

PBF Energy Inc.
Form 10-Q
August 04, 2016

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, 2016

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: 001-35764

PBF ENERGY INC.

(Exact name of registrant as specified in its charter)

DELAWARE	45-3763855
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Sylvan Way, Second Floor	07054
Parsippany, New Jersey	
(Address of principal executive offices)	(Zip Code)
(973) 455-7500	
(Registrant's telephone number, including area code)	

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

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

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

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

As of August 2, 2016, PBF Energy Inc. had outstanding 97,825,983 shares of Class A common stock and 27 shares of Class B common stock.

PBF ENERGY INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

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This Quarterly Report on Form 10-Q is filed by PBF Energy Inc. (“PBF Energy”) which is a holding company whose primary asset is an equity interest in PBF Energy Company LLC (“PBF LLC”). PBF Energy is the sole managing member of, and owner of an equity interest representing approximately 95.2% of the outstanding economic interests in, PBF LLC as of June 30, 2016. PBF Energy operates and controls all of the business and affairs and consolidates the financial results of PBF LLC and its subsidiaries. PBF LLC is a holding company for the companies that directly and indirectly own and operate the business. PBF Holding Company LLC (“PBF Holding”) is a wholly-owned subsidiary of PBF LLC and PBF Finance Corporation (“PBF Finance”) is a wholly-owned subsidiary of PBF Holding. As of June 30, 2016, PBF LLC also holds a 49.4% limited partner interest, a non-economic general partner interest and all of the incentive distribution rights in PBF Logistics LP (“PBFX” or the “Partnership”), a publicly traded master limited partnership. PBF Energy, through its ownership of PBF LLC, consolidates the financial results of PBFX and its subsidiaries and records a noncontrolling interest in its consolidated financial statements representing the economic interests of PBFX’s unit holders other than PBF LLC. Collectively, PBF Energy and its consolidated subsidiaries, including PBF LLC, PBF Holding, and PBFX are referred to hereinafter as the “Company” unless the context otherwise requires.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain “forward-looking statements”, as defined in the Private Securities Litigation Reform Act of 1995 (“PSLRA”), of expected future developments that involve risks and uncertainties. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our strategies, objectives, expectations, intentions, resources and expectations regarding future industry trends are forward-looking statements made under the safe harbor of the PSLRA except to the extent such statements relate to the operations of a partnership or limited liability company. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as “cautionary statements,” are disclosed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Form 10-Q and the Annual Report on Form 10-K for the year ended December 31, 2015 of PBF Energy Inc., which we refer to as our 2015 Annual Report on Form 10-K, and in our other filings with the SEC. All forward-looking information in this Quarterly Report on Form 10-Q and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- supply, demand, prices and other market conditions for our products, including volatility in commodity prices;
- the effects of competition in our markets;
- changes in currency exchange rates, interest rates and capital costs;
- adverse developments in our relationship with both our key employees and unionized employees;
- our ability to operate our businesses efficiently, manage capital expenditures and costs (including general and administrative expenses) and generate earnings and cash flow;
- our substantial indebtedness;
- our supply and inventory intermediation arrangements expose us to counterparty credit and performance risk;
- termination of our A&R Intermediation Agreements with J. Aron could have a material adverse effect on our liquidity, as we would be required to finance our intermediate and refined products inventory covered by the agreements. Additionally, we are obligated to repurchase from J. Aron certain intermediates and finished products located at the Paulsboro and Delaware City refineries’ storage tanks upon termination of these agreements;
- restrictive covenants in our indebtedness that may adversely affect our operational flexibility;
- payments to the current and former holders of PBF LLC Series A Units and PBF LLC Series B Units under our tax receivable agreement for certain tax benefits we may claim;
- our assumptions regarding payments arising under PBF Energy’s tax receivable agreement and other arrangements relating to our organizational structure are subject to change due to various factors, including, among other factors, the timing of exchanges of PBF LLC Series A Units for shares of our Class A common

stock as contemplated by the tax receivable agreement, the price of our Class A common stock at the time of such exchanges, the extent to which such exchanges are taxable, and the amount and timing of our income;

- our expectations and timing with respect to our acquisition activity and whether such acquisitions are accretive or dilutive to shareholders;
- our expectations with respect to our capital improvement and turnaround projects;
- the status of an air permit to transfer crude through the Delaware City refinery's dock;
- the impact of disruptions to crude or feedstock supply to any of our refineries, including disruptions due to problems at PBFX or with third party logistics infrastructure or operations, including pipeline, marine and rail transportation;
- the possibility that we might reduce or not make further dividend payments;
- the inability of our subsidiaries to freely pay dividends or make distributions to us;
- the impact of current and future laws, rulings and governmental regulations, including the implementation of rules and regulations regarding transportation of crude oil by rail;
- the effectiveness of our crude oil sourcing strategies, including our crude by rail strategy and related commitments;
- adverse impacts related to recent legislation by the federal government lifting the restrictions on exporting U.S. crude oil;
- adverse impacts from changes in our regulatory environment, such as the effects of compliance with the California Global Warming Solutions Act (also referred to as "AB32"), or actions taken by environmental interest groups;
- market risks related to the volatility in the price of Renewable Identification Numbers ("RINs") required to comply with the Renewable Fuel Standards and greenhouse gas ("GHG") emission credits required to comply with various GHG emission programs, such as AB32;
- our ability to complete the successful integration of the completed acquisitions of Chalmette Refining, L.L.C and related logistic assets (collectively, the "Chalmette Acquisition") and the Torrance refinery and related logistics assets (collectively, the "Torrance Acquisition") into our business and to realize the benefits from such acquisitions;
- liabilities arising from the Chalmette Acquisition and/or Torrance Acquisition that are unforeseen or exceed our expectations;
- risk associated with the operation of PBFX as a separate, publicly-traded entity;
- potential tax consequences related to our investment in PBFX; and
- any decisions we make with respect to our energy-related logistical assets that may be transferred to PBFX.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Quarterly Report on Form 10-Q may not in fact occur. Accordingly, investors should not place undue reliance on those statements.

Our forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, including the securities laws of the United States, we do not intend to update or revise any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

PBF ENERGY INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except share and per share data)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,412,935	\$944,320
Accounts receivable	647,866	454,759
Inventories	1,308,536	1,174,272
Deferred tax asset	315,664	371,186
Marketable securities - current	136,144	—
Prepaid expense and other current assets	110,828	77,474
Total current assets	3,931,973	3,022,011
Property, plant and equipment, net	2,504,921	2,356,638
Deferred tax assets	180,727	201,504
Marketable securities	—	234,258
Deferred charges and other assets, net	370,429	290,713
Total assets	\$6,988,050	\$6,105,124
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$373,839	\$315,653
Accrued expenses	1,301,795	1,119,189
Payable to related parties pursuant to tax receivable agreement	57,042	56,621
Deferred tax liabilities	24,530	—
Deferred revenue	8,448	4,043
Current portion of long-term debt	135,864	—
Total current liabilities	1,901,518	1,495,506
Delaware Economic Development Authority loan	4,000	4,000
Long-term debt	2,223,848	1,836,355
Payable to related parties pursuant to tax receivable agreement	604,376	604,797
Other long-term liabilities	78,452	68,609
Total liabilities	4,812,194	4,009,267
Commitments and contingencies (Note 10)		
Equity:		
Class A common stock, \$0.001 par value, 1,000,000,000 shares authorized, 97,825,983 shares outstanding at June 30, 2016, 97,781,933 shares outstanding at December 31, 2015	93	93
Class B common stock, \$0.001 par value, 1,000,000 shares authorized, 27 shares outstanding at June 30, 2016, 28 shares outstanding at December 31, 2015	—	—
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, no shares outstanding, at June 30, 2016 and December 31, 2015	—	—
Treasury stock, at cost, 6,078,283 shares outstanding at June 30, 2016 and 6,056,719 shares outstanding at December 31, 2015	(150,804)	(150,804)
Additional paid in capital	1,930,697	1,904,751
Retained earnings/(Accumulated deficit)	(67,478)	(83,454)
Accumulated other comprehensive loss	(22,302)	(23,289)
Total PBF Energy Inc. equity	1,690,206	1,647,297

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Noncontrolling interest	485,650	448,560
Total equity	2,175,856	2,095,857
Total liabilities and equity	\$6,988,050	\$6,105,124

See notes to condensed consolidated financial statements.

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PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues	\$3,858,467	\$3,550,664	\$6,658,652	\$6,545,800
Cost and expenses:				
Cost of sales, excluding depreciation	3,249,444	2,994,745	5,661,539	5,496,960
Operating expenses, excluding depreciation	276,598	194,970	576,597	432,088
General and administrative expenses	43,373	39,223	80,955	75,269
Loss (gain) on sale of assets	3,222	(632)	3,222	(991)
Depreciation and amortization expense	51,060	48,562	106,993	96,268
	3,623,697	3,276,868	6,429,306	6,099,594
Income from operations	234,770	273,796	229,346	446,206
Other (expenses) income:				
Change in fair value of catalyst leases	(1,748)	) 1,949	(4,633)	) 3,988
Interest expense, net	(35,940)	) (26,876)	) (73,467)	) (49,068)
Income before income taxes	197,082	248,869	151,246	401,126
Income tax expense	76,434	90,409	53,934	139,547
Net income	120,648	158,460	97,312	261,579
Less: net income attributable to noncontrolling interests	17,118	22,650	23,170	38,447
Net income attributable to PBF Energy Inc.	\$103,530	\$135,810	\$74,142	\$223,132
Weighted-average shares of Class A common stock outstanding				
Basic	97,836,366	86,036,809	97,822,875	85,175,066
Diluted	103,278,622	91,659,906	103,364,478	91,655,081
Net income available to Class A common stock per share:				
Basic	\$1.06	\$1.58	\$0.76	\$2.62
Diluted	\$1.06	\$1.57	\$0.76	\$2.57
Dividends per common share	\$0.30	\$0.30	\$0.60	\$0.60

See notes to condensed consolidated financial statements.

PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$120,648	\$158,460	\$97,312	\$261,579
Other comprehensive income:				
Unrealized gain (loss) on available for sale securities	99	(75	) 405	(4
Net gain on pension and other postretirement benefits	316	400	632	800
Total other comprehensive income	415	325	1,037	796
Comprehensive income	121,063	158,785	98,349	262,375
Less: comprehensive income attributable to noncontrolling interests	17,138	22,668	23,220	38,492
Comprehensive income attributable to PBF Energy Inc.	\$103,925	\$136,117	\$75,129	\$223,883

See notes to condensed consolidated financial statements.

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PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$97,312	\$261,579
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	112,523	100,839
Stock-based compensation	12,709	5,394
Change in fair value of catalyst lease obligations	4,633	(3,988)
Deferred income taxes	92,973	74,006
Non-cash change in inventory repurchase obligations	26,172	89,203
Pension and other post retirement benefit costs	15,355	12,893
Loss (gain) on disposition of property, plant and equipment	3,222	(991)
Change in non-cash lower of cost or market adjustment	(216,843)	(127,166)
Changes in operating assets and liabilities:		
Accounts receivable	(193,107)	11,042
Inventories	82,579	(84,619)
Prepaid expenses and other current assets	(29,170)	29,552
Accounts payable	58,186	19,368
Accrued expenses	157,345	(59,908)
Deferred revenue	4,405	5,991
Payable to related parties pursuant to tax receivable agreement	—	(10,168)
Other assets and liabilities	(12,160)	(5,352)
Net cash provided by operations	216,134	317,675
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(111,772)	(224,063)
Expenditures for deferred turnaround costs	(106,649)	(22,918)
Expenditures for other assets	(21,325)	(5,424)
Expenditure for PBFX Plains Asset Purchase	(98,336)	—
Chalmette Acquisition working capital settlement	(2,659)	—
Purchase of marketable securities	(1,310,000)	(1,379,386)
Maturities of marketable securities	1,408,124	1,380,085
Proceeds from sale of assets	6,860	138,131
Net cash used in investing activities	(235,757)	(113,575)

See notes to condensed consolidated financial statements.

PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(unaudited, in thousands)

	Six Months Ended June 30,	
	2016	2015
Cash flows from financing activities:		
Proceeds from issuance of PBFX common units, net of underwriters' discount and commissions	\$51,575	\$—
Distributions to PBF Energy Company LLC members	(2,971	) (8,262)
Distributions to PBFX unit holders	(14,864	) (11,033)
Dividend payments	(58,696	) (51,545)
Proceeds from PBFX Senior Notes	—	350,000
Proceeds from PBFX revolver borrowings	98,500	24,500
Repayments of PBFX revolver borrowings	(30,000	) (275,100)
Repayments of PBFX Term Loan borrowings	(98,336	) (700)
Proceeds from Rail Facility revolver borrowings	—	70,750
Repayments of Rail Facility revolver borrowings	(6,970	) (64,626)
Proceeds from revolver borrowings	550,000	—
Purchases of treasury stock	—	(4,000)
Deferred financing costs and other	—	(8,135)
Net cash provided by financing activities	488,238	21,849
Net increase in cash and cash equivalents	468,615	225,949
Cash and cash equivalents, beginning of period	944,320	397,873
Cash and cash equivalents, end of period	\$1,412,935	\$623,822
Supplemental cash flow disclosures		
Non-cash activities:		
Accrued construction in progress and unpaid fixed assets	\$8,149	\$21,367

See notes to condensed consolidated financial statements.

