PBF Energy Inc.
Form 10-Q
August 03, 2017

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

FORM 10-Q

(Mark one)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: June 30, 2017
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 Parsippany, New Jersey	07054
(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 [x] 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 [x] No [ ]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

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

As of July 31, 2017, PBF Energy Inc. had outstanding 109,715,727 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, 2017
TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS		3
PART I – FINANCIAL INFORMATION		
ITEM 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016	5
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016	6
	Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2017 and 2016	7
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016	8
	Notes to Condensed Consolidated Financial Statements	10
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	39
ITEM 3.	Quantitative and Qualitative Disclosures about Market Risk	64
ITEM 4.	Controls and Procedures	66
PART II – OTHER INFORMATION		
ITEM 1.	Legal Proceedings	67
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	70
ITEM 6.	Exhibits	71
SIGNATURES		72

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 96.6% of the outstanding economic interests in PBF LLC as of June 30, 2017. 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 our 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, 2017, PBF LLC also holds a 44.1% 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, intentions, resources and expectations regarding future industry trends are forward-looking statements made under the safe harbor provisions 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, 2016 of PBF Energy Inc., which we refer to as our 2016 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, which 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 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 from 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 successfully integrate the completed acquisition of the Torrance refinery and related logistics assets (collectively, the "Torrance Acquisition") into our business and realize the benefits from such acquisition;
•liabilities arising from the 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 continue to 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, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents (PBFX: $51,054 and $64,221, respectively)	$173,031	$746,274
Accounts receivable	611,642	620,175
Inventories	1,875,164	1,863,560
Marketable securities - current (PBFX: $0 and $40,024, respectively)	—	40,024
Prepaid expense and other current assets	73,262	137,222
Total current assets	2,733,099	3,407,255
Property, plant and equipment, net (PBFX: $664,431 and $608,802, respectively)	3,457,321	3,328,770
Deferred tax assets	476,893	379,306
Deferred charges and other assets, net	813,907	506,596
Total assets	$7,481,220	$7,621,927
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$449,199	$535,907
Accrued expenses	1,609,311	1,467,684
Deferred revenue	6,161	13,292
Current portion of long-term debt (PBFX: $0 and $39,664, respectively)	—	39,664
Total current liabilities	2,064,671	2,056,547
Long-term debt (PBFX: $532,804 and $532,011, respectively)	2,159,547	2,108,570
Payable to related parties pursuant to tax receivable agreement	611,392	611,392
Deferred tax liabilities	50,822	45,699
Other long-term liabilities	225,795	229,035
Total liabilities	5,112,227	5,051,243
Commitments and contingencies (Note 10)		
Equity:		
Class A common stock, $0.001 par value, 1,000,000,000 shares authorized, 109,722,252 shares outstanding at June 30, 2017, 109,204,047 shares outstanding at December 31, 2016	94	94
Class B common stock, $0.001 par value, 1,000,000 shares authorized, 27 shares outstanding at June 30, 2017, 28 shares outstanding at December 31, 2016	—	—
Preferred stock, $0.001 par value, 100,000,000 shares authorized, no shares outstanding at June 30, 2017 and December 31, 2016	—	—
Treasury stock, at cost, 6,102,104 shares outstanding at June 30, 2017 and 6,087,963 shares outstanding at December 31, 2016	(151,547)	(151,547)
Additional paid in capital	2,255,922	2,245,788
Retained earnings/(Accumulated deficit)	(253,498)	(44,852)
Accumulated other comprehensive loss	(23,816)	(24,439)
Total PBF Energy Inc. equity	1,827,155	2,025,044
Noncontrolling interest	541,838	545,640
Total equity	2,368,993	2,570,684
Total liabilities and equity	$7,481,220	$7,621,927

See notes to condensed consolidated financial statements.

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,	
	2017	2016	2017	2016
Revenues	$5,017,225	$3,858,467	$9,771,698	$6,658,652
Cost and expenses:				
Cost of products and other	4,605,693	3,249,444	8,802,460	5,661,539
Operating expenses (excluding depreciation of $62,683, $49,682, $121,852 and $103,918 for the periods presented, respectively)	412,859	276,598	864,226	576,597
General and administrative expenses	41,090	43,373	84,920	80,955
Loss on sale of assets	29	3,222	912	3,222
Depreciation and amortization expense	68,703	51,060	129,635	106,993
	5,128,374	3,623,697	9,882,153	6,429,306
Income (loss) from operations	(111,149)	234,770	(110,455)	229,346
Other income (expenses):				
Change in fair value of catalyst leases	1,104	(1,748)	(1,484)	(4,633)
Debt extinguishment costs	(25,451)	—	(25,451)	—
Interest expense, net	(40,698)	(35,940)	(77,881)	(73,467)
Income (loss) before income taxes	(176,194)	197,082	(215,271)	151,246
Income tax (benefit) expense	(72,043)	76,434	(91,090)	53,934
Net income (loss)	(104,151)	120,648	(124,181)	97,312
Less: net income attributable to noncontrolling interests	5,512	17,118	16,559	23,170
Net income (loss) attributable to PBF Energy Inc. stockholders	$(109,663)	$103,530	$(140,740)	$74,142
Weighted-average shares of Class A common stock outstanding				
Basic	108,779,992	97,836,366	108,770,237	97,822,875
Diluted	108,779,992	103,278,622	108,770,237	103,364,478
Net income (loss) available to Class A common stock per share:				
Basic	$(1.01)	$1.06	$(1.30)	$0.76
Diluted	$(1.01)	$1.06	$(1.30)	$0.76
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 (LOSS)
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$(104,151)	$120,648	$(124,181)	$97,312
Other comprehensive income:				
Unrealized gain on available for sale securities	43	99	70	405
Net gain on pension and other post-retirement benefits	287	316	574	632
Total other comprehensive income	330	415	644	1,037
Comprehensive income (loss)	(103,821)	121,063	(123,537)	98,349
Less: comprehensive income attributable to noncontrolling interests	5,524	17,138	16,581	23,220
Comprehensive income (loss) attributable to PBF Energy Inc. stockholders	$(109,345)	$103,925	$(140,118)	$75,129

See notes to condensed consolidated financial statements.
7

PBF ENERGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	$(124,181)	$97,312
Adjustments to reconcile net income (loss) to net cash (used in) provided by operations:		
Depreciation and amortization	134,595	112,523
Stock-based compensation	13,842	12,709
Change in fair value of catalyst leases	1,484	4,633
Deferred income taxes	(92,464)	92,973
Non-cash change in inventory repurchase obligations	(3,107)	26,172
Non-cash lower of cost or market inventory adjustment	167,134	(216,843)
Debt extinguishment costs	25,451	—
Pension and other post-retirement benefit costs	21,121	15,355
Loss on sale of assets	912	3,222
Changes in operating assets and liabilities:		
Accounts receivable	8,533	(193,107)
Inventories	(178,738)	82,579
Prepaid expense and other current assets	63,853	(29,170)
Accounts payable	(138,802)	58,186
Accrued expenses	113,494	157,345
Deferred revenue	(7,131)	4,405
Other assets and liabilities	(40,661)	(12,160)
Net cash (used in) provided by operations	(34,665)	216,134
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(220,446)	(111,772)
Expenditures for deferred turnaround costs	(214,375)	(106,649)
Expenditures for other assets	(23,747)	(21,325)
Expenditures for PBFX Plains Asset Purchase	—	(98,336)
Expenditures for acquisition of Toledo Terminal by PBFX	(10,097)	—
Chalmette Acquisition working capital settlement	—	(2,659)
Purchase of marketable securities	(75,036)	(1,310,000)
Maturities of marketable securities	115,060	1,408,124
Proceeds from sale of assets	—	6,860
Net cash used in investing activities	$(428,641)	$(235,757)

See notes to condensed consolidated financial statements.

8

PBF ENERGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(unaudited, in thousands)

	Six Months Ended June 30,	
	2017	2016
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 other than PBF Energy	(2,300)	(2,971)
Distributions to PBFX public unit holders	(21,248)	(14,864)
Dividend payments	(65,807)	(58,696)
Proceeds from 2025 7.25% Senior Notes	725,000	—
Cash paid to extinguish 2020 8.25% Senior Secured Notes	(690,209)	—
Proceeds from PBFX revolver borrowings	—	98,500
Repayments of PBFX revolver borrowings	—	(30,000)
Repayments of PBFX Term Loan borrowings	(39,664)	(98,336)
Repayments of PBF Rail Term Loan	(3,295)	—
Repayments of Rail Facility revolver borrowings	—	(6,970)
Proceeds from revolver borrowings	290,000	550,000
Repayments of revolver borrowings	(290,000)	—
Deferred financing costs and other	(12,414)	—
Net cash (used in) provided by financing activities	(109,937)	488,238
Net (decrease) increase in cash and cash equivalents	(573,243)	468,615
Cash and cash equivalents, beginning of period	746,274	944,320
Cash and cash equivalents, end of period	$173,031	$1,412,935
Supplemental cash flow disclosures		
Non-cash activities:		
Accrued and unpaid capital expenditures	$128,941	$8,149

See notes to condensed consolidated financial statements.

