assets in our wholesale marketing and terminalling segment consist of refined products terminals and pipelines in Texas, Tennessee and Arkansas. We generate revenue in our wholesale marketing and terminalling segment by providing marketing services for the refined products output of the Tyler Refinery, engaging in wholesale activity at our terminals in west Texas, and at terminals owned by third parties, whereby we purchase light products for sale and exchange to third parties, and by providing terminalling services at our refined product terminals to independent third parties and Delek.

Recent Developments

On July 1, 2015, the tariffs, throughput fees and storage fees under our agreements with Delek that are subject to FERC increased by approximately 4.6%, the amount of the change in the FERC oil pipeline index. Under certain of our other agreements, the fees increased or decreased based on the consumer price index or the producer price index, which increased approximately 0.8% and decreased approximately 0.8%, respectively.

How We Generate Revenue

The Partnership generates revenue by charging fees for gathering, transporting and storing crude oil and for marketing, distributing, transporting, throughputting and storing intermediate and refined products. A substantial majority of our contribution margin, which we define as net sales less cost of goods sold and operating expenses, is derived from commercial agreements with Delek with initial terms ranging from five to ten years, which gives us a contractual revenue base that we believe enhances the stability of our cash flows. As more fully described below, our commercial agreements with Delek typically include minimum volume or revenue commitments by Delek, which we believe will provide a stable revenue stream in the future.

Commercial Agreements

Commercial Agreements with Delek

The Partnership has various long-term, fee-based commercial agreements with Delek pursuant to which we provide crude oil gathering, crude oil and refined products transportation, and storage services and marketing and terminalling services to Delek, and Delek commits to provide us with minimum monthly throughput volumes of crude oil and refined products. See our Annual Report on Form 10-K for the year ended December 31, 2014 (our "Annual Report on Form 10-K") and Note 14 to our condensed consolidated financial statements included in this Quarterly Report of Form 10-Q for a description of certain of our commercial and other agreements with Delek and our material agreements with third parties.

How We Evaluate Our Operations

We use a variety of financial and operating metrics to analyze our segment performance. These metrics are significant factors in assessing our operating results and profitability and include: (i) volumes (including pipeline throughput and terminal volumes); (ii) contribution margin and gross margin per barrel; (iii) operating and maintenance expenses; and (iv) EBITDA and distributable cash flow. We define EBITDA and distributable cash flow below.

Volumes. The amount of revenue we generate primarily depends on the volumes of crude oil and intermediate and refined products that we handle in our pipeline, transportation, terminalling and marketing operations. These volumes are primarily affected by the supply of and demand for crude oil and refined products in the markets served directly or indirectly by our assets. Although Delek has committed to minimum volumes under our commercial agreements, our results of operations will be impacted by:

- Delek's utilization of our assets in excess of its minimum volume commitments;
- our ability to identify and execute acquisitions and organic expansion projects, and capture incremental volume increases from Delek or third parties;
- our ability to increase throughput volumes or sales at our refined products terminals and provide additional ancillary services at those terminals, such as ethanol blending and additives injection;
- our ability to identify and serve new customers in our marketing operations; and
- our ability to make connections to third-party facilities and pipelines.

Contribution Margin and Gross Margin Per Barrel. Because we do not allocate general and administrative expenses by segment, we measure the performance of our segments by the amount of contribution margin generated in operations. Contribution margin is calculated as net sales less cost of sales and operating expenses.

For our wholesale marketing and terminalling segment, we also measure gross margin per barrel. The gross margin per barrel reflects the gross margin (net sales less cost of sales) of the wholesale marketing operations divided by the number of barrels of refined products sold during the measurement period. Both contribution margin and gross margin per barrel can be affected by fluctuations in the prices of gasoline, distillate fuel, ethanol and Renewable Identification Numbers ("RINs"). Historically, the profitability of our wholesale marketing operations has been affected by commodity price volatility, specifically as it relates to changes in the price of refined products between the time we purchase such products from our suppliers and the time we sell the products to our wholesale customers, and the fluctuation in the value of RINs. Our wholesale marketing gross margin can also be impacted by fixed price ethanol agreements that we enter into to fix the price we pay for ethanol.

Operating and Maintenance Expenses. We seek to maximize the profitability of our operations by effectively managing operating and maintenance expenses. These expenses are comprised primarily of labor expenses, lease costs, utility costs, insurance premiums, repairs and maintenance expenses and property taxes. These expenses

generally remain relatively stable across broad ranges of throughput volumes but can fluctuate from period to period depending on the mix of activities performed during that period and the timing of these expenses. We will seek to manage our maintenance expenditures on our pipelines and terminals by scheduling maintenance over time to avoid significant variability in our maintenance expenditures and minimize their impact on our cash flow.

EBITDA and Distributable Cash Flow. We define EBITDA as net income (loss) before net interest expense, income tax expense, depreciation and amortization expense. We define distributable cash flow as EBITDA less net cash paid for interest, maintenance and regulatory capital expenditures and income taxes. Distributable cash flow will not reflect changes in working capital balances. Distributable cash flow and EBITDA are not presentations made in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

EBITDA and distributable cash flow are non-U.S. GAAP supplemental financial measures that management and external users of our condensed consolidated financial statements, such as industry analysts, investors, lenders and rating agencies may use to assess:

- our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to historical cost basis or, in the case of EBITDA, financing methods;
- the ability of our assets to generate sufficient cash flow to make distributions to our unitholders;
- our ability to incur and service debt and fund capital expenditures; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that the presentation of EBITDA and distributable cash flow provides useful information to investors in assessing our financial condition and results of operations. EBITDA and distributable cash flow should not be considered alternatives to net income, operating income, cash from operations or any other measure of financial performance or liquidity presented in accordance with U.S. GAAP. EBITDA and distributable cash flow have important limitations as analytical tools because they exclude some but not all items that affect net income and net cash provided by operating activities. Additionally, because EBITDA and distributable cash flow may be defined differently by other companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. For a reconciliation of EBITDA to its most directly comparable financial measures calculated and presented in accordance with U.S. GAAP, please refer to "Results of Operations—Statement of Operations Data" below.

Factors Affecting the Comparability of Our Financial Results

Our future results of operations may not be comparable to our historical results of operations for the reasons described below:

Revenues. There are differences between the way the Predecessors recorded revenues and the way the Partnership records revenues after the acquisitions of our Predecessors' assets. Because our assets, including the El Dorado Terminal and Tank Assets and the Logistics Assets, were historically a part of the integrated operations of Delek, the Predecessors generally recognized the costs and most revenue associated with the gathering, pipeline, transportation, terminalling and storage services provided to Delek on an intercompany basis or charged low throughput fees for transportation. Accordingly, the revenues in the Predecessors' condensed consolidated financial statements are different than those reflected in the Partnership's condensed consolidated financial statements as the Predecessors' amounts relate primarily to amounts received from third parties while the Partnership's revenues will reflect amounts associated with our commercial agreements with Delek in addition to amounts received from third parties.

The Partnership's revenues are generated from the commercial agreements that we entered into with Delek and from agreements and arrangements with third parties, pursuant to which we receive fees for gathering, transporting and storing crude oil and marketing, transporting, storing and terminalling intermediate and refined products. Certain of these contracts contain minimum volume commitments and fees that are indexed for inflation. In addition, the tariff rates for our assets that are subject to inflation indexing may increase or decrease annually on July 1 of each year provided that in no event will the fees be adjusted below the amount initially set forth in the applicable agreement. We expect to generate revenue from ancillary services, such as ethanol blending and additive injection, and from transportation and terminalling fees on our pipeline systems and terminals for volumes in excess of the minimum volume committed under our agreements with Delek.

General and Administrative Expenses. The Predecessors' general and administrative expenses included direct monthly charges for the management and operation of our logistics assets and certain expenses allocated by Delek for general corporate services, such as treasury, accounting and legal services. These expenses were charged or allocated to the Predecessors based on the nature of the expenses and our proportionate share of employee time and headcount.

Delek continues to charge the Partnership for the management and operation of our logistics assets, including an annual fee of \$3.35 million for the provision of various centralized corporate services. Additionally, the Partnership will reimburse Delek for direct or allocated costs and expenses incurred by Delek or our general partner on behalf of the Partnership.

Financing. The Partnership has declared its intent to make a cash distribution to its unitholders at a distribution rate of \$0.55 per unit for the quarter ended June 30, 2015 (\$2.20 per unit on an annualized basis). Our partnership agreement requires that the Partnership distribute to its unitholders quarterly all of its available cash as defined in the partnership agreement. As a result, the Partnership expects to fund future capital expenditures primarily from operating cash flows, borrowings under our second amended and restated senior secured revolving credit agreement (the "Second Amended and Restated Credit Agreement"), and any future issuances of equity and debt securities.

Market Trends

Our results of operations are impacted by our ability to utilize our existing assets to fulfill the long-term fee-based agreements we have entered into with Delek and with third parties. Overall demand for gathering and terminalling services in a particular area is generally driven by crude oil production in the area, refining economics and access to alternate delivery and transportation infrastructure. Additionally, we are exposed to volatility in crude oil and refined products prices in our west Texas operations. A sharp decline in the price of crude oil may potentially lower the crude oil production level in the west Texas area, resulting in lower demand for finished products from our west Texas operations to industries that support crude oil exploration and production. The price of WTI crude oil ranged from a high of \$61.43 per barrel to a low of \$43.46 per barrel during the first six months of 2015 and averaged \$53.33 and \$100.85 per barrel in the first six months of 2015 and 2014, respectively.

