

PBF Energy Inc.
Form 10-Q
October 31, 2018

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended: September 30, 2018

Or

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

For the transition period from _____ to _____

Commission File Number: 001-35764

Commission File Number: 333-206728-02

PBF ENERGY INC.
PBF ENERGY COMPANY LLC
(Exact name of registrant as specified in its charter)

| | |
|--|--------------------------------------|
| DELAWARE | 45-3763855 |
| DELAWARE | 61-1622166 |
| (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.

PBF Energy Inc. Yes No

PBF Energy Company LLC Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PBF Energy Inc. Yes No

Edgar Filing: PBF Energy Inc. - Form 10-Q

PBF Energy Company LLC Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

| | | | | | |
|---------------------------|--|---|--|---|---|
| PBF Energy Inc. | Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> | Smaller reporting company <input type="checkbox"/> | Emerging growth company <input type="checkbox"/> |
| PBF Energy Company LLC | Large accelerated filer <input type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input checked="" type="checkbox"/> | Smaller reporting company <input type="checkbox"/> | Emerging growth company <input type="checkbox"/> |

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.

PBF Energy Inc.

PBF Energy Company LLC

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

PBF Energy Inc. Yes No

PBF Energy Company LLC Yes No

As of October 29, 2018, PBF Energy Inc. had outstanding 119,889,646 shares of Class A common stock and 20 shares of Class B common stock. PBF Energy Inc. is the sole managing member of, and owner of an equity interest representing approximately 99.0% of the outstanding economic interest in PBF Energy Company LLC as of September 30, 2018. There is no trading in the membership interest of PBF Energy Company LLC and therefore an aggregate market value based on such is not determinable. PBF Energy Company LLC has no common stock outstanding.

PBF ENERGY INC. AND PBF ENERGY COMPANY LLC
 FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018
 TABLE OF CONTENTS
 CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS 3

PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

PBF Energy Inc.

Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017 5

Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017 6

Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017 7

Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 8

PBF Energy Company LLC

Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017 10

Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017 11

Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017 12

Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 13

Notes to Condensed Consolidated Financial Statements 15

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations 48

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk 78

ITEM 4. Controls and Procedures 80

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings 81

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds 85

ITEM 6. Exhibits 86

SIGNATURES 88

This combined Quarterly Report on Form 10-Q is filed by PBF Energy Inc. (“PBF Energy”) and PBF Energy Company LLC (“PBF LLC”). Each Registrant hereto is filing on its own behalf all of the information contained in this report that relates to such Registrant. Each Registrant hereto is not filing any information that does not relate to such Registrant, and therefore makes no representation as to any such information. PBF Energy is a holding company whose primary asset is an equity interest in PBF LLC. PBF Energy is the sole managing member of, and owner of an equity interest representing approximately 99.0% of the outstanding economic interests in PBF LLC as of September 30, 2018. 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 September 30, 2018, PBF LLC also holds a 44.0% 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. Discussions or areas of this report that either apply only to PBF Energy or PBF LLC are clearly noted in such sections. Unless the context indicates otherwise, the terms "we," "us," and "our" refer to both PBF Energy and PBF LLC and its consolidated subsidiaries.

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, the Annual Report on Form 10-K for the year ended December 31, 2017 of PBF Energy, which we refer to as our 2017 Annual Report on Form 10-K, the PBF LLC financial statements for the year ended December 31, 2017 filed with PBF Logistics LP’s Registration Statement on Form S-4 filed on March 13, 2018 by PBF Logistics LP, 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 indebtedness;
- our supply and inventory intermediation arrangements expose us to counterparty credit and performance risk;
- termination of our Inventory 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 by PBF Energy to the current and former holders of PBF LLC Series A Units and PBF LLC Series B Units under our Tax Receivable Agreement (as defined in “Note 10 - Commitments and Contingencies” of our Notes to Condensed Consolidated Financial Statements) 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 impact of the newly enacted federal income tax legislation on our business;
- 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 recently completed acquisitions into our business and realize the benefits from such acquisitions;
- liabilities arising from recent acquisitions 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)

| | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (PBFX: \$18,022 and \$19,664, respectively) | \$ 1,059,200 | \$ 573,021 |
| Accounts receivable | 1,067,811 | 952,552 |
| Inventories | 2,561,106 | 2,213,797 |
| Prepaid and other current assets | 61,489 | 63,589 |
| Total current assets | 4,749,606 | 3,802,959 |
| Property, plant and equipment, net (PBFX: \$736,876 and \$684,488, respectively) | 3,597,266 | 3,479,213 |
| Deferred tax assets | — | 53,638 |
| Deferred charges and other assets, net | 868,538 | 782,183 |
| Total assets | \$ 9,215,410 | \$ 8,117,993 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 483,127 | \$ 578,551 |
| Accrued expenses | 2,151,131 | 1,814,854 |
| Deferred revenue | 13,154 | 8,933 |
| Note payable | — | 5,621 |
| Current debt | 1,242 | 10,987 |
| Total current liabilities | 2,648,654 | 2,418,946 |
| Long-term debt (PBFX: \$567,152 and \$548,793, respectively) | 2,175,889 | 2,175,042 |
| Payable to related parties pursuant to Tax Receivable Agreement | 381,260 | 362,142 |
| Deferred tax liabilities | 122,406 | 33,155 |
| Other long-term liabilities | 241,840 | 225,759 |
| Total liabilities | 5,570,049 | 5,215,044 |
| Commitments and contingencies (Note 10) | | |
| Equity: | | |
| PBF Energy Inc. equity | | |
| Class A common stock, \$0.001 par value, 1,000,000,000 shares authorized, 119,951,719 shares outstanding at September 30, 2018, 110,565,531 shares outstanding at December 31, 2017 | 105 | 95 |
| Class B common stock, \$0.001 par value, 1,000,000 shares authorized, 20 shares outstanding at September 30, 2018, 25 shares outstanding at December 31, 2017 | — | — |
| Preferred stock, \$0.001 par value, 100,000,000 shares authorized, no shares outstanding at September 30, 2018 and December 31, 2017 | — | — |
| Treasury stock, at cost, 6,172,428 shares outstanding at September 30, 2018 and 6,132,884 shares outstanding at December 31, 2017 | (153,968) | (152,585) |
| Additional paid in capital | 2,631,191 | 2,277,739 |
| Retained earnings | 615,540 | 236,786 |
| Accumulated other comprehensive loss | (24,934) | (25,381) |
| Total PBF Energy Inc. equity | 3,067,934 | 2,336,654 |
| Noncontrolling interest | 577,427 | 566,295 |
| Total equity | 3,645,361 | 2,902,949 |

| | | |
|------------------------------|--------------|--------------|
| Total liabilities and equity | \$ 9,215,410 | \$ 8,117,993 |
|------------------------------|--------------|--------------|

See notes to condensed consolidated financial statements.

5

PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | \$7,646,360 | \$5,478,951 | \$20,893,219 | \$15,250,649 |
| Cost and expenses: | | | | |
| Cost of products and other | 6,816,095 | 4,352,061 | 18,400,732 | 13,154,521 |
| Operating expenses (excluding depreciation and amortization expense as reflected below) | 424,331 | 402,823 | 1,268,161 | 1,266,879 |
| Depreciation and amortization expense | 90,732 | 75,948 | 263,753 | 197,800 |
| Cost of sales | 7,331,158 | 4,830,832 | 19,932,646 | 14,619,200 |
| General and administrative expenses (excluding depreciation and amortization expense as reflected below) | 69,920 | 58,259 | 191,418 | 143,147 |
| Depreciation and amortization expense | 2,594 | 2,572 | 7,871 | 10,355 |
| (Gain) loss on sale of assets | (43,745) |) 28 | (43,072) |) 940 |
| Total cost and expenses | 7,359,927 | 4,891,691 | 20,088,863 | 14,773,642 |
| Income from operations | 286,433 | 587,260 | 804,356 | 477,007 |
| Other income (expense): | | | | |
| Change in Tax Receivable Agreement liability | 7,763 | 565 | 7,763 | 565 |
| Change in fair value of catalyst leases | 1,630 | 473 | 5,783 | (1,011) |
| Debt extinguishment costs | — | — | — | (25,451) |
| Interest expense, net | (42,289) |) (36,990) |) (128,935) |) (114,871) |
| Other non-service components of net periodic benefit cost | 278 | (103) |) 833 | (305) |
| Income before income taxes | 253,815 | 551,205 | 689,800 | 335,934 |
| Income tax expense | 61,349 | 203,979 | 167,836 | 112,889 |
| Net income | 192,466 | 347,226 | 521,964 | 223,045 |
| Less: net income attributable to noncontrolling interests | 12,928 | 32,861 | 39,907 | 49,420 |
| Net income attributable to PBF Energy Inc. stockholders | \$179,538 | \$314,365 | \$482,057 | \$173,625 |
| Weighted-average shares of Class A common stock outstanding | | | | |
| Basic | 117,029,486 | 109,724,595 | 113,597,970 | 109,634,921 |
| Diluted | 120,405,315 | 113,882,240 | 117,375,170 | 113,791,542 |
| Net income available to Class A common stock per share: | | | | |
| Basic | \$1.53 | \$2.86 | \$4.24 | \$1.58 |
| Diluted | \$1.50 | \$2.85 | \$4.16 | \$1.57 |
| Dividends per common share | \$0.30 | \$0.30 | \$0.90 | \$0.90 |

See notes to condensed consolidated financial statements.

PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$192,466 | \$347,226 | \$521,964 | \$223,045 |
| Other comprehensive income: | | | | |
| Unrealized (loss) gain on available for sale securities | (77 |) (1 |) (312 |) 69 |
| Net gain on pension and other post-retirement benefits | 254 | 288 | 763 | 862 |
| Total other comprehensive income | 177 | 287 | 451 | 931 |
| Comprehensive income | 192,643 | 347,513 | 522,415 | 223,976 |
| Less: comprehensive income attributable to noncontrolling interests | 12,929 | 32,871 | 39,911 | 49,452 |
| Comprehensive income attributable to PBF Energy Inc. stockholders | \$179,714 | \$314,642 | \$482,504 | \$174,524 |

See notes to condensed consolidated financial statements.

7

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

| | Nine Months Ended September 30, | |
|---|------------------------------------|--------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$521,964 | \$223,045 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 277,663 | 215,052 |
| Stock-based compensation | 18,608 | 18,064 |
| Change in fair value of catalyst leases | (5,783) |) 1,011 |
| Deferred income taxes | 167,013 | 111,325 |
| Change in Tax Receivable Agreement liability | (7,763) |) (565) |
| Non-cash change in inventory repurchase obligations | 10,701 | (26,659) |
| Non-cash lower of cost or market inventory adjustment | (300,456) |) (97,943) |
| Debt extinguishment costs | — | 25,451 |
| Pension and other post-retirement benefit costs | 35,536 | 31,682 |
| (Gain) loss on sale of assets | (43,072) |) 940 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (115,259) |) (155,838) |
| Inventories | (46,853) |) (349,189) |
| Prepaid and other current assets | 2,100 | 78,838 |
| Accounts payable | (109,847) |) (102,471) |
| Accrued expenses | 318,848 | 415,862 |
| Deferred revenue | 4,221 | (9,005) |
| Other assets and liabilities | (7,292) |) (57,377) |
| Net cash provided by operating activities | 720,329 | 322,223 |
| Cash flows from investing activities: | | |
| Expenditures for property, plant and equipment | (192,152) |) (267,151) |
| Expenditures for deferred turnaround costs | (201,029) |) (341,598) |
| Expenditures for other assets | (16,946) |) (31,096) |
| Acquisition of Toledo Products Terminal by PBFX | — | (10,097) |
| Acquisition of Knoxville Terminals by PBFX | (58,000) |) — |
| Purchase of marketable securities | — | (75,036) |
| Maturities of marketable securities | — | 115,060 |
| Proceeds from sale of assets | 48,290 | — |
| Net cash used in investing activities | \$(419,837) | \$(609,918) |

See notes to condensed consolidated financial statements.

PBF ENERGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(unaudited, in thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|-------------|
| | 2018 | 2017 |
| Cash flows from financing activities: | | |
| Net proceeds from issuance of Class A common stock | \$287,284 | \$— |
| Net proceeds from issuance of PBFX common units | 34,820 | — |
| Distributions to PBF Energy Company LLC members other than PBF Energy | (1,724 |) (3,448) |
| Distributions to PBFX public unitholders | (35,490 |) (32,261) |
| Dividend payments | (103,015 |) (98,723) |
| Proceeds from 2025 Senior Notes | — | 725,000 |
| Cash paid to extinguish 2020 Senior Secured Notes | — | (690,209) |
| Proceeds from PBFX revolver borrowings | 64,000 | — |
| Repayments of PBFX revolver borrowings | (43,700 |) — |
| Repayments of PBFX Term Loan borrowings | — | (39,664) |
| Repayments of PBF Rail Term Loan | (5,092 |) (4,959) |
| Proceeds from revolver borrowings | — | 490,000 |
| Repayments of revolver borrowings | — | (490,000) |
| Repayment of note payable | (5,621 |) — |
| Catalyst lease settlements | (9,466 |) — |
| Proceeds from insurance premium financing | 6,959 | — |
| Proceeds from stock options exercised | 14,004 | — |
| Purchase of treasury stock | (1,383 |) — |
| Deferred financing costs and other | (15,889 |) (13,424) |
| Net cash provided by (used in) financing activities | 185,687 | (157,688) |
| Net increase (decrease) in cash and cash equivalents | 486,179 | (445,383) |
| Cash and cash equivalents, beginning of period | 573,021 | 746,274 |
| Cash and cash equivalents, end of period | \$1,059,200 | \$300,891 |
| Supplemental cash flow disclosures | | |
| Non-cash activities: | | |
| Accrued and unpaid capital expenditures | \$48,545 | \$36,172 |
| Note payable issued for purchase of property, plant and equipment | — | 6,831 |

See notes to condensed consolidated financial statements.