9

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 on November 7, 2011 and 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 Investments LLC ("PBF Investments"), Toledo Refining Company LLC ("Toledo Refining" or "TRC"), Paulsboro Refining Company LLC ("Paulsboro Refining" or "PRC"), Delaware City Refining Company LLC ("Delaware City Refining" or "DCR"), Chalmette Refining, L.L.C. ("Chalmette Refining"), PBF Western Region LLC ("PBF Western Region"), Torrance Refining Company LLC ("Torrance Refining") and Torrance Logistics Company LLC are PBF LLC's principal operating subsidiaries and are all wholly-owned subsidiaries of PBF Holding.

As of June 30, 2017, PBF LLC also holds a 44.1% 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.

As of June 30, 2017, the Company owns 109,722,252 PBF LLC Series C Units and the Company's current and former executive officers and directors and certain employees and others beneficially own 3,825,508 PBF LLC Series A Units. As of June 30, 2017, the holders of the Company's issued and outstanding shares of Class A common stock have 96.6% 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 3.4% 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. 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 accounting principles generally accepted in the United States of America ("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, 2016 of PBF Energy. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year.

Cost Classifications

Cost of products and other consists of the cost of crude oil, other feedstocks, blendstocks and purchased refined products and the related in-bound freight and transportation costs.

Operating expenses (excluding depreciation) consists of direct costs of labor, maintenance and services, utilities, property taxes, environmental compliance costs and other direct operating costs incurred in connection with our refining operations. Such expenses exclude depreciation related to refining and logistics assets that are integral to the refinery production process, which is presented as a component of Depreciation and amortization expense on our Consolidated Statement of Operations.

Reclassification

Certain amounts previously reported in the Company's condensed consolidated financial statements for prior periods have been reclassified to conform to the 2017 presentation. These reclassifications include certain details about accrued expenses and equity in those respective footnotes.

Recently Adopted Accounting Guidance

Effective January 1, 2017, the Company adopted Accounting Standard Update (“ASU”) No. 2016-06, “Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (a consensus of the FASB Emerging Issues Task Force)” (“ASU 2016-06”). ASU 2016-6 was issued in March 2016 by the Financial Accounting Standards Board (“FASB”) 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 Company’s adoption of this guidance did not materially impact its consolidated financial statements.

Effective January 1, 2017, the Company adopted ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). ASU 2016-09 was issued by the FASB in March 2016 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 could prior to its adoption for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The Company’s adoption of this guidance did not materially impact its consolidated financial statements.

Effective January 1, 2017, the Company adopted ASU No. 2016-17, “Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control” (“ASU 2016-17”). ASU 2016-17 was issued by the FASB in October 2016 to amend the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity (“VIE”) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The amendments in this ASU do not change the characteristics of a primary beneficiary in current GAAP. The amendments in this ASU require that a reporting entity, in determining whether it satisfies the second characteristic of a primary beneficiary, include all of its direct variable interests in a VIE and, on a proportionate basis, its indirect variable interests in a VIE held through related parties, including related parties that are under common control with the reporting entity. The Company’s adoption of this guidance did not materially impact its consolidated financial statements.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"), which provides guidance to assist entities with evaluating when a set of transferred assets and activities is a business. Under ASU 2017-01, it is expected that the definition of a business will be narrowed and more consistently applied. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The amendments in this ASU should be applied prospectively on or after the effective date. Early adoption of ASU 2017-01 is permitted and the Company early adopted the new standard in its consolidated financial statements and related disclosures effective January 1, 2017. The Company's adoption of this guidance did not materially impact its consolidated financial statements.

Recent Accounting Pronouncements

In August 2015, the 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. Additional ASUs have been issued in 2016 that provide certain implementation guidance related to ASU 2014-09 (collectively, the Company refers to ASU 2014-09 and these additional ASUs as the "Updated Revenue Recognition Guidance"). The Updated Revenue Recognition Guidance 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 modified retrospective 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 has established a working group to assess the Updated Revenue Recognition Guidance, including its impact on the Company's business processes, accounting systems, controls and financial statement disclosures. The Company's preliminary expectation is that it will adopt this guidance using the modified retrospective method whereby a cumulative effect adjustment is recognized upon adoption and the Updated Revenue Recognition Guidance is applied prospectively. The Company will not early adopt this new guidance. The working group is progressing through its implementation plan and continues to evaluate the impact of this new standard on the Company's consolidated financial statements and related disclosures. Although the Company's analysis of the new standard is still in process and interpretative and industry specific guidance is still developing, the Company currently does not expect the new standard to have a material impact on the amount or timing of revenues recognized for the majority of its revenue arrangements. However, it is expected that the new standard will have some impact on presentation and disclosures in its financial statements.

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 has established a working group to study and lead implementation of the new guidance in ASU 2016-02. This working group was formed during 2016 and has begun the process of compiling a central repository for all leases entered into by the Company and its subsidiaries for further analysis as the implementation project progresses. It is not anticipated that the Company will early adopt this new guidance. The working group continues to evaluate the impact of this new standard on its consolidated financial statements and related disclosures. At this time, the Company has identified that the most significant impacts of this new guidance will be to bring nearly all leases on its balance sheet with "right of use assets" and "lease obligation liabilities" as well as accelerating the interest expense component of financing leases. While the assessment of the impacts arising from this standard is progressing, it remains in its early stages. Accordingly, the Company has not fully determined the impacts on its business processes, controls or financial statement disclosures.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which provides guidance to improve the reporting of net benefit cost in the income statement and on the components eligible

for capitalization in assets. Under the new guidance, employers will present the service cost component

12

of net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Additionally, under this guidance, employers will present the other components of the net periodic benefit cost separately from the line item(s) that includes the service cost and outside of any subtotal of operating income, if one is presented. These components will not be eligible for capitalization in assets. Employers will apply the guidance on the presentation of the components of net periodic benefit cost in the income statement retrospectively. The guidance limiting the capitalization of net periodic benefit cost in assets to the service cost component will be applied prospectively. The guidance includes a practical expedient allowing entities to estimate amounts for comparative periods using the information previously disclosed in their pension and other postretirement benefit plan note to the financial statements. The amendments in this ASU are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting” (“ASU 2017-09”), which provides guidance to increase clarity and reduce both diversity in practice and cost and complexity when applying the existing accounting guidance on changes to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 require an entity to account for the effects of a modification unless all the following are met: (i) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The guidance in ASU 2017-09 should be applied prospectively. The amendments in this ASU are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company will apply the guidance prospectively for any modifications to its stock compensation plans occurring after the effective date of the new standard.

2. PBF LOGISTICS LP

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, storage and transferring of crude oil, refined products, natural gas 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, 2017, a substantial majority of PBFX’s revenue is derived from long-term, fee-based commercial agreements with PBF Holding, which include minimum volume commitments, for receiving, handling, storing and transferring crude oil, refined products and natural gas. 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, 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.

As of June 30, 2017, PBF LLC holds a 44.1% limited partner interest in PBFX consisting of 18,459,497 common units, with the remaining 55.9% limited partner interest held by public unit holders. PBF LLC also owns all of the incentive distribution rights (“IDRs”) and indirectly owns a non-economic general partner interest in PBFX through its wholly-owned subsidiary, PBF GP, the general partner of PBFX. The IDRs entitle PBF LLC to receive increasing percentages, up to a maximum of 50.0%, of the cash PBFX distributes from operating surplus in excess of $0.345 per unit per quarter. As a result of the payment on May 31, 2017 by PBFX of its distribution for the first quarter of 2017, the financial tests required for conversion of all of PBFX’s outstanding subordinated units into common units have been satisfied. As a result, all of PBFX’s subordinated units, which are owned by PBF LLC, have converted on a

one-for-one basis into common units effective June 1, 2017. The conversion of the subordinated

units does not impact the amount of cash distributions paid by PBFX or the total number of its outstanding units. The subordinated units were issued by PBFX in connection with its initial public offering in May 2014.

PBFX Plains Asset Purchase

On April 29, 2016, PBFX purchased four 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”).

TVPC Contribution Agreement

On August 31, 2016, PBFX entered into a contribution agreement (the “TVPC Contribution Agreement”) between PBFX and PBF LLC. Pursuant to the TVPC Contribution Agreement, PBFX acquired from PBF LLC 50% of the issued and outstanding limited liability company interests of Torrance Valley Pipeline Company LLC (“TVPC”), whose assets consist of the San Joaquin Valley Pipeline system (which was acquired as a part of the Torrance Acquisition, as defined in “Note 3 - Acquisitions”), including the M55, M1 and M70 pipeline systems including pipeline stations with storage capacity and truck unloading capability (collectively, the “Torrance Valley Pipeline”).

PNGPC Contribution Agreement

On February 15, 2017, PBFX entered into a contribution agreement (the “PNGPC Contribution Agreement”) between PBFX and PBF LLC. Pursuant to the PNGPC Contribution Agreement, PBF LLC contributed to PBFX’s wholly owned subsidiary PBFX Operating Company LLC (“PBFX Op Co”) all of the issued and outstanding limited liability company interests of Paulsboro Natural Gas Pipeline Company LLC (“PNGPC”). PNGPC owns and operates an existing interstate natural gas pipeline that originates in Delaware County, Pennsylvania, at an interconnection with Texas Eastern pipeline that runs under the Delaware River and terminates at the delivery point to PBF Holding’s Paulsboro refinery, and is subject to regulation by the Federal Energy Regulatory Commission (“FERC”). PNGPC has FERC approval for, and is in the process of constructing, a new natural gas pipeline (the “New Pipeline”) to replace the existing pipeline. In consideration for the PNGPC limited liability company interests, PBFX delivered to PBF LLC (i) an $11,600 intercompany promissory note in favor of Paulsboro Refining Company LLC, a wholly owned subsidiary of PBF Holding (the “Promissory Note”), (ii) an expansion rights and right of first refusal agreement in favor of PBF LLC with respect to the New Pipeline and (iii) an assignment and assumption agreement with respect to certain outstanding litigation involving PNGPC and the existing pipeline.