Also, an increase in the purchase price of our refined products may reduce our margin in the west Texas operations if our selling price for finished products does not adjust accordingly. The price of gasoline ranged from a high of \$2.12 per gallon to a low of \$1.15 per gallon during the first six months of 2015, compared to a high of \$2.99 per gallon to a low of \$2.49 per gallon during the first six months of 2014. The price of diesel ranged from a high of \$1.98 per gallon to a low of \$1.47 per gallon during the first six months of 2015, compared to a high of \$3.05 per gallon to a low of \$2.82 per gallon during the first six months of 2014.

Our west Texas operations also benefit from ethanol blending activities that generate Renewable Identification Numbers ("RINs"). As a result, decreases in the price of RINs can adversely affect our results of operations. The cost of ethanol RINs has fluctuated from an average of \$0.46 in the first six months of 2014 to an average of \$0.67 in the first six months of 2015. During the first six months of 2015, the cost of ethanol RINs ranged from \$0.38 to \$0.89. During the month of July 2015, the price of RINs averaged \$0.44.

Any of these factors is subject to change over time. As part of our overall business strategy, management considers aspects such as location, acquisition and expansion opportunities and factors impacting the utilization of the refineries (and therefore throughput volumes), which may impact our performance in the market.

Seasonality and Customer Maintenance Programs

The volume and throughput of crude oil and refined products transported through our pipelines and sold through our terminals and to third parties is directly affected by the level of supply and demand for all of such products in the markets served directly or indirectly by our assets. Supply and demand for such products fluctuates during the calendar year. Demand for gasoline, for example, is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic. Demand for asphalt products, which is a substantial product of the El Dorado Refinery, is also lower in the winter months. In addition, our refining customers, such as Delek, occasionally reduce or suspend operations to perform planned maintenance during the winter, when demand for their products is lower. Accordingly, these factors can affect the need for crude oil or finished products by our customers and therefore limit our volumes or throughput during these periods, and our operating results will generally be lower during the first and fourth quarters of the year. We believe, however, that many of the potential effects of seasonality on our revenues and contribution margin will be substantially mitigated due to our commercial agreements with Delek that include minimum volume and throughput commitments.

Contractual Obligations

There have been no material changes to our contractual obligations and commercial commitments during the six months ended June 30, 2015 from those disclosed in our Annual Report on Form 10-K.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Securities and Exchange Commission (the "SEC") has defined critical accounting policies as those that are both most important to the portrayal of our financial condition and results of operations and require our most difficult, complex or subjective judgments or estimates. Based on this definition and as further described in our Annual Report on Form 10-K, we believe our critical accounting policies include the following: (i) evaluating impairment for property, plant and equipment and definite life intangibles, (ii) valuing goodwill and potential impairment, and (iii) estimating environmental expenditures. For all financial statement periods presented, there have been no material modifications to the application of these critical accounting policies or estimates since our Annual Report on Form 10-K.

Results of Operations

A discussion and analysis of the factors contributing to our results of operations is presented below. The accompanying condensed consolidated financial statements and related notes of the Partnership have been retrospectively adjusted to include the historical results of the El Dorado Terminal and Tank Assets for all periods presented through February 10, 2014 and the historical results of the Logistics Assets for all periods presented through June 30, 2015. The financial statements, together with the following information, are intended to provide investors with a reasonable basis for assessing our historical operations, but should not serve as the only criteria for predicting our future performance.

The following table and discussion present a summary of our consolidated results of operations for the three and six months ended June 30, 2015 and 2014, including a reconciliation of EBITDA to net income and net cash provided by (used in) operating activities and distributable cash flow to net income (in thousands, except unit and per unit amounts). Our financial results may not be comparable as our Predecessors recorded revenues, general and administrative expenses and financed operations differently than the Partnership. See "Factors Affecting the Comparability of Our Financial Results" in this Quarterly Report on Form 10-Q for additional information.

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| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------------------|---------------------|---------------------|
| | June 30, | 2014 ⁽¹⁾ | June 30, | 2014 ⁽¹⁾ |
| | 2015 | | 2015 ⁽²⁾ | |
| Statement of Operations Data: | | | | |
| (In thousands, except per unit amounts) | | | | |
| Net sales: | | | | |
| Pipelines and transportation | \$33,734 | \$23,066 | \$64,736 | \$43,334 |
| Wholesale marketing and terminalling | 138,400 | 213,277 | 250,910 | 396,536 |
| Total | 172,134 | 236,343 | 315,646 | 439,870 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 132,494 | 196,574 | 240,901 | 368,783 |
| Operating expenses | 10,798 | 9,719 | 21,575 | 19,215 |
| General and administrative expenses | 2,982 | 2,242 | 6,391 | 4,905 |
| Depreciation and amortization | 4,744 | 3,623 | 9,244 | 7,100 |
| (Gain) loss on asset disposals | (23 |) 74 | (18 |) 74 |
| Total operating costs and expenses | 150,995 | 212,232 | 278,093 | 400,077 |
| Operating income | 21,139 | 24,111 | 37,553 | 39,793 |
| Interest expense, net | 2,616 | 2,342 | 4,773 | 4,325 |
| Loss on equity method investments | 149 | — | 149 | — |
| Total non-operating costs and expenses | 2,765 | 2,342 | 4,922 | 4,325 |
| Net income before income tax expense | 18,374 | 21,769 | 32,631 | 35,468 |
| Income tax expense | 63 | 281 | 317 | 428 |
| Net income | 18,311 | 21,488 | 32,314 | 35,040 |
| Less: Loss attributable to Predecessors | — | (266 |) (637 |) (1,386 |
| Net income attributable to partners | \$18,311 | \$21,754 | \$32,951 | \$36,426 |
| Comprehensive income attributable to partners | \$18,311 | \$21,754 | \$32,951 | \$36,426 |
| Less: General partner's interest in net income (2%), including incentive distribution rights | | | | |
| Limited partners' interest in net income | (1,109 |) (620 |) (1,996 |) (914 |
| Net income per limited partner unit: | | | | |
| Common units - (basic) | \$0.71 | \$0.88 | \$1.28 | \$1.47 |
| Common units - (diluted) | \$0.70 | \$0.87 | \$1.27 | \$1.46 |
| Subordinated units - Delek (basic and diluted) | \$0.71 | \$0.87 | \$1.28 | \$1.47 |
| Weighted average limited partner units outstanding: | | | | |
| Common units - (basic) | 12,224,007 | 12,159,732 | 12,220,248 | 12,156,135 |
| Common units - (diluted) | 12,360,519 | 12,291,273 | 12,350,621 | 12,281,598 |
| Subordinated units - Delek (basic and diluted) | 11,999,258 | 11,999,258 | 11,999,258 | 11,999,258 |
| Distributable Cash Flow ⁽³⁾ | \$20,943 | \$23,856 | 37,620 | \$39,628 |

⁽¹⁾ The information presented includes the results of operations of our Predecessors. Prior to the completion of the El Dorado Acquisition, the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, our Predecessors did not record revenues for intercompany throughput and storage services.

⁽²⁾ The information presented includes the results of operations of the Logistics Assets Predecessor. Prior to the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, the Logistics Assets Predecessor did not record revenues for intercompany throughput and storage services.

⁽³⁾ For a definition of distributable cash flow, please see "How We Evaluate Our Operations—EBITDA and Distributable Cash Flow" above.

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| | Three Months Ended | | Six Months Ended | |
|---|--------------------|---------------------|---------------------|---------------------|
| | June 30, | 2014 ⁽¹⁾ | June 30, | 2014 ⁽¹⁾ |
| | 2015 | | 2015 ⁽²⁾ | |
| | (In thousands) | | | |
| Reconciliation of EBITDA to net income: | | | | |
| Net income | \$18,311 | \$21,488 | \$32,314 | \$35,040 |
| Add: | | | | |
| Income tax expense | 63 | 281 | 317 | 428 |
| Depreciation and amortization | 4,744 | 3,623 | 9,244 | 7,100 |
| Interest expense, net | 2,616 | 2,342 | 4,773 | 4,325 |
| EBITDA ⁽³⁾ | \$25,734 | \$27,734 | \$46,648 | \$46,893 |
| Reconciliation of EBITDA to net cash from operating activities: | | | | |
| Net cash provided by operating activities | \$30,791 | \$31,036 | \$46,560 | \$44,448 |
| Amortization of unfavorable contract liability to revenue | — | 667 | — | 1,334 |
| Amortization of deferred financing costs | (365 |) (317 |) (730 |) (634 |
| Accretion of asset retirement obligations | (62 |) (89 |) (124 |) (209 |
| Deferred taxes | 160 | (57 |) (66 |) (52 |
| Loss on equity method investments | (149 |) — | (149 |) — |
| Gain (loss) on asset disposals | 23 | (74 |) 18 | (74 |
| Unit-based compensation expense | (120 |) (63 |) (194 |) (121 |
| Changes in assets and liabilities | (7,223 |) (5,992 |) (3,757 |) (2,552 |
| Income tax expense | 63 | 281 | 317 | 428 |
| Interest expense, net | 2,616 | 2,342 | 4,773 | 4,325 |
| EBITDA ⁽³⁾ | \$25,734 | \$27,734 | \$46,648 | \$46,893 |
| Reconciliation of distributable cash flow to EBITDA: | | | | |
| EBITDA ⁽³⁾ | \$25,734 | \$27,734 | \$46,648 | \$46,893 |
| Less: Cash interest, net ⁽⁴⁾ | 2,251 | 2,025 | 4,043 | 3,691 |
| Less: Maintenance and regulatory capital expenditures ⁽⁵⁾ | 3,928 | 814 | 7,244 | 1,597 |
| Less: Capital improvement expenditures ⁽⁶⁾ | — | 154 | — | 336 |
| Add: Reimbursement from Delek for capital expenditures ⁽⁶⁾ | 1,417 | — | 2,603 | — |
| Less: Income tax expense | 63 | 281 | 317 | 428 |
| Add: Non-cash unit based compensation expense | 120 | 63 | 194 | 121 |
| Less: Amortization of deferred revenue | 86 | — | 221 | — |
| Less: Amortization of unfavorable contract liability | — | 667 | — | 1,334 |
| Distributable cash flow ⁽³⁾ | \$20,943 | \$23,856 | \$37,620 | \$39,628 |

⁽¹⁾ The information presented includes the results of operations of our Predecessors. Prior to the completion of the El Dorado Acquisition, the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, our Predecessors did not record revenues for intercompany throughput and storage services.