PBF ENERGY COMPANY LLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (unaudited, in thousands, except unit and per unit data)

| | September 30, 2018 | December 31, 2017 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (PBFX: \$18,022 and \$19,664, respectively) | \$ 1,057,339 | \$ 562,036 |
| Accounts receivable | 1,067,811 | 952,552 |
| Inventories | 2,561,106 | 2,213,797 |
| Prepaid and other current assets | 61,489 | 51,799 |
| Total current assets | 4,747,745 | 3,780,184 |
| Property, plant and equipment, net (PBFX: \$736,876 and \$684,488, respectively) | 3,597,266 | 3,479,213 |
| Deferred charges and other assets, net | 863,834 | 779,588 |
| Total assets | \$ 9,208,845 | \$ 8,038,985 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 482,933 | \$ 578,551 |
| Accrued expenses | 2,167,794 | 1,824,394 |
| Deferred revenue | 13,154 | 8,933 |
| Note payable | — | 5,621 |
| Current debt | 1,242 | 10,987 |
| Total current liabilities | 2,665,123 | 2,428,486 |
| Long-term debt (PBFX: \$567,152 and \$548,793, respectively) | 2,175,889 | 2,175,042 |
| Affiliate note payable | 326,115 | 292,844 |
| Deferred tax liabilities | 27,778 | 33,155 |
| Other long-term liabilities | 241,867 | 225,845 |
| Total liabilities | 5,436,772 | 5,155,372 |
| Commitments and contingencies (Note 10) | | |
| Series B Units, 1,000,000 issued and outstanding, no par or stated value | 5,110 | 5,110 |
| PBF Energy Company LLC equity: | | |
| Series A Units, 1,206,325 and 3,767,464 issued and outstanding at September 30, 2018 and December 31, 2017, no par or stated value | 18,996 | 40,058 |
| Series C Units, 119,972,950 and 110,586,762 issued and outstanding at September 30, 2018 and December 31, 2017, no par or stated value | 2,003,991 | 1,654,999 |
| Treasury stock, at cost | (153,968 |) (152,585) |
| Retained earnings | 1,464,930 | 906,875 |
| Accumulated other comprehensive loss | (26,485 |) (26,936) |
| Total PBF Energy Company LLC equity | 3,307,464 | 2,422,411 |
| Noncontrolling interest | 459,499 | 456,092 |
| Total equity | 3,766,963 | 2,878,503 |
| Total liabilities, Series B units and equity | \$ 9,208,845 | \$ 8,038,985 |

See notes to condensed consolidated financial statements.

PBF ENERGY COMPANY LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | \$7,646,360 | \$5,478,951 | \$20,893,219 | \$15,250,649 |
| Cost and expenses: | | | | |
| Cost of products and other | 6,816,095 | 4,352,061 | 18,400,732 | 13,154,521 |
| Operating expenses (excluding depreciation and amortization expense as reflected below) | 424,331 | 402,823 | 1,268,161 | 1,266,879 |
| Depreciation and amortization expense | 90,732 | 75,948 | 263,753 | 197,800 |
| Cost of sales | 7,331,158 | 4,830,832 | 19,932,646 | 14,619,200 |
| General and administrative expenses (excluding depreciation and amortization expense as reflected below) | 69,594 | 58,211 | 190,399 | 142,991 |
| Depreciation and amortization expense | 2,594 | 2,572 | 7,871 | 10,355 |
| (Gain) loss on sale of assets | (43,745) |) 28 | (43,072) |) 940 |
| Total cost and expenses | 7,359,601 | 4,891,643 | 20,087,844 | 14,773,486 |
| Income from operations | 286,759 | 587,308 | 805,375 | 477,163 |
| Other income (expense): | | | | |
| Change in fair value of catalyst leases | 1,630 | 473 | 5,783 | (1,011) |
| Debt extinguishment costs | — | — | — | (25,451) |
| Interest expense, net | (44,473) |) (38,893) |) (135,116) |) (120,910) |
| Other non-service components of net periodic benefit cost | 278 | (103) |) 833 | (305) |
| Income before income taxes | 244,194 | 548,785 | 676,875 | 329,486 |
| Income tax (benefit) expense | (719) |) (4,292) |) (5,403) |) 2,040 |
| Net income | 244,913 | 553,077 | 682,278 | 327,446 |
| Less: net income attributable to noncontrolling interests | 10,534 | 14,732 | 30,117 | 39,751 |
| Net income attributable to PBF Energy Company LLC | \$234,379 | \$538,345 | \$652,161 | \$287,695 |

See notes to condensed consolidated financial statements.

PBF ENERGY COMPANY LLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (unaudited, in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$244,913 | \$553,077 | \$682,278 | \$327,446 |
| Other comprehensive income: | | | | |
| Unrealized (loss) gain on available for sale securities | (77 |) (1 |) (312 |) 69 |
| Net gain on pension and other post-retirement benefits | 254 | 288 | 763 | 862 |
| Total other comprehensive income | 177 | 287 | 451 | 931 |
| Comprehensive income | 245,090 | 553,364 | 682,729 | 328,377 |
| Less: comprehensive income attributable to noncontrolling interests | 10,534 | 14,732 | 30,117 | 39,751 |
| Comprehensive income attributable to PBF Energy Company LLC | \$234,556 | \$538,632 | \$652,612 | \$288,626 |

See notes to condensed consolidated financial statements.

12

PBF ENERGY COMPANY LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|-------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$682,278 | \$327,446 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 277,663 | 215,052 |
| Stock-based compensation | 18,608 | 18,064 |
| Change in fair value of catalyst leases | (5,783) |) 1,011 |
| Deferred income taxes | (5,377) |) 641 |
| Non-cash change in inventory repurchase obligations | 10,701 | (26,659) |
| Non-cash lower of cost or market inventory adjustment | (300,456) |) (97,943) |
| Debt extinguishment costs | — | 25,451 |
| Pension and other post-retirement benefit costs | 35,536 | 31,682 |
| (Gain) loss on sale of assets | (43,072) |) 940 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (115,259) |) (155,838) |
| Inventories | (46,853) |) (349,189) |
| Prepaid and other current assets | (9,690) |) (4,732) |
| Accounts payable | (110,041) |) (102,441) |
| Accrued expenses | 317,159 | 412,542 |
| Deferred revenue | 4,221 | (9,005) |
| Other assets and liabilities | (10,534) |) (57,377) |
| Net cash provided by operating activities | 699,101 | 229,645 |
| Cash flows from investing activities: | | |
| Expenditures for property, plant and equipment | (192,152) |) (267,151) |
| Expenditures for deferred turnaround costs | (201,029) |) (341,598) |
| Expenditures for other assets | (16,946) |) (31,096) |
| Acquisition of Toledo Products Terminal by PBFX | — | (10,097) |
| Acquisition of Knoxville Terminals by PBFX | (58,000) |) — |
| Purchase of marketable securities | — | (75,036) |
| Maturities of marketable securities | — | 115,060 |
| Proceeds from sale of assets | 48,290 | — |
| Net cash used in investing activities | \$(419,837) | \$(609,918) |

See notes to condensed consolidated financial statements.

PBF ENERGY COMPANY LLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
 (unaudited, in thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|------------|
| | 2018 | 2017 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of PBF LLC Series C units | \$287,284 | \$— |
| Net proceeds from issuance of PBFX common units | 34,820 | — |
| Distributions to PBF Energy Company LLC members | (104,739) | (102,171) |
| Distributions to PBFX public unitholders | (35,490) | (32,261) |
| Proceeds from 2025 Senior Notes | — | 725,000 |
| Cash paid to extinguish 2020 Senior Secured Notes | — | (690,209) |
| Proceeds from PBFX revolver borrowings | 64,000 | — |
| Repayments of PBFX revolver borrowings | (43,700) | — |
| Repayments of PBFX Term Loan borrowings | — | (39,664) |
| Repayments of PBF Rail Term Loan | (5,092) | (4,959) |
| Proceeds from revolver borrowings | — | 490,000 |
| Repayments of revolver borrowings | — | (490,000) |
| Repayment of note payable | (5,621) | — |
| Catalyst lease settlements | (9,466) | — |
| Proceeds from insurance premium financing | 6,959 | — |
| Proceeds from affiliate loan with PBF Energy Inc. | 44,192 | 99,655 |
| Proceeds from stock options exercised | 164 | — |
| Purchase of treasury stock | (1,383) | — |
| Deferred financing costs and other | (15,889) | (13,424) |
| Net cash provided by (used in) financing activities | 216,039 | (58,033) |
| | | |
| Net increase (decrease) in cash and cash equivalents | 495,303 | (438,306) |
| Cash and cash equivalents, beginning of period | 562,036 | 734,962 |
| Cash and cash equivalents, end of period | \$1,057,339 | \$296,656 |
| | | |
| Supplemental cash flow disclosures | | |
| Non-cash activities: | | |
| Accrued and unpaid capital expenditures | \$48,545 | \$36,172 |
| Note payable issued for purchase of property, plant and equipment | — | 6,831 |

See notes to condensed consolidated financial statements.

PBF ENERGY INC. AND PBF ENERGY COMPANY LLC
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. Discussions or areas of the Notes to Condensed Consolidated Financial Statements that either apply only to PBF Energy or PBF LLC are clearly noted in such footnotes.

As of September 30, 2018, PBF LLC also holds a 44.0% limited partner interest and all of the incentive distribution rights in PBF Logistics LP (“PBFX”), a publicly traded master limited partnership (refer to “Note 3 - PBF Logistics LP”). 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 unitholders other than PBF LLC. Collectively, PBF Energy and its consolidated subsidiaries, including PBF LLC, PBF Holding, PBF GP and PBFX are referred to hereinafter as the “Company” unless the context otherwise requires.

As of September 30, 2018, the Company owns 119,972,950 PBF LLC Series C Units and the Company’s current and former executive officers and directors and certain employees and others beneficially own 1,206,325 PBF LLC Series A Units. As of September 30, 2018, the holders of the Company’s issued and outstanding shares of Class A common stock have 99.0% 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 1.0% 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.

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

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 PBF Energy financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2017 and the PBF LLC financial statements for the year ended December 31, 2017 included in the Registration Statement on Form S-4 filed on March 13, 2018 by PBFX. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year.

Torrance Land Sale

During the three months ended September 30, 2018, the Company closed on a third party sale of a parcel of real property acquired as part of the Torrance Refinery, but not part of the refinery itself. The sale resulted in a gain of approximately \$43,761 included within Gain on sale of assets within the Condensed Consolidated Statements of Operations.

Recently Adopted Accounting Guidance

In May 2014, the Financial Accounting Standard Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 (Topic 606) “Revenue from Contracts with Customers.” (“ASC 606”). ASC 606 supersedes the revenue recognition requirements in Accounting Standards Codification 605 “Revenue Recognition” (“ASC 605”), and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company adopted ASC 606 as of January 1, 2018 using the modified retrospective transition method. See “Note 2 - Revenues” for further details.

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 periodic 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 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 non-service 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. 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 adopted ASU 2017-07 effective January 1, 2018 and applied the new guidance retrospectively in the Condensed Consolidated Statements of Operations. Income and expense amounts related to non-service components of net periodic benefit cost, historically recorded within Operating expenses and General and administrative expenses, have been recorded within Other income (expense). For the three and nine months ended September 30, 2018, the Company recorded income of \$278 and \$833, respectively, related to non-service components of net periodic benefit cost. For the three and nine months ended September 30, 2017, the Company recorded expense of \$103 and \$305, respectively, related to non-service components of net periodic benefit cost.

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

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’s adoption of this guidance did not materially impact its condensed consolidated financial statements.

Recent Accounting Pronouncements

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. Additional ASUs have been issued subsequent to ASU 2016-02 to provide supplementary clarification and implementation guidance for leases related to, among other things, the application of certain practical expedients, the rate implicit in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments (collectively, the Company refers to ASU 2016-02 and these additional ASUs as the “Updated Lease Guidance”). The Updated Lease 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. The Updated Lease Guidance is effective for interim and annual periods beginning after December 15, 2018, and allows a modified retrospective approach to adoption. While early adoption is permitted, the Company will not early adopt the Updated Lease Guidance. The Company has established a working group to study the implementation of the Updated Lease Guidance and has instituted a task plan designed to meet the requirements and implementation deadline. The Company has also evaluated and purchased a lease software system, completed software design and configuration of the system, and substantially completed testing the implementation of the selected system. The working group continues to evaluate the impact of the Updated Lease Guidance on the Company’s consolidated financial statements and related disclosures and has designed and begun implementing business processes and controls to address the new guidance. While the assessment of this standard is ongoing, the Company has identified that the most significant impacts of the Updated Lease Guidance will be to bring nearly all leases, with the exception of certain short-term leases, on its balance sheet reflected as right of use assets and lease obligation liabilities as well as accelerating recognition of the interest expense component of financing leases. The new standard will also require additional disclosures for financing and operating leases. The Updated Lease Guidance allows for certain practical expedients, certain of which the Company has elected to adopt including, among others, the expedient to carry forward the classification of leases under current lease guidance once the Updated Lease Guidance becomes effective, the expedient to not include short-term leases on its balance sheet and to avail itself of the additional transition method whereby it will apply the Updated Lease Guidance on the effective date and recognize a cumulative-effect adjustment to opening retained earnings.