Chalmette Storage Tank Lease

Effective February 2017, PBFX Op Co assumed construction of a crude oil storage tank at PBF Holding's Chalmette Refinery (the “Chalmette Storage Tank”), which is expected to be in service and operational by the fourth quarter of 2017. PBFX Op Co and Chalmette Refining have entered into a twenty-year lease for the premises upon which the tank will be located and a project management agreement pursuant to which Chalmette Refining will manage the construction of the tank.

Toledo Terminal Acquisition

On April 17, 2017, PBFX’s wholly-owned subsidiary, PBF Logistics Products Terminals LLC, acquired the Toledo, Ohio refined products terminal assets (the “Toledo Terminal”) of Sunoco Logistics L.P. The Toledo Terminal is directly connected to, and currently supplied by, PBF Holding’s Toledo Refinery.

3. ACQUISITIONS

Torrance Acquisition

On July 1, 2016, the Company acquired from ExxonMobil Oil Corporation and its subsidiary, Mobil Pacific Pipe Line Company, the Torrance refinery and related logistics assets (collectively, the “Torrance Acquisition”). 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

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

material sourcing and product distribution opportunities primarily in the California, Las Vegas and Phoenix area markets. The Torrance Acquisition provided the Company with a broader more diversified asset base and increased the number of operating refineries from four to five and expanded the Company's combined crude oil throughput capacity. The acquisition also provided the Company with a presence in the PADD 5 market.

In addition to refining assets, the transaction included 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 were 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 aggregate purchase price for the Torrance Acquisition was $521,350 in cash after post-closing purchase price adjustments, plus final working capital of $450,582. 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 certain equity offerings, and borrowings under PBF Holding's asset based revolving credit agreement (the "Revolving Loan").

The Company accounted for the Torrance Acquisition as a business combination under GAAP whereby the Company recognizes assets acquired and liabilities assumed in an acquisition at their estimated fair values as of the date of acquisition. The final purchase price and fair value allocation were completed as of June 30, 2017. During the measurement period, which ended in June 2017, adjustments were made to the Company's preliminary fair value estimates related primarily to Property, plant and equipment and Other long-term liabilities reflecting the finalization of the Company's assessment of the costs and duration of certain assumed pre-existing environmental obligations.

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

	Purchase Price
Gross purchase price	$537,500
Working capital	450,582
Post close purchase price adjustments	(16,150)
Total consideration	$971,932

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

	Fair Value Allocation
Inventories	$404,542
Prepaid expenses and other current assets	982
Property, plant and equipment	704,633
Deferred charges and other assets, net	68,053
Accounts payable	(2,688)
Accrued expenses	(64,137)
Other long-term liabilities	(139,453)
Fair value of net assets acquired	$971,932

The Company's condensed consolidated financial statements for the six months ended June 30, 2017 include the results of operations of the Torrance refinery and related logistics assets subsequent to the Torrance Acquisition whereas the same period in 2016 does not include the results of operations of such assets. On an unaudited pro

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

forma basis, the revenues and net income of the Company assuming the Torrance Acquisition 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 acquisition 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 attributable to the Torrance Acquisition and interest expense associated with the related financing.

	Six Months Ended June 30, 2016
Pro forma revenues	$7,737,663
Pro forma net loss attributable to PBF Energy Inc. stockholders	$(43,152)
Pro forma net loss available to Class A common stock per share:	
Basic	$(0.44)
Diluted	$(0.44)

The unaudited amount of revenues and net loss above have been calculated after conforming accounting policies of the Torrance refinery and related logistics assets to those of the Company and certain one-time adjustments.

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"). While the Company's condensed consolidated financial statements for both the three and six months ended June 30, 2017 and 2016 include the results of operations of Chalmette Refining, the final working capital settlement for the Chalmette Acquisition was finalized in the first quarter of 2016. Additionally, certain acquisition related costs for the Chalmette Acquisition were recorded in the first quarter of 2016.

Acquisition Expenses

The Company incurred acquisition related costs consisting primarily of consulting and legal expenses related to completed, pending and non-consummated acquisitions of $425 and $971 in the three and six months ended June 30, 2017, respectively. In the three and six months ended June 30, 2016, the Company incurred acquisition related costs of $4,988 and $9,712, respectively. These costs are included in the condensed consolidated statements of operations in General and administrative expenses.

4. EQUITY

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 June 30, 2017 and December 31, 2016, PBF Energy's equity interest in PBF LLC represented approximately 96.6% and 96.5%, 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 represents the portion of net assets of PBF Energy attributable to the members of PBF LLC other than PBF Energy.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

The noncontrolling interest ownership percentages of PBF Energy as of June 30, 2017 and December 31, 2016 are calculated as follows:

	Holders of PBF LLC Series A Units		Outstanding Shares of PBF Energy Class A Common Stock		Total *	
December 31, 2016	3,920,902		109,204,047		113,124,949	
	3.5	%	96.5	%	100.0	%
June 30, 2017	3,825,508		109,722,252		113,547,760	
	3.4	%	96.6	%	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 44.1% limited partner interest in PBFX and owns all of PBFX's IDR's, with the remaining 55.9% limited partner interest owned by public common unit holders as of June 30, 2017. 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 ownership in PBF LLC). Noncontrolling interest on the condensed consolidated balance sheets includes the portion of net assets of PBFX attributable to the public common unit holders of PBFX.

The noncontrolling interest ownership percentages of PBFX as of June 30, 2017 and December 31, 2016, are calculated as follows:

	Units of PBFX Held by the Public		Units of PBFX Held by PBF LLC (Including Subordinated Units)		Total	
December 31, 2016	23,271,174		18,459,497		41,730,671	
	55.8	%	44.2	%	100.0	%
June 30, 2017	23,430,990		18,459,497		41,890,487	
	55.9	%	44.1	%	100.0	%

Noncontrolling Interest in PBF Holding

In connection with 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. For the three months ended June 30, 2017 and 2016 the Company recorded a noncontrolling interest in the earnings of these subsidiaries of $267 and $90, respectively. For the six months ended June 30, 2017 and 2016 the Company recorded a noncontrolling interest in the earnings of these subsidiaries of $380 and $393, respectively.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

Changes in Equity and Noncontrolling Interests

The following tables summarize the changes in equity for the controlling and noncontrolling interests of PBF Energy for the six months ended June 30, 2017 and 2016:

	PBF Energy Inc. Equity	Noncontrolling Interest in PBF LLC	Noncontrolling Interest in PBF Holding	Noncontrolling Interest in PBFX	Total Equity
Balance at January 1, 2017	$ 2,025,044	$ 98,671	$ 12,513	$ 434,456	$2,570,684
Comprehensive income (loss)	(140,118)	(8,439)	380	24,640	(123,537)
Dividends and distributions	(65,807)	(2,300)	—	(21,787)	(89,894)
Equity-based compensation awards	10,134	—	—	3,708	13,842
Other	(2,098)	—	—	(4)	(2,102)
Balance at June 30, 2017	$ 1,827,155	$ 87,932	$ 12,893	$ 441,013	$2,368,993

	PBF Energy Inc. Equity	Noncontrolling Interest in PBF LLC	Noncontrolling Interest in PBF Holding	Noncontrolling Interest in PBFX	Total Equity
Balance at January 1, 2016	$ 1,647,297	$ 91,018	$ 17,225	$ 340,317	$2,095,857
Comprehensive income (loss)	75,129	6,615	393	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
Equity-based compensation awards	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	$ 94,335	$ 12,646	$ 378,669	$2,175,856

Share Activity

The following table presents the changes in PBF Energy Class A common stock and treasury stock outstanding:

	Six Months Ended June 30,			
	2017		2016	
	Class A Common Stock	Treasury Stock	Class A Common Stock	Treasury Stock
Balance at beginning of period	109,204,047	6,087,963	97,781,933	6,056,719
Treasury stock purchases (1)	(14,141)	14,141	(21,564)	21,564
Stock based compensation	431,296	—	26,657	—
Exchange of PBF LLC Series A units for shares of Class A common stock	101,050	—	38,957	—
Balance at end of period	109,722,252	6,102,104	97,825,983	6,078,283

(1) Includes shares repurchased from participants in connection with the vesting of equity awards granted under the Company’s stock compensation plans to cover employee income tax liabilities.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

5. INVENTORIES
Inventories consisted of the following:
June 30, 2017

	Titled Inventory	Inventory Intermediation Arrangements	Total
Crude oil and feedstocks	$1,307,816	$ —	$1,307,816
Refined products and blendstocks	935,041	300,939	1,235,980
Warehouse stock and other	94,490	—	94,490
	$2,337,347	$ 300,939	$2,638,286
Lower of cost or market adjustment	(650,702)	(112,420)	(763,122)
Total inventories	$1,686,645	$ 188,519	$1,875,164

December 31, 2016

	Titled Inventory	Inventory Intermediation Arrangements	Total
Crude oil and feedstocks	$1,102,007	$ —	$1,102,007
Refined products and blendstocks	915,397	352,464	1,267,861
Warehouse stock and other	89,680	—	89,680
	$2,107,084	$ 352,464	$2,459,548
Lower of cost or market adjustment	(492,415)	(103,573)	(595,988)
Total inventories	$1,614,669	$ 248,891	$1,863,560

Inventory under inventory intermediation arrangements included certain light finished products sold to counterparties and stored in the Paulsboro and Delaware City refineries' storage facilities in connection with the amended and restated inventory intermediation agreements (as amended in the second quarter of 2017, the "A&R Intermediation Agreements") with J. Aron & Company, a subsidiary of The Goldman Sachs Group, Inc. ("J. Aron").