⁽²⁾ The information presented includes the results of operations of the Logistics Assets Predecessor. Prior to the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, the Logistics Assets Predecessor did not record revenues for intercompany throughput and storage services.

⁽³⁾ For a definition of EBITDA and distributable cash flow, please see "How We Evaluate Our Operations—EBITDA and Distributable Cash Flow" above.

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(4) Cash interest, net excludes the amortization of debt issuance costs.

(5) Maintenance and regulatory capital expenditures represent cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets, and for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity. Examples of maintenance and regulatory capital expenditures are expenditures for the repair, refurbishment and replacement of pipelines and terminals, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations.

(6) For the three-month period ended June 30, 2015, Delek reimbursed us for certain capital expenditures pursuant to the terms of the Third Restated Omnibus Agreement.

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The following tables include reconciliations of EBITDA and distributable cash flow to net income and EBITDA to net cash from operating activities for the six months ended June 30, 2015 and the three and six months ended June 30, 2014, disaggregated to present the results of operations of the Partnership, the El Dorado Terminal and Tank Assets and the Logistics Assets (in thousands):

| | Delek Logistics Partners, LP | Logistics Assets (Logistics Assets Predecessor) | Six Months Ended June 30, 2015 |
|--|---------------------------------|---|-----------------------------------|
| Reconciliation of EBITDA to net (loss) income: | | | |
| Net income (loss) | \$32,951 | \$(637 |) \$32,314 |
| Add: | | | |
| Income tax expense | 317 | — | 317 |
| Depreciation and amortization | 8,774 | 470 | 9,244 |
| Interest expense, net | 4,773 | — | 4,773 |
| EBITDA ⁽¹⁾ | \$46,815 | \$(167 |) \$46,648 |
| Reconciliation of EBITDA to net cash from operating activities: | | | |
| Net cash provided by (used in) operating activities | 46,727 | \$(167 |) \$46,560 |
| Amortization of deferred financing costs | (730 |) — | (730) |
| Accretion of asset retirement obligations | (124 |) — | (124) |
| Deferred taxes | (66 |) — | (66) |
| Loss on equity method investments | (149 |) — | (149) |
| Gain on asset disposals | 18 | — | 18 |
| Unit-based compensation expense | (194 |) — | (194) |
| Changes in assets and liabilities | (3,757 |) — | (3,757) |
| Income tax expense | 317 | — | 317 |
| Interest expense, net | 4,773 | — | 4,773 |
| EBITDA ⁽¹⁾ | \$46,815 | \$(167 |) \$46,648 |
| Reconciliation of distributable cash flow to EBITDA: | | | |
| EBITDA ⁽¹⁾ | \$46,815 | \$(167 |) \$46,648 |
| Less: Cash interest, net ⁽²⁾ | 4,043 | — | 4,043 |
| Less: Maintenance and regulatory capital expenditures ⁽³⁾ | 7,244 | — | 7,244 |
| Add: Reimbursement from Delek for capital expenditures ⁽⁴⁾ | 2,603 | — | 2,603 |
| Less: Income tax expense | 317 | — | 317 |
| Add: Non-cash unit based compensation expense | 194 | — | 194 |
| Less: Amortization of deferred revenue | 221 | — | 221 |
| Distributable cash flow ⁽¹⁾ | \$37,787 | \$(167 |) \$37,620 |

⁽¹⁾ For a definition of EBITDA and distributable cash flow, please see "How We Evaluate Our Operations—EBITDA and Distributable Cash Flow" above.

⁽²⁾ Cash interest, net excludes the amortization of debt issuance costs.

⁽³⁾ Maintenance and regulatory capital expenditures represent cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets, and for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity. Examples of maintenance and

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regulatory capital expenditures are expenditures for the repair, refurbishment and replacement of pipelines and terminals, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations.

(4) For the six-month period ended June 30, 2015, Delek reimbursed us for certain capital expenditures pursuant to the terms of the Third Restated Omnibus Agreement.

| | Delek Logistics Partners, LP | Logistics Assets (Logistics Assets Predecessor) | Three Months Ended June 30, 2014 | |
|--|---------------------------------|---|--|---|
| Reconciliation of EBITDA to net (loss) income: | | | | |
| Net income (loss) | \$21,754 | \$(266 |) \$21,488 | |
| Add: | | | | |
| Income tax expense | 281 | — | 281 | |
| Depreciation and amortization | 3,532 | 91 | 3,623 | |
| Interest expense, net | 2,342 | — | 2,342 | |
| EBITDA ⁽¹⁾ | \$27,909 | \$(175 |) \$27,734 | |
| Reconciliation of EBITDA to net cash from operating activities: | | | | |
| Net cash provided by (used in) operating activities | \$31,211 | \$(175 |) \$31,036 | |
| Amortization of unfavorable contract liability to revenue | 667 | — | 667 | |
| Amortization of deferred financing costs | (317 |) — | (317 |) |
| Accretion of asset retirement obligations | (89 |) — | (89 |) |
| Deferred taxes | (57 |) — | (57 |) |
| Loss on asset disposals | (74 |) — | (74 |) |
| Unit-based compensation expense | (63 |) — | (63 |) |
| Changes in assets and liabilities | (5,992 |) — | (5,992 |) |
| Income tax expense | 281 | — | 281 | |
| Interest expense, net | 2,342 | — | 2,342 | |
| EBITDA ⁽¹⁾ | \$27,909 | \$(175 |) \$27,734 | |
| Reconciliation of distributable cash flow to EBITDA: | | | | |
| EBITDA ⁽¹⁾ | \$27,909 | \$(175 |) \$27,734 | |
| Less: Cash interest, net ⁽²⁾ | 2,025 | — | 2,025 | |
| Less: Maintenance and regulatory capital expenditures ⁽³⁾ | 814 | — | 814 | |
| Less: Capital improvement expenditures | 154 | — | 154 | |
| Less: Income tax expense | 281 | — | 281 | |
| Add: Non-cash unit based compensation expense | 63 | — | 63 | |
| Less: Amortization of unfavorable contract liability | 667 | — | 667 | |
| Distributable cash flow ⁽¹⁾ | \$24,031 | \$(175 |) \$23,856 | |

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| | Delek Logistics Partners, LP | Logistics Assets (Logistics Assets Predecessor) | El Dorado Terminal and Tank Assets (El Dorado Predecessor) | Six Months Ended June 30, 2014 |
|--|------------------------------------|--|--|--------------------------------------|
| Reconciliation of EBITDA to net (loss) income: | | | | |
| Net income (loss) | \$36,426 | \$(443 |) \$(943 |) \$35,040 |
| Add: | | | | |
| Income tax expense | 428 | — | — | 428 |
| Depreciation and amortization | 6,895 | 91 | 114 | 7,100 |
| Interest expense, net | 4,325 | — | — | 4,325 |
| EBITDA ⁽¹⁾ | \$48,074 | \$(352 |) \$(829 |) \$46,893 |
| Reconciliation of EBITDA to net cash from operating activities: | | | | |
| Net cash provided by (used in) operating activities | \$45,629 | \$(352 |) \$(829 |) \$44,448 |
| Amortization of unfavorable contract liability to revenue | 1,334 | — | — | 1,334 |
| Amortization of deferred financing costs | (634 |) — | — | (634 |
| Accretion of asset retirement obligations | (215 |) — | 6 | (209 |
| Deferred taxes | (52 |) — | — | (52 |
| Loss on asset disposals | (74 |) — | — | (74 |
| Unit-based compensation expense | (121 |) — | — | (121 |
| Changes in assets and liabilities | (2,546 |) — | (6 |) (2,552 |
| Income tax expense | 428 | — | — | 428 |
| Interest expense, net | 4,325 | — | — | 4,325 |
| EBITDA ⁽¹⁾ | \$48,074 | \$(352 |) \$(829 |) \$46,893 |
| Reconciliation of distributable cash flow to EBITDA: | | | | |
| EBITDA ⁽¹⁾ | \$48,074 | \$(352 |) \$(829 |) \$46,893 |
| Less: Cash interest, net ⁽²⁾ | 3,691 | — | — | 3,691 |
| Less: Maintenance and regulatory capital expenditures ⁽³⁾ | 1,513 | — | 84 | 1,597 |
| Less: Capital improvement expenditures | 243 | — | 93 | 336 |
| Less: Income tax expense | 428 | — | — | 428 |
| Add: Non-cash unit based compensation expense | 121 | — | — | 121 |
| Less: Amortization of unfavorable contract liability | 1,334 | — | — | 1,334 |
| Distributable cash flow ⁽¹⁾ | \$40,986 | \$(352 |) \$(1,006 |) \$39,628 |

⁽¹⁾ For a definition of EBITDA and distributable cash flow, please see "How We Evaluate Our Operations—EBITDA and Distributable Cash Flow" above.