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

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”). The amendments in ASU 2017-12 more closely align the results of cash flow and fair value hedge accounting with risk management activities in the consolidated financial statements. The amendments expand the ability to hedge nonfinancial and financial risk components, reduce complexity in fair value hedges of interest rate risk, eliminate the requirement to separately measure and report hedge ineffectiveness, and eases certain hedge effectiveness assessment requirements. The guidance in ASU 2017-12 should be applied using a modified retrospective approach. The guidance in ASU 2017-12 also provides transition relief to make it easier for entities to apply certain amendments to existing hedges (including fair value hedges) where the hedge documentation needs to be modified. The presentation and disclosure requirements of ASU 2017-12 should be applied prospectively. The amendments in this ASU are effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods. While the Company is still evaluating the timing of adoption, it currently does not expect this guidance to have a material impact on its consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, “Compensation - Stock Compensation (Topic 718): Targeted Improvements to Non-employee Share-Based Payment Accounting” (“ASU 2018-07”). ASU 2018-07 expands the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. As a result, nonemployee share-based transactions will be measured by estimating the fair value of the equity instruments at the grant date, taking into consideration the probability of satisfying performance conditions. In addition, ASU 2018-07 also clarifies that any share-based payment awards issued to customers should be evaluated under ASC 606, Revenue from Contracts with Customers. The amendments in this ASU are effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods. Early adoption is permitted. The Company does not expect this guidance to have a material impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-14, “Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20), to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP that is most important to users of each entity’s financial statements. The amendments in this ASU modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Additionally, the amendments in this ASU remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The amendments in this ASU are effective for fiscal years ending after December 15, 2020, for public business entities and for fiscal years ending after December 15, 2021, for all other entities. Early adoption is permitted for all entities. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

2. REVENUES

Adoption of Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers” Prior to January 1, 2018, the Company recognized revenue from customers when all of the following criteria were met: (i) persuasive evidence of an exchange arrangement existed, (ii) delivery had occurred or services had been rendered, (iii) the buyer’s price was fixed or determinable and (iv) collectability was reasonably assured. Amounts billed in advance of the period in which the service was rendered or product delivered were recorded as deferred revenue.

Effective January 1, 2018, the Company adopted ASC 606. As a result, the Company has changed its accounting policy for the recognition of revenue from contracts with customers as detailed below.

The Company adopted ASC 606 using the modified retrospective method, which has been applied for the three and nine months ended September 30, 2018. The Company has applied ASC 606 only to those contracts that were not complete as of January 1, 2018. As such, the financial information for prior periods has not been adjusted and continues to be reported under ASC 605. The Company did not record a cumulative effect adjustment upon initially

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

applying ASC 606 as there was not a significant impact upon adoption; however, the details of significant qualitative and quantitative disclosure changes upon implementing ASC 606 are detailed below.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

As described in "Note 15 - Segment Information", the Company's business consists of the Refining Segment and Logistics Segment. The following table provides information relating to the Company's revenues for each product or group of similar products or services by segment for the periods presented.

| | Three Months Ended | |
|-------------------------------------|--------------------|-------------|
| | September 30, | |
| | 2018 | 2017 |
| Refining Segment: | | |
| Gasoline and distillates | \$6,227,509 | \$4,657,279 |
| Feedstocks and other | 552,156 | 192,817 |
| Asphalt and blackoils | 544,943 | 361,401 |
| Chemicals | 243,174 | 189,812 |
| Lubricants | 74,162 | 73,805 |
| Total | 7,641,944 | 5,475,114 |
| Logistics Segment: | | |
| Logistics | 70,556 | 66,195 |
| Total revenue prior to eliminations | 7,712,500 | 5,541,309 |
| Elimination of intercompany revenue | (66,140) | (62,358) |
| Total Revenues | \$7,646,360 | \$5,478,951 |

| | Nine Months Ended | |
|-------------------------------------|-------------------|--------------|
| | September 30, | |
| | 2018 | 2017 |
| Refining Segment: | | |
| Gasoline and distillates | \$17,563,586 | \$12,900,465 |
| Asphalt and blackoils | 1,251,007 | 834,260 |
| Feedstocks and other | 1,193,660 | 726,804 |
| Chemicals | 621,834 | 553,311 |
| Lubricants | 250,526 | 222,349 |
| Total | 20,880,613 | 15,237,189 |
| Logistics Segment: | | |
| Logistics | 203,395 | 190,375 |
| Total revenue prior to eliminations | 21,084,008 | 15,427,564 |
| Elimination of intercompany revenue | (190,789) | (176,915) |
| Total Revenues | \$20,893,219 | \$15,250,649 |

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

The majority of the Company's revenues are generated from the sale of refined petroleum products reported in the Refining segment. These revenues are largely based on the current spot (market) prices of the products sold, which represent consideration specifically allocable to the products being sold on a given day, and the Company recognizes those revenues upon delivery and transfer of title to the products to our customers. The time at which delivery and transfer of title occurs is the point when the Company's control of the products is transferred to the Company's customers and when its performance obligation to its customers is fulfilled. Delivery and transfer of title are specifically agreed to between the Company and customers within the contracts. The Refining segment also has contracts which contain fixed pricing, tiered pricing, minimum volume features with makeup periods, or other factors that have not materially been affected by ASC 606.

Logistics segment revenue is generated by charging fees for crude oil and refined products terminaling, storing and pipeline services based on the greater of contractual minimum volume commitments, as applicable, or the delivery of actual volumes based on contractual rates applied to throughput or storage volumes. A majority of the Company's logistics revenues are generated between intercompany transactions and are eliminated in consolidation.

Deferred Revenues

The Company records deferred revenues when cash payments are received or are due in advance of performance, including amounts which are refundable. Deferred revenue was \$13,154 and \$8,933 as of September 30, 2018 and December 31, 2017, respectively. Fluctuations in the deferred revenue balance are primarily driven by the timing and extent of cash payments received or due in advance of satisfying the Company's performance obligations.

The Company's payment terms vary by type and location of customers and the products offered. The period between invoicing and when payment is due is not significant (i.e. generally within two months). For certain products or services and customer types, the Company requires payment before the products or services are delivered to the customer.

Significant Judgment and Practical Expedients

For performance obligations related to sales of products, the Company has determined that customers are able to direct the use of, and obtain substantially all of the benefits from, the products at the point in time that the products are delivered. The Company has determined that the transfer of control upon delivery to the customer's requested destination accurately depicts the transfer of goods. Upon the delivery of the products and transfer of control, the Company generally has the present right to payment and the customers bear the risks and rewards of ownership of the products. The Company has elected the practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

3. PBF LOGISTICS LP

PBFX is a fee-based, growth-oriented, publicly traded 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 its refineries, as well as for third party customers. As of September 30, 2018, 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 and PBF LLC 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.

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

As of September 30, 2018, PBF LLC holds a 44.0% limited partner interest in PBFX consisting of 19,953,631 common units, with the remaining 56.0% limited partner interest held by public unitholders. 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.

Knoxville Terminals Purchase

On April 16, 2018, PBFX completed the purchase of two refined product terminals located in Knoxville, Tennessee, which include product tanks, pipeline connections to the Colonial and Plantation pipeline systems and truck loading facilities (the “Knoxville Terminals”) from Cummins Terminals, Inc. (“Cummins”) for total cash consideration of \$58,000, excluding working capital adjustments (the “Knoxville Terminals Purchase”). The transaction was financed through a combination of cash on hand and borrowings under the PBFX Revolving Credit Facility.

Registered Direct Offering

On July 16, 2018, PBFX entered into a common unit purchase agreement with certain funds managed by Tortoise Capital Advisors, L.L.C. providing for the issuance and sale in a registered direct offering (the “Registered Direct Offering”) of an aggregate of 1,775,750 common units for gross proceeds of approximately \$35,000. The Registered Direct Offering closed on July 30, 2018.

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 September 30, 2018 and December 31, 2017, PBF Energy’s equity interest in PBF LLC represented approximately 99.0% and 96.7%, 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 condensed 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 condensed consolidated balance sheets represents the portion of net assets of PBF Energy attributable to the members of PBF LLC other than PBF Energy.

The noncontrolling interest ownership percentages in PBF LLC as of September 30, 2018 and December 31, 2017 are calculated as follows:

| | Holders of PBF LLC Series A Units | Outstanding Shares of PBF Energy Class A Common Stock | Total * |
|--------------------|--|---|-------------|
| December 31, 2017 | 3,767,464 | 110,565,531 | 114,332,995 |
| | 3.3 | % 96.7 | % 100.0 |
| September 30, 2018 | 1,206,325 | 119,951,719 | 121,158,044 |
| | 1.0 | % 99.0 | % 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.

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

Noncontrolling Interest in PBFX

PBF LLC holds a 44.0% limited partner interest in PBFX and owns all of PBFX's IDRs, with the remaining 56.0% limited partner interest owned by public common unitholders as of September 30, 2018. 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 unitholders. Noncontrolling interest on the condensed consolidated statements of operations includes the portion of net income or loss attributable to the economic interest in PBFX held by the public common unitholders 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 unitholders of PBFX.

The noncontrolling interest ownership percentages in PBFX as of September 30, 2018 and December 31, 2017, are calculated as follows:

| | Units of PBFX Held by the Public | Units of PBFX Held by PBF LLC | Total | | |
|--------------------|--|-------------------------------------|------------|---|--|
| December 31, 2017 | 23,441,211 | 18,459,497 | 41,900,708 | | |
| | 55.9 | % 44.1 | % 100.0 | % | |
| September 30, 2018 | 25,393,565 | 19,953,631 | 45,347,196 | | |
| | 56.0 | % 44.0 | % 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 September 30, 2018 and 2017 the Company recorded a noncontrolling interest in the earnings (loss) of these subsidiaries of \$35 and \$(6), respectively. For the nine months ended September 30, 2018 and 2017 the Company recorded a noncontrolling interest in the earnings of these subsidiaries of \$43 and \$374, respectively.

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

Changes in Equity and Noncontrolling Interests

On August 14, 2018, the Company completed a public offering of an aggregate of 6,000,000 shares of Class A common stock (the “August 2018 Equity Offering”) for net proceeds of \$287,284, after deducting underwriting discounts and commissions and other offering expenses. The following tables summarize the changes in equity for the controlling and noncontrolling interests of PBF Energy for the nine months ended September 30, 2018 and 2017, respectively:

| | PBF Energy Inc. Equity | Noncontrolling Interest in PBF LLC | Noncontrolling Interest in PBF Holding | Noncontrolling Interest in PBFX | Total Equity |
|---|---------------------------|--|---|---------------------------------------|--------------|
| Balance at January 1, 2018 | \$ 2,336,654 | \$ 110,203 | \$ 10,808 | \$ 445,284 | \$ 2,902,949 |
| Comprehensive income | 482,504 | 9,794 | 43 | 30,074 | 522,415 |
| Dividends and distributions | (103,303) | (1,724) | — | (36,466) | (141,493) |
| Effects of exchanges of PBF LLC Series A Units on deferred tax assets and liabilities and Tax Receivable Agreement obligation | (2,756) | — | — | — | (2,756) |
| Issuance of additional PBFX common units | 28,564 | — | — | 6,256 | 34,820 |
| Equity-based compensation awards | 14,059 | — | — | 4,549 | 18,608 |
| August 2018 Equity Offering | 287,284 | — | — | — | 287,284 |
| Exercise of PBF LLC and PBF Energy options and warrants, net | 14,004 | (345) | — | — | 13,659 |
| Other | 10,924 | — | — | (1,049) | 9,875 |
| Balance at September 30, 2018 | \$ 3,067,934 | \$ 117,928 | \$ 10,851 | \$ 448,648 | \$ 3,645,361 |

| | 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 | 174,524 | 9,701 | 374 | 39,377 | 223,976 |
| Dividends and distributions | (98,723) | (3,448) | — | (33,090) | (135,261) |
| Equity-based compensation awards | 13,549 | — | — | 4,515 | 18,064 |
| Other | (2,096) | — | — | (5) | (2,101) |
| Balance at September 30, 2017 | \$ 2,112,298 | \$ 104,924 | \$ 12,887 | \$ 445,253 | \$ 2,675,362 |

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

The following tables summarize the changes in equity for the controlling and noncontrolling interests of PBF LLC for the nine months ended September 30, 2018 and 2017, respectively:

| | PBF Energy Company LLC Equity | Noncontrolling Interest in PBF Holding | Noncontrolling Interest in PBFX | Total Equity |
|---|-------------------------------------|--|---------------------------------------|--------------|
| Balance at January 1, 2018 | \$ 2,422,411 | \$ 10,808 | \$ 445,284 | \$ 2,878,503 |
| Comprehensive income | 652,612 | 43 | 30,074 | 682,729 |
| Dividends and distributions | (105,027) | — | (36,466) | (141,493) |
| Issuance of additional PBFX common units | 28,564 | — | 6,256 | 34,820 |
| Equity-based compensation awards | 14,059 | — | 4,549 | 18,608 |
| Exercise of PBF LLC options and warrants, net | (3,760) | — | — | (3,760) |
| Issuance of Series C units in connection with the August 2018 Equity Offering | 287,284 | — | — | 287,284 |
| Other | 11,321 | — | (1,049) | 10,272 |
| Balance at September 30, 2018 | \$ 3,307,464 | \$ 10,851 | \$ 448,648 | \$ 3,766,963 |

| | PBF Energy Company LLC Equity | Noncontrolling Interest in PBF Holding | Noncontrolling Interest in PBFX | Total Equity |
|----------------------------------|-------------------------------------|--|---------------------------------------|--------------|
| Balance at January 1, 2017 | \$ 2,040,851 | \$ 12,513 | \$ 434,456 | \$ 2,487,820 |
| Comprehensive income | 288,626 | 374 | 39,377 | 328,377 |
| Dividends and distributions | (102,171) | — | (33,090) | (135,261) |
| Equity-based compensation awards | 13,549 | — | 4,515 | 18,064 |
| Other | (2,096) | — | (5) | (2,101) |
| Balance at September 30, 2017 | \$ 2,238,759 | \$ 12,887 | \$ 445,253 | \$ 2,696,899 |