PBF ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Description of the Business

PBF Energy Inc. ("PBF Energy") was formed as a Delaware corporation in 2011 and completed an initial public offering in December 2012. PBF Energy is the sole managing member of PBF Energy Company LLC ("PBF LLC"), a Delaware limited liability company, with a controlling interest in PBF LLC and its subsidiaries. PBF Energy consolidates the financial results of PBF LLC and its subsidiaries and records a noncontrolling interest in its consolidated financial statements representing the economic interests of PBF LLC's members other than PBF Energy. PBF LLC, together with its consolidated subsidiaries, owns and operates oil refineries and related facilities in North America. PBF Holding Company LLC ("PBF Holding") is a wholly-owned subsidiary of PBF LLC. PBF Finance Corporation ("PBF Finance") is a wholly-owned subsidiary of PBF Holding. Delaware City Refining Company LLC ("Delaware City Refining" or "DCR"), PBF Power Marketing LLC, PBF Energy Limited, Paulsboro Refining Company LLC, Paulsboro Natural Gas Pipeline Company LLC, Toledo Refining Company LLC, Chalmette Refining, L.L.C. ("Chalmette Refining") and MOEM Pipeline LLC are PBF LLC's principal operating subsidiaries and are all wholly-owned subsidiaries of PBF Holding. In addition, PBF LLC, through Chalmette Refining, holds an 80% interest in and consolidates Collins Pipeline Company and T&M Terminal Company.

As of June 30, 2016, PBF LLC also holds a 49.4% limited partner interest and all of the incentive distribution rights in PBF Logistics LP ("PBFX"), a publicly traded master limited partnership (refer to Note 2 "PBF Logistics LP" of our Notes to Condensed Consolidated Financial Statements). PBF Logistics GP LLC ("PBF GP") owns the noneconomic general partner interest and serves as the general partner of PBFX and is wholly-owned by PBF LLC. PBF Energy, through its ownership of PBF LLC, consolidates the financial results of PBFX and its subsidiaries and records a noncontrolling interest in its consolidated financial statements representing the economic interests of PBFX's unit holders other than PBF LLC. Collectively, PBF Energy and its consolidated subsidiaries, including PBF LLC, PBF Holding, and PBFX are referred to hereinafter as the "Company" unless the context otherwise requires.

On February 6, 2015, the Company completed a public offering of 3,804,653 shares of Class A common stock in a secondary offering (the "February 2015 secondary offering"). All of the shares in the February 2015 secondary offering were sold by funds affiliated with Blackstone Group L.P., or Blackstone, and First Reserve Management, L.P., or First Reserve. In connection with the February 2015 secondary offering, Blackstone and First Reserve exchanged all of their remaining PBF LLC Series A Units for an equivalent number of shares of Class A common stock of PBF Energy, and as a result, Blackstone and First Reserve no longer hold any PBF LLC Series A Units or shares of PBF Energy Class A common stock. PBF Energy did not receive any proceeds from the February 2015 secondary offering. As of June 30, 2016, the Company owns 97,825,983 PBF LLC Series C Units and the Company's current and former executive officers and directors and certain employees and others beneficially own 4,964,901 PBF LLC Series A Units. As of June 30, 2016, the holders of the Company's issued and outstanding shares of Class A common stock have 95.2% of the voting power in the Company and the members of PBF LLC other than PBF Energy through their holdings of Class B common stock have the remaining 4.8% of the voting power in the Company.

Substantially all of the Company's operations are in the United States. The Company operates in two reportable business segments: Refining and Logistics. The Company's oil refineries are all engaged in the refining of crude oil and other feedstocks into petroleum products, and are aggregated into the Refining segment. PBFX is a publicly traded master limited partnership that was formed to operate logistical assets such as crude oil and refined petroleum products terminals, pipelines, and storage facilities. PBFX's operations are aggregated into the Logistics segment. Prior to the PBFX Plains Asset Purchase on April 29, 2016 (refer to "Note 3 Acquisitions"), PBFX did not generate third party revenue and intersegment revenues from affiliates are eliminated in consolidation. Prior to the PBFX initial public offering in May 2014, PBFX's assets, other than those acquired in connection with the PBFX Plains Asset Purchase, were operated within the refining operations of the Company's Delaware City and Toledo refineries. The assets, did not generate third party revenue nor, apart from Delaware Pipeline Company LLC, any intra-entity

PBF ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

revenue and were not considered to be a separate reportable segment. To generate earnings and cash flows from operations, the Company is primarily dependent upon processing crude oil and selling refined petroleum products at margins sufficient to cover fixed and variable costs and other expenses. Crude oil and refined petroleum products are commodities; and factors largely out of the Company's control can cause prices to vary over time. The potential margin volatility can have a material effect on the Company's financial position, earnings and cash flow.

Basis of Presentation

The unaudited condensed consolidated financial information furnished herein reflects all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, considered necessary for a fair presentation of the financial position and the results of operations and cash flows of the Company for the periods presented. All intercompany accounts and transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. These interim condensed consolidated financial statements should be read in conjunction with the financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2015 of PBF Energy. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year.

Recently Adopted Accounting Guidance

Effective January 1, 2016, the Company adopted Accounting Standard Update ("ASU") No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"), which changed existing consolidation requirements associated with the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities, including limited partnerships and variable interest entities. The Company's adoption of this guidance did not impact our consolidated financial statements.

Effective January 1, 2016, the Company adopted ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"), which requires (i) that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, (ii) that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date, (iii) that an entity present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The adoption of this guidance did not materially affect any of the Company's financial statements or related disclosures.

Recent Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" ("ASU 2015-14"), which defers the effective date of ASU 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09") for all entities by one year. The guidance in ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. Under ASU 2015-14, this guidance becomes effective for interim and annual periods beginning after December 15, 2017 and permits the use of either the retrospective or cumulative effect transition method. Under ASU 2015-14, early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which requires deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. Under ASU 2015-17, this guidance becomes effective for annual periods beginning after December 15, 2016 and interim periods within annual periods beginning after December

PBF ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

15, 2016 and interim periods within those years with early adoption permitted as of the beginning of an annual or interim period after the issuance of the ASU. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which amends how entities measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. ASU 2016-01 also changes certain disclosure requirements and other aspects of current GAAP but does not change the guidance for classifying and measuring investments in debt securities and loans. Under ASU 2016-01, this guidance becomes effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted in certain circumstances. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018, and requires a modified retrospective approach to adoption. Early adoption is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-06, "Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments No. 2016-06 March 2016 a consensus of the FASB Emerging Issues Task Force" ("ASU 2016-06"), to increase consistency in practice in applying guidance on determining if an embedded derivative is clearly and closely related to the economic characteristics of the host contract, specifically for assessing whether call (put) options that can accelerate the repayment of principal on a debt instrument meet the clearly and closely related criterion. The guidance in ASU 2016-06 applies to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. ASU 2016-06 is effective for interim and annual periods beginning after December 15, 2016, and requires a modified retrospective approach to adoption. Early adoption is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09") which is intended to simplify certain aspects of the accounting for share-based payments to employees. The guidance in ASU 2016-09 requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled rather than recording excess tax benefits or deficiencies in additional paid-in capital. The guidance in ASU 2016-09 also allows an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 also contains additional guidance for nonpublic entities that do not apply to the Company. ASU 2016-09 is effective for interim and annual periods beginning after December 15, 2016, and requires a modified retrospective approach to adoption. Early adoption is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13") which requires credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down. This approach is an improvement to current GAAP because an entity will be able to record reversals of credit losses (in situations in which the estimate of credit losses declines) in current period net income, which in turn should align the income statement recognition of credit losses with the reporting period in which changes occur. Current GAAP prohibits reflecting those improvements in current period earnings. ASU 2016-13 is effective for interim and annual periods beginning after December 15, 2019, and requires a modified retrospective approach to adoption. Early adoption is permitted for

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interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

2. PBF LOGISTICS LP

On May 14, 2014, PBFX completed its initial public offering (the "PBFX Offering") of 15,812,500 common units. In addition, on April 5, 2016, PBFX completed a public offering of an aggregate of 2,875,000 common units, including 375,000 common units that were sold pursuant to the exercise of an over-allotment option, for net proceeds of \$51,575, after deducting underwriting discounts and commissions and other offering expenses (the "April 2016 PBFX Equity Offering").

On April 29, 2016, PBFX purchased 4 refined product terminals located in the greater Philadelphia region (the "East Coast Terminals") from an affiliate of Plains All American Pipeline, L.P. for total cash consideration of \$100,000 (the "PBFX Plains Asset Purchase"), less a preliminary estimate for working capital, which is subject to final purchase price valuation and working capital adjustment. This acquisition expands PBFX's storage and terminaling footprint and introduces third-party customers to its revenue base. The acquisition was financed through a combination of cash on hand and borrowings from the PBFX senior secured revolving credit facility (the "PBFX Revolving Credit Facility"). As of June 30, 2016, PBF LLC holds a 49.4% limited partner interest in PBFX (consisting of 2,572,944 common units and 15,886,553 subordinated units) and all of PBFX's incentive distribution rights, with the remaining 50.6% limited partner interest held by public common unit holders. PBF LLC also owns indirectly a non-economic general partner interest in PBFX through its wholly-owned subsidiary, PBF GP, the general partner of PBFX. During the subordination period (as set forth in the partnership agreement of PBFX) holders of the subordinated units are not entitled to receive any distribution of available cash until the common units have received the minimum quarterly distribution plus any arrearages in the payment of the minimum quarterly distribution from prior quarters. If PBFX does not pay distributions on the subordinated units, the subordinated units will not accrue arrearages for those unpaid distributions. Each subordinated unit will convert into one common unit at the end of the subordination period. PBFX engages in the receiving, handling, storage and transferring of crude oil, refined products and intermediates from sources located throughout the United States and Canada for PBF Energy in support of certain of its refineries, as well as for third party customers. As of June 30, 2016, all of PBFX's revenue is derived from either third-party or affiliate revenue at its East Coast Terminals or long-term, fee-based commercial agreements with PBF Holding, which include minimum volume commitments, for receiving, handling, storing and transferring crude oil and refined products. PBF Energy also has agreements with PBFX that establish fees for certain general and administrative services and operational and maintenance services provided by PBF Holding to PBFX. These transactions, other than those with third parties, are eliminated by PBF Energy in consolidation.

PBFX's initial assets consisted of a light crude oil rail unloading terminal at the Delaware City refinery that also services the Paulsboro refinery (which is referred to as the "Delaware City Rail Terminal"), and a crude oil truck unloading terminal at the Toledo refinery (which is referred to as the "Toledo Truck Terminal") that are integral components of the crude oil delivery operations at three of PBF Energy's refineries. In a series of drop-down transactions subsequent to the PBFX Offering, PBF Holding distributed certain additional assets to PBF LLC which, in turn, contributed such assets to PBFX consisting of the Delaware City heavy crude unloading rack, which is also capable of unloading light crude oil (the "DCR West Rack"), a tank farm and related facilities located at PBF Energy's Toledo refinery, including a propane storage and loading facility (the "Toledo Storage Facility"), and a products pipeline, truck rack and related facilities located at our Delaware City refinery (collectively the "Delaware City Products Pipeline and Truck Rack"). Additionally, on April 29, 2016, PBFX made its initial third-party asset purchase acquiring the East Coast Terminals.

PBFX, a variable interest entity, is consolidated by PBF Energy through its ownership of PBF LLC. PBF LLC through its ownership of PBF GP, has the sole ability to direct the activities of PBFX that most significantly impact its economic performance. PBF LLC is considered to be the primary beneficiary of PBFX for accounting purposes.

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3. ACQUISITIONS

Chalmette Acquisition

On November 1, 2015, the Company acquired from ExxonMobil, Mobil Pipe Line Company and PDV Chalmette, L.L.C., 100% of the ownership interests of Chalmette Refining, which owns the Chalmette refinery and related logistics assets (collectively, the "Chalmette Acquisition"). The Chalmette refinery, located outside of New Orleans, Louisiana, is a dual-train coking refinery and is capable of processing both light and heavy crude oil. Subsequent to the closing of the Chalmette Acquisition, Chalmette Refining is a wholly-owned subsidiary of PBF Holding. Chalmette Refining is strategically positioned on the Gulf Coast with logistics connectivity that offers flexible raw material sourcing and product distribution opportunities, including the potential to export products and provides geographic diversification into PADD 3.

Chalmette Refining owns 100% of the MOEM Pipeline, providing access to the Empire Terminal, as well as the CAM Connection Pipeline, providing access to the Louisiana Offshore Oil Port facility through a third party pipeline. Chalmette Refining also owns 80% of each of the Collins Pipeline Company and T&M Terminal Company, both located in Collins, Mississippi, which provide a clean products outlet for the refinery to the Plantation and Colonial Pipelines. Also included in the acquisition are a marine terminal capable of importing waterborne feedstocks and loading or unloading finished products; a clean products truck rack which provides access to local markets; and a crude and product storage facility.

The aggregate purchase price for the Chalmette Acquisition was \$322,000 in cash, plus inventory and final working capital of \$245,963. As described below, the valuation of the working capital was finalized in the first quarter of 2016. The transaction was financed through a combination of cash on hand and borrowings under PBF Holding's asset based revolving credit agreement (the "Revolving Loan").