During the three months ended June 30, 2017, the Company recorded an adjustment to value its inventories to the lower of cost or market ("LCM") which decreased operating income and net income by $151,095 and $91,624, respectively, reflecting the net change in the lower of cost or market inventory reserve from $612,027 at March 31, 2017 to $763,122 at June 30, 2017. During the six months ended June 30, 2017, the Company recorded an adjustment to value its inventories to the lower of cost or market which decreased operating income and net income by $167,134 and $101,350, respectively, reflecting the net change in the lower of cost or market inventory reserve from $595,988 at December 31, 2016 to $763,122 at June 30, 2017.

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.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

6. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	June 30, 2017	December 31, 2016
Inventory-related accruals	$778,746	$ 810,027
Inventory intermediation arrangements	233,455	225,524
Renewable energy credit and emissions obligations	172,331	70,158
Excise and sales tax payable	100,998	86,046
Accrued transportation costs	83,312	89,830
Accrued capital expenditures	76,847	35,149
Accrued refinery maintenance and support costs	32,326	28,670
Accrued utilities	28,914	44,190
Customer deposits	23,912	9,215
Accrued salaries and benefits	15,961	17,466
Accrued interest	12,221	28,570
Environmental liabilities	9,195	9,434
Other	41,093	13,405
Total accrued expenses	$1,609,311	$ 1,467,684

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. As of June 30, 2017 and December 31, 2016, a liability is recognized for the inventory 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 products and other.

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. In addition, the Company is subject to obligations to comply with federal and state legislative and regulatory measures to address environmental compliance and greenhouse gas and other emissions, including AB32 in California. These requirements include incremental costs to operate and maintain our facilities as well as to implement and manage new emission controls and programs, which have contributed to the increase in accrued environmental liabilities and emission obligations following the Torrance Acquisition. Renewable energy credit and emissions obligations fluctuate with the volume of applicable product sales and timing of credit purchases.

7. LONG-TERM DEBT

Senior Notes

On May 30, 2017, PBF Holding entered into an Indenture (the “Indenture”) among PBF Holding and PBF Holding’s wholly-owned subsidiary, PBF Finance Corporation (“PBF Finance” and, together with PBF Holding, the “Issuers”), the guarantors named therein (collectively the “Guarantors”) and Wilmington Trust, National Association, as Trustee, under which the Issuers issued $725,000 in aggregate principal amount of 7.25% senior

notes due 2025 (the “2025 Senior Notes”). The Issuers received net proceeds of approximately $712,586 from the offering after deducting the initial purchasers’ discount and estimated offering expenses. The Company used the net proceeds to fund the cash tender offer (the “Tender Offer”) for any and all of its outstanding 8.25% senior secured notes due 2020 (the “2020 Senior Secured Notes”), to pay the related redemption price and accrued and unpaid interest for any 2020 Senior Secured Notes that remained outstanding after the completion of the Tender Offer, and for general corporate purposes. The difference between the carrying value of the 2020 Senior Secured Notes on the date they were reacquired and the amount for which they were reacquired has been classified as debt extinguishment costs in the condensed consolidated statement of operations.

The 2025 Senior Notes include a registration payment arrangement whereby the Company has agreed to file with the SEC and use reasonable efforts to cause to become effective within 365 days of the closing date, a registration statement relating to an offer to exchange the 2025 Senior Notes for an issue of registered notes with terms substantially identical to the notes. The Issuers will be obligated to pay additional interest if they fail to comply with their obligations to register the 2025 Senior Notes within the specified time period. The Company fully intends to file a registration statement for the exchange of the 2025 Senior Notes within the 365 day period following the closing of the 2025 Senior Notes. In addition, there are no restrictions or hindrances that the Company is aware of that would prohibit the Issuers from filing such registration statement and maintaining its effectiveness as stipulated in the registration rights agreement. As such, the Company asserts that it is not probable that it will have to transfer any consideration as a result of the registration rights agreement and thus no loss contingency was recorded.

The 2025 Senior Notes are guaranteed on a senior unsecured basis by substantially all of PBF Holding’s subsidiaries. The 2025 Senior Notes and guarantees are senior unsecured obligations and rank equal in right of payment with all of the Issuers’ and the Guarantors’ existing and future senior indebtedness, including PBF Holding’s Revolving Loan and the Issuers’ 7.00% senior notes due 2023 (the “2023 Senior Notes”). The 2025 Senior Notes and the guarantees rank senior in right of payment to the Issuers’ and the Guarantors’ existing and future indebtedness that is expressly subordinated in right of payment thereto. The 2025 Senior Notes and the guarantees are effectively subordinated to any of the Issuers’ and the Guarantors’ existing or future secured indebtedness (including the Revolving Loan) to the extent of the value of the collateral securing such indebtedness. The 2025 Senior Notes and the guarantees are structurally subordinated to any existing or future indebtedness and other obligations of the Issuers’ non-guarantor subsidiaries.

PBF Holding has optional redemption rights to repurchase all or a portion of the 2025 Senior Notes at varying prices no less than 100% of the principal amounts of the notes plus accrued and unpaid interest. The holders of the 2025 Senior Notes have repurchase options exercisable only upon a change in control, certain asset sale transactions, or in event of a default as defined in the Indenture. In addition, the 2025 Senior Notes contain customary terms, events of default and covenants for an issuer of non-investment grade debt securities that limit certain types of additional debt, equity issuances, and payments. Many of these covenants will cease to apply or will be modified if the 2025 Senior Notes are rated investment grade.

Upon the satisfaction and discharge of the 2020 Senior Secured Notes in connection with the closing of the Tender Offer and the redemption described above, a Collateral Fall-Away Event under the indenture governing the 2023 Senior Notes occurred on May 30, 2017, and the 2023 Senior Notes became unsecured and certain covenants were modified, as provided for in the indenture governing the 2023 Senior Notes and related documents.

8. MARKETABLE SECURITIES

The U.S. Treasury securities purchased by the Company with the proceeds from the PBFX initial public offering are used as collateral to secure a three-year, $300,000 term loan facility entered into by PBFX (the “PBFX Term Loan”). 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.

21

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

The carrying value of these marketable securities approximates fair value and are measured using Level 1 inputs. The marketable securities were fully liquidated as of June 30, 2017 and the PBFX Term Loan that they collateralized was repaid in full.
As of June 30, 2017 there were no marketable securities. As of December 31, 2016, the Company held $40,024 in marketable securities. The gross unrecognized holding gains and losses as of June 30, 2017 and December 31, 2016 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, 2017 and 2016.

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 primarily of its share of PBF LLC's pre-tax income (approximately 96.6% as of June 30, 2017 and approximately 96.5% as of December 31, 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 and one subsidiary of PBF Holding 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 PBF LLC or PBFX apart from the income tax expense (benefit) of $5,907 and $6,341 for the three and six months ended June 30, 2017, respectively, and $(5,277) and $26,996 for the three and six months ended June 30, 2016, respectively, attributable to the C-Corporation subsidiaries of Chalmette Refining and the subsidiary of PBF Holding.
The income tax provision (benefit) in the PBF Energy condensed consolidated financial statements of operations consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Current tax expense (benefit)	$901	$36,415	$1,374	$(39,039)
Deferred tax (benefit) expense	(72,944)	40,019	(92,464)	92,973
Total tax (benefit) expense	$(72,043)	$76,434	$(91,090)	$53,934

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Provision at Federal statutory rate	35.0 %	35.0%	35.0 %	35.0 %
Increase (decrease) attributable to flow-through of certain tax adjustments:				
State income taxes (net of federal income tax)	4.8 %	4.6 %	4.7 %	4.6 %
Nondeductible/nontaxable items	(0.9)%	— %	(0.7)%	0.2 %
Rate differential from foreign jurisdictions	1.0 %	2.0 %	0.9 %	2.5 %
Foreign tax rate change	— %	— %	(0.4)%	— %
Other	(0.3)%	0.7 %	(0.2)%	(0.4)%
Effective tax rate	39.6 %	42.3%	39.3 %	41.9 %

The Company's effective income tax rate for the three and six months ended June 30, 2017, including the impact of income attributable to noncontrolling interests of $5,512 and $16,559, respectively, was 40.9% and 42.3%, respectively. 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.