⁽²⁾ Cash interest, net excludes the amortization of debt issuance costs.

⁽³⁾ Maintenance and regulatory capital expenditures represent cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets, and for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity. Examples of maintenance and regulatory capital expenditures are expenditures for the repair, refurbishment and replacement of pipelines and terminals, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations.

Segment Data:

The following is a summary of business segment capital expenditures for the periods indicated (in thousands):

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------|---------------------------------|---------------------|
| | June 30, 2015 | 2014 | June 30, 2015 ⁽¹⁾ | 2014 ⁽¹⁾ |
| Capital spending (excluding business combinations) | | | | |
| Pipelines and Transportation | \$3,057 | \$1,128 | \$7,610 | \$3,416 |
| Wholesale Marketing and Terminalling | \$2,905 | \$756 | \$5,925 | \$784 |

⁽¹⁾ Capital spending includes expenditures incurred in connection with the assets acquired in the El Dorado Acquisition, the El Dorado Rail Offloading Racks Acquisition and the Tyler Crude Tank Acquisition.

Consolidated Results of Operations — Comparison of the Three Months Ended June 30, 2015 compared to the Three Months Ended June 30, 2014

Contribution margin for the second quarter of 2015 was \$28.8 million compared to \$30.1 million for the second quarter of 2014, a decrease of \$1.2 million, or 4.0%. The decrease in contribution margin was primarily attributable to lower margins in our operations in west Texas. The gross margin per barrel in our west Texas operations was affected by more challenging market conditions in the region during the second quarter of 2015 as a result of declining crude oil prices that have reduced drilling activity in west Texas and therefore lowered demand in the area. Also contributing to the decrease in the gross margin per barrel was a decline in the market price for ethanol, which we use in ethanol blending in our marketing and terminalling services, relative to fixed price contracts that were in place during the second quarter of 2015. Additionally, downtime at refineries in the region during the second quarter of 2014 created a favorable supply/demand environment for finished products, which improved the gross margin per barrel for the comparable period. These decreases were partially offset by increased fees on our Paline Pipeline System and the effect of the throughput agreement we entered into with Delek in connection with the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition.

For the second quarters of 2015 and 2014, we generated net sales of \$172.1 million and \$236.3 million, respectively, a decrease of \$64.2 million, or 27.2%. The decrease was primarily attributable to decreases in the average sales prices per gallon of gasoline and diesel sold in our west Texas marketing operations. The average sales price per gallon of gasoline sold decreased \$1.06 per gallon during the second quarter of 2015 compared to the second quarter of 2014. The average sales price per gallon of diesel sold decreased \$1.25 per gallon during the second quarter of 2015 compared to the second quarter of 2014. Partially offsetting the decreases were net sales contributed by trucking assets we acquired from Frank Thompson Transport, Inc. in December 2014 (the "FTT Assets"), the terminalling and pipeline assets we acquired in October 2014 near Mount Pleasant, Texas (the "Greenville-Mount Pleasant Assets"), the effect of the throughput and tankage agreements for the El Dorado Assets and the Tyler Assets and increased fees on our Paline Pipeline System.

Cost of goods sold was \$132.5 million for the second quarter of 2015 compared to \$196.6 million for the second quarter of 2014, a decrease of \$64.1 million, or 32.6%. The decrease in cost of goods sold was primarily attributable to decreases in the average cost per gallon of gasoline and diesel purchased in our west Texas marketing operations. The average cost per gallon of gasoline purchased decreased \$0.88 per gallon during the second quarter of 2015, compared to the second quarter of 2014. The average cost per gallon of diesel purchased decreased \$1.13 per gallon during the second quarter of 2015 compared to the second quarter of 2014.

Operating expenses were \$10.8 million for the second quarter of 2015 compared to \$9.7 million for the second quarter of 2014, an increase of \$1.1 million, or 11.1%. The increase in operating expenses was primarily due to increases in various maintenance initiatives related to our tanks in the second quarter of 2015 compared to the second quarter of 2014.

General and administrative expenses were \$3.0 million and \$2.2 million for the second quarter of 2015 and 2014, respectively, an increase of \$0.7 million, or 33.0%. The increase in general and administrative expense was primarily due to increases in certain direct employee costs allocated to us for the second quarter of 2015 compared to the second quarter of 2014 in connection with our various acquisition activities.

Depreciation and amortization was \$4.7 million for the second quarter of 2015 compared to \$3.6 million for the second quarter of 2014, an increase of \$1.1 million, or 30.9%. The increase in depreciation and amortization was primarily due to the acquisitions of the FTT Assets, the Greenville-Mount Pleasant Assets and the Logistics Assets.

Interest expense was \$2.6 million for the second quarter of 2015 compared to \$2.3 million for the second quarter of 2014, an increase of \$0.3 million, or 11.7%. This increase was primarily attributable to increases in deferred financing

charges and interest costs under our revolving credit facility due to changes in debt utilization and interest rates thereunder.

Income tax expense was \$0.1 million for the second quarter of 2015, compared to \$0.3 million for the second quarter of 2014. Our effective tax rate was 0.3% for the second quarter of 2015, compared to 1.3% for the second quarter of 2014. The Partnership is not subject to federal income taxes as a limited partnership. Accordingly, our taxable income or loss is included in the federal and state income tax returns of our partners. Income tax expense represents amounts incurred for state income taxes.

Consolidated Results of Operations — Comparison of the Six Months Ended June 30, 2015 versus the Six Months Ended June 30, 2014

Contribution margin for the six months ended June 30, 2015 was \$53.2 million compared to \$51.9 million for the six months ended June 30, 2014, an increase of \$1.3 million or 2.5%. The increase in contribution margin was attributable to increased fees on our Paline Pipeline System and the effects of the throughput and tankage agreement we entered into with Delek in connection with the El Dorado Acquisition and the throughput agreement we entered into with Delek in connection with the El Dorado Offloading Racks Acquisition. Offsetting the increases were lower margins in our operations in west Texas. The gross margin per barrel in our west Texas operations was affected by more challenging market conditions in the region during the six months ended June 30, 2015 as a result of declining crude oil prices that have reduced drilling activity in west Texas and therefore lowered demand in the area. Also contributing to the decrease in the gross margin per barrel was a decline in the market price for ethanol, which we use in ethanol blending in our marketing and terminalling services, relative to fixed price contracts that were in place during the six months ended June 30, 2015. Additionally, downtime at refineries in the region during the six months ended June 30, 2014 created a favorable supply/demand environment for finished products, which improved the gross margin per barrel for the comparable period.

For the six months ended June 30, 2015 and 2014, we generated net sales of \$315.6 million and \$439.9 million, respectively, a decrease of \$124.2 million, or 28.2%. The decrease was primarily attributable to decreases in the average sales prices per gallon of gasoline and diesel sold in our west Texas marketing operations. The average sales price per gallon of gasoline sold decreased \$1.07 per gallon during the six months ended June 30, 2015, compared to the six months ended June 30, 2014. The average sales price per gallon of diesel sold decreased \$1.29 per gallon during the six months ended June 30, 2015, compared to the six months ended June 30, 2014. Partially offsetting the decreases were net sales contributed by the FTT Assets and the Greenville-Mount Pleasant Assets, the effects of the throughput and tankage agreements for the El Dorado Terminal and Tank Assets, the throughput and tankage agreements for the El Dorado Assets and the Tyler Assets and increased fees on our Paline Pipeline System.

Cost of goods sold was \$240.9 million for the six months ended June 30, 2015 compared to \$368.8 million for the six months ended June 30, 2014, a decrease of \$127.9 million, or 34.7%. The decrease in cost of goods sold was primarily attributable to decreases in the average cost per gallon of gasoline and diesel purchased in our west Texas marketing operations. The average cost per gallon of gasoline purchased decreased \$0.95 per gallon during the six months ended June 30, 2015, compared to the six months ended June 30, 2014. The average cost per gallon of diesel purchased decreased \$1.19 per gallon during the six months ended June 30, 2015, compared to the six months ended June 30, 2014.

Operating expenses were \$21.6 million for the six months ended June 30, 2015 compared to \$19.2 million for the six months ended June 30, 2014, an increase of \$2.4 million, or 12.3%. The increase in operating expenses was primarily due to increases in various maintenance initiatives related to our tanks and acquisitions that have occurred since the six months ended June 30, 2014, including the El Dorado Assets and the Greenville-Mount Pleasant Assets.

General and administrative expenses were \$6.4 million and \$4.9 million for the six months ended June 30, 2015 and 2014, respectively, an increase of \$1.5 million, or 30.3%. The increase in general and administrative expense was primarily due to increases in certain direct employee costs allocated to us and increases in professional services fees incurred in connection with our various acquisition activities and joint venture projects during the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Depreciation and amortization was \$9.2 million for the six months ended June 30, 2015 compared to \$7.1 million for the six months ended June 30, 2014, an increase of \$2.1 million, or 30.2%. The increase in depreciation and amortization was primarily due to the acquisitions of the FTT Assets, the Greenville-Mount Pleasant Assets and the Logistics Assets.