The Company accounted for the Chalmette Acquisition as a business combination under GAAP whereby we recognize assets acquired and liabilities assumed in an acquisition at their estimated fair values as of the date of acquisition. Any excess consideration transferred over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. The final purchase price and fair value allocation were completed as of March 31, 2016. During the measurement period, which ended in March 2016, adjustments were made to the Company's preliminary fair value estimates related primarily to inventories and accounts payable.

The following table summarizes the final amounts recognized for assets acquired and liabilities assumed as of the acquisition date. The total purchase consideration and the fair values of the assets and liabilities at the acquisition date were as follows:

	Purchase Price
Net cash	\$587,005
Cash acquired	(19,042)
Total consideration	\$567,963

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	Fair Value Allocation
Accounts receivable	\$ 1,126
Inventories	271,434
Prepaid expenses and other current assets	913
Property, plant and equipment	356,961
Deferred charges and other assets	8,312
Accounts payable	(4,870)
Accrued expenses	(28,371)
Deferred tax liability	(25,721)
Noncontrolling interests	(11,821)
Fair value of net assets acquired	\$567,963

In addition, in connection with the acquisition of Chalmette Refining, the Company acquired Collins Pipeline Company and T&M Terminal Company, which are both C-corporations for tax purposes. As a result, the Company recognized a deferred tax liability of \$25,721 attributable to the book and tax basis difference in the C-corporation assets, which had a corresponding impact on noncontrolling interests of \$5,144.

The Company's consolidated financial statements for the three and six months ended June 30, 2016 include the results of operations of the Chalmette refinery whereas the same periods in 2015 do not include the results of operations of the Chalmette refinery. On an unaudited pro forma basis, the revenues and net income of the Company assuming the acquisition had occurred on January 1, 2014, are shown below. The unaudited pro forma information does not purport to present what the Company's actual results would have been had the acquisition occurred on January 1, 2014, nor is the financial information indicative of the results of future operations. The unaudited pro forma financial information includes the depreciation and amortization expense related to the acquisition and interest expense associated with the financing of the Chalmette Acquisition.

(Unaudited)	Six Months Ended June 30, 2015
Pro forma revenues	\$8,831,441
Pro forma net income attributable to PBF Energy Inc.	\$301,850
Pro forma net income available to Class A common stock per share:	
Basic	\$3.12
Diluted	\$3.07

The unaudited amount of revenues and net income above have been calculated after conforming Chalmette Refining's accounting policies to those of the Company and certain one-time adjustments.

PBFX Plains Asset Purchase

On April 29, 2016, PBFX's wholly-owned subsidiary, PBF Logistics Products Terminals LLC, completed the purchase of the East Coast Terminals, including product storage tanks, pipeline connections to the Colonial Pipeline Company, Buckeye Partners, Sunoco Logistics Partners and other proprietary pipeline systems, truck loading lanes and marine facilities capable of handling barges and ships. This acquisition expands PBFX's storage and terminaling footprint and introduces third-party customers to its revenue base.

The aggregate purchase price for the PBFX Plains Asset Purchase was \$100,000, less a preliminary estimate for working capital of \$1,664, which is subject to final purchase price valuation and working capital adjustment. The consideration for the transaction was funded by PBFX with \$98,336 in proceeds from the sale of marketable securities. PBFX borrowed an additional \$98,500 under the PBFX Revolving Credit Facility, which was used to

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repay \$98,336 of the PBFX Term Loan (as defined below) in order to release \$98,336 in marketable securities that had collateralized the PBFX Term Loan.

PBFX accounted for the PBFX Plains Asset Purchase as a business combination under GAAP whereby PBFX recognizes assets acquired and liabilities assumed in an acquisition at their estimated fair values as of the date of acquisition. Any excess consideration transferred over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. The final purchase price and its allocation are dependent on final reconciliations of working capital and other items subject to agreement by both parties.

The total purchase consideration and the estimated fair values of the assets and liabilities at the acquisition date were as follows:

	Purchase Price
Gross purchase price	\$ 100,000
Preliminary working capital adjustment (1,664)	
Total consideration	\$ 98,336

The following table summarizes the preliminary amounts recognized for assets acquired and liabilities assumed as of the acquisition date:

	Fair Value Allocation
Prepaid expenses and other current assets	4,184
Property, plant and equipment	99,342
Accounts payable and accrued expenses (3,174)	
Other long-term liabilities (2,016)	
Estimated fair value of net assets acquired	\$ 98,336

The Company's consolidated financial statements for the three and six months ended June 30, 2016 include the results of operations of the East Coast Terminals whereas the same periods in 2015 do not include the results of operations of the East Coast Terminals. For the period from its acquisition on April 29, 2016 to June 30, 2016, the East Coast Terminals contributed revenues of \$3,314 and net income of \$1,529. On an unaudited pro forma basis, the revenues and net income of the Company assuming the PBFX Asset Purchase had occurred on January 1, 2015, are shown below. The unaudited pro forma information does not purport to present what the Company's actual results would have been had the PBFX Asset Purchase occurred on January 1, 2015, nor is the financial information indicative of the results of future operations. The unaudited pro forma financial information includes the depreciation and amortization expense related to the acquisition and interest expense associated with the PBFX Plains Asset Purchase financing.

(Unaudited)	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Pro forma revenues	\$6,665,446	\$6,554,429
Pro forma net income attributable to PBF Energy Inc.	\$77,518	\$221,628
Pro forma net income available to Class A common stock per share:		
Basic	\$0.79	\$2.60
Diluted	\$0.79	\$2.56

The unaudited amount of revenues and net income above have been calculated after conforming the East Coast Terminals' accounting policies to those of the Company and certain one-time adjustments.

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Acquisition Expenses

The Company incurred acquisition related costs consisting primarily of consulting and legal expenses related to the Chalmette Acquisition, the Torrance Acquisition (as defined in "Note 18 - Subsequent Events"), the PBFX Plains Asset Purchase and other pending and non-consummated acquisitions of \$4,988 and \$9,712 in the three and six months ended June 30, 2016, respectively. In the three and six months ended June 30, 2015, the Company incurred acquisition related costs of \$129 and \$679, respectively. These costs are included in the condensed consolidated statements of operations in General and administrative expenses.

Cash Held for Torrance Acquisition

At June 30, 2016, the Company's Cash and cash equivalents included \$998,542 that was held to fund the Torrance Acquisition that closed on July 1, 2016.

4. NONCONTROLLING INTERESTS

Noncontrolling Interest in PBF LLC

PBF Energy is the sole managing member of, and has a controlling interest in, PBF LLC. As the sole managing member of PBF LLC, PBF Energy operates and controls all of the business and affairs of PBF LLC and its subsidiaries. As of December 31, 2015 and June 30, 2016, PBF Energy's equity interest in PBF LLC represented approximately 95.1% and 95.2%, respectively, of the outstanding interests.

PBF Energy consolidates the financial results of PBF LLC and its subsidiaries, and records a noncontrolling interest for the economic interest in PBF Energy held by the members of PBF LLC other than PBF Energy. Noncontrolling interest on the consolidated statements of operations includes the portion of net income or loss attributable to the economic interest in PBF Energy held by the members of PBF LLC other than PBF Energy. Noncontrolling interest on the consolidated balance sheets includes the portion of net assets of PBF Energy attributable to the members of PBF LLC other than PBF Energy.

The noncontrolling interest ownership percentage of PBF LLC as of December 31, 2015 and June 30, 2016 is calculated as follows:

	Holders of PBF LLC Series A Units	Outstanding Shares of PBF Energy Class A Common Stock	Total *
December 31, 2015	4,985,358	97,781,933	102,767,291
	4.9 %	95.1 %	100.0 %
June 30, 2016	4,964,901	97,825,983	102,790,884
	4.8 %	95.2 %	100.0 %

* Assumes all of the holders of PBF LLC Series A Units exchange their PBF LLC Series A Units for shares of PBF Energy's Class A common stock on a one-for-one basis.

Noncontrolling Interest in PBFX

PBF LLC holds a 49.4% limited partner interest in PBFX and owns all of PBFX's incentive distribution rights, with the remaining 50.6% limited partner interest owned by public common unit holders as of June 30, 2016. PBF LLC is also the sole member of PBF GP, the general partner of PBFX.

PBF Energy, through its ownership of PBF LLC, consolidates the financial results of PBFX, and records a noncontrolling interest for the economic interest in PBFX held by the public common unit holders. Noncontrolling interest on the consolidated statements of operations includes the portion of net income or loss attributable to the economic interest in PBFX held by the public common unit holders of PBFX other than PBF Energy (through its

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ownership in PBF LLC). Noncontrolling interest on the consolidated balance sheets includes the portion of net assets of PBFX attributable to the public common unit holders of PBFX.

The noncontrolling interest ownership percentage of PBFX as of December 31, 2015 and June 30, 2016, is calculated as follows:

	Units of PBFX Held by the Public	Units of PBFX Held by PBF LLC (Including Subordinated Units)	Total
December 31, 2015	15,924,676	18,459,497	34,384,173
	46.3 %	53.7 %	100.0 %
June 30, 2016	18,876,597	18,459,497	37,336,094
	50.6 %	49.4 %	100.0 %

Noncontrolling Interest in Subsidiaries of PBF Holding

Subsequent to the Chalmette Acquisition, PBF Holding recorded noncontrolling interests in two subsidiaries of Chalmette Refining. PBF Holding, through Chalmette Refining, owns an 80% ownership interest in both Collins Pipeline Company and T&M Terminal Company. The Company recorded a noncontrolling interest in the earnings of these subsidiaries of \$90 and \$393 for the three and six months ended June 30, 2016, respectively.

Changes in Noncontrolling Interests

The following table summarizes the changes in equity for the controlling and noncontrolling interests of PBF Energy for the six months ended June 30, 2016 and 2015:

	PBF Energy Inc. Equity	Noncontrolling Interest in PBF LLC	Noncontrolling Interest in PBFX	Total Equity
Balance at January 1, 2016	\$ 1,647,297	\$ 108,243	\$ 340,317	\$2,095,857
Comprehensive income	75,129	7,008	16,212	98,349
Dividends and distributions	(58,696)	(2,971)	(14,864)	(76,531)
Issuance of additional PBFX common units	16,304	—	35,271	51,575
Stock-based compensation	9,999	—	2,710	12,709
Exercise of PBF LLC options and warrants, net	1,058	(327)	—	731
Other	(885)	(4,972)	(977)	(6,834)
Balance at June 30, 2016	\$ 1,690,206	\$ 106,981	\$ 378,669	\$2,175,856

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	PBF Energy Inc. Equity	Noncontrolling Interest in PBF LLC	Noncontrolling Interest in PBFX	Total Equity
Balance at January 1, 2015	\$ 1,218,213	\$ 138,734	\$ 336,369	\$1,693,316
Comprehensive income	223,883	21,265	17,227	262,375
Dividends and distributions	(51,545)	) (8,262	) (11,033	) (70,840)
Record deferred tax asset and liabilities and tax receivable agreement associated with secondary offerings	(13,948	) —	—	(13,948)
Record allocation of noncontrolling interest upon completion of secondary offerings	39,976	(39,976	) —	—
Issuance of additional PBFX common units	11,390	—	(11,390	) —
Stock-based compensation	3,591	190	1,613	5,394
Exercise of PBF LLC options and warrants, net	1,692	(1,605	) —	87
Purchase of treasury stock	(4,000	) —	—	(4,000)
Balance at June 30, 2015	\$ 1,429,252	\$ 110,346	\$ 332,786	\$1,872,384

5. INVENTORIES

Inventories consisted of the following:

June 30, 2016

	Titled Inventory	Inventory Supply and Intermediation Arrangements	Total
Crude oil and feedstocks	\$1,034,615	\$ —	\$1,034,615
Refined products and blendstocks	739,813	371,013	1,110,826
Warehouse stock and other	63,588	—	63,588
	\$1,838,016	\$ 371,013	\$2,209,029
Lower of cost or market reserve	(765,620)	(134,873)	(900,493)
Total inventories	\$1,072,396	\$ 236,140	\$1,308,536

December 31, 2015

	Titled Inventory	Inventory Supply and Intermediation Arrangements	Total
Crude oil and feedstocks	\$1,137,605	\$ —	\$1,137,605
Refined products and blendstocks	687,389	411,357	1,098,746
Warehouse stock and other	55,257	—	55,257
	\$1,880,251	\$ 411,357	\$2,291,608
Lower of cost or market reserve	(966,564)	(150,772)	(1,117,336)
Total inventories	\$913,687	\$ 260,585	\$1,174,272

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Inventory under inventory supply and intermediation arrangements included certain crude oil stored at the Company's Delaware City refinery's storage facilities that the Company was obligated to purchase as it was consumed in connection with its Crude Supply Agreement that expired on December 31, 2015; and light finished products sold to counterparties in connection with the A&R Intermediation Agreements and stored in the Paulsboro and Delaware City refineries' storage facilities.

Due to the lower crude oil and refined product pricing environment beginning at the end of 2014 and continuing throughout 2015 and into 2016, the Company recorded adjustments to value its inventories to the lower of cost or market. During the three months ended June 30, 2016, the Company recorded an adjustment to value its inventories to the lower of cost or market which increased operating income and net income by \$157,780 and \$95,264, respectively, reflecting the net change in the lower of cost or market inventory reserve from \$1,058,273 at March 31, 2016 to \$900,493 at June 30, 2016. During the six months ended June 30, 2016, the Company recorded an adjustment to value its inventories to the lower of cost or market which increased operating income and net income by \$216,843 and \$130,973, respectively, reflecting the net change in the lower of cost or market inventory reserve from \$1,117,336 at December 31, 2015 to \$900,493 at June 30, 2016.