Share Activity

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

| | Nine Months Ended September 30, 2018 | | Year Ended December 31, 2017 | |
|---|---|-------------------|---------------------------------|-------------------|
| | Class A Common Stock | Treasury Stock | Class A Common Stock | Treasury Stock |
| Balance at beginning of period | 110,565,531 | 6,132,884 | 109,204,047 | 6,087,963 |
| Treasury stock purchases (1) | (39,544) | 39,544 | — | 44,921 |
| Stock based compensation | 35,811 | — | 702,404 | — |
| Exercise of options and warrants | 691,286 | — | 462,500 | — |
| Exchange of PBF LLC Series A units for shares of Class A common stock | 2,698,635 | — | 196,580 | — |
| August 2018 Equity Offering | 6,000,000 | — | — | — |
| Balance at end of period | 119,951,719 | 6,172,428 | 110,565,531 | 6,132,884 |

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

The following table presents the changes in PBF LLC Series A Units and Series C Units outstanding:

| | Nine Months Ended | | Year Ended December | |
|--|--------------------|-------------|---------------------|-------------|
| | September 30, 2018 | | 31, 2017 | |
| | Series A | Series C | Series A | Series C |
| | Units | Units | Units | Units |
| Balance at beginning of period | 3,767,464 | 110,586,762 | 3,920,902 | 109,204,047 |
| Exercise of Series A warrants and options | 137,496 | 691,286 | 64,373 | 462,500 |
| Exchange of Series A units for PBF Energy Class A common stock | (2,698,635) | 2,698,635 | (196,580) | 217,811 |
| Grant of restricted shares | — | 35,811 | — | 702,404 |
| Surrender of units for tax withholding | — | (39,544) | — | — |
| Redemption of Series A units by PBF Energy | — | — | (21,231) | — |
| August 2018 Equity Offering | — | 6,000,000 | — | — |
| Balance at end of period | 1,206,325 | 119,972,950 | 3,767,464 | 110,586,762 |

5. INVENTORIES

Inventories consisted of the following:

September 30, 2018

| | Titled Inventory | Inventory Intermediation Agreements | Total |
|------------------------------------|------------------|-------------------------------------|--------------|
| Crude oil and feedstocks | \$ 1,055,654 | \$ — | \$ 1,055,654 |
| Refined products and blendstocks | 1,060,841 | 339,134 | 1,399,975 |
| Warehouse stock and other | 105,477 | — | 105,477 |
| | \$ 2,221,972 | \$ 339,134 | \$ 2,561,106 |
| Lower of cost or market adjustment | — | — | — |
| Total inventories | \$ 2,221,972 | \$ 339,134 | \$ 2,561,106 |

December 31, 2017

| | Titled Inventory | Inventory Intermediation Agreements | Total |
|------------------------------------|------------------|-------------------------------------|--------------|
| Crude oil and feedstocks | \$ 1,073,093 | \$ — | \$ 1,073,093 |
| Refined products and blendstocks | 1,030,817 | 311,477 | 1,342,294 |
| Warehouse stock and other | 98,866 | — | 98,866 |
| | \$ 2,202,776 | \$ 311,477 | \$ 2,514,253 |
| Lower of cost or market adjustment | (232,652) | (67,804) | (300,456) |
| Total inventories | \$ 1,970,124 | \$ 243,673 | \$ 2,213,797 |

Inventory under inventory intermediation agreements includes 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, the "Inventory Intermediation Agreements") with J. Aron & Company, a subsidiary of The Goldman Sachs Group, Inc. ("J. Aron").

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

At September 30, 2018 the replacement value of inventories exceeded the LIFO carrying value by approximately \$12,037. During the three months ended September 30, 2018, the Company recorded an adjustment to value its inventories to the lower of cost or market which increased operating income and net income by \$54,801 and \$40,328, respectively, reflecting no lower of cost or market (“LCM”) reserve as of September 30, 2018 in comparison to an LCM reserve of \$54,801 at June 30, 2018. During the nine months ended September 30, 2018, the Company recorded an LCM inventory adjustment which increased operating income and net income by \$300,456 and \$221,106, respectively, reflecting no LCM reserve as of September 30, 2018 in comparison to an LCM reserve of \$300,456 at December 31, 2017.

During the three months ended September 30, 2017, the Company recorded an adjustment to value its inventories to the lower of cost or market which increased operating income and net income by \$265,077 and \$160,743, respectively, reflecting the net change in the LCM reserve from \$763,122 at June 30, 2017 to \$498,045 at September 30, 2017. During the nine months ended September 30, 2017, the Company recorded an LCM inventory adjustment which increased operating income and net income by \$97,943 and \$59,393, respectively, reflecting the net change in the LCM reserve from \$595,988 at December 31, 2016 to \$498,045 at September 30, 2017.

6. ACCRUED EXPENSES

Accrued expenses consisted of the following:

| | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| PBF Energy | | |
| Inventory-related accruals | \$ 1,451,142 | \$ 1,151,810 |
| Inventory intermediation agreements | 254,022 | 244,287 |
| Excise and sales tax payable | 123,174 | 118,515 |
| Accrued transportation costs | 56,167 | 64,400 |
| Accrued salaries and benefits | 55,366 | 58,589 |
| Accrued interest | 43,395 | 14,080 |
| Renewable energy credit and emissions obligations | 32,753 | 26,231 |
| Accrued utilities | 32,371 | 42,189 |
| Accrued capital expenditures | 26,082 | 18,765 |
| Accrued refinery maintenance and support costs | 23,147 | 35,674 |
| Customer deposits | 20,583 | 16,133 |
| Environmental liabilities | 7,173 | 8,289 |
| Other | 25,756 | 15,892 |
| Total accrued expenses | \$ 2,151,131 | \$ 1,814,854 |

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

| PBF LLC | September 30, 2018 | December 31, 2017 |
|---|-----------------------|-------------------------|
| Inventory-related accruals | \$ 1,451,142 | \$ 1,151,810 |
| Inventory intermediation agreements | 254,022 | 244,287 |
| Excise and sales tax payable | 123,174 | 118,515 |
| Accrued interest | 58,885 | 23,419 |
| Accrued transportation costs | 56,167 | 64,400 |
| Accrued salaries and benefits | 55,366 | 58,589 |
| Renewable energy credit and emissions obligations | 32,753 | 26,231 |
| Accrued utilities | 32,371 | 42,189 |
| Accrued capital expenditures | 26,082 | 18,765 |
| Accrued refinery maintenance and support costs | 23,147 | 35,674 |
| Customer deposits | 20,583 | 16,133 |
| Environmental liabilities | 7,173 | 8,289 |
| Other | 26,929 | 16,093 |
| Total accrued expenses | \$ 2,167,794 | \$ 1,824,394 |

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 Inventory Intermediation Agreements with J. Aron. As of September 30, 2018 and December 31, 2017, a liability is recognized for the Inventory Intermediation Agreements and is recorded at market price for the J. Aron owned inventory held in the Company's storage tanks under the 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 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 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, including regulations in the state of California pursuant to Assembly Bill 32 ("AB32"), to address environmental compliance and greenhouse gas and other emissions. These requirements include incremental costs to operate and maintain our facilities as well as to implement and manage new emission controls and programs. Renewable energy credit and emissions obligations fluctuate with the volume of applicable product sales and timing of credit purchases.

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

Early Return of Railcars

On September 30, 2018, the Company agreed to voluntarily return a portion of railcars under an operating lease in order to rationalize certain components of its railcar fleet based on prevailing market conditions in the crude oil by rail market. Under the terms of the lease amendment, the Company will pay agreed amounts in lieu of satisfaction of return conditions (the “early termination penalty”) and will pay a reduced rental fee over the remaining term of the lease. Certain of these railcars are idle and the remaining railcars will be taken out of service during the fourth quarter of 2018 and subsequently fully returned to the lessor. As a result, the Company recognized an expense of \$44,571 for the three months ended September 30, 2018 included within Cost of sales consisting of (i) a \$40,313 charge for the early termination penalty and (ii) a \$4,258 charge related to the remaining lease payments associated with the portion of railcars within the amended lease, that were idled and out of service as of September 30, 2018. The Company has recorded a liability within Inventory-related accruals (included within Accrued expenses) for \$25,843 representing the amount of the early lease termination obligation expected to be paid within the next twelve months and a liability within Other long-term liabilities for \$18,728 representing the remaining amount of the obligation.

7. DEBT

2018 Revolving Credit Agreement

On May 2, 2018, PBF Holding and certain of its wholly-owned subsidiaries, as borrowers or subsidiary guarantors, replaced its existing asset-based revolving credit agreement dated as of August 15, 2014 (the “August 2014 Revolving Credit Agreement”) with a new asset-based revolving credit agreement (the “2018 Revolving Credit Agreement”). The 2018 Revolving Credit Agreement has a maximum commitment of \$3,400,000, a maturity date of May 2023 and redefines certain components of the Borrowing Base (as defined in the credit agreement) to make more funding available for working capital and other general corporate purposes. Borrowings under the 2018 Revolving Credit Agreement bear interest at the Alternative Base Rate plus the Applicable Margin or at the Adjusted LIBOR Rate plus the Applicable Margin (all as defined in the credit agreement). The Applicable Margin ranges from 0.25% to 1.00% for Alternative Base Rate Loans and from 1.25% to 2.00% for Adjusted LIBOR Rate Loans, in each case depending on the Company’s corporate credit rating. In addition, an accordion feature allows for commitments of up to \$3,500,000. The LC Participation Fee ranges from 1.00% to 1.75% depending on the Company’s corporate credit rating and the Fronting Fee is capped at 0.25%.

The 2018 Revolving Credit Agreement contains customary covenants and restrictions on the activities of PBF Holding and its subsidiaries, including, but not limited to, limitations on incurring additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions and prepayment of other debt, distributions, dividends and the repurchase of capital stock, transactions with affiliates and the ability of PBF Holding to change the nature of its business or its fiscal year; all as defined in the credit agreement.

In addition, the 2018 Revolving Credit Agreement has a financial covenant which requires that if at any time Excess Availability, as defined in the credit agreement, is less than the greater of (i) 10% of the lesser of the then existing Borrowing Base and the then aggregate Revolving Commitments of the Lenders (the “Financial Covenant Testing Amount”), and (ii) \$100,000, and until such time as Excess Availability is greater than the Financial Covenant Testing Amount and \$100,000 for a period of 12 or more consecutive days, PBF Holding will not permit the Consolidated Fixed Charge Coverage Ratio, as defined in the credit agreement and determined as of the last day of the most recently completed quarter, to be less than 1.0 to 1.0.

At both September 30, 2018 and December 31, 2017, there was \$350,000 outstanding under the revolving credit agreements.

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

PBFX Revolving Credit Facility

On July 30, 2018, PBFX entered into an amended and restated credit facility (as amended, the “PBFX Revolving Credit Facility”). The PBFX Revolving Credit Facility has a maximum commitment available to PBFX of \$500,000 and a maturity date of July 2023 that may be extended for one year on up to two occasions, subject to certain customary terms and conditions. PBFX has the ability to increase the maximum amount of the PBFX Revolving Credit Facility by an aggregate amount of up to \$250,000, or a total facility size of \$750,000, subject to receiving increased commitments from lenders or other financial institutions and satisfaction of certain conditions. The PBFX Revolving Credit Facility includes a \$75,000 sublimit for standby letters of credit, a \$25,000 sublimit for swingline loans and is guaranteed by a guaranty of collection from PBF LLC. Obligations under the PBFX Revolving Credit Facility are guaranteed by its restricted subsidiaries, and are secured by a first priority lien on PBFX’s assets and those of its restricted subsidiaries. Borrowings under the PBFX Revolving Credit Facility bear interest at the Alternative Base Rate plus the Applicable Margin or at the Adjusted LIBOR Rate plus an Applicable Margin (all as defined in the PBFX Revolving Credit Facility). The Applicable Margin ranges from 0.75% to 1.75% for Alternative Base Rate Loans and from 1.75% to 2.75% for Adjusted LIBOR Rate Loans, in each case depending on PBFX’s Consolidated Total Leverage Ratio, as defined in the PBFX Revolving Credit Facility.

At September 30, 2018 and December 31, 2017, there was \$50,000 and \$29,700, respectively, outstanding under the PBFX revolving credit facilities.

8. AFFILIATE NOTE PAYABLE - PBF LLC

As of September 30, 2018 and December 31, 2017, PBF LLC had an outstanding note payable with PBF Energy for an aggregate principal amount of \$326,115 and \$292,844, respectively. The note has an interest rate of 2.5% and a 5-year term but may be prepaid in whole or in part at any time, at the option of PBF LLC without penalty or premium.

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 99.0% as of September 30, 2018 and approximately 96.7% as of December 31, 2017). 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 the two subsidiaries acquired in connection with the acquisition of Chalmette Refining and PBF Holding’s wholly-owned Canadian subsidiary, PBF Ltd, that are treated as C-Corporations for income tax purposes.