Interest expense was \$4.8 million for the six months ended June 30, 2015 compared to \$4.3 million for the six months ended June 30, 2014, an increase of \$0.4 million, or 10.4%. This increase was primarily attributable to increases in deferred financing charges and interest costs under our revolving credit facility due to changes in debt utilization and interest rates thereunder.

Income tax expense was \$0.3 million for the six months ended June 30, 2015, compared to \$0.4 million for the six months ended June 30, 2014. Our effective tax rate was 1.0% for the six months ended June 30, 2015, compared to 1.2% for the six months ended June 30, 2014. The Partnership is not subject to federal income taxes as a limited partnership. Accordingly, our taxable income or loss is included in the federal and state income tax returns of our partners.

Operating Segments

We review operating results in two reportable segments: (i) pipelines and transportation segment and (ii) wholesale marketing and terminalling segment. Decisions concerning the allocation of resources and assessment of operating performance are made based on this segmentation. Management measures the operating performance of each reportable segment based on the segment contribution margin. Segment contribution margin is defined as net sales less cost of sales and operating expenses, excluding depreciation and amortization. Segment reporting is more fully discussed in Note 10 to our accompanying condensed consolidated financial statements.

Pipelines and Transportation Segment

The pipelines and transportation segment includes pipelines and trucks and ancillary assets, that provide crude oil gathering, crude oil and intermediate and refined products transportation and storage services to Delek and other third-parties.

The following table and discussion is an explanation of the results of operations of the pipelines and transportation segment, including the historical results of the Logistics Assets Predecessor for the six months ended June 30, 2015 and the three and six months ended June 30, 2014 and of the El Dorado Predecessor for the six months ended June 30, 2014 (dollars in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|---------------------|
| | 2015 | 2014 | 2015 ⁽¹⁾ | 2014 ⁽²⁾ |
| Net sales: | | | | |
| Affiliate | \$26,093 | \$20,245 | \$50,078 | \$37,746 |
| Third-Party | 7,641 | 2,821 | \$14,658 | \$5,588 |
| Total | 33,734 | 23,066 | \$64,736 | \$43,334 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 5,102 | 1,130 | 9,915 | 2,256 |
| Operating expenses | 7,745 | 8,308 | 14,663 | 15,484 |
| Segment contribution margin | \$20,887 | \$13,628 | \$40,158 | \$25,594 |
| Throughputs (average bpd) | | | | |
| Lion Pipeline System: | | | | |
| Crude pipelines (non-gathered) | 53,863 | 59,038 | 55,267 | 41,936 |
| Refined products pipelines to Enterprise Systems | 58,572 | 59,888 | 57,258 | 45,908 |
| SALA Gathering System | 21,305 | 21,300 | 21,421 | 22,201 |
| East Texas Crude Logistics System | 28,677 | 3,223 | 23,892 | 7,105 |
| El Dorado Rail Offloading Racks | 2,964 | — | 2,964 | — |

The information presented includes the results of operations of the Logistics Assets Predecessor. Prior to the (1) completion of the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, the Logistics Assets Predecessor did not record revenues for intercompany throughput and storage services.

The information presented includes the results of operations of our Predecessors. Prior to the completion of the El (2) Dorado Acquisition, the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, our Predecessors did not record revenues for intercompany throughput and storage services.

The following tables include the results of operations of the pipelines and transportation segment for the six months ended June 30, 2015 and the three and six months ended June 30, 2014, disaggregated to present the results of operations of the Partnership and the Logistics Assets through June 30, 2015 (in thousands):

| | Delek Logistics Partners, LP | Logistics Assets ⁽¹⁾ (Logistics Assets Predecessor) | Six Months Ended June 30, 2015 |
|--|------------------------------|---|-----------------------------------|
| Net sales | \$64,736 | \$— | \$64,736 |
| Operating costs and expenses: | | | |
| Cost of goods sold | 9,915 | — | 9,915 |
| Operating expenses | 14,496 | 167 | 14,663 |
| Segment contribution margin | \$40,325 | \$(167) | \$40,158 |
| Throughputs (average bpd) | | | |
| Lion Pipeline System: | | | |
| Crude pipelines (non-gathered) | 55,267 | — | 55,267 |
| Refined products pipelines to Enterprise | 57,258 | — | 57,258 |
| Systems | | | |
| SALA Gathering System | 21,421 | — | 21,421 |
| East Texas Crude Logistics System | 23,892 | — | 23,892 |
| El Dorado Rail Offloading Racks | 2,964 | 5,151 | 4,051 |

The information presented includes the results of operations of the Logistics Assets Predecessor. Prior to the (1) completion of the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, the Logistics Assets Predecessor did not record revenues for intercompany throughput and storage services.

| | Delek Logistics Partners, LP | Logistics Assets ⁽¹⁾ (Logistics Assets Predecessor) | Three Months Ended June 30, 2014 |
|--|------------------------------|---|-------------------------------------|
| Net sales | \$23,066 | \$— | \$23,066 |
| Operating costs and expenses: | | | |
| Cost of goods sold | 1,130 | — | 1,130 |
| Operating expenses | 8,133 | 175 | 8,308 |
| Segment contribution margin | \$13,803 | \$(175) | \$13,628 |
| Throughputs (average bpd) | | | |
| Lion Pipeline System: | | | |
| Crude pipelines (non-gathered) | 59,038 | — | 59,038 |
| Refined products pipelines to Enterprise | 59,888 | — | 59,888 |
| Systems | | | |
| SALA Gathering System | 21,300 | — | 21,300 |
| East Texas Crude Logistics System | 3,223 | — | 3,223 |

The information presented includes the results of operations of the Logistics Assets Predecessor. Prior to the (1) completion of the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, the Logistics Assets Predecessor did not record revenues for intercompany throughput and storage services.

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| | Delek Logistics Partners, LP | Logistics Assets ⁽¹⁾ (Logistics Assets Predecessor) | El Dorado Tank Assets ⁽¹⁾ (El Dorado Predecessor) | Six Months Ended June 30, 2014 |
|--|------------------------------|---|---|-----------------------------------|
| Net sales | \$43,334 | \$— | \$— | \$43,334 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 2,256 | — | — | 2,256 |
| Operating expenses | 14,451 | 352 | 681 | 15,484 |
| Segment contribution margin | \$26,627 | \$(352 |) \$(681 |) \$25,594 |
| Throughputs (average bpd) | | | | |
| Lion Pipeline System: | | | | |
| Crude pipelines (non-gathered) | 41,936 | — | — | 41,936 |
| Refined products pipelines to Enterprise Systems | 45,908 | — | — | 45,908 |
| SALA Gathering System | 22,201 | — | — | 22,201 |
| East Texas Crude Logistics System | 7,105 | — | — | 7,105 |

The information presented includes the results of operations of the Logistics Assets Predecessor and the El Dorado Predecessor. Prior to the completion of the El Dorado Acquisition, the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition, the Predecessors did not record revenues for intercompany throughput and storage services.

Comparison of the Three Months Ended June 30, 2015 compared to the Three Months Ended June 30, 2014

Contribution margin for the pipelines and transportation segment in the second quarter of 2015 was \$20.9 million, or 72.4% of our consolidated segment contribution margin, compared to \$13.6 million, or 45.4% of our consolidated segment contribution margin, in the second quarter of 2014, an increase of \$7.3 million, or 53.3%. The increase in the pipelines and transportation segment contribution margin was primarily attributable to increased fees on our Paline Pipeline System, the effect of the throughput and tankage agreements we entered into with Delek in connection with the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition and the acquisition of the FTT Assets.

Net sales for the pipelines and transportation segment were \$33.7 million for the second quarter of 2015 compared to \$23.1 million for the second quarter of 2014, an increase of \$10.7 million, or 46.2%. The increase was primarily attributable to net sales contributed by the FTT Assets, increased fees on our Paline Pipeline System and the effect of the throughput and tankage agreements for the El Dorado Assets and the Tyler Assets.

Operating expenses were \$7.7 million for the second quarter of 2015 compared to \$8.3 million for the second quarter of 2014, a decrease of \$0.6 million, or 6.8%. The decrease in operating expenses was primarily due to a decrease in crude oil release expenses incurred during the second quarter of 2015 compared to the second quarter of 2014. This decrease was partially offset by increases in maintenance initiatives related to our tanks in the second quarter of 2015 compared to the second quarter of 2014.

Comparison of the Six Months Ended June 30, 2015 versus the Six Months Ended June 30, 2014

Contribution margin for the pipelines and transportation segment for the six months ended June 30, 2015 was \$40.2 million, or 75.5% of our consolidated segment contribution margin, compared to \$25.6 million, or 49.3% of our consolidated segment contribution margin, for the six months ended June 30, 2014, an increase of \$14.6 million, or 56.9%. The increase in the pipelines and transportation segment contribution margin was primarily attributable to

increased fees on our Paline Pipeline System and the effects of the throughput and tankage agreement we entered into with Delek in connection with the El Dorado Acquisition and the throughput agreement we entered into with Delek in connection with the El Dorado Offloading Racks Acquisition. Also contributing to the increase was the acquisition of the FTT Assets.