PBF Energy has determined there are no material uncertain tax positions as of June 30, 2017. PBF Energy does not have any unrecognized tax benefits.

10. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The Company's refineries, pipelines and related operations 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 Paulsboro environmental liability of $11,117 recorded as of June 30, 2017 ($10,792 as of December 31, 2016) 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. 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 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 $2,098 recorded as of June 30, 2017 ($2,173 as of December 31, 2016) represents the present value of expected future costs discounted at a rate of 1.83%. 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 November 1, 2015, the Company acquired Chalmette Refining, which was in discussions with the Louisiana Department of Environmental Quality ("LDEQ") to resolve self-reported deviations from refinery operations relating to certain Clean Air Act Title V permit conditions, limits and other requirements. LDEQ commenced an enforcement action against Chalmette Refining on November 14, 2014 by issuing a Consolidated Compliance

Order and Notice of Potential Penalty (the "Order") covering deviations from 2009 and 2010. Chalmette Refining and LDEQ subsequently entered into a dispute resolution agreement, the enforcement of which has been suspended while negotiations are ongoing, which may include the resolution of deviations outside the periods covered by the Order. In February 2017, Chalmette Refining and the LDEQ met to resolve the issues under the Order, including the assessment of an administrative penalty against Chalmette Refining. Although a resolution has not been finalized, the administrative penalty is anticipated to be approximately $700, including beneficial environmental projects. To the extent the administrative penalty exceeds such amount, it is not expected to be material to the Company.

On January 24, 2017, in connection with a Clean Air Act inspection in May 2014 by the EPA to determine compliance with 40 CFR Subpart 68 Chemical Accident Prevention Provisions, EPA notified the Chalmette refinery of its intent to bring an enforcement action on two findings from the audit. In a letter received in June 2017 the EPA stated that there are "no violations or areas of concern" at the Chalmette refinery "for which EPA intends to take enforcement action" relative to the 2014 inspection.

On December 23, 2016, the Delaware City refinery received a Notice of Violation ("NOV") from DNREC concerning a potential violation of the DNREC order authorizing the shipment of crude oil by barge from the Refinery. The NOV alleges that DCR made shipments to locations other than the Paulsboro refinery in violation of the order and requests certain additional information. On February 7, 2017, DCR responded to the NOV. On March 10, 2017, DNREC issued a $150 fine in a Notice of Penalty Assessment and Secretary's Order to the Delaware City refinery for violating the 2013 Secretary's Order. DNREC's investigation found that PBF Energy violated the Order throughout 2014, when it made 17 barge shipments of crude oil over 15 days to locations other than the Paulsboro refinery. DNREC determined that the Delaware City refinery had violated the order by failing to make timely and full disclosure to DNREC about the nature and extent of those shipments, and had misrepresented the number of shipments that went to other facilities. The penalty assessment and Secretary's Order conclude that the 2013 Secretary's Order was violated by the Delaware City refinery by shipping crude oil from the Delaware City terminal to three locations other than the Paulsboro refinery, on 15 days in 2014, making a total of 17 separate barge shipments containing approximately 35.7 million gallons of crude oil in total. On April 28, 2017, DCR appealed the Notice of Penalty Assessment and Secretary's Order. To the extent that the penalty and Secretary's Order are upheld, there will not be a material adverse effect on the Company's financial position, results of operations or cash flows.

On December 28, 2016, DNREC issued a Coastal Zone Act permit (the "Ethanol permit") to DCR allowing the utilization of existing tanks and existing marine loading equipment at their existing facilities to enable denatured ethanol to be loaded from storage tanks to marine vessels and shipped to offsite facilities. On January 13, 2017, the issuance of the Ethanol Permit was appealed by two environmental groups. On February 27, 2017, the Coastal Zone Industrial Board held a public hearing and dismissed the appeal, determining that the appellants did not have standing. The final opinion and order of the Board was issued March 16, 2017. The appellants filed an appeal of the Board's decision with the Delaware Superior Court on March 30, 2017.

On February 3, 2011, EPA sent a request for information pursuant to Section 114 of the Clean Air Act to the Paulsboro refinery with respect to compliance with EPA standards governing flaring. The refinery and the EPA have reached agreement on settlement, which includes a civil penalty of $180. On July 13, 2017, the U.S. Department of Justice filed with the Court the motion to enter the consent decree. The refinery is waiting for the Court to take action on the motion, at which point it will be officially lodged.

On February 14, 2017, the New Jersey Department of Environmental Protection ("NJDEP") submitted a proposed Administrative Consent Order ("ACO") which covers air emission violations from 2013 through 2016, and work practice standards that were not subject to an affirmative defense at the Paulsboro refinery. In settlement of the violations, the NJDEP has proposed that the Paulsboro refinery pay a civil administrative penalty of $313, which includes $153 for a supplemental environmental project. This offer was accepted. The supplemental environmental project has already been completed, and the remaining $160 was paid to NJDEP in June 2017.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

In connection with the acquisition of the Torrance refinery and related logistics assets, the Company assumed certain pre-existing environmental liabilities totaling $139,827 as of June 30, 2017 ($142,456 as of December 31, 2016), related to certain environmental remediation obligations to address existing soil and groundwater contamination and monitoring and other clean-up activities, which reflects the current estimated cost of the remediation obligations. The current portion of the environmental liability is recorded in Accrued expenses and the non-current portion is recorded in Other long-term liabilities. In addition, in connection with the acquisition of the Torrance refinery and related logistics assets, the Company purchased a ten year, $100,000 environmental insurance policy to insure against unknown environmental liabilities. Furthermore, in connection with the acquisition, the Company assumed responsibility for certain specified environmental matters that occurred prior to the Company's ownership of the refinery. Specifically, the Company assumed responsibility for specified NOVs issued by the Southern California Air Quality Management District ("SCAQMD") in various years before the Company's ownership.

Additionally, subsequent to the acquisition, the Company received further NOVs from the SCAQMD as well as from the City of Torrance and the City of Torrance Fire Department related to alleged operational violations, emission discharges and/or flaring incidents at the refinery. With the exception of one NOV for which a proposed settlement is less than $100, no settlement or penalty demands have been received to date with respect to the other NOVs. As the ultimate outcomes are uncertain, the Company cannot currently estimate the final amount or timing of their resolution. It is reasonably possible that SCAQMD and/or the City of Torrance will assess penalties in these matters but any such amount is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

The Company's operations and many of the products it manufactures are subject to certain specific requirements of the Clean Air Act (the "CAA") and related state and local regulations. The CAA contains provisions that require capital expenditures for the installation of certain air pollution control devices at the Company's refineries. Subsequent rule making authorized by the CAA or similar laws or new agency interpretations of existing rules, may necessitate additional expenditures in future years.

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 - where less than 500 ppm sulfur is 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 CAA. This final rule establishes more stringent vehicle emission standards and further reduces the sulfur content of gasoline starting in January 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 refineries are complying with these new requirements as planned, either directly or using flexibility provided by sulfur credits generated or purchased in advance as an economic optimization. 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 published the final 2014-2016 standards under the Renewable Fuels Standard ("RFS") late in 2015 and issued final 2017 RFS standards in November 2016. In July 2017, the EPA issued proposed 2018 RFS standards that, while the Company is still reviewing, appear to slightly reduce renewable volume standards from final 2017 levels. It is not clear that renewable fuel producers will be able to produce the volumes of these fuels required for blending in accordance with the 2017 standards. The final 2017 cellulosic standard is at approximately 135% of the 2016 standard. It is likely that cellulosic RIN production will be lower than needed forcing obligated parties, such as the Company, to purchase cellulosic "waiver credits" to comply in 2017 (the waiver credit option by

regulation is only available for the cellulosic standard). The advanced and total RIN requirements were raised (by 7% and 3%, respectively) above the original proposed level in May 2016. Production of advanced RINs has been below what is needed for compliance in 2016. Obligated parties, such as the Company, will likely be relying on the nesting feature of the biodiesel RIN to comply with the advanced standard in 2017. While the Company believes that total RIN production will be adequate for 2016 needs, the new 2017 standard will put obligated parties up against the E10 blendwall leaving little flexibility. Compliance in 2017 will likely rely on obligated parties drawing down the supply of excess RINs collectively known as the “RIN bank” and could tighten the RIN market potentially raising RIN prices further. The Company is supporting a proposal to change the point of obligation under the RFS program to the “blender” of renewable fuels, of which the new presidential administration may be supportive. Depending on how the new administration addresses this proposal and any future changes to the RFS 2 program, there could be a material impact on the Company’s cost of compliance with RFS 2.

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.

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.

As a result of the Torrance Acquisition, the Company is subject to greenhouse gas emission control regulations in the state of California pursuant to Assembly Bill 32 (“AB32”). AB32 imposes a statewide cap on greenhouse gas emissions, including emissions from transportation fuels, with the aim of returning the state to 1990 emission levels by 2020. AB32 is implemented through two market mechanisms including the Low Carbon Fuel Standard (“LCFS”) and Cap and Trade, which was extended for an additional ten years to 2030 in July 2017. The Company is responsible for the AB32 obligations related to the Torrance refinery beginning on July 1, 2016 and must purchase emission credits to comply with these obligations. Additionally, in September 2016, the state of California enacted Senate Bill 32 (“SB32”) which further reduces greenhouse gas emissions targets to 40 percent below 1990 levels by 2030.