The reported income tax expense in the PBF Energy condensed consolidated financial statements of operations consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------|--|-----------|---------------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Current income tax expense | \$71 | \$190 | \$823 | \$1,564 |
| Deferred income tax expense | 61,278 | 203,789 | 167,013 | 111,325 |
| Total income tax expense | \$61,349 | \$203,979 | \$167,836 | \$112,889 |

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

Income tax 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 PBF Energy's effective income tax rate and the United States statutory rate is reconciled below:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------|-------------------|---------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Provision at Federal statutory rate | 21.0 % | 35.0 % | 21.0 % | 35.0 % |
| Increase (decrease) attributable to flow-through of certain tax adjustments: | | | | |
| State income taxes (net of federal income tax) | 5.6 % | 4.5 % | 5.9 % | 4.3 % |
| Nondeductible/nontaxable items | (0.5)% | (0.2)% | (0.1)% | 0.2 % |
| Rate differential from foreign jurisdictions | (0.2)% | 0.3 % | (0.2)% | (0.1)% |
| Provision to return adjustment | — % | (0.1)% | — % | (0.2)% |
| Foreign tax rate change | — % | — % | — % | 0.3 % |
| Other | (0.4)% | (0.1)% | (0.8)% | (0.1)% |
| Effective tax rate | 25.5 % | 39.4 % | 25.8 % | 39.4 % |

PBF Energy's effective income tax rate for the three and nine months ended September 30, 2018, including the impact of income attributable to noncontrolling interests of \$12,928 and \$39,907, respectively, was 24.2% and 24.3%, respectively. PBF Energy's effective income tax rate for the three and nine months ended September 30, 2017, including the impact of income attributable to noncontrolling interests of \$32,861 and \$49,420, respectively, was 37.0% and 33.6% respectively.

The decrease in effective tax rate when comparing the three and nine month periods ended September 30, 2018 to the three and nine month periods ended September 30, 2017 is primarily driven by the Tax Cuts and Jobs Act ("TCJA"), which was effective as of January 1, 2018. The TCJA significantly revised the U.S. tax code by, among other things, lowering the corporate income tax rate from 35.0% to 21.0%. In connection with the enactment of the TCJA, PBF Energy recorded a net tax expense of \$20,153 in the year ending December 31, 2017. It is the Company's expectation that the other legislative areas within TCJA, such as the Transition Tax and the Global Low-Taxed Intangible Income, will not have a material impact on the provision for income taxes.

The reported income tax (benefit) expense in the PBF LLC condensed consolidated financial statements of operations consists of the following:

| | Three Months Ended | | Nine Months Ended | |
|---------------------------------------|--------------------|-----------|-------------------|---------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Current income tax expense (benefit) | \$5 | \$190 | \$(26) | \$1,399 |
| Deferred income tax (benefit) expense | (724) | (4,482) | (5,377) | 641 |
| Total income tax (benefit) expense | \$(719) | \$(4,292) | \$(5,403) | \$2,040 |

The Company has determined there are no material uncertain tax positions as of September 30, 2018. The Company does not have any unrecognized tax benefits.

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

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 \$11,253 recorded as of September 30, 2018 (\$10,282 as of December 31, 2017) represents the present value of expected future costs discounted at a rate of 8.0%. The current portion of the environmental liability is recorded in Accrued expenses and the non-current portion is recorded in Other long-term liabilities. As of September 30, 2018 and December 31, 2017, 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) 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 EPA. The estimated cost assumes remedial activities will continue for a minimum of thirty 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.

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 (the "Coastal Zone Board") held a public hearing and dismissed the appeal, determining that the appellants did not have standing. The appellants filed an appeal of the Coastal Zone Board's decision with the Delaware Superior Court (the "Superior Court") on March 30, 2017. On January 19, 2018, the Superior Court rendered an Opinion regarding the decision of the Coastal Zone Board to dismiss the appeal of the Ethanol Permit for the ethanol project. The Judge determined that the record created by the Coastal Zone Board was insufficient for the Superior Court to make a decision, and therefore remanded the case back to the Coastal Zone Board to address the deficiency in the record. Specifically, the Superior Court directed the Coastal Zone Board to address any evidence concerning whether the appellants' claimed injuries would be affected by the increased quantity of ethanol shipments. During the hearing before the Coastal Zone Board on standing, one of the appellants' witnesses made a reference to the flammability of ethanol, without any indication of the significance of flammability/ explosivity to specific concerns. Moreover, the appellants did not introduce at hearing any evidence of the relative flammability of ethanol as compared to other materials shipped to and from the refinery. However, the sole dissenting opinion from the Coastal Zone Board focused on the flammability/explosivity issue, alleging that the appellants' testimony raised the issue as a distinct basis for potential harms. Once the Board responds to the remand, it will go back to the Superior Court to complete its analysis and issue a decision.

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

At the time the Company acquired the Toledo refinery, EPA had initiated an investigation into the compliance of the refinery with EPA standards governing flaring pursuant to Section 114 of the Clean Air Act. On February 1, 2013, EPA issued an Amended Notice of Violation, and on September 20, 2013, EPA issued a Notice of Violation and Finding of Violation to Toledo refinery, alleging certain violations of the Clean Air Act at its Plant 4 and Plant 9 flares since the acquisition of the refinery on March 1, 2011. Toledo refinery and EPA subsequently entered into tolling agreements pending settlement discussions. Although the resolution has not been finalized, the civil administrative penalty is anticipated to be approximately \$645 including supplemental environmental projects. To the extent the administrative penalty exceeds such amount, it is not expected to be material to the Company.

In connection with the acquisition of the Torrance refinery and related logistics assets, the Company assumed certain pre-existing environmental liabilities totaling \$133,025 as of September 30, 2018 (\$136,487 as of December 31, 2017), related to certain environmental remediation obligations to address existing soil and groundwater contamination and monitoring activities 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 and the logistics assets, including specified incidents and/or notices of violations ("NOVs") issued by regulatory agencies in various years before the Company's ownership, including the Southern California Air Quality Management District ("SCAQMD") and the Division of Occupational Safety and Health of the State of California ("Cal/OSHA").

In connection with the acquisition of the Torrance refinery and related logistics assets, the Company agreed to take responsibility for NOV No. P63405 that ExxonMobil had received from the SCAQMD for Title V deviations that are alleged to have occurred in 2015. On August 14, 2018, the Company received a letter from SCAQMD offering to settle this NOV for \$515. The Company is currently in communication with SCAQMD to resolve this NOV. Subsequent to the acquisition, further NOVs were issued by the SCAQMD, Cal/OSHA, the City of Torrance, the City of Torrance Fire Department, and the Los Angeles County Sanitation District related to alleged operational violations, emission discharges and/or flaring incidents at the refinery and the logistics assets both before and after the Company's acquisition. EPA in November 2016 conducted a Risk Management Plan ("RMP") inspection following the acquisition related to Torrance operations and issued preliminary findings in March 2017 concerning RMP potential operational violations. The Company is currently in communication with EPA to resolve the RMP preliminary findings. EPA and the California Department of Toxic Substances Control ("DTSC") in December 2016 conducted a Resource Conservation and Recovery Act ("RCRA") inspection following the acquisition related to Torrance operations and also issued in March 2017 preliminary findings concerning RCRA potential operational violations. In April 2017, EPA referred the RCRA preliminary findings to DTSC for final resolution. On March 1, 2018, the Company received a notice of intent to sue from Environmental Integrity Project, on behalf of Environment California, under RCRA with respect to the alleged violations from EPA's and DTSC's December 2016 inspection. On March 2, 2018, DTSC issued an order to correct alleged RCRA violations relating to the accumulation of oil bearing materials in roll off bins during 2016 and 2017. On June 14, 2018, the Torrance refinery and DTSC reached settlement regarding the oil bearing materials in the form of a stipulation and order, wherein the Torrance refinery agreed that it would recycle or properly dispose of the oil bearing materials by the end of 2018 and pay an administrative penalty of \$150. Following this settlement, in June 2018, DTSC referred the remaining alleged RCRA violations from EPA's and DTSC's December 2016 inspection to the California Attorney General for final resolution. The Torrance refinery and the California Attorney General are in discussions to resolve these remaining alleged RCRA violations. Other than the \$150 DTSC administrative penalty, no other settlement or penalty demands have been received to date with respect to any of the other NOVs, preliminary findings, or order that are in excess of \$100. As the ultimate outcomes are uncertain, the Company cannot currently estimate the final amount or timing of their resolution but any such amount is not expected

to have a material impact on the Company's financial position, results of operations or cash flows, individually or in the aggregate.

32

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

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 ten 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 \$1,629 recorded as of September 30, 2018 (\$1,923 as of December 31, 2017) 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.

Applicable Federal and State Regulatory Requirements

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.

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. 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 Company is required to comply with the Renewable Fuel Standard ("RFS") implemented by EPA, which sets annual quotas for the quantity of renewable fuels (such as ethanol) that must be blended into motor fuels consumed in the United States. In July 2018, EPA issued proposed amendments to the RFS program regulations that would establish annual percentage standards for cellulosic biofuel, biomass-based diesel, advanced biofuel, and renewable fuels that would apply to all gasoline and diesel produced in the U.S. or imported in the year 2019. In addition, the separate proposal includes a proposed biomass-based diesel applicable volume for 2020. It is likely that RIN production will continue to be lower than needed forcing obligated parties, such as the Company, to purchase cellulosic waiver credits or purchase excess RINs from suppliers on the open market.

In addition, on December 1, 2015 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 was implemented prior to the deadline of January 30, 2018. The Company is in the process of implementing the requirements of this regulation. The regulation does not have a material impact on the Company's financial position, results of operations or cash flows.

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

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

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 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.

The Company is subject to obligations to purchase RINs. On February 15, 2017, the Company received a notification that EPA records indicated that PBF Holding used potentially invalid RINs that were in fact verified under 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 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 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.

As of January 1, 2011, the Company is required to comply with EPA’s Control of Hazardous Air Pollutants From Mobile Sources, or MSAT2, regulations on gasoline that impose reductions in the benzene content of its produced gasoline. The Company purchases benzene credits to meet these requirements. The Company’s planned capital projects will reduce the amount of benzene credits that it needs to purchase. In addition, the renewable fuel standards mandate the blending of prescribed percentages of renewable fuels (e.g., ethanol and biofuels) into the Company’s produced gasoline and diesel. These new requirements, other requirements of the CAA and other presently existing or future environmental regulations may cause the Company to make substantial capital expenditures as well as the purchase of credits at significant cost, to enable its refineries to produce products that meet applicable requirements.

The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”), also known as “Superfund,” imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment. These persons include the current or former owner or operator of the disposal site or sites where the release occurred and companies that disposed of or arranged for the disposal of the hazardous substances. Under CERCLA, such persons may be subject to joint and several liability for investigation and the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. As discussed more fully above, certain of the Company’s sites are subject to these laws and the Company may be held liable for investigation and remediation costs or claims for natural resource damages. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. Analogous state laws impose similar responsibilities and liabilities on responsible parties. In the Company’s current normal operations, it has generated waste, some of which falls within the statutory definition of a “hazardous substance” and some of which may have been disposed of at sites that may require cleanup under Superfund.

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

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

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

include PBF Energy, which holds a 99.0% interest in PBF LLC as of September 30, 2018 (96.7% as of December 31, 2017). 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.

As of September 30, 2018, PBF Energy has recognized a liability for the Tax Receivable Agreement of \$381,260 (\$362,142 as of December 31, 2017) 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 nine months ended September 30, 2018, PBF LLC made aggregate non-tax quarterly distributions of \$104,739, or \$0.30 per unit to its members, of which \$103,015 was distributed pro-rata to PBF Energy and the balance was distributed to its other members. PBF Energy used this \$103,015 to pay quarterly cash dividends of \$0.30 per share of Class A common stock on March 14, 2018, May 30, 2018 and August 30, 2018.

With respect to distributions paid during the nine months ended September 30, 2018, PBFX paid a distribution on outstanding common units of \$0.485 per unit on March 14, 2018, \$0.490 per unit on May 30, 2018 and \$0.495 per unit on August 30, 2018, of which \$36,981 was distributed to PBF LLC and the balance was distributed to its public unitholders.

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 September 30, 2018 | | Nine Months Ended September 30, 2017 | |
|--|--|----------|---|----------|
| Pension Benefits | | | | |
| Components of net periodic benefit cost: | | | | |
| Service cost | \$11,836 | \$10,142 | \$35,508 | \$30,429 |
| Interest cost | 1,448 | 1,084 | 4,344 | 3,252 |
| Expected return on plan assets | (2,135) | (1,441) | (6,405) | (4,325) |
| Amortization of prior service cost | 22 | 13 | 65 | 39 |
| Amortization of actuarial loss | 71 | 113 | 214 | 339 |
| Net periodic benefit cost | \$11,242 | \$9,911 | \$33,726 | \$29,734 |
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| Post-Retirement Medical Plan | 2018 | 2017 | 2018 | 2017 |
| Components of net periodic benefit cost: | | | | |
| Service cost | \$287 | \$316 | \$861 | \$948 |
| Interest cost | 155 | 172 | 465 | 516 |
| Amortization of prior service cost | 161 | 162 | 484 | 484 |
| Net periodic benefit cost | \$603 | \$650 | \$1,810 | \$1,948 |

The Company adopted ASU 2017-07 as described in "Note 1 - Description of the Business and Basis of Presentation" effective January 1, 2018. The new guidance requires the bifurcation of net periodic benefit cost. The service cost component is presented within Income from operations, while the other components are reported separately outside of operations. This guidance was applied retrospectively in the Condensed Consolidated Statements of Operations. For

the three and nine months ended September 30, 2018, the Company recorded income of \$278 and \$833,

36

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

respectively, related to the non-service components of net periodic benefit cost in Other income (expense). For the three and nine months ended September 30, 2017, the Company recorded expense of \$103 and \$305, respectively, related to the non-service components of net periodic benefit cost in Other income (expense).