Net sales for the pipelines and transportation segment were \$64.7 million for the six months ended June 30, 2015 compared to \$43.3 million for the six months ended June 30, 2014, an increase of \$21.4 million, or 49.4%. The increase in net sales was primarily attributable to net sales contributed by the FTT Assets and the Greenville-Mount Pleasant Assets, the effects of the

throughput and tankage agreement for the El Dorado Tank Assets and the throughput agreement for the El Dorado Assets and increased fees on our Paline Pipeline System.

Operating expenses were \$14.7 million for the six months ended June 30, 2015 compared to \$15.5 million for the six months ended June 30, 2014, a decrease of \$0.8 million, or 5.3%. The decrease in operating expenses was attributable to a decrease in crude oil release expenses incurred during the six months ended June 30, 2015 compared to the same period in 2014. This decrease was partially offset by increases in maintenance initiatives related to our tanks during the six months ended June 30, 2015 compared to the same period in 2014.

Wholesale Marketing and Terminalling Segment

We use our wholesale marketing and terminalling assets to generate revenue by providing wholesale marketing and terminalling services to Delek's refining operations and to independent third parties.

The table and discussion below is an explanation of the results of operations of the wholesale marketing and terminalling segment for the three and six months ended June 30, 2015 and 2014 (dollars in thousands, except for per barrel figures):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 ⁽¹⁾ |
| Net sales: | | | | |
| Affiliate | \$13,778 | \$8,648 | \$22,073 | \$16,429 |
| Third-Party | 124,622 | 204,629 | 228,837 | 380,107 |
| Total | 138,400 | 213,277 | 250,910 | 396,536 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 127,392 | 195,444 | 230,986 | 366,527 |
| Operating expenses | 3,053 | 1,411 | 6,912 | 3,731 |
| Segment contribution margin | \$7,955 | \$16,422 | \$13,012 | \$26,278 |
| Operating Information: | | | | |
| East Texas - Tyler Refinery sales volumes (average bpd) | 66,860 | 61,231 | 47,018 | 61,828 |
| West Texas marketing throughputs (average bpd) | 17,490 | 17,451 | 17,070 | 16,729 |
| West Texas marketing margin per barrel | \$1.31 | \$6.52 | \$1.35 | \$5.06 |
| Terminalling throughputs (average bpd) | 113,578 | 98,962 | 90,581 | 94,468 |

The information presented, excluding throughputs, includes the results of operations of the El Dorado Predecessor.

⁽¹⁾ Prior to the completion of the El Dorado Acquisition, the El Dorado Predecessor did not record revenues for intercompany terminalling services.

The following table includes the results of operations of the wholesale marketing and terminalling segment for the six months ended June 30, 2014, disaggregated to present the results of operations of the Partnership and the El Dorado Terminal through February 10, 2014 (in thousands):

| | Delek Logistics Partners, LP | El Dorado Terminal (1) (El Dorado Predecessor) | Six Months Ended June 30, 2014 |
|--|---------------------------------|---|-----------------------------------|
| Net sales | \$396,536 | \$— | \$396,536 |
| Operating costs and expenses: | | | |
| Cost of goods sold | 366,527 | — | 366,527 |
| Operating expenses | 3,629 | 102 | 3,731 |
| Segment contribution margin | \$26,380 | \$(102) | \$26,278 |
| Operating Information: | | | |
| East Texas - Tyler Refinery sales volumes (average bpd) | 61,828 | — | 61,828 |
| West Texas marketing throughputs (average bpd) | 16,729 | — | 16,729 |
| West Texas marketing margin per barrel | \$5.06 | \$— | \$5.06 |
| Terminalling throughputs (average bpd) | 95,052 | 7,298 | 94,468 |

The information presented includes the results of operations of the El Dorado Predecessor. Prior to the completion (1) of the El Dorado Acquisition, the El Dorado Predecessor did not record revenues for intercompany terminalling services.

Comparison of the Three Months Ended June 30, 2015 compared to the Three Months Ended June 30, 2014

Contribution margin for the wholesale marketing and terminalling segment amounted to \$8.0 million, or 27.6% of our consolidated contribution margin, in the second quarter of 2015, compared to \$16.4 million, or 54.6% of our consolidated contribution margin, in the second quarter of 2014, a decrease of \$8.5 million, or 51.6%. The decrease in contribution margin was primarily attributable to lower margins in our operations in west Texas. The gross margin per barrel in our west Texas operations was affected by more challenging market conditions in the region during the second quarter of 2015 as a result of declining crude oil prices that have reduced drilling activity in west Texas and therefore lowered demand in the area. Also contributing to the decrease in the gross margin per barrel was a decline in the market price for ethanol, which we use in ethanol blending in our marketing and terminalling services, relative to fixed price contracts that were in place during the second quarter of 2015. Additionally, downtime at refineries in the region during the second quarter of 2014 created a favorable supply/demand environment for finished products, which improved the gross margin per barrel for the comparable period.

Net sales for our wholesale marketing and terminalling segment in the second quarter of 2015 decreased \$74.9 million, or 35.1%, to \$138.4 million from \$213.3 million in the second quarter of 2014. The decrease was primarily attributable to decreases in the average sales prices per gallon of gasoline and diesel sold in our west Texas marketing operations. The average sales price per gallon of gasoline sold decreased \$1.06 per gallon during the second quarter 2015, compared to the first quarter of 2014. The average sales price per gallon of diesel sold decreased \$1.25 per gallon during the second quarter of 2015, compared to the second quarter of 2014.

Cost of goods sold for our wholesale marketing and terminalling segment decreased \$68.1 million, or 34.8%, to \$127.4 million in the second quarter of 2015, as compared to cost of goods sold of \$195.4 million in the second quarter of 2014. The decrease in cost of goods sold was attributable to decreases in the average cost per gallon of gasoline and diesel purchased in our west Texas marketing operations. The average cost per gallon of gasoline

purchased decreased \$0.88 per gallon during the second quarter of 2015, compared to the second quarter of 2014. The average cost per gallon of diesel purchased decreased \$1.13 per gallon during the second quarter of 2015, compared to the second quarter of 2014.

Operating expenses were \$3.1 million in the second quarter of 2015, an increase of \$1.7 million or 116.4%, as compared to operating expenses of \$1.4 million in the second quarter of 2014. The increase in operating expenses was primarily due to increases in various maintenance initiatives in the second quarter of 2015 compared to the second quarter of 2014.

Comparison of the Six Months Ended June 30, 2015 versus the Six Months Ended June 30, 2014

Contribution margin for the wholesale marketing and terminalling segment amounted to \$13.0 million, or 24.5% of our consolidated contribution margin, for the six months ended June 30, 2015, versus \$26.3 million, or 50.7% of our consolidated contribution margin, for the six months ended June 30, 2014, a decrease of \$13.3 million, or 50.5%. The decrease in contribution margin was primarily attributable to lower margins in our operations in west Texas. The gross margin per barrel in our west Texas operations was affected by more challenging market conditions in the region during the six months ended June 30, 2015 as a result of declining crude oil prices that have reduced drilling activity in west Texas and therefore lowered demand in the area. Also contributing to the decrease in the gross margin per barrel was a decline in the market price for ethanol, which we use in ethanol blending in our marketing and terminalling services, relative to fixed price contracts that were in place during the six months ended June 30, 2015. Additionally, downtime at refineries in the region during the six months ended June 30, 2014 created a favorable supply/demand environment for finished products, which improved the gross margin per barrel for the comparable period. Further contributing to the decrease in contribution margin were reduced sales volumes at the Tyler Refinery due to plant downtime during a maintenance turnaround and expansion.

Net sales for our wholesale marketing and terminalling segment for the six months ended June 30, 2015 decreased \$145.6 million or 36.7%, to \$250.9 million from \$396.5 million for the six months ended June 30, 2014. The decrease is primarily attributable to decreases in the average sales prices per gallon of gasoline and diesel sold in our west Texas marketing operations. The average sales price per gallon of gasoline sold decreased \$1.07 per gallon during the six months ended June 30, 2015, compared to the six months ended June 30, 2014. The average sales price per gallon of diesel sold decreased \$1.29 per gallon during the six months ended June 30, 2015, compared to the six months ended June 30, 2014.

Cost of goods sold for our wholesale marketing and terminalling segment decreased \$135.5 million, or 37.0%, to \$231.0 million for the six months ended June 30, 2015, as compared to cost of goods sold of \$366.5 million for the six months ended June 30, 2014. The decrease in cost of goods sold is primarily attributable to decreases in the average cost per gallon of gasoline and diesel purchased in our west Texas marketing operations. The average cost per gallon of gasoline purchased decreased \$0.95 per gallon during the six months ended June 30, 2015, compared to the six months ended June 30, 2014. The average cost per gallon of diesel purchased decreased \$1.19 per gallon during the six months ended June 30, 2015, compared to the six months ended June 30, 2014.

Operating expenses were \$6.9 million for the six months ended June 30, 2015, an increase of \$3.2 million, or 85.3%, as compared to operating expenses of \$3.7 million for the six months ended June 30, 2014. The increase in operating expenses was primarily due to increases in various maintenance initiatives related to acquisitions that have occurred since the six months ended June 30, 2014, including the El Dorado Terminal and the Greenville-Mount Pleasant Assets.

Liquidity and Capital Resources

We expect our ongoing sources of liquidity to include cash generated from operations, borrowings under our revolving credit facility and potential issuances of additional equity securities and debt. We believe that cash generated from these sources will be sufficient to satisfy the anticipated cash requirements associated with our existing operations, including minimum quarterly cash distributions, for at least the next 12 months.