During the three months ended June 30, 2015, the Company recorded an adjustment to value its inventories to the lower of cost or market which increased operating income and net income by \$105,958 and \$63,363, respectively, reflecting the net change in the lower of cost or market inventory reserve from \$668,902 at March 31, 2015 to \$562,944 at June 30, 2015. During the six months ended June 30, 2015, the Company recorded an adjustment to value its inventories to the lower of cost or market which increased operating income and net income by \$127,166 and \$76,045, respectively, reflecting the net change in the lower of cost or market inventory reserve from \$690,110 at December 31, 2014 to \$562,944 at June 30, 2015.

6. DEFERRED CHARGES AND OTHER ASSETS, NET

Deferred charges and other assets, net consisted of the following:

	June 30, 2016	December 31, 2015
Deferred turnaround costs, net	\$232,501	\$ 177,236
Catalyst, net	90,444	77,725
Linefill	13,504	13,504
Restricted cash	1,500	1,500
Intangible assets, net	199	219
Other	32,281	20,529
Total deferred charges and other assets, net	\$370,429	\$ 290,713

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7. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	June 30, 2016	December 31, 2015
Inventory-related accruals	\$764,093	\$ 548,800
Inventory supply and intermediation arrangements	248,345	252,380
Accrued transportation costs	78,236	91,546
Excise and sales tax payable	47,577	34,129
Renewable energy credit obligations	42,753	19,472
Accrued interest	28,440	24,806
Accrued utilities	20,546	25,192
Customer deposits	19,654	20,395
Accrued salaries and benefits	15,604	61,011
Accrued construction in progress	7,200	7,400
Other	29,347	34,058
Total accrued expenses	\$1,301,795	\$ 1,119,189

The Company has the obligation to repurchase certain intermediates and finished products that are held in the Company's refinery storage tanks at the Delaware City and Paulsboro refineries in accordance with the A&R Intermediation Agreements with J. Aron & Company, a subsidiary of The Goldman Sachs Group, Inc. ("J. Aron"). As of June 30, 2016 and December 31, 2015, a liability is recognized for the Inventory supply and intermediation arrangements and is recorded at market price for the J. Aron owned inventory held in the Company's storage tanks under the A&R Inventory Intermediation Agreements, with any change in the market price being recorded in cost of sales.

The Company is subject to obligations to purchase Renewable Identification Numbers ("RINs") required to comply with the Renewable Fuels Standard. The Company's overall RINs obligation is based on a percentage of domestic shipments of on-road fuels as established by the Environmental Protection Agency ("EPA"). To the degree the Company is unable to blend the required amount of biofuels to satisfy its RINs obligation, RINs must be purchased on the open market to avoid penalties and fines. The Company records its RINs obligation on a net basis in Accrued expenses when its RINs liability is greater than the amount of RINs earned and purchased in a given period and in Prepaid expenses and other current assets when the amount of RINs earned and purchased is greater than the RINs liability.

8. MARKETABLE SECURITIES

The U.S Treasury securities purchased by the Company with the proceeds from the PBFX Offering are used as collateral to secure a three-year, \$300,000 term loan facility entered into by PBFX (the "PBFX Term Loan"). PBFX anticipates holding the securities for an indefinite amount of time (the securities will be rolled over as they mature). As necessary and at the discretion of PBFX, these securities are expected to be liquidated and the proceeds used to fund future capital expenditures. While PBFX does not routinely sell marketable securities prior to their scheduled maturity dates, some of PBFX's investments may be held and restricted for the purpose of funding future capital expenditures and acquisitions, so these investments are classified as available-for-sale marketable securities as they may occasionally be sold prior to their scheduled maturity dates due to the unexpected timing of cash needs. The carrying value of these marketable securities approximates fair value and are measured using Level 1 inputs. The maturities of the marketable securities range from one to three months and are classified on the balance sheet in current assets as of June 30, 2016. As described in "Note 3 - Acquisitions", \$98,336 of marketable securities

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were sold by PBFX to fund the consideration for the PBFX Plains Asset Purchase during the three months ended June 30, 2016.

As of June 30, 2016 and December 31, 2015, the Company held \$136,144 and \$234,258, respectively, in marketable securities. As of June 30, 2016, the marketable securities were classified as current whereas at December 31, 2015, they were classified as non-current. The classification of the marketable securities on the balance sheet is consistent with the PBFX Term Loan they collateralize. The gross unrecognized holding gains and losses as of June 30, 2016 and December 31, 2015 were not material. The net realized gains or losses from the sale of marketable securities were not material for the three and six months ended June 30, 2016 and 2015.

9. INCOME TAXES

PBF Energy files federal and applicable state corporate income tax returns and recognizes income taxes on its pre-tax income, which to date has consisted solely of its share of PBF LLC's pre-tax income (approximately 95.1% as of December 31, 2015 and approximately 95.2% as of June 30, 2016). PBF LLC is organized as a limited liability company and PBFX is a master limited partnership, both of which are treated as "flow-through" entities for federal income tax purposes and therefore are not subject to income taxes apart from the income tax attributable to two subsidiaries of Chalmette Refining that are treated as C-Corporations for income tax purposes. As a result, PBF Energy's condensed consolidated financial statements do not reflect any benefit or provision for income taxes on the pre-tax income or loss attributable to the noncontrolling interests in PBF LLC or PBFX apart from the income tax of \$366 and \$1,165 for the three and six months ended June 30, 2016 attributable to those two C-Corporation subsidiaries of Chalmette Refining.

The income tax provision in the PBF Energy condensed consolidated financial statements of operations consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Current tax expense (benefit)	\$36,415	\$39,571	\$(39,039)	\$65,541
Deferred tax expense	40,019	50,838	92,973	74,006
Total tax expense	\$76,434	\$90,409	\$53,934	\$139,547

Income tax expense (benefit) is based on income before taxes attributable to PBF Energy and excludes income before taxes attributable to noncontrolling interests as such interests are not subject to income taxes. The difference between the Company's income tax expense (benefit) and the income tax provision computed by applying the United States statutory rate and the difference between the Company's effective income tax rate and the United States statutory rate are reconciled below:

	Three Months Ended June 30, 2016		Three Months Ended June 30, 2015	
Provision at Federal statutory rate	\$62,931	35.0%	\$79,177	35.0%
Increase (decrease) attributable to flow-through of certain tax adjustments:				
State income taxes (net federal income tax)	8,324	4.6 %	11,786	5.2 %
Non deductible/nontaxable items	52	— %	340	0.2 %
Adjustment for manufacturer's benefit	—	— %	(1,609)	(0.7)%
Rate differential from foreign jurisdictions	3,505	2.0 %	1,803	0.8 %
Other	1,622	0.7 %	(1,088)	(0.5)%
Total	\$76,434	42.3%	\$90,409	40.0%

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	Six Months Ended June 30, 2016		Six Months Ended June 30, 2015	
Provision at Federal statutory rate	\$44,770	35.0 %	\$126,938	35.0 %
Increase (decrease) attributable to flow-through of certain tax adjustments:				
State income taxes (net federal income tax)	5,922	4.6 %	18,895	5.2 %
Non deductible/nontaxable items	187	0.2 %	866	0.2 %
Adjustment for manufacturer's benefit	—	— %	(2,815)	(0.8) %
Rate differential from foreign jurisdictions	3,130	2.5 %	(3,826)	(1.0) %
Other	(75)	(0.4) %	(511)	(0.1) %
Total	\$53,934	41.9 %	\$139,547	38.5 %

The Company's effective income tax rate for the three and six months ended June 30, 2016, including the impact of income attributable to noncontrolling interests of \$17,118 and \$23,170, respectively, was 38.8% and 35.7%, respectively. The Company's effective income tax rate for the three and six months ended June 30, 2015, including the impact of income attributable to noncontrolling interests of \$22,650 and \$38,447, respectively, was 36.3% and 34.8%, respectively.

PBF Energy has determined there are no material uncertain tax positions as of June 30, 2016. PBF Energy does not have any unrecognized tax benefits.

10. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The Company's refineries are subject to extensive and frequently changing federal, state and local laws and regulations, including, but not limited to, those relating to the discharge of materials into the environment or that otherwise relate to the protection of the environment, waste management and the characteristics and the compositions of fuels. Compliance with existing and anticipated laws and regulations can increase the overall cost of operating the refineries, including remediation, operating costs and capital costs to construct, maintain and upgrade equipment and facilities.

In connection with the Paulsboro refinery acquisition, the Company assumed certain environmental remediation obligations. The environmental liability of \$11,340 recorded as of June 30, 2016 (\$10,367 as of December 31, 2015) represents the present value of expected future costs discounted at a rate of 8.0%. The current portion of the environmental liability is recorded in Accrued expenses and the non-current portion is recorded in Other long-term liabilities. As of June 30, 2016 and December 31, 2015, this liability is self-guaranteed by the Company.

In connection with the acquisition of the Delaware City assets, Valero Energy Corporation ("Valero") remains responsible for certain pre-acquisition environmental obligations up to \$20,000 and the predecessor to Valero in ownership of the refinery retains other historical obligations.

In connection with the acquisition of the Delaware City assets and the Paulsboro refinery, the Company and Valero purchased ten year, \$75,000 environmental insurance policies to insure against unknown environmental liabilities at each site. In connection with the Toledo refinery acquisition, Sunoco, Inc. (R&M) ("Sunoco") remains responsible for environmental remediation for conditions that existed on the closing date for twenty years from March 1, 2011, subject to certain limitations.

In connection with the acquisition of the Chalmette refinery, the Company obtained \$3,936 in financial assurance (in the form of a surety bond) to cover estimated potential site remediation costs associated with an agreed to Administrative Order of Consent with the EPA. The estimated cost assumes remedial activities will continue for a minimum of 30 years. Further, in connection with the acquisition of the Chalmette refinery, the Company

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purchased a ten year, \$100,000 environmental insurance policy to insure against unknown environmental liabilities at the refinery.

In connection with the PBFX Plains Asset Purchase, PBFX is responsible for the environmental remediation costs for conditions that existed on the closing date up to a maximum of \$250 per year for 10 years, with Plains All American Pipeline, L.P. remaining responsible for any and all additional costs above such amounts during such period. The environmental liability of \$2,273 recorded as of June 30, 2016 represents the present value of expected future costs discounted at a rate of 1.83%. At June 30, 2016 the undiscounted liability is \$2,500 and PBFX expects to make aggregate payments for this liability of \$1,250 over the next five years. The current portion of the environmental liability is recorded in accounts payable and accrued liabilities and the non-current portion is recorded in other long-term liabilities.

In 2010, New York State adopted a Low-Sulfur Heating Oil mandate that, beginning July 1, 2012, requires all heating oil sold in New York State to contain no more than 15 parts per million ("PPM") sulfur. Since July 1, 2012, other states in the Northeast market began requiring heating oil sold in their state to contain no more than 15 PPM sulfur. Currently, all of the Northeastern states and Washington DC have adopted sulfur controls on heating oil. Most of the Northeastern states will now require heating oil with 15 PPM or less sulfur by July 1, 2018 (except for Pennsylvania and Maryland - 500 ppm sulfur required). All of the heating oil the Company currently produces meets these specifications. The mandate and other requirements do not currently have a material impact on the Company's financial position, results of operations or cash flows.

The EPA issued the final Tier 3 Gasoline standards on March 3, 2014 under the Clean Air Act. This final rule establishes more stringent vehicle emission standards and further reduces the sulfur content of gasoline starting in January of 2017. The new standard is set at 10 PPM sulfur in gasoline on an annual average basis starting January 1, 2017, with a credit trading program to provide compliance flexibility. The EPA responded to industry comments on the proposed rule and maintained the per gallon sulfur cap on gasoline at the existing 80 PPM cap. The standards set by the new rule are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

The EPA was required to release the final annual standards for the Reformulated Fuels Standard ("RFS") for 2014 no later than Nov 29, 2013 and for 2015 no later than Nov 29, 2014. The EPA did not meet these requirements but did release proposed standards for 2014. The EPA did not finalize this proposal in 2014. The EPA published the final 2014-2016 Renewable standards late in 2015. The EPA essentially set the standards for 2014 and 2015 at the estimated actual renewable fuel used in each year given they were for the most part regulating activities that had already occurred. In setting the 2016 standards the EPA recognized the E10 blend wall and used the general waiver authority to set the 2016 renewable fuel requirement lower than the original requirements stated in the Energy Independence Security Act ("EISA"). These new standards are being challenged by both renewable fuel producers and obligated parties in legal actions. The courts are attempting to consolidate some of these challenges. It appears unlikely the courts will be able resolve these issues before EPA releases the final 2017 standards late in 2016 assuming they stay on schedule. The EPA did propose the 2017 standards in May of 2016 and raised the requirements above the 2016 standards. Numerous public interest groups have publicly indicated that they believe that the EPA is relying on perhaps somewhat aggressive expectations of E15 and E85 marketing in proposing the new standards. The EPA is receiving comments on the new proposal and is targeting to release the final rule by the end of November 2016 as required. The Company is currently evaluating the final standards and they may have a material impact on the Company's cost of compliance with RFS 2.