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 September 30, 2018 and December 31, 2017.

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 September 30, 2018 | | | | Effect of Counter-party Netting | Net Carrying Value on Balance Sheet |
|--|--------------------------|---------|---------|------------------------|---------------------------------|-------------------------------------|
| | Level 1 | Level 2 | Level 3 | Total Gross Fair Value | | |
| Assets: | | | | | | |
| Money market funds | \$396,998 | \$ — | \$ — | \$396,998 | N/A | \$396,998 |
| Commodity contracts | 17,023 | 1,702 | — | 18,725 | (18,725) | — |
| Liabilities: | | | | | | |
| Commodity contracts | 24,202 | 21,895 | — | 46,097 | (18,725) | 27,372 |
| Catalyst lease obligations | — | 43,800 | — | 43,800 | — | 43,800 |
| Derivatives included with inventory intermediation agreement obligations | — | 18,422 | — | 18,422 | — | 18,422 |
| As of December 31, 2017 | | | | | | |
| | 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 | \$4,730 | \$ — | \$ — | \$4,730 | N/A | \$4,730 |
| Commodity contracts | 10,031 | 357 | — | 10,388 | (10,388) | — |
| Liabilities: | | | | | | |
| Commodity contracts | 51,673 | 33,035 | — | 84,708 | (10,388) | 74,320 |
| Catalyst lease obligations | — | 59,048 | — | 59,048 | — | 59,048 |
| Derivatives included with inventory intermediation agreement obligations | — | 7,721 | — | 7,721 | — | 7,721 |

PBF ENERGY INC. AND PBF ENERGY COMPANY LLC
 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.

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 September 30, 2018 and December 31, 2017, \$9,427 and \$9,593, 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 September 30, 2018 | | Nine Months Ended September 30, 2017 | |
|--------------------------------------|--|------|---|----|
| Balance at beginning of period | \$ — | \$ — | — | — |
| Purchases | — | — | — | — |
| Settlements | — | — | — | 45 |
| Unrealized gain included in earnings | — | — | — | 39 |
| Transfers into Level 3 | — | — | — | — |
| Transfers out of Level 3 | — | — | — | — |
| Balance at end of period | \$ — | \$ — | — | — |

There were no transfers between levels during the three and nine months ended September 30, 2018 or 2017.

PBF ENERGY INC. AND PBF ENERGY COMPANY LLC
 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 September 30, 2018 and December 31, 2017.

| | September 30, 2018 | | December 31, 2017 | |
|---|--------------------|-------------|-------------------|-------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| 2025 Senior Notes (a) | \$725,000 | \$767,282 | \$725,000 | \$763,945 |
| 2023 Senior Notes (a) | 500,000 | 522,798 | 500,000 | 522,101 |
| PBFX 2023 Senior Notes (a) | 527,962 | 539,494 | 528,374 | 544,118 |
| PBF Rail Term Loan (b) | 23,273 | 23,273 | 28,366 | 28,366 |
| Catalyst leases (c) | 43,800 | 43,800 | 59,048 | 59,048 |
| PBFX Revolving Credit Facility (b) (d) | 50,000 | 50,000 | 29,700 | 29,700 |
| Revolving Credit Agreement (b) | 350,000 | 350,000 | 350,000 | 350,000 |
| | 2,220,035 | 2,296,647 | 2,220,488 | 2,297,278 |
| Less - Current debt (c) | (1,242) | (1,242) | (10,987) | (10,987) |
| Less - Unamortized deferred financing costs | (42,904) | n/a | (34,459) | n/a |
| Long-term debt | \$2,175,889 | \$2,295,405 | \$2,175,042 | \$2,286,291 |

(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 7.00% senior notes due 2023, the 7.25% senior notes due 2025 (collectively with the senior notes due 2023, the “Senior Notes”), and the PBFX 6.875% senior notes due 2023 (the “PBFX 2023 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. During 2017, Delaware City Refining entered into two platinum bridge leases which were settled during the second quarter of 2018 and the Company entered into a new platinum bridge lease, which will expire in the first quarter of 2019. The total outstanding balance related to these bridge leases as of September 30, 2018 and December 31, 2017 was \$1,242 and \$10,987, respectively, and is included in Current debt on the Company’s Condensed Consolidated balance sheet.

(d) On October 1, 2018, PBFX borrowed \$75,000 to fund the East Coast Storage Acquisition. Refer to “Note 17 - Subsequent Events” for more details.

14. DERIVATIVES

The Company uses derivative instruments to mitigate certain exposures to commodity price risk. The Company entered into Inventory 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.

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

As of September 30, 2018, there were 2,966,904 barrels of intermediates and refined products (3,000,142 barrels at December 31, 2017) outstanding under these derivative instruments designated as fair value hedges. These volumes represent the notional value of the contract.

The Company also enters into economic hedges primarily consisting of commodity derivative contracts that are not designated as hedges and are used to manage price volatility in certain crude oil and feedstock inventories as well as crude oil, feedstock, and refined product sales or purchases. The objective in entering into economic hedges is consistent with the objectives discussed above for fair value hedges. As of September 30, 2018, there were 11,126,000 barrels of crude oil and 3,097,000 barrels of refined products (22,348,000 and 1,989,000, respectively, as of December 31, 2017), 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 September 30, 2018 and December 31, 2017 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: | | |
| September 30, 2018: | | |
| Derivatives included with the inventory intermediation agreement obligations | Accrued expenses | \$ (18,422) |
| December 31, 2017: | | |
| Derivatives included with the inventory intermediation agreement obligations | Accrued expenses | \$ (7,721) |
| Derivatives not designated as hedging instruments: | | |
| September 30, 2018: | | |
| Commodity contracts | Accrued expenses | \$ (27,372) |
| December 31, 2017: | | |
| Commodity contracts | Accrued expenses | \$ (74,320) |

PBF ENERGY INC. AND PBF ENERGY COMPANY LLC
 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 statements of operations 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 September 30, 2018: | | |
| Derivatives included with the inventory intermediation agreement obligations | Cost of products and other | \$ (8,163) |
| For the three months ended September 30, 2017: | | |
| Derivatives included with the inventory intermediation agreement obligations | Cost of products and other | \$ (29,766) |
| For the nine months ended September 30, 2018: | | |
| Derivatives included with the inventory intermediation agreement obligations | Cost of products and other | \$ (10,701) |
| For the nine months ended September 30, 2017: | | |
| Derivatives included with the inventory intermediation agreement obligations | Cost of products and other | \$ (26,659) |
| Derivatives not designated as hedging instruments: | | |
| For the three months ended September 30, 2018: | | |
| Commodity contracts | Cost of products and other | \$ (9,517) |
| For the three months ended September 30, 2017: | | |
| Commodity contracts | Cost of products and other | \$ (17,291) |
| For the nine months ended September 30, 2018: | | |
| Commodity contracts | Cost of products and other | \$ (55,877) |
| For the nine months ended September 30, 2017: | | |
| Commodity contracts | Cost of products and other | \$ (2,606) |
| Hedged items designated in fair value hedges: | | |
| For the three months ended September 30, 2018: | | |
| Intermediate and refined product inventory | Cost of products and other | \$ 8,163 |
| For the three months ended September 30, 2017: | | |
| Intermediate and refined product inventory | Cost of products and other | \$ 29,766 |
| For the nine months ended September 30, 2018: | | |
| Intermediate and refined product inventory | Cost of products and other | \$ 10,701 |
| For the nine months ended September 30, 2017: | | |
| Intermediate and refined product inventory | Cost of products and other | \$ 26,659 |

The Company had no ineffectiveness related to the fair value hedges for the three and nine months ended September 30, 2018 or 2017.

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

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 Delaware City, Delaware, Paulsboro, New Jersey, Toledo, Ohio, 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's Logistics segment is comprised of PBFX, a publicly traded master limited partnership, formed 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 primarily 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 and PBF LLC perspective, the Company's chief operating decision maker evaluates the Logistics segment as a whole without regard to any of PBFX's individual operating 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 nine months ended September 30, 2018 and September 30, 2017 are presented below. In connection with the adoption of ASU 2017-07, the accompanying segment information has been retrospectively adjusted, for all periods presented, to reflect the reclassification of certain net periodic benefit costs from Operating expenses and General and administrative expenses to Other income (expense).

Edgar Filing: PBF Energy Inc. - Form 10-Q

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

| PBF Energy | Three Months Ended September 30, 2018 | | | | | Consolidated Total |
|---------------------------------------|---------------------------------------|-----------|-----------|--------------|---|-----------------------|
| | Refining | Logistics | Corporate | Eliminations | | |
| Revenues | \$7,641,944 | \$70,556 | \$ — | \$ (66,140) |) | \$7,646,360 |
| Depreciation and amortization expense | 83,281 | 7,451 | 2,594 | — | | 93,326 |
| Income (loss) from operations (1) | 321,370 | 37,577 | (67,789) | (4,725) |) | 286,433 |
| Interest expense, net | 2,078 | 10,567 | 29,644 | — | | 42,289 |
| Capital expenditures | 79,697 | 20,956 | 2,233 | — | | 102,886 |
| | Three Months Ended September 30, 2017 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Revenues | \$5,475,114 | \$66,195 | \$ — | \$ (62,358) |) | \$5,478,951 |
| Depreciation and amortization expense | 70,192 | 5,756 | 2,572 | — | | 78,520 |
| Income (loss) from operations (1) | 609,292 | 39,201 | (57,434) | (3,799) |) | 587,260 |
| Interest expense, net | 1,180 | 7,748 | 28,062 | — | | 36,990 |
| Capital expenditures | 165,179 | 15,536 | 562 | — | | 181,277 |
| | Nine Months Ended September 30, 2018 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Revenues | \$20,880,613 | \$203,395 | \$ — | \$ (190,789) |) | \$20,893,219 |
| Depreciation and amortization expense | 242,568 | 21,185 | 7,871 | — | | 271,624 |
| Income (loss) from operations (1) | 895,952 | 105,299 | (183,785) | (13,110) |) | 804,356 |
| Interest expense, net | 6,509 | 30,940 | 91,486 | — | | 128,935 |
| Capital expenditures (2) | 376,774 | 86,627 | 4,726 | — | | 468,127 |
| | Nine Months Ended September 30, 2017 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Revenues | \$15,237,189 | \$190,375 | \$ — | \$ (176,915) |) | \$15,250,649 |
| Depreciation and amortization expense | 180,704 | 17,096 | 10,355 | — | | 208,155 |
| Income (loss) from operations (1) | 521,015 | 107,765 | (140,555) | (11,218) |) | 477,007 |
| Interest expense, net | 3,433 | 23,618 | 87,820 | — | | 114,871 |
| Capital expenditures (2) | 574,871 | 72,100 | 2,971 | — | | 649,942 |
| | Balance at September 30, 2018 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Total assets (3) | \$8,369,215 | \$806,850 | \$72,799 | \$ (33,454) |) | \$9,215,410 |
| | Balance at December 31, 2017 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Total assets (3) | \$7,287,384 | \$748,215 | \$123,211 | \$ (40,817) |) | \$8,117,993 |

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

| PBF LLC | Three Months Ended September 30, 2018 | | | | | Consolidated Total |
|---------------------------------------|---------------------------------------|-----------|-----------|---------------|--|-----------------------|
| | Refining | Logistics | Corporate | Eliminations | | |
| Revenues | \$7,641,944 | \$70,556 | \$ — | \$ (66,140) | | \$7,646,360 |
| Depreciation and amortization expense | 83,281 | 7,451 | 2,594 | — | | 93,326 |
| Income (loss) from operations (1) | 321,370 | 37,577 | (67,468) | (4,725) | | 286,759 |
| Interest expense, net | 2,078 | 10,567 | 31,828 | — | | 44,473 |
| Capital expenditures | 79,697 | 20,956 | 2,233 | — | | 102,886 |
| | Three Months Ended September 30, 2017 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Revenues | \$5,475,114 | \$66,195 | \$ — | \$ (62,358) | | \$5,478,951 |
| Depreciation and amortization expense | 70,192 | 5,756 | 2,572 | — | | 78,520 |
| Income (loss) from operations (1) | 609,292 | 39,201 | (57,386) | (3,799) | | 587,308 |
| Interest expense, net | 1,180 | 7,748 | 29,965 | — | | 38,893 |
| Capital expenditures | 165,179 | 15,536 | 562 | — | | 181,277 |
| | Nine Months Ended September 30, 2018 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Revenues | \$20,880,613 | \$203,395 | \$ — | \$ (190,789) | | \$20,893,219 |
| Depreciation and amortization expense | 242,568 | 21,185 | 7,871 | — | | 271,624 |
| Income (loss) from operations (1) | 895,952 | 105,299 | (182,766) | (13,110) | | 805,375 |
| Interest expense, net | 6,509 | 30,940 | 97,667 | — | | 135,116 |
| Capital expenditures (2) | 376,774 | 86,627 | 4,726 | — | | 468,127 |
| | Nine Months Ended September 30, 2017 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Revenues | \$15,237,189 | \$190,375 | \$ — | \$ (176,915) | | \$15,250,649 |
| Depreciation and amortization expense | 180,704 | 17,096 | 10,355 | — | | 208,155 |
| Income (loss) from operations (1) | 521,015 | 107,765 | (140,399) | (11,218) | | 477,163 |
| Interest expense, net | 3,433 | 23,618 | 93,859 | — | | 120,910 |
| Capital expenditures (2) | 574,871 | 72,100 | 2,971 | — | | 649,942 |
| | Balance at September 30, 2018 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Total assets (3) | \$8,369,215 | \$806,850 | \$66,234 | \$ (33,454) | | \$9,208,845 |
| | Balance at December 31, 2017 | | | | | |
| | Refining | Logistics | Corporate | Eliminations | | Consolidated Total |
| Total assets (3) | \$7,287,384 | \$748,215 | \$44,203 | \$ (40,817) | | \$8,038,985 |

(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 purposes of the Company's condensed consolidated financial statements, PBF Holding's equity income in investee and PBFX's net income attributable to noncontrolling interest

eliminate in consolidation.