The table below summarizes the quarterly distributions related to our quarterly financial results:

| Quarter Ended | Total Quarterly Distribution Per Limited Partner Unit | Total Quarterly Distribution Per Limited Partner Unit, | Total Cash Distribution, including general partner | Date of Distribution | Unitholders Record Date |
|---------------|---|--|--|----------------------|-------------------------|
|---------------|---|--|--|----------------------|-------------------------|

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| | | Annualized | IDRs (in thousands) | | |
|--------------------|---------|------------|------------------------|--------------------------------|------------------|
| December 31, 2013 | \$0.415 | \$1.66 | \$10,228 | February 13, 2014 | February 4, 2014 |
| March 31, 2014 | \$0.425 | \$1.70 | \$10,474 | May 14, 2014 | May 6, 2014 |
| June 30, 2014 | \$0.475 | \$1.90 | \$11,910 | August 14, 2014 | August 7, 2014 |
| September 30, 2014 | \$0.490 | \$1.96 | \$12,394 | November 14, 2014 | November 6, 2014 |
| December 31, 2014 | \$0.510 | \$2.04 | \$13,056 | February 13, 2015 | February 6, 2015 |
| March 31, 2015 | \$0.530 | \$2.12 | \$13,702 | May 14, 2015 | May 4, 2015 |
| June 30, 2015 | \$0.550 | \$2.20 | \$14,368 | August 14, 2015 ⁽¹⁾ | August 6, 2015 |

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(1) Expected date of distribution.

Cash Flows

The following table sets forth a summary of our consolidated cash flows for the six months ended June 30, 2015 and 2014 (in thousands):

| | Six Months Ended June 30, | |
|--|---------------------------|-----------|
| | 2015 | 2014 |
| Cash Flow Data: | | |
| Cash flows provided by operating activities | \$46,560 | \$44,448 |
| Cash flows used in investing activities | (27,541 |) (4,200 |
| Cash flows used in financing activities | (20,756 |) (38,755 |
| Net (decrease) increase in cash and cash equivalents | \$(1,737 |) \$1,493 |

Cash Flows from Operating Activities

Net cash provided by operating activities was \$46.6 million for the six months ended June 30, 2015, compared to cash provided of \$44.4 million for the comparable period of 2014. The increase in cash flows provided by operations was due to increases in accounts payable to related parties and decreases in inventory and other current assets. Inventory decreased as a result of reduced product purchases in our west Texas operations and from Delek due to downtime at the Tyler Refinery as a result of the maintenance turnaround and expansion. Net income for the six months ended June 30, 2015 was \$32.3 million, compared to \$35.0 million in the same period of 2014.

Cash Flows from Investing Activities

Net cash used in investing activities was \$27.5 million for the first six months of 2015, compared to \$4.2 million used in the comparable period of 2014. Cash used in investing activities during the six months ended June 30, 2015 includes capital expenditures of approximately \$13.5 million, of which \$7.6 million was spent on projects in the pipelines and transportation segment and \$5.9 million was spent in the wholesale marketing and terminalling segment. This compares to capital expenditures made during the six months ended June 30, 2014 of \$4.2 million. Capital expenditures made during the six months ended June 30, 2015 related primarily to projects on our terminalling assets, the purchase of assets from Delek and projects on our Lion Pipeline System, which accounted for approximately \$7.0 million, \$3.8 million and \$2.5 million, respectively, of cash used in investing activities during the six months ended June 30, 2015. Capital expenditures made during the six months ended June 30, 2014 related primarily to the Tyler Assets, our terminalling assets and our Lion Pipeline System System, which accounted for approximately \$2.2 million, \$0.8 million and \$0.6 million, respectively, of total capital expenditures. Additionally, we contributed approximately \$14.8 million in cash to our joint ventures during the six months ended June 30, 2015 with no comparable activity in the prior year period. Partially offsetting the cash used in investing activities was an asset sale generating proceeds of approximately \$1.2 million during the six months ended June 30, 2015.

Cash Flows from Financing Activities

Net cash used in financing activities was \$20.8 million in the six months ended June 30, 2015, compared to net cash used of \$38.8 million in the comparable period of 2014. We paid quarterly cash distributions totaling \$26.8 million during the six months ended June 30, 2015, compared to quarterly cash distributions totaling \$20.7 million paid during the six months ended June 30, 2014. Additionally, we paid \$61.9 million in exchange for assets included in the El Dorado Offloading Racks Acquisition and the Tyler Crude Tank Acquisition during the six months ended June 30,

2015, compared to \$95.9 million paid in exchange for assets included in the El Dorado Acquisition during the six months ended June 30, 2014. Offsetting the cash used in financing activities during the six months ended June 30, 2015 and 2014 were net proceeds of \$65.2 million and \$74.2 million, respectively, under our revolving credit facility.

Cash Position and Indebtedness

As of June 30, 2015, we had \$0.1 million total cash and cash equivalents and we had total indebtedness of approximately \$316.9 million. Borrowing availability under the Second Amended and Restated Credit Agreement was approximately \$377.6 million and we had letters of credit issued of approximately \$5.5 million. We believe we were in compliance with the applicable covenants in our credit agreement as of June 30, 2015.

We entered into a senior secured revolving credit agreement on November 7, 2012, with Fifth Third Bank, as administrative agent, and a syndicate of lenders. The agreement was amended and restated on July 9, 2013 and was most recently amended and restated on December 30, 2014. Under the terms of the Second Amended and Restated Credit Agreement, the lender commitments were increased from \$400.0 million to \$700.0 million. The Second Amended and Restated Credit Agreement also contains an accordion feature whereby the Partnership can increase the size of the credit facility to an aggregate of \$800.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. While the majority of the terms of the Second Amended and Restated Credit Agreement are substantially unchanged from the original agreement, among other things, changes were made to certain negative covenants, the financial covenants and the interest rate pricing grid. The Second Amended and Restated Credit Agreement contains an option for Canadian dollar denominated borrowings. The Second Amended and Restated Credit Agreement matures on December 30, 2019.

Agreements Governing Certain Indebtedness of Delek

Although we are not contractually bound by and are not liable for Delek's debt under its credit arrangements, we are indirectly affected by certain prohibitions and limitations contained therein. Specifically, under the terms of certain of Delek's credit arrangements, we expect that Delek will be in default if we incur any indebtedness for borrowed money in excess of \$300.0 million at any time outstanding, which amount is subject to and has been increased for (i) certain acquisitions of additional or newly constructed assets and for growth capital expenditures, in each case, net of asset sales, and for (ii) certain types of debt, such as debt obligations owed under hedge agreements, intercompany debt of the Partnership and our subsidiaries and debt under certain types of contingent obligations. These arrangements also require that Delek meets certain minimum levels for (i) consolidated shareholders' equity and (ii) a ratio of consolidated shareholders' equity to adjusted total assets. We cannot assure you that such covenants will not impact our ability to use the full capacity available under our revolving credit facility in the future. Delek, due to its majority ownership and control of our general partner, has the ability to prevent us from taking actions that would cause Delek to violate any covenant in its credit arrangements or otherwise be in default under any of its credit arrangements.

Capital Spending

A key component of our long-term strategy is our capital expenditure program. Our capital expenditures, for the six months ended June 30, 2015 were \$9.8 million, of which approximately \$3.8 million was spent in our pipelines and transportation segment and \$5.9 million was spent in our wholesale marketing and terminalling segment. Our capital expenditures below exclude capital expenditures of \$3.8 million related to the purchase of assets from Delek, which were subsequently contributed to Caddo Pipeline, LLC ("CP LLC"), a joint venture entered into with Plains Pipeline, L.P., an affiliate of Plains All American Pipeline, L.P. ("Plains") and (\$0.1) million related to assets acquired in the Tyler Crude Tank Acquisition, prior to March 31, 2015. Our capital expenditure forecast is approximately \$19.8 million for 2015.

The following table summarizes our actual capital expenditures for the six months ended June 30, 2015 and planned capital expenditures for the full year 2015 by operating segment and major category (in thousands):

| | Full Year 2015 Forecast | Six Months Ended June 30, 2015 ⁽²⁾ |
|--|----------------------------|---|
| Pipelines and Transportation: | | |
| Regulatory | \$1,663 | \$66 |
| Maintenance ⁽¹⁾ | 10,244 | 3,094 |
| Discretionary projects | 1,637 | 670 |
| Pipeline and transportation segment total | 13,544 | 3,830 |
| Wholesale Marketing and Terminalling: | | |
| Regulatory | 256 | 85 |
| Maintenance ⁽¹⁾ | 1,897 | 2,743 |
| Discretionary projects | 4,104 | 3,097 |
| Wholesale marketing and terminalling segment total | 6,257 | 5,925 |
| Total capital spending | \$19,801 | \$9,755 |

Maintenance capital expenditures represent cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets, and for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity.

Examples of maintenance capital expenditures are expenditures for the repair, refurbishment and replacement of pipelines and terminals, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations. Delek has agreed to reimburse us with respect to assets it has transferred to us for all non-discretionary maintenance capital expenditures, other than those required to comply with applicable environmental laws and regulations, in excess of specified dollar amounts for a period of five years from the date of the purchase of the affected assets.

The actual and forecasted capital spending does not include capital expenditures prior to March 31, 2015 of (\$0.1) million related to the assets acquired in the Tyler Crude Tank Acquisition. Also excluded from the actual capital spending is a \$3.8 million purchase of assets from Delek, as we subsequently contributed the assets to CP LLC, a joint venture entered into with Plains.