The EPA published a Final Rule to the Clean Water Act ("CWA") Section 316(b) in August 2014 regarding cooling water intake structures, which includes requirements for petroleum refineries. The purpose of this rule is to prevent fish from being trapped against cooling water intake screens (impingement) and to prevent fish from being drawn through cooling water systems (entrainment). Facilities will be required to implement Best Technology Available (BTA) as soon as possible, but state agencies have the discretion to establish implementation time lines. The Company continues to evaluate the impact of this regulation, and at this time does not anticipate it having a material impact on

the Company's financial position, results of operations or cash flows.

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In addition, on December 1, 2015 the EPA finalized revisions to an existing air regulation concerning Maximum Achievable Control Technologies (“MACT”) for Petroleum Refineries. The regulation requires additional continuous monitoring systems for eligible process safety valves relieving to atmosphere, minimum flare gas heat (Btu) content, and delayed coke drum vent controls to be installed by January 30, 2019. In addition, a program for ambient fence line monitoring for benzene will need to be implemented by January 30, 2018. The Company is currently evaluating the final standards to evaluate the impact of this regulation, and at this time does not anticipate it will have a material impact on the Company's financial position, results of operations or cash flows.

In late 2015, the EPA initiated enforcement proceedings against companies it believes produced invalid RINs. The Company purchased RINs to satisfy a portion of its obligations under the Renewable Fuels Standard program for calendar year 2012 and had purchased some RINs the EPA considered invalid. The Company continues to purchase RINs to satisfy its obligations under the RFS program, and on April 11, 2016, PBF Holding was notified by the EPA that the EPA's records indicated that PBF Holding used potentially invalid RINs generated by one of the companies. The EPA directed PBF Holding to resubmit reports to remove the potentially invalid RINs and to replace the invalid RINs with valid RINs with the same D Code. The Company has retired the invalid RINs and on May 6, 2016, the counterparty who sold the RINs to the Company replaced the RINs. The counterparty has also agreed to indemnify the Company for certain penalties to the extent imposed by the EPA. On July 28, 2016, the Company and the EPA entered an Administrative Settlement Agreement to resolve the matter which requires the payment of a \$250 penalty. The Company expects to be reimbursed by the counterparty for this penalty under the indemnification agreement. In any event, the penalty is not expected to have a material effect on its financial condition, results of operations or cash flows.

The Company is also currently subject to certain other existing environmental claims and proceedings. The Company believes that there is only a remote possibility that future costs related to any of these other known contingent liability exposures would have a material impact on its financial position, results of operations or cash flows.

PBF LLC Limited Liability Company Agreement

The holders of limited liability company interests in PBF LLC, including PBF Energy, generally have to include for purposes of calculating their U.S. federal, state and local income taxes their share of any taxable income of PBF LLC, regardless of whether such holders receive cash distributions from PBF LLC. PBF Energy ultimately may not receive cash distributions from PBF LLC equal to its share of such taxable income or even equal to the actual tax due with respect to that income. For example, PBF LLC is required to include in taxable income PBF LLC's allocable share of PBFX's taxable income and gains (such share to be determined pursuant to the partnership agreement of PBFX), regardless of the amount of cash distributions received by PBF LLC from PBFX, and such taxable income and gains will flow-through to PBF Energy to the extent of its allocable share of the taxable income of PBF LLC. As a result, at certain times, the amount of cash otherwise ultimately available to PBF Energy on account of its indirect interest in PBFX may not be sufficient for PBF Energy to pay the amount of taxes it will owe on account of its indirect interests in PBFX.

Taxable income of PBF LLC generally is allocated to the holders of PBF LLC units (including PBF Energy) pro-rata in accordance with their respective share of the net profits and net losses of PBF LLC. In general, PBF LLC is required to make periodic tax distributions to the members of PBF LLC, including PBF Energy, pro-rata in accordance with their respective percentage interests for such period (as determined under the amended and restated limited liability company agreement of PBF LLC), subject to available cash and applicable law and contractual restrictions (including pursuant to our debt instruments) and based on certain assumptions. Generally, these tax distributions are required to be in an amount equal to our estimate of the taxable income of PBF LLC for the year multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses). If, with respect to any given calendar year, the aggregate periodic tax distributions were less than the actual taxable income of PBF LLC multiplied by the assumed tax rate, PBF LLC is required to make a “true up” tax distribution, no later than March 15 of the following year, equal to such difference,

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subject to the available cash and borrowings of PBF LLC. PBF LLC obtains funding to pay its tax distributions by causing PBF Holding to distribute cash to PBF LLC and from distributions it receives from PBFX.

Tax Receivable Agreement

PBF Energy entered into a tax receivable agreement with the PBF LLC Series A and PBF LLC Series B Unit holders (the "Tax Receivable Agreement") that provides for the payment by PBF Energy to such persons of an amount equal to 85% of the amount of the benefits, if any, that PBF Energy is deemed to realize as a result of (i) increases in tax basis, as described below, and (ii) certain other tax benefits related to entering into the Tax Receivable Agreement, including tax benefits attributable to payments under the Tax Receivable Agreement. For purposes of the Tax Receivable Agreement, the benefits deemed realized by PBF Energy will be computed by comparing the actual income tax liability of PBF Energy (calculated with certain assumptions) to the amount of such taxes that PBF Energy would have been required to pay had there been no increase to the tax basis of the assets of PBF LLC as a result of purchases or exchanges of PBF LLC Series A Units for shares of PBF Energy's Class A common stock and had PBF Energy not entered into the Tax Receivable Agreement. The term of the Tax Receivable Agreement will continue until all such tax benefits have been utilized or expired unless: (i) PBF Energy exercises its right to terminate the Tax Receivable Agreement, (ii) PBF Energy breaches any of its material obligations under the Tax Receivable Agreement or (iii) certain changes of control occur, in which case all obligations under the Tax Receivable Agreement will generally be accelerated and due as calculated under certain assumptions.

The payment obligations under the Tax Receivable Agreement are obligations of PBF Energy and not of PBF LLC, PBF Holding or PBFX. In general, PBF Energy expects to obtain funding for these annual payments from PBF LLC, primarily through tax distributions, which PBF LLC makes on a pro-rata basis to its owners. Such owners include PBF Energy, which holds a 95.2% interest in PBF LLC as of June 30, 2016 (95.1% as of December 31, 2015). PBF LLC obtains funding to pay its tax distributions by causing PBF Holding to distribute cash to PBF LLC and from distributions it receives from PBFX.

As of June 30, 2016, the Company has recognized a liability for the tax receivable agreement of \$661,418 (\$661,418 as of December 31, 2015) reflecting the estimate of the undiscounted amounts that the Company expects to pay under the agreement.

11. DIVIDENDS AND DISTRIBUTIONS

With respect to dividends and distributions paid during the six months ended June 30, 2016, PBF LLC made aggregate non-tax quarterly distributions of \$0.60 per unit to its members, of which \$58,696 was distributed pro-rata to PBF Energy and the balance was distributed to its other members. PBF Energy used this \$58,696 to pay quarterly cash dividends of \$0.30 per share of Class A common stock on March 8, 2016 and May 31, 2016.

With respect to distributions paid during the six months ended June 30, 2016, PBFX paid a distribution on outstanding common and subordinated units of \$0.41 per unit on March 8, 2016 and \$0.42 per unit on May 31, 2016, for a total distribution of \$31,099, of which \$16,496 was distributed to PBF LLC and the balance was distributed to its public unit holders.

12. TREASURY STOCK

On August 19, 2014, the Company's Board of Directors authorized the repurchase of up to \$200,000 of the Company's Class A common stock (the "Repurchase Program"). On October 29, 2014, the Company's Board of Directors approved an additional \$100,000 increase to the existing Repurchase Program. The Repurchase Program expires on September 30, 2016. No repurchases of the Company's Class A common stock were made during the six months ended June 30, 2016. From the inception of the Repurchase Program through June 30, 2016, the Company has purchased approximately 6.05 million shares of the Company's Class A common stock through open market transactions under the Repurchase Program, for a total of \$150,804.

These repurchases may be made from time to time through various methods, including open market transactions, block trades, accelerated share repurchases, privately negotiated transactions or otherwise, certain of which may

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be effected through Rule 10b5-1 and Rule 10b-18 plans. The timing and number of shares repurchased will depend on a variety of factors, including price, capital availability, legal requirements and economic and market conditions. The Company is not obligated to purchase any shares under the Repurchase Program, and repurchases may be suspended or discontinued at any time without prior notice.

As of June 30, 2016, the Company has the ability to purchase an additional \$149,196 in common stock under the approved Repurchase Program.

13. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost related to the Company's defined benefit plans consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Pension Benefits				
Components of net periodic benefit cost:				
Service cost	\$7,339	\$5,789	\$14,679	\$11,579
Interest cost	775	707	1,551	1,416
Expected return on plan assets	(1,107)	(829)	(2,213)	(1,659)
Amortization of prior service costs	13	13	26	26
Amortization of loss	194	311	388	622
Net periodic benefit cost	\$7,214	\$5,991	\$14,431	\$11,984
	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Post Retirement Medical Plan				
Components of net periodic benefit cost:				
Service cost	\$219	\$244	\$439	\$488
Interest cost	133	134	267	269
Amortization of prior service costs	109	76	218	152
Amortization of loss (gain)	—	—	—	—
Net periodic benefit cost	\$461	\$454	\$924	\$909

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14. FAIR VALUE MEASUREMENTS

The tables below present information about the Company's financial assets and liabilities measured and recorded at fair value on a recurring basis and indicate the fair value hierarchy of the inputs utilized to determine the fair values as of June 30, 2016 and December 31, 2015.

We have elected to offset the fair value amounts recognized for multiple derivative contracts executed with the same counterparty; however, fair value amounts by hierarchy level are presented on a gross basis in the tables below. We have posted cash margin with various counterparties to support hedging and trading activities. The cash margin posted is required by counterparties as collateral deposits and cannot be offset against the fair value of open contracts except in the event of default. We have no derivative contracts that are subject to master netting arrangements that are reflected gross on the balance sheet.

	As of June 30, 2016					
	Fair Value Hierarchy			Total Gross Fair Value	Effect of Counter-party Netting	Net Carrying Value on Balance Sheet
	Level 1	Level 2	Level 3			
Assets:						
Money market funds	\$25,005	\$ —	\$ —	\$25,005	N/A	\$ 25,005
Marketable securities	136,144	—	—	136,144	N/A	136,144
Commodity contracts	17,039	23,098	493	40,630	(26,175)	14,455
Derivatives included with inventory intermediation agreement obligations	—	9,338	—	9,338	—	9,338
Liabilities:						
Commodity contracts	21,690	4,485	—	26,175	(26,175)	—
Catalyst lease obligations	—	36,436	—	36,436	—	36,436

	As of December 31, 2015					
	Fair Value Hierarchy			Total Gross Fair Value	Effect of Counter-party Netting	Net Carrying Value on Balance Sheet
	Level 1	Level 2	Level 3			
Assets:						
Money market funds	\$631,280	\$ —	\$ —	—\$631,280	N/A	\$631,280
Marketable securities	234,258	—	—	234,258	N/A	234,258
Commodity contracts	63,810	31,256	3,543	98,609	(52,482)	46,127
Derivatives included with inventory intermediation agreement obligations	—	35,511	—	35,511	—	35,511
Derivatives included with inventory supply arrangement obligations	—	—	—	—	—	—
Liabilities:						
Commodity contracts	49,960	2,522	—	52,482	(52,482)	—
Catalyst lease obligations	—	31,802	—	31,802	—	31,802

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The valuation methods used to measure financial instruments at fair value are as follows:

• Money market funds categorized in Level 1 of the fair value hierarchy are measured at fair value based on quoted market prices and included within Cash and cash equivalents.

• Marketable securities, consisting primarily of US Treasury securities, categorized in Level 1 of the fair value hierarchy are measured at fair value based on quoted market prices.

The commodity contracts categorized in Level 1 of the fair value hierarchy are measured at fair value based on quoted prices in an active market. The commodity contracts categorized in Level 2 of the fair value hierarchy are measured at fair value using a market approach based upon future commodity prices for similar instruments quoted in active markets.

The commodity contracts categorized in Level 3 of the fair value hierarchy consist of commodity price swap contracts that relate to forecasted purchases of crude oil for which quoted forward market prices are not readily available due to market illiquidity. The forward prices used to value these swaps were derived using broker quotes, prices from other third party sources and other available market based data.

The derivatives included with inventory supply arrangement obligations, derivatives included with inventory intermediation agreement obligations and the catalyst lease obligations are categorized in Level 2 of the fair value hierarchy and are measured at fair value using a market approach based upon commodity prices for similar instruments quoted in active markets.

Non-qualified pension plan assets are measured at fair value using a market approach based on published net asset values of mutual funds as a practical expedient. As of June 30, 2016 and December 31, 2015, \$9,811 and \$9,325, respectively, were included within Deferred charges and other assets, net for these non-qualified pension plan assets.

The table below summarizes the changes in fair value measurements categorized in Level 3 of the fair value hierarchy:

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Balance at beginning of period	\$1,915	\$9,678	\$3,543	\$1,521
Purchases	—	—	—	—
Settlements	(746)	(10,111)	(1,003)	(11,311)
Unrealized gain included in earnings	(676)	2,338	(2,047)	11,695
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Balance at end of period	\$493	\$1,905	\$493	\$1,905

There were no transfers between levels during the three and six months ended June 30, 2016 and 2015, respectively.