44

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

The Logistics segment includes capital expenditures of \$58,000 for the acquisition of the Knoxville Terminals by (2)PBFX on April 16, 2018 and \$10,097 for the acquisition of the Toledo Products Terminal by PBFX on April 17, 2017.

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 (3)Refining segment) records an equity investment in TVPC reflecting its noncontrolling ownership interest. For purposes of the Company's condensed consolidated PBF Energy and PBF LLC financial statements, PBFX's noncontrolling interest in TVPC and PBF Holding's equity investment in TVPC eliminate in consolidation.

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

16. NET INCOME 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 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 per share of Class A common stock attributable to PBF Energy:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Basic Earnings Per Share: | | | | |
| Allocation of earnings: | | | | |
| Net income attributable to PBF Energy Inc. stockholders | \$ 179,538 | \$ 314,365 | \$ 482,057 | \$ 173,625 |
| Less: Income allocated to participating securities | 194 | 272 | 592 | 811 |
| Income available to PBF Energy Inc. stockholders - basic | \$ 179,344 | \$ 314,093 | \$ 481,465 | \$ 172,814 |
| Denominator for basic net income per Class A common share - weighted average shares | 117,029,486 | 109,724,595 | 113,597,970 | 109,634,921 |
| Basic net income attributable to PBF Energy per Class A common share | \$ 1.53 | \$ 2.86 | \$ 4.24 | \$ 1.58 |
| Diluted Earnings Per Share: | | | | |
| Numerator: | | | | |
| Income available to PBF Energy Inc. stockholders - basic | \$ 179,344 | \$ 314,093 | \$ 481,465 | \$ 172,814 |
| Plus: Net income attributable to noncontrolling interest ⁽¹⁾ | 2,394 | 18,137 | 9,790 | 9,677 |
| Less: Income tax expense on net income attributable to noncontrolling interest ⁽¹⁾ | (632) | (7,139) | (2,585) | (3,809) |
| Numerator for diluted net income per Class A common share - net income attributable to PBF Energy Inc. stockholders ⁽¹⁾ | \$ 181,106 | \$ 325,091 | \$ 488,670 | \$ 178,682 |
| Denominator: ⁽¹⁾ | | | | |
| Denominator for basic net income per Class A common share-weighted average shares | 117,029,486 | 109,724,595 | 113,597,970 | 109,634,921 |
| Effect of dilutive securities: | | | | |
| Conversion of PBF LLC Series A Units | 1,206,326 | 3,825,508 | 2,184,690 | 3,832,464 |
| Common stock equivalents ⁽²⁾ | 2,169,503 | 332,137 | 1,592,510 | 324,157 |
| Denominator for diluted net income per Class A common share-adjusted weighted average shares | 120,405,315 | 113,882,240 | 117,375,170 | 113,791,542 |
| Diluted net income attributable to PBF Energy Inc. stockholders per Class A common share | \$ 1.50 | \$ 2.85 | \$ 4.16 | \$ 1.57 |

The diluted earnings per share calculation generally assumes the conversion of all outstanding PBF LLC Series A Units to Class A common stock of PBF Energy. The net income attributable to PBF Energy, used in the numerator of the diluted earnings per share calculation is adjusted to reflect the net income, as well as the corresponding income tax expense (based on a 26.4% estimated annualized statutory corporate tax rate for both the three and nine months ended September 30, 2018 and 39.4% estimated annualized statutory corporate tax rate for both the three and nine months ended September 30, 2017) attributable to the converted units.

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

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 exclude the effects of options and warrants to (2) purchase 15,000 and 25,000 shares of PBF Energy Class A common stock and PBF LLC Series A units because they are anti-dilutive for the three and nine months ended September 30, 2018, respectively. Common stock equivalents exclude the effects of options and warrants to purchase 6,484,650 and 6,554,650 shares of PBF Energy Class A common stock and PBF LLC Series A units because they are anti-dilutive for the three and nine months ended September 30, 2017, respectively.

17. SUBSEQUENT EVENTS

Dividend Declared

On October 31, 2018, PBF Energy announced a dividend of \$0.30 per share on outstanding Class A common stock. The dividend is payable on November 30, 2018 to Class A common stockholders of record at the close of business on November 15, 2018.

PBFX Distributions

On October 31, 2018, the Board of Directors of PBF GP announced a distribution of \$0.50 per unit on outstanding common units of PBFX. The distribution is payable on November 30, 2018 to PBFX unitholders of record at the close of business on November 15, 2018.

East Coast Storage Assets Acquisition

On July 16, 2018, PBFX entered into an agreement with Crown Point International, LLC, formerly known as Axeon Specialty Products LLC, to purchase its wholly-owned subsidiary, CPI Operations LLC (the "East Coast Storage Assets Acquisition") for total consideration of \$107,000, comprised of an initial payment at closing of \$75,000 with the balance being payable one year after closing. The East Coast Storage Assets Acquisition closed on October 1, 2018.

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, 2017, the audited PBF LLC financial statements for the year ended December 31, 2017 included in the Registration Statement on Form S-4 filed on March 13, 2018 by PBF Logistics LP 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.”

PBF Energy is the sole managing member of, and owner of an equity interest representing approximately 99.0% of the outstanding economic interests in PBF LLC as of September 30, 2018. 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 September 30, 2018, PBF LLC also holds a 44.0% 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.

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. Discussions or areas that either apply only to PBF Energy or PBF LLC are clearly noted in such sections.

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, Canada and Mexico and are able to ship products to other international destinations. As of September 30, 2018, we own and operate five domestic oil refineries and related assets with 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 Index | Throughput Capacity (in barrels per day) | PADD | Crude Processed ⁽¹⁾ | Source ⁽¹⁾ |
|---------------|---------------|-------------------------|--|------|--------------------------------|------------------------|
| Delaware City | East Coast | 11.3 | 190,000 | 1 | light sweet through heavy sour | water, rail |
| Paulsboro | East Coast | 13.2 | 180,000 | 1 | light sweet through heavy sour | water |
| Toledo | Mid-Continent | 9.2 | 170,000 | 2 | light sweet | pipeline, truck, rail |
| Chalmette | Gulf Coast | 12.7 | 189,000 | 3 | light sweet through heavy sour | water, pipeline |
| Torrance | West Coast | 14.9 | 155,000 | 5 | medium and heavy | pipeline, water, truck |

⁽¹⁾ Reflects the typical crude and feedstocks and related sources utilized under normal operating conditions and prevailing market environments.

As of September 30, 2018, PBF Energy owned 119,972,950 PBF LLC Series C Units and our current and former executive officers and directors and certain employees and others held 1,206,325 PBF LLC Series A Units (we refer to all of the holders of the PBF LLC Series A Units as “the members of PBF LLC other than PBF Energy”). As a result, the holders of our issued and outstanding shares of our Class A common stock have approximately 99.0% 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 1.0% of the voting power in us (96.7% and 3.3% as of December 31, 2017, 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.

Torrance Land Sale

During the three months ended September 30, 2018, the Company closed on a third party sale of a parcel of real property acquired as part of the Torrance Refinery, but not part of the refinery itself. The sale resulted in a gain of approximately \$43.8 million included within Gain on sale of assets within the Condensed Consolidated Statements of Operations.

Early Return of Railcars

On September 30, 2018, we agreed to voluntarily return a portion of railcars under an operating lease in order to rationalize certain components of our railcar fleet based on prevailing market conditions in the crude oil by rail market. Under the terms of the lease amendment, we will pay agreed amounts in lieu of satisfaction of return conditions (the “early termination penalty”) and will pay a reduced rental fee over the remaining term of the lease. Certain of these railcars are idle and the remaining railcars will be taken out of service during the fourth quarter of 2018 and subsequently fully returned to the lessor. As a result, we recognized an expense of \$44.6 million for the three months ended September 30, 2018 included within Cost of sales consisting of (i) a \$40.3 million charge for the early termination penalty and (ii) a \$4.3 million charge related to the remaining lease payments associated with the portion of railcars within the amended lease, that were idled and out of service as of September 30, 2018. In addition, we expect to recognize a charge of \$7.7 million subsequent to September 30, 2018 relating to the residual lease payments as the remaining railcars are taken out of service and returned to the lessor. We have recorded a liability within Accrued expenses for \$25.8 million representing the amount of the early lease termination obligation expected to be paid within the next twelve months and a liability within Other long-term liabilities for \$18.7 million representing the remaining amount of the obligation.

PBF Energy Inc. Public Offering

On August 14, 2018, we completed a public offering of an aggregate of 6,000,000 shares of Class A common stock (the “August 2018 Equity Offering”) for net proceeds of \$287.3 million, after deducting underwriting discounts and commissions and other offering expenses. Net proceeds from the August 2018 Equity Offering were subsequently used to purchase an equivalent amount of PBF LLC Series C Units.

PBFX Revolving Credit Facility

On July 30, 2018, PBFX entered into an amended and restated credit facility (as amended, the “PBFX Revolving Credit Facility”). Among other things, the PBFX Revolving Credit Facility increases the maximum commitment available to PBFX from \$360.0 million to \$500.0 million and extends the maturity date to July 2023. PBFX has the ability to increase the maximum amount of the PBFX Revolving Credit Facility by an aggregate

amount of up to \$250.0 million, to a total facility size of \$750.0 million, subject to receiving increased commitments from lenders or other financial institutions and satisfaction of certain conditions. The commitment fees on the unused portion, the interest rate on advances and the fees for letters of credit are consistent with the May 2014 PBFX Revolving Credit Facility. The PBFX Revolving Credit Facility is guaranteed by a guaranty of collection from PBF LLC.

PBFX Registered Direct Offering

On July 16, 2018, PBFX entered into a common unit purchase agreement with certain funds managed by Tortoise Capital Advisors, L.L.C. providing for the issuance and sale in a registered direct offering (the “Registered Direct Offering”) of an aggregate of 1,775,750 common units for gross proceeds of approximately \$35.0 million. The Registered Direct Offering closed on July 30, 2018.

PBF Holding Revolving Credit Facility

On May 2, 2018, PBF Holding and certain of its wholly-owned subsidiaries, as borrowers or subsidiary guarantors, replaced our existing asset-based revolving credit agreement dated as of August 15, 2014 (the “August 2014 Revolving Credit Agreement”) with a new asset-based revolving credit agreement (the “2018 Revolving Credit Agreement”). Among other things, the 2018 Revolving Credit Agreement increases the maximum commitment available to PBF Holding from \$2.6 billion to \$3.4 billion, extends the maturity date to May 2023, and redefines certain components of the Borrowing Base, as defined in the credit agreement, to make more funding available for working capital and other general corporate purposes. In addition, an accordion feature allows for commitments of up to \$3.5 billion. The commitment fees on the unused portion, the interest rate on advances and the fees for letters of credit are consistent with the August 2014 Revolving Credit Agreement.

Senior Notes Offerings

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 of \$711.6 million 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. Upon the satisfaction and discharge of the 2020 Senior Secured Notes in connection with the closing of the Tender Offer and the redemption, the 7.00% senior notes due 2023 (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. On October 6, 2017, PBFX issued \$175.0 million in aggregate principal amount of 6.875% Senior Notes due 2023 (the “new PBFX 2023 Senior Notes” and, together with the initial PBFX 2023 Senior Notes, the “PBFX 2023 Senior Notes”). The new PBFX 2023 Senior Notes were issued at 102% of face value with an effective rate of 6.442% and were issued under the indenture governing the initial PBFX 2023 Senior Notes dated on May 12, 2015. PBFX used the net proceeds from the offering of the new PBFX 2023 Senior Notes to repay a portion of the PBFX Revolving Credit Facility and for general capital purposes. The new PBFX 2023 Senior Notes included a registration rights arrangement whereby the Company agreed to file with the SEC and use commercially reasonable efforts to consummate an offer to exchange the new PBFX 2023 Senior Notes for an issue of registered notes with terms substantially identical to the notes no later than 365 days after the date of the original issuance of the new PBFX 2023 Senior Notes. This registration statement was declared effective on April 2, 2018, and the exchange was consummated in May 2018.

Inventory Intermediation Agreements

On May 4, 2017 and September 8, 2017, we and our subsidiaries, DCR and PRC, entered into amendments to the inventory intermediation agreements (as amended, the "Inventory Intermediation Agreements") with J. Aron & Company, a subsidiary of The Goldman Sachs Group, Inc. ("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. As a result of the amendments (i) the Inventory Intermediation Agreement by and among J. Aron, PBF Holding and PRC relating to the Paulsboro refinery extends the term to December 31, 2019, which term may be further extended by mutual consent of the parties to December 31, 2020 and (ii) the Inventory Intermediation Agreement by and among J. Aron, PBF Holding and DCR relating to 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.