However, subsequent to the acquisition, the Company is recovering the majority of these costs from its customers, and as such does not expect this obligation to materially impact the Company’s financial position, results of operations, or cash flows. To the degree there are unfavorable changes to AB32 or SB32 regulations or the Company is unable to recover such compliance costs from customers, these regulations could have a material adverse effect on our financial position, results of operations and cash flows.

On February 15, 2017, the Company received another notification that EPA records indicated that PBF Holding used potentially invalid RINs that were in fact verified under the EPA’s RIN Quality Assurance Program (“QAP”) by an independent auditor as QAP A RINs. Under the regulations, use of potentially invalid QAP A RINs provided the user with an affirmative defense from civil penalties provided certain conditions are met. The Company has asserted the affirmative defense and if accepted by the EPA will not be required to replace these RINs and will not be subject to civil penalties under the program. It is reasonably possible that the EPA will not accept the Company’s defense and may assess penalties in these matters but any such amount is not expected to have a material impact on the Company’s financial position, 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, subject to the available cash and borrowings of PBF LLC. PBF LLC generally 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 96.6% interest in PBF LLC as of June 30, 2017 (96.5% as of December 31, 2016).

27

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

As of June 30, 2017, the Company has recognized a liability for the tax receivable agreement of $611,392 ($611,392 as of December 31, 2016) 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, 2017, PBF LLC made aggregate non-tax quarterly distributions of $0.60 per unit to its members, of which $65,807 was distributed pro-rata to PBF Energy and the balance was distributed to its other members. PBF Energy used this $65,807 to pay quarterly cash dividends of $0.30 per share of Class A common stock on March 13, 2017 and May 31, 2017.

With respect to distributions paid during the six months ended June 30, 2017, PBFX paid a distribution on outstanding common and subordinated units of $0.45 per unit on March 13, 2017 and $0.46 on May 31, 2017, of which $19,750 was distributed to PBF LLC and the balance was distributed to its public unit holders.

12. 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,	
Pension Benefits	2017	2016	2017	2016
Components of net periodic benefit cost:				
Service cost	$10,144	$7,339	$20,287	$14,679
Interest cost	1,084	775	2,168	1,551
Expected return on plan assets	(1,442)	(1,107)	(2,884)	(2,213)
Amortization of prior service cost	13	13	26	26
Amortization of actuarial loss (gain)	113	194	226	388
Net periodic benefit cost	$9,912	$7,214	$19,823	$14,431

	Three Months Ended June 30,		Six Months Ended June 30,	
Post-Retirement Medical Plan	2017	2016	2017	2016
Components of net periodic benefit cost:				
Service cost	$316	$219	$632	$439
Interest cost	172	133	344	267
Amortization of prior service cost	161	109	322	218
Amortization of actuarial loss (gain)	—	—	—	—
Net periodic benefit cost	$649	$461	$1,298	$924

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

13. 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, 2017 and December 31, 2016.
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, 2017					
	Fair Value Hierarchy					
	Level 1	Level 2	Level 3	Total Gross Fair Value	Effect of Counter-party Netting	Net Carrying Value on Balance Sheet
Assets:						
Money market funds	$24,633	$ —	$ —	$24,633	N/A	$24,633
Commodity contracts	32,291	1,041	—	33,332	(14,002)	19,330
Derivatives included with inventory intermediation agreement obligations	—	9,165	—	9,165	—	9,165
Liabilities:						
Commodity contracts	9,720	4,282	—	14,002	(14,002)	—
Catalyst lease obligations	—	47,454	—	47,454	—	47,454

	As of December 31, 2016					
	Fair Value Hierarchy					
	Level 1	Level 2	Level 3	Total Gross Fair Value	Effect of Counter-party Netting	Net Carrying Value on Balance Sheet
Assets:						
Money market funds	$342,837	$ —	$ —	$342,837	N/A	$342,837
Marketable securities	40,024	—	—	40,024	N/A	40,024
Commodity contracts	948	35	—	983	(983)	—
Derivatives included with inventory intermediation agreement obligations	—	6,058	—	6,058	—	6,058
Liabilities:						
Commodity contracts	859	3,548	84	4,491	(983)	3,508
Catalyst lease obligations	—	45,969	—	45,969	—	45,969

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

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 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, 2017 and December 31, 2016, $9,599 and $9,440, 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 of commodity contracts categorized in Level 3 of the fair value hierarchy:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Balance at beginning of period	$—	$1,915	$(84)	$3,543
Purchases	—	—	—	—
Settlements	—	(746)	45	(1,003)
Unrealized gain (loss) included in earnings	—	(676)	39	(2,047)
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Balance at end of period	$—	$493	$—	$493

There were no transfers between levels during the three and six months ended June 30, 2017 or 2016.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

Fair value of debt
The table below summarizes the fair value and carrying value of debt as of June 30, 2017 and December 31, 2016.

	June 30, 2017		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Senior secured notes due 2020 (a)	$—	$—	$670,867	$696,098
Senior notes due 2023 (a) (d)	500,000	495,543	500,000	498,801
Senior notes due 2025 (a)	725,000	699,640	—	—
PBFX Senior Notes (a)	350,000	359,033	350,000	346,135
PBFX Term Loan (b)	—	—	39,664	39,664
PBF Rail Term Loan (b)	31,704	31,704	35,000	35,000
Catalyst leases (c)	47,454	47,454	45,969	45,969
PBFX Revolving Credit Facility (b)	189,200	189,200	189,200	189,200
Revolving Loan (b)	350,000	350,000	350,000	350,000
	2,193,358	2,172,574	2,180,700	2,200,867
Less - Current maturities	—	—	39,664	39,664
Less - Unamortized deferred financing costs	33,811	n/a	32,466	n/a
Long-term debt	$2,159,547	$2,172,574	$2,108,570	$2,161,203

(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, senior 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.
(d) As discussed in "Note 7 - Long-term Debt", these notes became unsecured following the Collateral Fall-Away Event on May 30, 2017.

14. DERIVATIVES
The Company uses derivative instruments to mitigate certain exposures to commodity price risk. The Company entered into the A&R Intermediation Agreements that contain purchase obligations for certain volumes of intermediates and refined products. The purchase obligations related to 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 intermediates and refined products. The level of activity for these derivatives is based on the level of operating inventories.
As of June 30, 2017, there were 3,005,137 barrels of intermediates and refined products (2,942,348 barrels at December 31, 2016) outstanding under these derivative instruments designated as fair value hedges. These volumes represent the notional value of the contract.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

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, 2017, there were 10,566,000 barrels of crude oil and 8,732,000 barrels of refined products (5,950,000 and 2,831,000, respectively, as of December 31, 2016), 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, 2017 and December 31, 2016 and the line items in the condensed consolidated balance sheet in which the fair values are reflected.

Description	Balance Sheet Location	Fair Value Asset/(Liability)
Derivatives designated as hedging instruments:		
June 30, 2017:		
Derivatives included with the inventory intermediation agreement obligations	Accrued expenses	$ 9,165
December 31, 2016:		
Derivatives included with the inventory intermediation agreement obligations	Accrued expenses	$ 6,058
Derivatives not designated as hedging instruments:		
June 30, 2017:		
Commodity contracts	Accounts receivable	$ 19,330
December 31, 2016:		
Commodity contracts	Accrued expenses	$ 3,508

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

The following table provides information about the gains or losses 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, 2017:		
Derivatives included with the inventory intermediation agreement obligations	Cost of products and other	$ (20,017)
For the three months ended June 30, 2016:		
Derivatives included with the inventory intermediation agreement obligations	Cost of products and other	$ 8,973
For the six months ended June 30, 2017:		
Derivatives included with the inventory intermediation agreement obligations	Cost of products and other	$ 3,107
For the six months ended June 30, 2016:		
Derivatives included with the inventory intermediation agreement obligations	Cost of products and other	$ (26,172)
Derivatives not designated as hedging instruments:		
For the three months ended June 30, 2017:		
Commodity contracts	Cost of products and other	$ 14,293
For the three months ended June 30, 2016:		
Commodity contracts	Cost of products and other	$ (19,134)
For the six months ended June 30, 2017:		
Commodity contracts	Cost of products and other	$ 14,684
For the six months ended June 30, 2016:		
Commodity contracts	Cost of products and other	$ (39,087)
Hedged items designated in fair value hedges:		
For the three months ended June 30, 2017:		
Intermediate and refined product inventory	Cost of products and other	$ 20,017
For the three months ended June 30, 2016:		
Intermediate and refined product inventory	Cost of products and other	$ (8,973)
For the six months ended June 30, 2017:		
Intermediate and refined product inventory	Cost of products and other	$ (3,107)

For the six months ended June 30, 2016:		
Intermediate and refined product inventory	Cost of products and other	$ 26,172

The Company had no ineffectiveness related to the Company’s fair value hedges for the three and six months ended June 30, 2017 or 2016.