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Fair value of debt

The table below summarizes the fair value and carrying value of debt as of June 30, 2016 and December 31, 2015.

	June 30, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Senior Secured Notes due 2020 (a)	\$670,243	\$704,783	\$669,644	\$706,246
Revolving Loan (b)	550,000	550,000	—	—
Senior Secured Notes due 2023 (a)	500,000	483,584	500,000	492,452
PBFX Senior Notes (a)	350,000	344,714	350,000	321,722
PBFX Term Loan (b)	135,864	135,864	234,200	234,200
PBFX Revolving Credit Facility (b)	93,000	93,000	24,500	24,500
Rail Facility (b)	60,521	60,521	67,491	67,491
Catalyst leases (c)	36,436	36,436	31,802	31,802
	2,396,064	2,408,902	1,877,637	1,878,413
Less - Current maturities	135,864	135,864	—	—
Less - Unamortized deferred financing costs	36,352	n/a	41,282	n/a
Long-term debt	\$2,223,848	\$2,273,038	\$1,836,355	\$1,878,413

(a) The estimated fair value, categorized as a Level 2 measurement, was calculated based on the present value of future expected payments utilizing implied current market interest rates based on quoted prices of the Senior Secured Notes and the PBFX Senior Notes.

(b) The estimated fair value approximates carrying value, categorized as a Level 2 measurement, as these borrowings bear interest based upon short-term floating market interest rates.

(c) Catalyst leases are valued using a market approach based upon commodity prices for similar instruments quoted in active markets and are categorized as a Level 2 measurement. The Company has elected the fair value option for accounting for its catalyst lease repurchase obligations as the Company's liability is directly impacted by the change in fair value of the underlying catalyst.

15. DERIVATIVES

The Company uses derivative instruments to mitigate certain exposures to commodity price risk. Prior to December 31, 2015, the Company's crude supply agreement contained purchase obligations for certain volumes of crude oil and other feedstocks. In addition, the Company entered into Inventory Intermediation Agreements commencing in July 2013 that contain purchase obligations for certain volumes of intermediates and refined products. The purchase obligations related to crude oil, feedstocks, intermediates and refined products under these agreements are derivative instruments that have been designated as fair value hedges in order to hedge the commodity price volatility of certain refinery inventory. The fair value of these purchase obligation derivatives is based on market prices of the underlying crude oil and refined products. The level of activity for these derivatives is based on the level of operating inventories. As of June 30, 2016, there were no barrels of crude oil and feedstocks (no barrels at December 31, 2015) outstanding under these derivative instruments designated as fair value hedges and no barrels (no barrels at December 31, 2015) outstanding under these derivative instruments not designated as hedges. As of June 30, 2016, there were 3,300,487 barrels of intermediates and refined products (3,776,011 barrels at December 31, 2015) outstanding under these derivative instruments designated as fair value hedges and no barrels (no barrels at December 31, 2015) outstanding

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under these derivative instruments not designated as hedges. These volumes represent the notional value of the contract.

The Company also enters into economic hedges primarily consisting of commodity derivative contracts that are not designated as hedges and are used to manage price volatility in certain crude oil and feedstock inventories as well as crude oil, feedstock, and refined product sales or purchases. The objective in entering into economic hedges is consistent with the objectives discussed above for fair value hedges. As of June 30, 2016, there were 30,486,500 barrels of crude oil and 5,857,000 barrels of refined products (39,577,000 and 4,599,136, respectively, as of December 31, 2015), outstanding under short and long term commodity derivative contracts not designated as hedges representing the notional value of the contracts.

The following tables provide information about the fair values of these derivative instruments as of June 30, 2016 and December 31, 2015 and the line items in the condensed consolidated balance sheet in which the fair values are reflected.

Description	Fair Value	
	Balance Sheet Location	Asset/(Liability)
Derivatives designated as hedging instruments:		
June 30, 2016:		
Derivatives included with the inventory intermediation agreement obligations	Accrued expenses	\$ 9,338
December 31, 2015		
Derivatives included with the inventory intermediation agreement obligations	Accrued expenses	\$ 35,511
Derivatives not designated as hedging instruments:		
June 30, 2016:		
Commodity contracts	Accounts receivable	\$ 14,455
December 31, 2015		
Commodity contracts	Accounts receivable	\$ 46,127

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The following table provides information about the gain or loss recognized in income on these derivative instruments and the line items in the condensed consolidated financial statements in which such gains and losses are reflected.

Description	Location of Gain or (Loss) Recognized in Income on Derivatives	Gain or (Loss) Recognized in Income on Derivatives
Derivatives designated as hedging instruments:		
For the three months ended June 30, 2016:		
Derivatives included with the inventory intermediation agreement obligations	Cost of sales	\$ 8,973
For the three months ended June 30, 2015:		
Derivatives included with inventory supply arrangement obligations	Cost of sales	\$ (1,808)
Derivatives included with the inventory intermediation agreement obligations	Cost of sales	\$ (20,888)
For the six months ended June 30, 2016:		
Derivatives included with the inventory intermediation agreement obligations	Cost of sales	\$ (26,172)
For the six months ended June 30, 2015:		
Derivatives included with inventory supply arrangement obligations	Cost of sales	\$ (4,629)
Derivatives included with the inventory intermediation agreement obligations	Cost of sales	\$ (84,574)
Derivatives not designated as hedging instruments:		
For the three months ended June 30, 2016:		
Commodity contracts	Cost of sales	\$ (19,134)
For the three months ended June 30, 2015:		
Commodity contracts	Cost of sales	\$ (3,969)
For the six months ended June 30, 2016:		
Commodity contracts	Cost of sales	\$ (39,087)
For the six months ended June 30, 2015:		
Commodity contracts	Cost of sales	\$ (45,097)
Hedged items designated in fair value hedges:		
For the three months ended June 30, 2016:		
Intermediate and refined product inventory	Cost of sales	\$ (8,973)
For the three months ended June 30, 2015:		
Crude oil and feedstock inventory	Cost of sales	\$ 1,808
Intermediate and refined product inventory	Cost of sales	\$ 20,888
For the six months ended June 30, 2016:		
Intermediate and refined product inventory	Cost of sales	\$ 26,172
For the six months ended June 30, 2015:		
Crude oil and feedstock inventory	Cost of sales	\$ 4,629
Intermediate and refined product inventory	Cost of sales	\$ 84,574

The Company had no ineffectiveness related to the Company's fair value hedges for the three and six months ended June 30, 2016 and 2015.

PBF ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

16. SEGMENT INFORMATION

The Company's operations are organized into two reportable segments, Refining and Logistics. Operations that are not included in the Refining and Logistics segments are included in Corporate. Intersegment transactions are eliminated in the consolidated financial statements and are included in Eliminations.

Refining

As of June 30, 2016, the Company's Refining Segment includes the operations of its four refineries which are located in Toledo, Ohio, Delaware City, Delaware, Paulsboro, New Jersey and New Orleans, Louisiana. The refineries produce unbranded transportation fuels, heating oil, petrochemical feedstocks, lubricants and other petroleum products in the United States. The Company purchases crude oil, other feedstocks and blending components from various third-party suppliers. The Company sells products throughout the Northeast, Midwest and Gulf Coast of the United States, as well as in other regions of the United States and Canada, and is able to ship products to other international destinations.

Logistics

The Company formed PBFX, a publicly traded master limited partnership, to own or lease, operate, develop and acquire crude oil and refined petroleum products terminals, pipelines, storage facilities and similar logistics assets. PBFX's assets consist of (i) a rail terminal which has a double loop track and ancillary pumping and unloading equipment located at the Delaware City refinery; (ii) a truck terminal comprised of six lease automatic custody transfer units accepting crude oil deliveries by truck located at the Toledo refinery; (iii) a heavy crude rail unloading rack located at the Delaware City refinery; (iv) a tank farm, including a propane storage and loading facility at the Toledo Refinery; (v) an interstate petroleum products pipeline and a 15-lane truck loading rack both located at the Delaware City refinery; and (vi) the East Coast Terminals consisting of product storage tanks and terminal operations with pipeline connections to the Colonial Pipeline Company, Buckeye Partners, Sunoco Logistics Partners and other proprietary pipeline systems, truck loading lanes and marine facilities capable of handling barges and ships. PBFX provides various rail, truck and marine terminaling services, pipeline transportation services and storage services to PBF Holding and/or its subsidiaries and third party customers through fee-based commercial agreements. Apart from the East Coast Terminals, PBFX currently does not generate third party revenue and, as such, intersegment related-party revenues are eliminated in consolidation. Prior to the PBFX Offering, PBFX's assets were operated within the refining operations of the Company's Delaware City and Toledo refineries and did not generate third party revenue nor, apart from Delaware Pipeline Company LLC, any intra-entity revenue and were not considered to be a separate reportable segment.

The Company evaluates the performance of its segments based primarily on income from operations. Income from operations includes those revenues and expenses that are directly attributable to management of the respective segment. The Logistics segment's revenues include inter-segment transactions with the Company's Refining segment at prices the Company believes are substantially equivalent to the prices that could have been negotiated with unaffiliated parties with respect to similar services. Activities of the Company's business that are not included in the two operating segments are included in Corporate. Such activities consist primarily of corporate staff operations and other items that are not specific to the normal operations of the two operating segments. The Company does not allocate certain items of other income and expense, including income taxes, to the individual segments. The Refinery segment's operating subsidiaries and PBFX are primarily pass-through entities with respect to income taxes.

Disclosures regarding our reportable segments with reconciliations to consolidated totals for the three and six months ended June 30, 2016 and June 30, 2015 are presented below.

Total assets of each segment consist of net property, plant and equipment, inventories, cash and cash equivalents, accounts receivables and other assets directly associated with the segment's operations. Corporate assets consist primarily of deferred tax assets, property, plant and equipment and other assets not directly related to our refinery and logistic operations.

PBF ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

Three Months Ended June 30, 2016					
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Revenues	\$3,855,773	\$40,659	\$ —	\$ (37,965)	\$3,858,467
Depreciation and amortization expense	47,540	2,142	1,378	—	51,060
Income (loss) from operations	248,724	23,888	(37,842)	—	234,770
Interest expense, net	1,142	7,634	27,164	—	35,940
Capital expenditures (1)	88,480	99,963	6,559	—	195,002
Three Months Ended June 30, 2015					
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Revenues	\$3,550,664	\$34,868	\$ —	\$ (34,868)	\$3,550,664
Depreciation and amortization expense	44,421	1,637	2,504	—	48,562
Income (loss) from operations	287,442	24,734	(38,380)	—	273,796
Interest expense, net	4,575	4,930	17,371	—	26,876
Capital expenditures	126,107	144	425	—	126,676
Six Months Ended June 30, 2016					
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Revenues	\$6,655,958	\$77,208	\$ —	\$ (74,514)	\$6,658,652
Depreciation and amortization expense	100,136	3,782	3,075	—	106,993
Income (loss) from operations	253,691	50,211	(74,556)	—	229,346
Interest expense, net	2,114	14,863	56,490	—	73,467
Capital expenditures (1)	228,080	100,402	12,259	—	340,741
Six Months Ended June 30, 2015					
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Revenues	\$6,545,800	\$67,713	\$ —	\$ (67,713)	\$6,545,800
Depreciation and amortization expense	87,451	3,270	5,547	—	96,268
Income (loss) from operations	476,081	44,450	(74,325)	—	446,206
Interest expense, net	9,290	6,885	32,893	—	49,068
Capital expenditures	250,575	220	1,610	—	252,405
Balance at June 30, 2016					
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Total assets	\$5,956,975	\$458,582	\$594,397	\$ (21,904)	\$6,988,050
Balance at December 31, 2015					
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Total assets	\$5,087,554	\$422,902	\$618,617	\$ (23,949)	\$6,105,124

The Refining segment includes capital expenditures of \$2,659 for the working capital settlement related to the (1) acquisition of the Chalmette refinery and the Logistics segment includes \$98,336 for the PBFX Plains Asset Purchase that were finalized in the first and second quarters of 2016, respectively.

PBF ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

17. NET INCOME PER SHARE OF PBF ENERGY

The following table sets forth the computation of basic and diluted net income per Class A common share attributable to PBF Energy:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Basic Earnings Per Share:				
Numerator for basic net income per Class A common share - net income attributable to PBF Energy	\$103,530	\$135,810	\$74,142	\$223,132
Denominator for basic net income per Class A common share - weighted average shares	97,836,366	86,036,809	97,822,873	85,175,066
Basic net income attributable to PBF Energy per Class A common share	\$1.06	\$1.58	\$0.76	\$2.62
Diluted Earnings Per Share:				
Numerator:				
Net income attributable to PBF Energy	\$103,530	\$135,810	\$74,142	\$223,132
Plus: Net income attributable to noncontrolling interest ⁽¹⁾	9,399	13,432	6,958	21,220
Less: Income tax expense on net income attributable to noncontrolling interest ⁽¹⁾	(3,722)	(5,400)	(2,755)	(8,530)
Numerator for diluted net income per Class A common share - net income attributable to PBF Energy ⁽¹⁾	\$109,207	\$143,842	\$78,345	\$235,822
Denominator ⁽¹⁾ :				
Denominator for basic net income per Class A common share-weighted average shares	97,836,366	86,036,809	97,822,873	85,175,066
Effect of dilutive securities:				
Conversion of PBF LLC Series A Units	4,947,813	5,129,114	4,952,115	5,980,462
Common stock equivalents ⁽²⁾	494,443	493,983	589,488	499,553
Denominator for diluted net income per common share-adjusted weighted average shares	103,278,622	91,659,906	103,364,476	91,655,081
Diluted net income attributable to PBF Energy per Class A common share	\$1.06	\$1.57	\$0.76	\$2.57

The diluted earnings per share calculation generally assumes the conversion of all outstanding PBF LLC Series A Units to Class A common stock of PBF Energy. The net income attributable to PBF Energy, used in the numerator of the diluted earnings per share calculation is adjusted to reflect the net income, as well as the corresponding income tax expense (based on a 39.6% statutory tax rate for both the three and six months ended June 30, 2016 and 40.2% statutory tax rate for both the three and six months ended June 30, 2015) attributable to the converted units.