For the full year 2015, we plan to spend approximately \$1.7 million on regulatory projects in the pipelines and transportation segment. In addition, we plan to spend approximately \$10.2 million on maintenance projects and approximately \$1.6 million for other discretionary projects in 2015 in the pipelines and transportation segment. In the wholesale marketing and terminalling segment, we have \$6.3 million budgeted for the year ending December 31, 2015, of which \$4.1 million is allocated to discretionary projects. Of the \$10.2 million budgeted to maintenance projects in the pipelines and transportation segment, approximately \$8.7 million relates to the repair and replacement of certain of our tanks. Of the \$4.1 million budgeted to discretionary projects in the wholesale marketing and terminalling segment, \$2.8 million relates to the expansion of our refined products terminal located at Delek's Tyler Refinery.

Under the Third Restated Omnibus Agreement, Delek reimburses us for (i) certain expenses that we incur for inspections, maintenance and repairs to certain assets we acquired from Delek to cause such assets to comply with applicable regulatory and/or industry standards, (ii) certain expenses that we incur for inspections, maintenance and repairs to most of the storage tanks contributed to us by Delek (subject to a deductible of \$0.5 million per year) that are necessary to comply with minimum standards under certain United States Department of Transportation pipeline

integrity rules and certain American Petroleum Institute storage tank standards for a period of five years from the date of the purchase of the affected assets, and (iii) for certain non-discretionary maintenance capital expenditures with respect to certain of our assets in excess of specified amounts, as disclosed in the full agreement filed as Exhibit 10.3 to our Current Report on Form 8-K, filed with the SEC on April 6, 2015 and in the amendment filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q.

The amount of our capital expenditure budget is subject to change due to unanticipated increases in the cost, scope and completion time for our capital projects. For example, we may experience increases in the cost of and/or timing to obtain necessary equipment required for our continued compliance with government regulations or to complete improvement projects. Additionally, the scope and cost of employee or contractor labor expense related to installation of that equipment could increase from our projections. We rely primarily upon external financing sources, including borrowings under our revolving credit facility and the issuance of equity securities and debt, to fund significant capital expenditures.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements through the date of the filing of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk. Market risk is the risk of loss arising from adverse changes in market rates and prices. As we do not take title to any of the crude oil that we handle, and we take title to only limited volumes of light products in our marketing business, we have limited direct exposure to risks associated with fluctuating commodity prices. However, the volatility of refined product prices in our west Texas operations, which depend on many factors, including demand for refined products in the west Texas market, the timing of refined product deliveries and downtime at refineries in the surrounding area, can have an effect on our gross margin. From time to time, we enter into Gulf Coast product swap arrangements with respect to the products we purchase to hedge our exposure to fluctuations in commodity prices for the period between our purchase of products and subsequent sales to our customers. At June 30, 2015 and December 31, 2014, we held open derivative contracts representing 48,000 barrels and 142,000 barrels, respectively, of refined petroleum products. We recognized (losses) gains associated with derivatives not designated as hedging instruments of \$(0.2) million and \$0.2 million for the three and six months ended June 30, 2015 and \$(0.2) million and \$(0.3) million for the three and six months ended June 30, 2014. These amounts were recorded to cost of goods sold in the accompanying condensed consolidated statements of income. Please see Note 12 to our accompanying condensed consolidated financial statements for additional detail related to our derivative instruments. In addition, the Partnership's commercial agreements with Delek are indexed to inflation.

Interest Rate Risk. Debt that we incur under our revolving credit facility bears interest at floating rates and will expose us to interest rate risk. From time to time, we may use certain derivative instruments to hedge our exposure to floating interest rates. Additionally, our prior revolving credit facility required us to maintain interest rate hedging arrangements with respect to at least 50% of the amount funded on November 7, 2012 under the credit facility, which was required to be in place for at least a three-year period beginning no later than March 7, 2013. Accordingly, effective February 25, 2013, we entered into interest rate hedges in the form of a LIBOR interest rate cap for a term of three years for a total notional amount of \$45.0 million, thereby meeting the requirements in effect at that time. These requirements were eliminated in connection with the amendment and restatement of our revolving credit facility in July 2013, but the interest rate hedge remains in place in accordance with its terms. The estimated fair values of our interest rate derivative asset were nominal amounts as of June 30, 2015 and December 31, 2014. In accordance with ASC 815, we recorded nominal amounts of non-cash expense representing changes in estimated fair value of the interest rate hedge agreements for each of the three and six months ended June 30, 2015. We recorded \$0.1 million of non-cash expense for each of the three and six months ended June 30, 2014.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has, based on this evaluation, concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms including, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II.
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Although we may, from time to time, be involved in litigation and claims, whether regulatory or other, arising out of our operations in the normal course of business, we do not believe that we are a party to any litigation that will have a material adverse impact on our financial condition, results of operations or cash flows. In June 2015, the United States Department of Justice notified the Partnership that it was evaluating an enforcement action on behalf of the United States Environmental Protection Agency with regard to potential Clean Water Act violations arising from the March 2013 release at our Magnolia Station. However, no specific claim for penalties or affirmative relief has been made at this time.

ITEM 1A. RISK FACTORS

There have been no significant changes from the risk factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

Pursuant to the terms of our limited partnership agreement, our general partner has the right to maintain its proportionate 2% general partner interest in the Partnership. The following table provides information regarding the exercise of such right by our general partner. Each sale listed below was exempt from registration under Section 4(a)(2) of the Securities Act of 1933.

| Date of Sale | Number of General Partner Units Sold | Price per General Partner Unit | Consideration Paid to the Partnership |
|---------------|--------------------------------------|--------------------------------|---------------------------------------|
| June 11, 2015 | 703 | \$43.76 | \$30,765 |

Item 5. OTHER INFORMATION

Resignation of Board Member

On August 4, 2015, Gary M. Sullivan, Jr., a director of Delek Logistics GP, LLC (the "General Partner"), the general partner of Delek Logistics Partners, LP (the "Partnership"), notified the General Partner's Board of Directors (the "Board") that he would be resigning from the Board and all committees of the Board, effective immediately. Mr. Sullivan's decision to resign from the Board did not involve any disagreement with the Partnership, the General Partner, management or the Board on any matter relating to the Partnership's operations, policies or practices.

Appointment of Board Member

On August 4, 2015, the members of the General Partner elected Francis Craig D'Andrea to fill the vacancy created by Mr. Sullivan's resignation on the Board. Mr. D'Andrea will hold office until the next annual election of directors and until his successor is duly elected and qualified, unless sooner displaced. Also, on August 4, 2015, the Board appointed Mr. D'Andrea to serve as chairman of the Audit Committee and as a member of the Conflicts Committee. Mr. D'Andrea served as a certified public accountant for 33 years with Deloitte & Touche, LLP, culminating in the role of partner before retiring in 2012. During his time at Deloitte & Touche, Mr. D'Andrea served as an audit partner on the accounts of several public companies, including sponsors of master limited partnerships. Mr. D'Andrea was

appointed to the Board because it is believed that his experience as an audit partner with Deloitte & Touche provides the Board with valuable experience in matters involving finance and accounting in general and in master limited partnerships in particular.

There are no arrangements or understandings between Mr. D'Andrea, on the one hand, and any other persons, on the other hand, pursuant to which Mr. D'Andrea was selected as a director of the General Partner. Mr. D'Andrea has not been a party to any transactions that would be required to be reported under Item 404(a) of Regulation S-K. The General Partner did not enter into any material plan, contract or arrangement with, and did not make a grant or award to, Mr. D'Andrea in connection with his election to the Board.

ITEM 6. EXHIBITS

| Exhibit No. | Description |
|-------------|---|
| 10.1 | <p>§ * Form of Phantom Unit Agreement for Directors under the Delek Logistics GP, LLC 2012 Long-Term Incentive Plan.</p> |
| 10.2 | <p>§ First Amendment to Third Amended and Restated Omnibus Agreement, dated as of August 3, 2015, by and among Delek US Holdings, Inc., Lion Oil Company, Delek Logistics Operating, LLC, Delek Marketing & Supply, LP, Delek Refining, Ltd., Delek Logistics Partners, LP, Paline Pipeline Company, LLC, SALA Gathering Systems, LLC, Magnolia Pipeline Company, LLC, El Dorado Pipeline Company, LLC, Delek Crude Logistics, LLC, Delek Marketing-Big Sandy, LLC, DKL Transportation, LLC and Delek Logistics GP, LLC.</p> |
| 31.1 | <p>§ Certification by Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act.</p> |
| 31.2 | <p>§ Certification by Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act.</p> |
| 32.1 | <p>§ Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</p> |
| 32.2 | <p>§ Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</p> |
| 101 | <p>The following materials from Delek Logistics Partners, LP's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014 (Unaudited), (ii) Condensed Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2015 and 2014 (Unaudited), (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014 (Unaudited), and (iv) Notes to Condensed Consolidated Financial Statements (Unaudited).</p> |
| § | <p>Filed herewith</p> |
| * | <p>Management contract or compensatory plan or arrangement</p> |

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.

Delek Logistics Partners, LP

By: Delek Logistics GP, LLC
Its General Partner

By: /s/ Ezra Uzi Yemin
Ezra Uzi Yemin
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Assaf Ginzburg
Assaf Ginzburg
Director, Executive Vice President and Chief
Financial Officer (Principal Financial and Accounting
Officer)

Dated: August 5, 2015

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| § | Filed herewith |
| * | Management contract or compensatory plan or arrangement |