15. 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

The Company's Refining Segment includes the operations of its five refineries, including certain related logistics assets that are not owned by PBFX. The Company's refineries are located in Toledo, Ohio, Delaware City, Delaware, Paulsboro, New Jersey, New Orleans, Louisiana and Torrance, California. 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, Gulf Coast and West 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 rail and truck terminals and unloading racks, tank farms and pipelines that were acquired from or contributed by PBF LLC and are located at, or nearby, the Company's refineries. 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. PBFX currently does not generate significant third party revenue and intersegment related-party revenues are eliminated in consolidation. From a PBF Energy perspective, the Company's chief operating decision maker evaluates the Logistics segment as a whole without regard to any of PBFX's individual segments.

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 intersegment 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 non-operating income and expense items, 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.

Total assets of each segment consist of 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 the Company's refinery and logistic operations.

Disclosures regarding the Company's reportable segments with reconciliations to consolidated totals for the three and six months ended June 30, 2017 and June 30, 2016 are presented below. In connection with the contribution by PBF LLC of the limited liability interests of PNGPC to PBFX, the accompanying segment information has been retrospectively adjusted to include the historical results of PNGPC in the Logistics segment for all periods presented prior to such contribution.

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, 2017				
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Revenues	$5,013,251	$62,329	$ —	$ (58,355)	$5,017,225
Depreciation and amortization expense	56,973	5,710	6,020	—	68,703
Income (loss) from operations (1)	(101,333)	35,017	(41,013)	(3,820)	(111,149)
Interest expense, net	1,335	7,886	31,477	—	40,698
Capital expenditures (2)	242,655	36,918	148	—	279,721

	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	47,333	2,349	1,378	—	51,060
Income (loss) from operations	249,102	23,510	(37,842)	—	234,770
Interest expense, net	1,142	7,634	27,164	—	35,940
Capital expenditures	87,756	100,687	6,559	—	195,002

	Six Months Ended June 30, 2017				
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Revenues	$9,763,449	$122,806	$ —	$(114,557)	$9,771,698
Depreciation and amortization expense	110,790	11,062	7,783	—	129,635
Income (loss) from operations (1)	(90,803)	71,058	(83,291)	(7,419)	(110,455)
Interest expense, net	2,253	15,870	59,758	—	77,881
Capital expenditures (2)	409,871	56,385	2,409	—	468,665

	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	99,722	4,196	3,075	—	106,993
Income (loss) from operations	254,348	49,554	(74,556)	—	229,346
Interest expense, net	2,114	14,863	56,490	—	73,467
Capital expenditures (3)	226,669	101,813	12,259	—	340,741

	Balance at June 30, 2017				
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Total assets (4)	$6,232,343	$751,155	$529,131	$ (31,409)	$7,481,220

	Balance at December 31, 2016				
	Refining	Logistics	Corporate	Eliminations	Consolidated Total
Total assets (4)	$6,419,950	$756,861	$482,979	$ (37,863)	$7,621,927

(1) The Logistics segment includes 100% of the income from operations of TVPC as TVPC is consolidated by PBFX. PBFX records net income attributable to noncontrolling interest for the 50% equity interest in TVPC held by PBF Holding. PBF Holding (included in the Refining segment) records equity income in investee related to its 50% noncontrolling ownership interest in TVPC. For the purposes of the consolidated PBF Energy financial statements, PBF Holding’s equity income in investee and PBFX’s net income attributable to noncontrolling interest eliminate in consolidation. As the acquisition of

35

PBFX's 50% interest in TVPC was completed in the third quarter of 2016, there was no impact on comparative June 30, 2016 disclosures.

(2) The Logistics segment includes capital expenditures of $10,097 for the acquisition of the Toledo Terminal by PBFX on April 17, 2017.

(3) The Refining segment includes capital expenditures of $2,659 for the working capital settlement related to the acquisition of the Chalmette refinery that was finalized in the first quarter of 2016.

(4) The Logistics segment includes 100% of the assets of TVPC as TVPC is consolidated by PBFX. PBFX records a noncontrolling interest for the 50% equity interest in TVPC held by PBF Holding. PBF Holding (included in the Refining segment) records an equity investment in TVPC reflecting its noncontrolling ownership interest. For the purposes of the consolidated PBF Energy financial statements, PBFX's noncontrolling interest in TVPC and PBF Holding's equity investment in TVPC eliminate in consolidation.

PBF ENERGY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE, UNIT, PER SHARE, PER UNIT AND BARREL DATA)

16. NET INCOME (LOSS) PER SHARE OF PBF ENERGY

The Company grants certain equity-based compensation awards to employees and non-employee directors that are considered to be participating securities. Due to the presence of participating securities, the Company has calculated net income (loss) per share of Class A common stock using the two-class method.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Basic Earnings Per Share:	2017	2016	2017	2016
Allocation of earnings:				
Net income (loss) attributable to PBF Energy Inc. stockholders	$(109,663)	$ 103,530	$(140,740)	$ 74,142
Income (loss) allocated to participating securities	(269)	—	(539)	—
Income (loss) available to PBF Energy Inc. stockholders - basic	$(109,932)	$ 103,530	$(141,279)	$ 74,142
Denominator for basic net income (loss) per Class A common share - weighted average shares	108,779,992	97,836,366	108,770,237	97,822,875
Basic net income (loss) attributable to PBF Energy per Class A common share	$(1.01)	$ 1.06	$(1.30)	$ 0.76
Diluted Earnings Per Share:				
Numerator:				
Income (loss) available to PBF Energy Inc. stockholders - basic	$(109,932)	$ 103,530	$(141,279)	$ 74,142
Plus: Net income attributable to noncontrolling interest [(1)]	—	9,399	—	6,958
Less: Income tax (expense) benefit on net income (loss) attributable to noncontrolling interest [(1)]	—	(3,722)	—	(2,755)
Numerator for diluted net income (loss) per Class A common share - net income (loss) attributable to PBF Energy Inc. stockholders [(1)]	$(109,932)	$ 109,207	$(141,279)	$ 78,345
Denominator[(1)]:				
Denominator for basic net income (loss) per Class A common share-weighted average shares	108,779,992	97,836,366	108,770,237	97,822,875
Effect of dilutive securities:				
Conversion of PBF LLC Series A Units [(1)]	—	4,947,813	—	4,952,115
Common stock equivalents [(2)]	—	494,443	—	589,488
Denominator for diluted net income (loss) per Class A common share-adjusted weighted average shares	108,779,992	103,278,622	108,770,237	103,364,478
Diluted net income (loss) attributable to PBF Energy Inc. stockholders per Class A common share	$(1.01)	$ 1.06	$(1.30)	$ 0.76

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(1) The potential conversion of 3,828,871 and 3,835,999 PBF LLC Series A Units for the three and six months ended June 30, 2017, respectively, were excluded from the denominator in computing diluted net income per share because including them would have had an antidilutive effect. As the PBF LLC Series A Units were not included, the numerator used in the calculation of diluted net income per share was equal to the numerator used in the calculation of basic net income per share and does not include

the net income and related income tax expense associated with the potential conversion of the PBF LLC Series A Units.

(2) 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 and warrants to purchase 7,278,142 and 7,278,142 shares of PBF Energy Class A common stock and PBF LLC Series A units because they are anti-dilutive for the three and six months ended June 30, 2017, respectively. Common stock equivalents excludes the effects of options and warrants 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.

17. SUBSEQUENT EVENTS

Dividend Declared

On August 3, 2017, the Company announced a dividend of $0.30 per share on outstanding Class A common stock. The dividend is payable on August 31, 2017 to Class A common stockholders of record at the close of business on August 15, 2017.

PBFX Distributions

On August 3, 2017, the Board of Directors of PBF GP announced a distribution of $0.47 per unit on outstanding common units of PBFX. The distribution is payable on August 31, 2017 to PBFX unit holders of record at the close of business on August 15, 2017.

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, 2016 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, Gulf Coast and West 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. As of June 30, 2017, we own and operate five domestic oil refineries and related assets. As of June 30, 2017, our refineries have a combined processing capacity, known as throughput, of approximately 900,000 barrels per day (“bpd”), and a weighted-average Nelson Complexity Index of 12.2. We operate in two reportable business segments: Refining and Logistics. Our five 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 operates certain logistical assets such as crude oil and refined petroleum products terminals, pipelines, and storage facilities, which are aggregated into the Logistics segment.
Our five refineries are located in Delaware City, Delaware, Paulsboro, New Jersey, Toledo, Ohio, New Orleans, Louisiana and Torrance, California. Each of these refineries is briefly described in the table below:

Refinery	Region	Nelson Complexity	Throughput Capacity (in barrels per day)	PADD	Crude Processed (1)	Source (1)
Delaware City	East Coast	11.3	190,000	1	medium and heavy sour crude	water, rail
Paulsboro	East Coast	13.2	180,000	1	medium and heavy sour crude	water, rail
Toledo	Mid-Continent	9.2	170,000	2	light, sweet crude	pipeline, truck, rail
Chalmette	Gulf Coast	12.7	189,000	3	light and heavy crude	water, pipeline
Torrance	West Coast	14.9	155,000	5	heavy and medium crude	pipeline, water, truck

(1) Reflects the typical crude and feedstocks and related sources utilized under normal operating conditions and prevailing market environments.
As of June 30, 2017, we owned 109,722,252 PBF LLC Series C Units and our current and former executive officers and directors and certain employees and others held 3,825,508 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”) (109,204,047 PBF LLC Series C Units and 3,920,902 PBF LLC Series A Units as of December 31, 2016, respectively). As a result, the holders of our issued and outstanding shares of our Class A common stock have approximately 96.6% 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 3.4% of the voting power in us (96.5% and 3.5% as of December 31, 2016, respectively).