Represents an adjustment to weighted-average diluted shares outstanding to assume the full exchange of common stock equivalents, including options and warrants for PBF LLC Series A Units and options for shares of PBF Energy Class A common stock as calculated under the treasury stock method (to the extent the impact of such exchange would not be anti-dilutive). Common stock equivalents excludes the effects of options to purchase 3,467,125 and 2,919,125 shares of PBF Energy Class A common stock because they are anti-dilutive for the three and six months ended June 30, 2016, respectively. Common stock equivalents excludes the effects of options to purchase 2,874,500 and 2,874,500 shares of PBF Energy Class A common stock because they are anti-dilutive for the three and six months ended June 30, 2015, respectively.

PBF ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

18. SUBSEQUENT EVENTS

Torrance Acquisition

On July 1, 2016, the Company completed its acquisition of the Torrance refinery and related logistics assets (collectively, the "Torrance Acquisition") from ExxonMobil Oil Corporation and its subsidiary, Mobil Pacific Pipeline Company (together, the "Sellers"). The Torrance refinery, located in Torrance, California, is a high-conversion, delayed-coking refinery. The facility is strategically positioned in Southern California with advantaged logistics connectivity that offers flexible raw material sourcing and product distribution opportunities primarily in the California, Las Vegas and Phoenix area markets.

In addition to refining assets, the transaction includes a number of high-quality logistics assets including a sophisticated network of crude and products pipelines, product distribution terminals and refinery crude and product storage facilities. The most significant of the logistics assets is a crude gathering and transportation system which delivers San Joaquin Valley crude oil directly from the field to the refinery. Additionally, included in the transaction are several pipelines which provide access to sources of crude oil including the Ports of Long Beach and Los Angeles, as well as clean product outlets with a direct pipeline supplying jet fuel to the Los Angeles airport. The refinery also has crude and product storage facilities.

The purchase price for the assets was \$537,500, plus preliminary working capital of \$460,934, which is subject to final valuation within ninety days of closing. In addition, the Company assumed certain pre-existing environmental and regulatory emission credit obligations in connection with the Torrance Acquisition. The transaction was financed through a combination of cash on hand including proceeds from our October 2015 Equity Offering, the 2023 Senior Secured Notes offering and borrowings under our Revolving Loan. A determination of the acquisition-date fair values of the assets acquired and the liabilities assumed and the working capital at closing calculation is pending the completion of an independent appraisal and other evaluations.

The Torrance Acquisition provides the Company with a broader more diversified asset base and increases the number of operating refineries from four to five and the Company's combined crude oil throughput capacity. The acquisition also provides the Company with a presence in the attractive Petroleum Administration for Defense Districts ("PADD") 5 market.

Rail Facility Revolving Credit Facility

On July 15, 2016, the Rail Facility was amended to, among other things, extend the maturity from April 29, 2017 to October 31, 2017. The amendment also reduced the aggregate commitment to the amount outstanding, therefore, eliminating the commitment fee and requires the Company to repay \$20,000 of the outstanding balance on or prior to January 1, 2017.

Dividend Declared

On July 29, 2016, the Company announced a dividend of \$0.30 per share on outstanding Class A common stock. The dividend is payable on August 23, 2016 to Class A common stockholders of record at the close of business on August 9, 2016.

PBFX Distributions

On July 29, 2016, the Board of Directors of PBF GP announced a distribution of \$0.43 per unit on outstanding common and subordinated units of PBFX. The distribution is payable on August 23, 2016 to PBFX unit holders of record at the close of business on August 9, 2016.

Related Party

On July 1, 2016, the Company entered into a consulting services agreement with Thomas D. O'Malley, the former Executive Chairman of the Company. Compensation for the services under the agreement will be \$1,000 annually.

PBF ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

The consulting services agreement expires on December 31, 2018. In addition, Mr. O'Malley will receive payments and benefits afforded to him under his Third Amended and Restated Employment Agreement in connection with his retirement.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited financial statements of PBF Energy Inc. included in the Annual Report on Form 10-K for the year ended December 31, 2015 and the unaudited financial statements and related notes included in this report. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors. We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. Please see "Cautionary Note Regarding Forward-Looking Statements."

Unless the context indicates otherwise, the terms "we," "us," and "our" refer to PBF Energy and its consolidated subsidiaries, including PBF LLC, PBF Holding and its subsidiaries and PBFX and its subsidiaries.

Overview

We are one of the largest independent petroleum refiners and suppliers of unbranded transportation fuels, heating oil, petrochemical feedstocks, lubricants and other petroleum products in the United States. We sell our products throughout the Northeast, Midwest and Gulf Coast of the United States, as well as in other regions of the United States and Canada, and are able to ship products to other international destinations. We were formed in 2008 to pursue acquisitions of crude oil refineries and downstream assets in North America. As of June 30, 2016, we owned and operated four domestic oil refineries and related assets, which we acquired in 2010, 2011 and 2015. As of June 30, 2016, our refineries have a combined processing capacity, known as throughput, of approximately 730,000 barrels per day ("bpd"), and a weighted-average Nelson Complexity Index of 11.7. We operate in two reportable business segments: Refining and Logistics.

As of June 30, 2016, our four refineries are located in Toledo, Ohio, Delaware City, Delaware, Paulsboro, New Jersey and New Orleans, Louisiana. Our Mid-Continent refinery at Toledo processes light, sweet crude, and has a throughput capacity of 170,000 bpd and a Nelson Complexity Index of 9.2. The majority of Toledo's West Texas Intermediate ("WTI") based crude is delivered via pipelines that originate in both Canada and the United States. Since our acquisition of Toledo in 2011, we have added additional truck and rail crude unloading capabilities that provide feedstock sourcing flexibility for the refinery and enables Toledo to run a more cost-advantaged crude slate. Our East Coast refineries at Delaware City and Paulsboro have a combined refining capacity of 370,000 bpd and Nelson Complexity Indices of 11.3 and 13.2, respectively. These high-conversion refineries process primarily medium and heavy, sour crudes and have the flexibility to receive crude and feedstock via both water and rail. We have expanded and upgraded existing on-site railroad infrastructure at our Delaware City refinery, including the expansion of the crude rail unloading facilities that was completed in February 2013. The Delaware City rail unloading facility, which was transferred to PBFX in 2014, allows our East Coast refineries the flexibility to source WTI-based crudes from Western Canada and the Mid-Continent, when doing so provides cost advantages versus traditional Brent-based international crudes. We believe this sourcing optionality can be a beneficial component to the profitability of our East Coast refining system in certain crude pricing environments. The Chalmette refinery, located outside of New Orleans, Louisiana, is a 189,000 bpd, dual-train coking refinery with a Nelson Complexity of 12.7 and is capable of processing both light and heavy crude oil. The facility is strategically positioned on the Gulf Coast with strong logistics connectivity that offers flexible raw material sourcing and product distribution opportunities, including the potential to export products.

As of June 30, 2016, we owned 97,825,983 PBF LLC Series C Units and our current and former executive officers and directors and certain employees and others held 4,964,901 PBF LLC Series A Units (we refer to all of the holders of the PBF LLC Series A Units as "the members of PBF LLC other than PBF Energy"). As a result, the holders of our issued and outstanding shares of our Class A common stock have approximately 95.2% of the voting power in us, and the members of PBF LLC other than PBF Energy through their holdings of Class B common stock have approximately 4.8% of the voting power in us.

Recent Developments

Recent significant business developments affecting the Company are discussed below.

Torrance Acquisition

On July 1, 2016, the Company acquired from ExxonMobil Oil Corporation (“ExxonMobil”) and its subsidiary, Mobil Pacific Pipeline Company (together, the “Torrance Sellers”), the Torrance refinery and related logistics assets (collectively, the “Torrance Acquisition”). The Torrance refinery, located on 750 acres in Torrance, California, is a high-conversion 155,000 barrel per day, delayed-coking refinery with a Nelson Complexity of 14.9. The facility is strategically positioned in Southern California with advantaged logistics connectivity that offers flexible raw material sourcing and product distribution opportunities primarily in the California, Las Vegas and Phoenix area markets. The Torrance Acquisition is expected to further increase the Company's total throughput capacity to approximately 900,000 bpd.

In addition to refining assets, the Torrance Acquisition includes a number of high-quality logistics assets including a sophisticated network of crude and products pipelines, product distribution terminals and refinery crude and product storage facilities. The most significant of the logistics assets is a 171-mile crude gathering and transportation system which delivers San Joaquin Valley crude oil directly from the field to the refinery. Additionally, included in the transaction are several pipelines which provide access to sources of crude oil including the Ports of Long Beach and Los Angeles, as well as clean product outlets with a direct pipeline supplying jet fuel to the Los Angeles airport. The Torrance refinery also has crude and product storage facilities with approximately 8.6 million barrels of shell capacity. The purchase price for the assets was \$537.5 million, plus preliminary working capital of \$460.9 million, which is to subject to final valuation within ninety days of closing. In addition, the Company assumed certain pre-existing environmental and regulatory emission credit obligations in connection with the Torrance Acquisition. The transaction was financed through a combination of cash on hand including proceeds from our October 2015 Equity Offering and the 2023 Senior Secured Notes offering and borrowings under our Revolving Loan. A determination of the acquisition-date fair values of the assets acquired and the liabilities assumed and the working capital at closing is pending the completion of an independent appraisal and other evaluations.

The Torrance Acquisition provides the Company with a broader more diversified asset base and increases the number of operating refineries from four to five and the Company's combined crude oil throughput capacity. The acquisition also provides the Company with a presence in the attractive Petroleum Administration for Defense Districts (“PADD”) 5 market.

Factors Affecting Comparability Between Periods

Our results have been affected by the following events, which must be understood in order to assess the comparability of our period to period financial performance and financial condition.

PBFX Plains Asset Purchase

On April 29, 2016, PBFX's wholly-owned subsidiary, PBF Logistics Products Terminals LLC, completed the purchase of the assets of four refined product terminals located in the greater Philadelphia region (the “East Coast Terminals”) from an affiliate of Plains All American Pipeline, L.P. The East Coast Terminals include a total of 57 product tanks with a total shell capacity of approximately 4.2 million barrels, pipeline connections to the Colonial Pipeline Company, Buckeye Partners, Sunoco Logistics Partners and other proprietary pipeline systems, 26 truck loading lanes and marine facilities capable of handling barges and ships. With the Plains Asset Purchase, PBFX increased its total shell capacity to over 8.1 million barrels. This acquisition expands PBFX's storage and terminaling footprint and introduces third-party customers to its revenue base.

The total cash consideration for the Plains Asset Purchase was approximately \$100.0 million, less estimated working capital of \$1.7 million, which is subject to final valuation. The transaction was financed by PBFX with

\$98.3 million in proceeds from the sale of marketable securities. PBFX borrowed an additional \$98.5 million under the PBFX Revolving Credit Facility, which were used to repay \$98.3 million of the PBFX Term Loan in order to release \$98.3 million in marketable securities that had collateralized the PBFX Term Loan.

April 2016 PBFX Equity Offering

On April 5, 2016, PBFX completed a public offering of an aggregate of 2,875,000 common units, including 375,000 common units that were sold pursuant to the exercise of an over-allotment option, for net proceeds of \$51.6 million, after deducting underwriting discounts and commissions and other offering expenses (the “April 2016 PBFX Equity Offering”). As a result of the April 2016 PBFX Equity Offering, as of June 30, 2016, PBF LLC holds a 49.4% limited partner interest in PBFX and owns all of PBFX's IDRs, with the remaining 50.6% limited partner interest owned by public common unit holders.

Chalmette Acquisition

On November 1, 2015, the Company acquired from ExxonMobil Oil Corporation, Mobil Pipe Line Company and PDV Chalmette, Inc., 100% of the ownership interests of Chalmette Refining, which owns the Chalmette refinery and related logistics assets. The Chalmette refinery, located outside of New Orleans, Louisiana, is a dual-train coking refinery and is capable of processing both light and heavy crude oil. Subsequent to the closing of the Chalmette Acquisition, Chalmette Refining is a wholly-owned subsidiary of PBF Holding.

Chalmette Refining owns 100% of the MOEM Pipeline, providing access to the Empire Terminal, as well as the CAM Connection Pipeline, providing access to the Louisiana Offshore Oil Port facility through a third party pipeline. Chalmette Refining also owns 80% of each of the Collins Pipeline Company and T&M Terminal Company, both located in Collins, Mississippi, which provide a clean products outlet for the refinery to the Plantation and Colonial Pipelines. Also included in the acquisition are a marine terminal capable of importing waterborne feedstocks and loading or unloading finished products; a clean products truck rack which provides access to local markets; and a crude and product storage facility.