Factors Affecting Comparability Between Periods

Our results have been affected by the following events, the understanding of which will aid in assessing the comparability of our period to period financial performance and financial condition.

Senior Notes Offering

On May 30, 2017, PBF Holding and PBF Finance issued $725.0 million in aggregate principal amount of 7.25% Senior Notes due 2025 (the “2025 Senior Notes”). The Company used the net proceeds to fund the cash tender offer (the “Tender Offer”) for any and all of its outstanding 8.25% senior secured notes due 2020 (the “2020 Senior Secured Notes”), to pay the related redemption price and accrued and unpaid interest for any 2020 Senior Secured Notes that remained outstanding after the completion of the Tender Offer, and for general corporate purposes. As described in “Note 7 - Long-term Debt”, upon the satisfaction and discharge of the 2020 Senior Secured Notes in connection with the closing of the Tender Offer and the redemption, the 2023 Senior Notes became unsecured and certain covenants were modified, as provided for in the indenture governing the 2023 Senior Notes and related documents.

Inventory Intermediation Agreements

On May 4, 2017, PBF Holding and its subsidiaries, DCR and PRC, entered into amendments to the inventory intermediation agreements (as amended, the "Intermediation Agreement Amendments") with 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 terms. The Intermediation Agreement Amendment by and among J. Aron, PBF Holding and PRC relating to the A&R Intermediation Agreement for the Paulsboro refinery extends the term to January 2, 2018, which term may be further extended by mutual consent of the parties to July 1, 2019. The Intermediation Agreement Amendment by and among J. Aron, PBF Holding and DCR relating to the A&R Intermediation Agreement for the Delaware City refinery extends the term to July 1, 2019, which term may be further extended by mutual consent of the parties to July 1, 2020.

Torrance Acquisition

On July 1, 2016, we 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 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 Torrance Acquisition included a number of high-quality logistics assets consisting of 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 189-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 were 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 approximately $521.4 million in cash after post-closing purchase price adjustments, plus final working capital of $450.6 million. The final purchase price and fair value allocation were completed as of June 30, 2017. During the measurement period, which ended in June 2017, adjustments were made to the Company’s preliminary fair value estimates related primarily to Property, plant and equipment and Other long-term liabilities reflecting the finalization of the Company’s assessment of the costs and duration of certain assumed pre-existing environmental obligations. The transaction was financed through a combination of cash on hand, including proceeds from certain equity offerings, and borrowings under our Revolving Loan.

2016 PBFX Equity Offerings

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 full exercise by the underwriter of its option to purchase additional common units, for net proceeds of $51.6 million, after deducting underwriting discounts and commissions

and other offering expenses (the “April 2016 PBFX Equity Offering”). In addition, on August 17, 2016, PBFX completed a public offering of an aggregate of 4,000,000 common units, and granted the underwriter an option to purchase an additional 600,000 common units, of which 375,000 units were subsequently purchased on September 14, 2016, for total net proceeds of $86.8 million, after deducting underwriting discounts and commissions and other offering expenses (the “August 2016 PBFX Equity Offering” and, together with the April 2016 PBFX Offering, the “2016 PBFX Equity Offerings”). As of June 30, 2017, PBF LLC holds a 44.1% limited partner interest in PBFX and owns all of PBFX’s IDRs, with the remaining 55.9% limited partner interest owned by public common unit holders.

PBFX Assets and Transactions

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, storage and transferring of crude oil, refined products, natural gas and intermediates from sources located throughout the United States and Canada. A substantial majority of 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, storing and transferring crude oil, refined products and natural gas and are eliminated by PBF Energy in consolidation.

PBFX Assets: PBFX’s assets consist of light and heavy crude oil rail unloading terminals and a refined products pipeline and truck rack at the Delaware City refinery, a crude oil truck unloading terminal and storage facility at the Toledo refinery, a crude oil pipeline system supplying the Torrance refinery, a natural gas pipeline supplying the Paulsboro refinery, the East Coast Terminals (as defined below) and the Toledo terminal.

PBFX Transactions: On February 15, 2017, PBFX entered into a contribution agreement (the “PNGPC Contribution Agreement”) between PBFX and PBF LLC, pursuant to which PBFX’s wholly owned subsidiary PBFX Operating Company LP (“PBFX Op Co”), acquired from PBF LLC all of the issued and outstanding limited liability company interests of Paulsboro Natural Gas Pipeline Company LLC (“PNGPC”). PNGPC owns and operates an existing interstate natural gas pipeline that runs under the Delaware River and terminates at the delivery point to our Paulsboro refinery. PNGPC has approval for, and is in the process of constructing, a new 24” pipeline to replace the existing pipeline.

On February 15, 2017, we entered into a ten-year storage services agreement with PBFX Op Co (the “Chalmette Storage Agreement”) under which PBFX Op Co, will provide storage services to us upon the earlier of November 1, 2017 and the completion of construction of a new tank with a shell capacity of 625,000 barrels at our Chalmette refinery. PBFX Op Co and Chalmette Refining, L.L.C. (“Chalmette Refining”) have entered into a twenty-year lease for the premises upon which the tank will be located (the “Lease”) and a project management agreement pursuant to which Chalmette Refining will manage the construction of the tank. The Chalmette Storage Agreement can be extended by us for two additional five-year periods. Under the Chalmette Storage Agreement, PBFX will provide us with storage services in return for storage fees. The storage services require PBFX to accept, redeliver and store all products tendered by us in the tank and we will pay a monthly fee of $0.60 per barrel of shell capacity. The Lease can be extended by PBFX Op Co for two additional 10 year periods.

On August 31, 2016, PBFX entered into a contribution agreement (the “TVPC Contribution Agreement”) between PBFX and PBF LLC, pursuant to which PBFX acquired from PBF LLC 50% of the issued and outstanding limited liability company interests of Torrance Valley Pipeline Company LLC (“TVPC”), whose assets consist of the 189-mile San Joaquin Valley Pipeline system, including the M55, M1 and M70 pipeline systems, including 11 pipeline stations with storage capacity and truck unloading capability at two of the stations (collectively, the “Torrance Valley Pipeline”).

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.

Amended and Restated Asset Based Revolving Credit Facility

The Third Amended and Restated Revolving Credit Agreement ("Revolving Loan") is available to be used for working capital and other general corporate purposes. As noted in "Note 3 - Acquisitions", we took down an advance under our Revolving Loan to partially fund the Torrance Acquisition in 2016. The outstanding balance under our Revolving Loan was $350.0 million, $350.0 million and $550.0 million as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

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 was to fund the acquisition by PBF Rail of crude tank cars (the "Eligible Railcars") before December 2015.

On December 22, 2016, the Rail Facility was terminated and replaced with the PBF Rail Term Loan (as described below).

PBF Rail Term Loan

On December 22, 2016, PBF Rail entered into a $35.0 million term loan (the "PBF Rail Term Loan") with a bank previously party to the Rail Facility. The PBF Rail Term Loan amortizes monthly over its five year term and bears interest at the one month LIBOR plus the margin as defined in the credit agreement. As security for the PBF Rail Term Loan, PBF Rail pledged, among other things: (i) certain eligible crude tank cars; (ii) the debt service reserve account; and (iii) PBF Holding's member interest in PBF Rail. Additionally, the PBF Rail Term Loan contains customary terms, events of default and covenants for a transaction of this nature. PBF Rail may at any time repay the PBF Rail Term Loan without penalty in the event that railcars collateralizing the loan are sold, scrapped or otherwise removed from the collateral pool.

The outstanding balance of the PBF Rail Term Loan was $31.7 million and $35.0 million as of June 30, 2017 and December 31, 2016, respectively.

PBF Energy Inc. Public Offerings

As a result of the initial public offering and related reorganization transactions, PBF Energy became the sole managing member of PBF LLC with a controlling voting interest in PBF LLC and its subsidiaries. Effective with completion of the initial public offering, 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 noncontrolling PBF LLC unit holders.

On December 19, 2016, we completed a public offering of an aggregate of 10,000,000 shares of Class A common stock (the "December 2016 Equity Offering") for net proceeds of $274.3 million, after deducting underwriting discounts and commissions and other offering expenses.

Results of Operations

The tables below reflect our consolidated financial and operating highlights for the three and six months ended June 30, 2017 and 2016 (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 certain logistical assets such as crude oil and refined petroleum products terminals, pipelines and storage facilities. PBFX's operations are aggregated into the Logistics segment. We do not separately discuss our results by individual segments as our Logistics segment did

not have any significant third party revenue and a significant portion of its operating results eliminate in consolidation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue	$5,017,225	$3,858,467	$9,771,698	$6,658,652
Cost and expenses:				
Cost of products and other	4,605,693	3,249,444	8,802,460	5,661,539
Operating expenses (excluding depreciation of $62,683, $49,682, $121,852 and $103,918 for the periods presented, respectively)	412,859	276,598	864,226	576,597
General and administrative expenses	41,090	43,373	84,920	80,955
Loss on sale of assets	29	3,222	912	3,222
Depreciation and amortization expense	68,703	51,060		