The aggregate purchase price for the Chalmette Acquisition was \$322.0 million in cash, plus inventory and working capital of \$246.0 million, which was finalized in the first quarter of 2016. The transaction was financed through a combination of cash on hand and borrowings under the Company's Revolving Loan.

Initial Public Offering of PBFX and Subsequent Drop-Down Transactions

On May 14, 2014, PBFX completed its initial public offering (the “PBFX Offering”) of 15,812,500 common units, including 2,062,500 common units issued upon exercise of the underwriters' over-allotment option. Subsequent to the PBFX Offering, PBF Holding and PBF LLC entered into a series of drop-down transactions with PBFX and completed the acquisition of the East Coast Terminals.

PBFX is a fee-based, growth-oriented, Delaware master limited partnership formed by PBF Energy to own or lease, operate, develop and acquire crude oil and refined petroleum products terminals, pipelines, storage facilities and similar logistics assets. PBFX engages in the receiving, handling and transferring of crude oil and the receipt, storage and delivery of crude oil, refined products and intermediates. PBFX's assets consist of a light crude oil rail unloading terminal at the Delaware City refinery that also services the Paulsboro refinery (which we refer to as the “Delaware City Rail Terminal”), a crude oil truck unloading terminal at the Toledo refinery (which we refer to as the “Toledo Truck Terminal”), the DCR West Rack, the Toledo Storage Facility, the Delaware City Products Pipeline and Truck Rack and the East Coast Terminals. Apart from the East Coast Terminals, PBFX's revenue is derived from long-term, fee-based commercial agreements with subsidiaries of PBF Energy, which include minimum volume commitments, for receiving, handling, transferring and storing crude oil and refined products. These transactions are eliminated by PBF Energy in consolidation.

During 2014, PBFX acquired from PBF LLC the DCR West Rack, a heavy crude oil rail unloading facility (also, capable of unloading light crude oil) at the Delaware City refinery and the Toledo Storage Facility, a tank farm and related facilities located at our Toledo refinery, including a propane storage and loading facility.

On May 14, 2015, PBF LLC contributed to PBFX all of the issued and outstanding limited liability company interests of Delaware Pipeline Company LLC and Delaware City Logistics Company LLC, whose assets consist of a product pipeline, truck rack and related facilities located at our Delaware City refinery (collectively referred to as the “Delaware City Products Pipeline and Truck Rack”).

Amended and Restated Asset Based Revolving Credit Facility

On an ongoing basis, the Third Amended and Restated Revolving Credit Agreement (“Revolving Loan”) is available to be used for working capital and other general corporate purposes. In November and December 2015, PBF Holding increased the maximum availability under the Revolving Loan to \$2.60 billion and \$2.64 billion, respectively, in accordance with its accordion feature.

Senior Secured Notes Offering

On November 24, 2015, PBF Holding and PBF Finance Corporation issued \$500.0 million in aggregate principal amount of 7.0% senior secured notes due 2023 (the “2023 Senior Secured Notes”). The net proceeds were approximately \$490.0 million after deducting the initial purchasers’ discount and offering expenses. The Company used the proceeds for general corporate purposes, including to fund a portion of the purchase price for the Torrance Acquisition.

Rail Facility Revolving Credit Facility

Effective March 25, 2014, PBF Rail Logistics Company LLC (“PBF Rail”), an indirect wholly-owned subsidiary of PBF Holding, entered into a \$250.0 million secured revolving credit agreement (the “Rail Facility”). The primary purpose of the Rail Facility is to fund the acquisition by PBF Rail of coiled and insulated crude tank cars and non-coiled and non-insulated general purpose crude tank cars (the “Eligible Railcars”) before December 2015. The amount available to be advanced under the Rail Facility equals 70% of the lesser of the aggregate Appraised Value of the Eligible Railcars, or the aggregate Purchase Price of such Eligible Railcars, as these terms are defined in the credit agreement. On April 29, 2015, the Rail Facility was amended to, among other things, extend the maturity from March 31, 2016 to April 29, 2017, reduce the total commitment from \$250.0 million to \$150.0 million, and reduce the commitment fee on the unused portion of the Rail Facility. Additionally, the total commitment amount was reduced further to \$100.0 million in 2016, and the Rail Facility was amended again on July 15, 2016 to, among other things, extend the maturity from April 29, 2017 to October 31, 2017. The amendment also reduced the aggregate commitment to the amount outstanding, therefore, eliminating the commitment fee, and requires the Company to repay \$20.0 million of the outstanding balance on or prior to January 1, 2017. At any time prior to maturity PBF Rail may repay any advances without premium or penalty.

PBFX Debt Facilities

On May 12, 2015, PBFX entered into an Indenture among the Partnership, PBF Logistics Finance Corporation, a Delaware corporation and wholly-owned subsidiary of PBFX (“PBF Logistics Finance,” and together with PBFX, the “Issuers”), the Guarantors named therein (certain subsidiaries of PBFX) and Deutsche Bank Trust Company Americas, as Trustee, under which the Issuers issued \$350.0 million in aggregate principal amount of 6.875% Senior Notes due 2023 (the “PBFX Senior Notes”). PBF LLC has provided a limited guarantee of collection of the principal amount of the PBFX Senior Notes, but is not otherwise subject to the covenants of the indenture. Of the \$350.0 million aggregate PBFX Senior Notes, \$19.9 million were purchased by certain of PBF Energy’s officers and directors and their affiliates pursuant to a separate private placement transaction. After deducting offering expenses, PBFX received net proceeds of approximately \$343.0 million from the PBFX Senior Notes offering.

J. Aron Intermediation Agreements

On May 29, 2015, PBF Holding entered into amended and restated inventory intermediation agreements (the “A&R Intermediation Agreements”) with J. Aron & Company (“J. Aron”) pursuant to which certain terms of the existing inventory intermediation agreements were amended, including, among other things, pricing and an extension of the term for a period of two years from the original expiry date of July 1, 2015, subject to certain early termination rights. In addition, the A&R Intermediation Agreements include one-year renewal clauses by mutual consent of both parties. Pursuant to each A&R Intermediation Agreement, J. Aron will continue to purchase and hold title to certain of the intermediate and finished products (the “Products”) produced by the Paulsboro and Delaware City refineries (the

“Refineries”), respectively, and delivered into tanks at the Refineries. Furthermore, J. Aron agrees to sell the Products back to Paulsboro refinery and Delaware City refinery as the Products are discharged out of the Refineries' tanks. J. Aron has the right to store the Products purchased in tanks under the A&R Intermediation Agreements

and will retain these storage rights for the term of the agreements. PBF Holding will continue to market and sell the Products independently to third parties.

Crude Oil Acquisition Agreement Terminations

Effective December 31, 2015, our crude oil supply agreement with Statoil for the Delaware City refinery expired. Subsequent to the termination of the Statoil supply agreement, we purchase all of our crude and feedstock needs independently from a variety of suppliers, including Saudi Aramco and others, on the spot market or through term agreements. Subsequent to the Chalmette Acquisition we entered into a contract with PDVSA for the supply of 40,000 to 60,000 bpd of crude oil that can be processed at any of our East or Gulf Coast refineries.

Public Offerings

On February 6, 2015, funds affiliated with Blackstone and First Reserve exchanged 3,804,653 PBF LLC Series A units for the same number of shares of PBF Energy Class A common stock which were subsequently sold in a secondary public offering (the "February 2015 secondary offering" and collectively with the secondary offerings completed in 2013 and 2014, the "secondary offerings"). As a result of these secondary offerings, Blackstone and First Reserve no longer hold any PBF LLC Series A units. The holders of PBF LLC Series B Units, which include certain current and former executive officers of PBF Energy, received a portion of the proceeds of the sales of the PBF Energy Class A common stock by Blackstone and First Reserve in accordance with the amended and restated limited liability company agreement of PBF LLC. PBF Energy did not receive any proceeds from the secondary offerings. On October 13, 2015, we completed a public offering of an aggregate of 11,500,000 shares of Class A common stock (the "October 2015 Equity Offering"), including 1,500,000 shares of Class A common stock that was sold pursuant to the exercise of an over-allotment option, for net proceeds of \$344.0 million, after deducting underwriting discounts and commissions and other offering expenses.

As of December 31, 2015, we owned 97,781,933 PBF LLC Series C Units and our current and former executive officers and directors and certain employees beneficially owned 4,985,358 PBF LLC Series A Units, and the holders of our issued and outstanding shares of Class A common stock had 95.1% of the voting power in us and the members of PBF LLC other than PBF Energy through their holdings of Class B common stock had the remaining 4.9% of the voting power in us.

As of June 30, 2016, we currently own 97,825,983 PBF LLC Series C Units and our current and former executive officers and directors and certain employees and others beneficially own 4,964,901 PBF LLC Series A Units, and the holders of our issued and outstanding shares of Class A common stock have 95.2% of the voting power in us and the members of PBF LLC other than PBF Energy through their holdings of Class B common stock have the remaining 4.8% of the voting power in us.

Results of Operations

The tables below reflect our consolidated financial and operating highlights for the three and six months ended June 30, 2016 and 2015 (amounts in thousands, except per share data). We operate in two reportable business segments: Refining and Logistics. Our oil refineries, excluding the assets owned by PBFX, are all engaged in the refining of crude oil and other feedstocks into petroleum products, and are aggregated into the Refining segment. PBFX is a publicly traded master limited partnership that operates logistical assets such as crude oil and refined petroleum products terminals, pipelines and storage facilities. PBFX's operations are aggregated into the Logistics segment. Prior to the PBFX Offering and PBFX's acquisition of the DCR West Rack, the Toledo Storage Facility and the Delaware City Products Pipeline and Truck Rack, PBFX's assets were operated within the refining operations of our Delaware City and Toledo refineries and did not generate third party revenue nor, apart from Delaware Pipeline Company LLC, any intra-entity revenue and were not considered to be a separate reportable segment. We did not analyze our results by individual segments as, apart from the East Coast Terminals, our Logistics segment did not have any third party revenue and substantially all of its operating results eliminate in consolidation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue	\$3,858,467	\$3,550,664	\$6,658,652	\$6,545,800
Cost of sales, excluding depreciation	3,249,444	2,994,745	5,661,539	5,496,960
	609,023	555,919	997,113	1,048,840
Operating expenses, excluding depreciation	276,598	194,970	576,597	432,088
General and administrative expenses	43,373	39,223	80,955	75,269
Loss (gain) on sale of assets	3,222	(632)	3,222	(991)
Depreciation and amortization expense	51,060	48,562	106,993	96,268
Income from operations	234,770	273,796	229,346	446,206
Change in fair value of catalyst leases	(1,748)	1,949	(4,633)	3,988
Interest expense, net	(35,940)	(26,876)	(73,467)	(49,068)
Income before income taxes	197,082	248,869	151,246	401,126
Income tax expense	76,434	90,409	53,934	139,547
Net income	120,648	158,460	97,312	261,579
Less: net income attributable to noncontrolling interests	17,118	22,650	23,170	38,447
Net income attributable to PBF Energy Inc.	\$103,530	\$135,810	\$74,142	\$223,132
Gross margin	\$289,944	\$319,258	\$328,799	\$535,585
Gross refining margin (1)	\$571,025	\$523,689	\$925,227	\$989,785
Net income available to Class A common stock per share:				
Basic	\$1.06	\$1.58	\$0.76	\$2.62
Diluted	\$1.06	\$1.57	\$0.76	\$2.57

(1) See Non-GAAP Financial Measures below.

Operating Highlights

	Three Months Ended June 30,		Six Months Ended June 30,		
	2016	2015	2016	2015	
Key Operating Information					
Production (bpd in thousands)	702.7	492.6	678.0	472.5	
Crude oil and feedstocks throughput (bpd in thousands)	698.1	491.1	674.0	479.5	
Total crude oil and feedstocks throughput (millions of barrels)	63.5	44.7	122.7	86.8	
Gross margin per barrel of throughput	\$4.56	\$7.15	\$2.68	\$6.17	
Gross refining margin, excluding special items, per barrel of throughput (1)	\$6.50	\$9.35	\$5.77	\$9.93	
Refinery operating expenses, excluding depreciation, per barrel of throughput	\$4.27	\$4.30	\$4.63	\$4.90	
Crude and feedstocks (% of total throughput) (2):					
Heavy crude	18	% 13	% 16	% 14	%
Medium crude	44	% 48	% 47	% 47	%
Light crude	27	% 28	% 25	% 28	%
Other feedstocks and blends	11	% 11	% 12	% 11	%
Yield (% of total throughput):					
Gasoline and gasoline blendstocks	47	% 45	% 48	% 47	%
Distillates and distillate blendstocks	32	% 36	% 31	% 36	%
Lubes	1	% 1	% 1	% 1	%
Chemicals	4	% 3	% 4	% 3	%
Other	16	% 15	% 16	% 13	%

(1) See Non-GAAP Financial Measures below.

We define heavy crude oil as crude oil with American Petroleum Institute (API) gravity less than 24 degrees.

(2) We define medium crude oil as crude oil with API gravity between 24 and 35 degrees. We define light crude oil as crude oil with API gravity higher than 35 degrees.

The table below summarizes certain market indicators relating to our operating results as reported by Platts.

	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
	(dollars per barrel, except as noted)			
Dated Brent Crude	\$45.65	\$		