PBFX Assets and Transactions

PBFX is a fee-based, growth-oriented, publicly traded 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 its refineries, as well as for third party customers. As of September 30, 2018, 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 and PBF LLC in consolidation.

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. In August 2017, PBFX completed construction of a new 24" pipeline to replace the existing pipeline and commenced services.

On February 15, 2017, we entered into a ten-year storage services agreement with PBFX Op Co (the "Chalmette Storage Services Agreement") under which PBFX, through PBFX Op Co, assumed construction of a new crude tank with a shell capacity of 625,000 barrels at PBF Holding's Chalmette refinery (the "Chalmette Storage Tank"). The Chalmette Storage Tank commenced operations in November 2017 upon completion of construction.

On April 16, 2018, PBFX completed the purchase of two refined product terminals located in Knoxville, Tennessee, which include product tanks, pipeline connections to the Colonial and Plantation pipeline systems and truck loading facilities with nine loading bays (the "Knoxville Terminals") from Cummins Terminals, Inc. for total cash consideration of \$58.0 million, excluding working capital adjustments (the "Knoxville Terminals Purchase"). The transaction was financed through a combination of cash on hand and borrowings under the PBFX Revolving Credit Facility.

On May 2, 2018, the Delaware City Rail Terminaling Services Agreement and the Delaware West Ladder Rack Terminaling Services Agreement between PBF Energy's subsidiaries, Delaware City Terminaling Company LLC and PBF Holding were amended effective as of January 1, 2018 (collectively, the "Amended and Restated Rail Agreements") with the service fees thereunder being adjusted, including the addition of an ancillary fee paid by PBF Holding on an actual cost basis. In determining payments due under the Amended and Restated Rail Agreements, excess volumes throughput under the agreements shall apply against required payments in respect to the minimum throughput commitments on a quarterly basis and, to the extent not previously applied, on an annual basis against the minimum volume commitments.

Results of Operations

The tables below reflect our consolidated financial and operating highlights for the three and nine months ended September 30, 2018 and 2017 (amounts in thousands, except per share data). Differences between the results of operations between PBF Energy and PBF LLC pertain to income tax expense, interest expense and non-controlling interest as shown below. Earnings per share information applies only to the financial results of PBF Energy. 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 segment as our Logistics segment does not currently generate significant third party revenue and a significant portion of its operating results eliminate in consolidation.

Edgar Filing: PBF Energy Inc. - Form 10-Q

| PBF Energy | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------|-------------------|--------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | \$7,646,360 | \$5,478,951 | \$20,893,219 | \$15,250,649 |
| Cost and expenses: | | | | |
| Cost of products and other | 6,816,095 | 4,352,061 | 18,400,732 | 13,154,521 |
| Operating expenses (excluding depreciation and amortization expense as reflected below) | 424,331 | 402,823 | 1,268,161 | 1,266,879 |
| Depreciation and amortization expense | 90,732 | 75,948 | 263,753 | 197,800 |
| Cost of sales | 7,331,158 | 4,830,832 | 19,932,646 | 14,619,200 |
| General and administrative expenses (excluding depreciation and amortization expense as reflected below) | 69,920 | 58,259 | 191,418 | 143,147 |
| Depreciation and amortization expense | 2,594 | 2,572 | 7,871 | 10,355 |
| (Gain) loss on sale of assets | (43,745) |) 28 | (43,072) |) 940 |
| Total cost and expenses | 7,359,927 | 4,891,691 | 20,088,863 | 14,773,642 |
| Income from operations | 286,433 | 587,260 | 804,356 | 477,007 |
| Other income (expense): | | | | |
| Change in Tax Receivable Agreement liability | 7,763 | 565 | 7,763 | 565 |
| Change in fair value of catalyst leases | 1,630 | 473 | 5,783 | (1,011) |
| Debt extinguishment costs | — | — | — | (25,451) |
| Interest expense, net | (42,289) |) (36,990) |) (128,935) |) (114,871) |
| Other non-service components of net periodic benefit cost | 278 | (103) |) 833 | (305) |
| Income before income taxes | 253,815 | 551,205 | 689,800 | 335,934 |
| Income tax expense | 61,349 | 203,979 | 167,836 | 112,889 |
| Net income | 192,466 | 347,226 | 521,964 | 223,045 |
| Less: net income attributable to noncontrolling interests | 12,928 | 32,861 | 39,907 | 49,420 |
| Net income attributable to PBF Energy Inc. stockholders | \$179,538 | \$314,365 | \$482,057 | \$173,625 |
| Consolidated gross margin | \$315,202 | \$648,119 | \$960,573 | \$631,449 |
| Gross refining margin ⁽¹⁾ | \$765,773 | \$1,064,007 | \$2,304,085 | \$1,912,869 |
| Net income available to Class A common stock per share: | | | | |
| Basic | \$1.53 | \$2.86 | \$4.24 | \$1.58 |
| Diluted | \$1.50 | \$2.85 | \$4.16 | \$1.57 |

(1) See Non-GAAP Financial Measures.

Edgar Filing: PBF Energy Inc. - Form 10-Q

| PBF LLC | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------|-------------------|--------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | \$7,646,360 | \$5,478,951 | \$20,893,219 | \$15,250,649 |
| Cost and expenses: | | | | |
| Cost of products and other | 6,816,095 | 4,352,061 | 18,400,732 | 13,154,521 |
| Operating expenses (excluding depreciation and amortization expense as reflected below) | 424,331 | 402,823 | 1,268,161 | 1,266,879 |
| Depreciation and amortization expense | 90,732 | 75,948 | 263,753 | 197,800 |
| Cost of sales | 7,331,158 | 4,830,832 | 19,932,646 | 14,619,200 |
| General and administrative expenses (excluding depreciation and amortization expense as reflected below) | 69,594 | 58,211 | 190,399 | 142,991 |
| Depreciation and amortization expense | 2,594 | 2,572 | 7,871 | 10,355 |
| (Gain) loss on sale of assets | (43,745) |) 28 | (43,072) |) 940 |
| Total cost and expenses | 7,359,601 | 4,891,643 | 20,087,844 | 14,773,486 |
| Income from operations | 286,759 | 587,308 | 805,375 | 477,163 |
| Other income (expense): | | | | |
| Change in fair value of catalyst leases | 1,630 | 473 | 5,783 | (1,011) |
| Debt extinguishment costs | — | — | — | (25,451) |
| Interest expense, net | (44,473) |) (38,893) |) (135,116) |) (120,910) |
| Other non-service components of net periodic benefit cost | 278 | (103) |) 833 | (305) |
| Income before income taxes | 244,194 | 548,785 | 676,875 | 329,486 |
| Income tax (benefit) expense | (719) |) (4,292) |) (5,403) |) 2,040 |
| Net income | 244,913 | 553,077 | 682,278 | 327,446 |
| Less: net income attributable to noncontrolling interests | 10,534 | 14,732 | 30,117 | 39,751 |
| Net income attributable to PBF Energy Company LLC | \$234,379 | \$538,345 | \$652,161 | \$287,695 |

| Operating Highlights | Three Months Ended | | Nine Months Ended | | |
|---|--------------------|--------------------|--------------------|--------------------|---|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 | |
| Key Operating Information | | | | | |
| Production (bpd in thousands) | 896.7 | 852.6 | 854.0 | 781.6 | |
| Crude oil and feedstocks throughput (bpd in thousands) | 888.4 | 849.7 | 851.8 | 786.1 | |
| Total crude oil and feedstocks throughput (millions of barrels) | 81.7 | 78.2 | 232.5 | 214.6 | |
| Consolidated gross margin per barrel of throughput | \$3.86 | \$8.29 | \$4.13 | \$2.94 | |
| Gross refining margin, excluding special items, per barrel of throughput ⁽¹⁾ | \$9.25 | \$10.22 | \$8.80 | \$8.46 | |
| Refinery operating expense, per barrel of throughput | \$5.01 | \$4.98 | \$5.26 | \$5.71 | |
| Crude and feedstocks (% of total throughput) ⁽²⁾ | | | | | |
| Heavy | 35 | % 33 | % 36 | % 34 | % |
| Medium | 28 | % 30 | % 30 | % 30 | % |
| Light | 23 | % 22 | % 21 | % 21 | % |
| Other feedstocks and blends | 14 | % 15 | % 13 | % 15 | % |
| Total throughput | 100 | % 100 | % 100 | % 100 | % |
| Yield (% of total throughput) | | | | | |
| Gasoline and gasoline blendstocks | 49 | % 50 | % 49 | % 50 | % |
| Distillates and distillate blendstocks | 32 | % 29 | % 32 | % 29 | % |
| Lubes | 1 | % 1 | % 1 | % 1 | % |
| Chemicals | 2 | % 2 | % 2 | % 2 | % |
| Other | 17 | % 18 | % 16 | % 17 | % |
| Total yield | 101 | % 100 | % 100 | % 99 | % |

(1) See Non-GAAP Financial Measures.

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

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

| | Three Months | | Nine Months | |
|---|---------------------------------------|---------------|---------------|---------------|
| | Ended | | Ended | |
| | September 30, | September 30, | September 30, | September 30, |
| | 2018 | 2017 | 2018 | 2017 |
| | (dollars per barrel, except as noted) | | | |
| Dated Brent Crude | \$75.07 | \$52.16 | \$72.19 | \$51.79 |
| West Texas Intermediate (WTI) crude oil | \$69.63 | \$48.18 | \$66.90 | \$49.32 |
| Light Louisiana Sweet (LLS) crude oil | \$74.15 | \$51.67 | \$71.11 | \$51.73 |
| Alaska North Slope (ANS) crude oil | \$75.26 | \$52.04 | \$72.19 | \$52.15 |
| Crack Spreads | | | | |
| Dated Brent (NYH) 2-1-1 | \$14.62 | \$18.12 | \$14.15 | \$14.84 |
| WTI (Chicago) 4-3-1 | \$18.05 | \$18.82 | \$15.84 | \$14.70 |
| LLS (Gulf Coast) 2-1-1 | \$13.38 | \$16.69 | \$13.26 | \$13.75 |
| ANS (West Coast) 4-3-1 | \$14.84 | \$20.66 | \$16.67 | \$18.78 |
| Crude Oil Differentials | | | | |
| Dated Brent (foreign) less WTI | \$5.44 | \$3.97 | \$5.29 | \$2.47 |
| Dated Brent less Maya (heavy, sour) | \$9.12 | \$8.75 | \$10.21 | \$6.77 |
| Dated Brent less WTS (sour) | \$19.79 | \$4.96 | \$13.41 | \$3.63 |
| Dated Brent less ASCI (sour) | \$4.42 | \$3.82 | \$4.69 | \$3.58 |
| WTI less WCS (heavy, sour) | \$29.30 | \$10.03 | \$24.55 | \$10.83 |
| WTI less Bakken (light, sweet) | \$1.08 | \$(0.69) | \$0.87 | \$0.18 |
| WTI less Syncrude (light, sweet) | \$5.59 | \$(1.95) | \$3.00 | \$(1.86) |
| WTI less LLS (light, sweet) | \$(4.52) | \$(3.49) | \$(4.21) | \$(2.41) |
| WTI less ANS (light, sweet) | \$(5.63) | \$(3.86) | \$(5.29) | \$(2.82) |
| Natural gas (dollars per MMBTU) | \$2.86 | \$2.95 | \$2.85 | \$3.05 |

Three Months Ended September 30, 2018 Compared to the Three Months Ended September 30, 2017

Overview— Net income was \$192.5 million for the three months ended September 30, 2018 compared to net income of \$347.2 million for the three months ended September 30, 2017. PBF LLC net income was \$244.9 million for the three months ended September 30, 2018 compared to net income of \$553.1 million for the three months ended September 30, 2017. Net income attributable to PBF Energy was \$179.5 million or \$1.50 per diluted share, for the three months ended September 30, 2018 (\$1.50 per share on a fully-exchanged, fully-diluted basis based on adjusted fully-converted net income, or \$1.13 per share on a fully-exchanged, fully-diluted basis based on adjusted fully-converted net income excluding special items, as described below in Non-GAAP Financial Measures) compared to net income attributable to PBF Energy of \$314.4 million, or \$2.85 per diluted share, for the three months ended September 30, 2017 (\$2.85 per share on a fully-exchanged, fully-diluted basis based on adjusted fully-converted net income, or \$1.44 per share on a fully-exchanged, fully-diluted basis based on adjusted fully-converted net income excluding special items, as described below in Non-GAAP Financial Measures). The net income or loss attributable to PBF Energy represents PBF Energy's equity interest in PBF LLC's pre-tax income, less applicable income tax (benefit) expense. PBF Energy's weighted-average equity interest in PBF LLC was 99.0% and 96.6% for the three months ended September 30, 2018 and 2017, respectively.

Our results for the three months ended September 30, 2018 were positively impacted by special items consisting of a non-cash pre-tax lower of cost or market ("LCM") inventory adjustment of approximately \$54.8 million, or \$40.3 million net of tax, a pre-tax change in the Tax Receivable Agreement liability (as defined in "Note 10 - Commitments and Contingencies" of our Notes to Condensed Consolidated Financial Statements) of \$7.8

million, or \$5.7 million net of tax, and a pre-tax gain on the Torrance land sale of \$43.8 million, or \$32.2 million net of tax. These favorable impacts were partially offset by a special item related to the early return of certain leased railcars resulting in a pre-tax charge of \$44.6 million, or \$32.8 million net of tax. Our results for the three months ended September 30, 2017 were positively impacted by a pre-tax LCM inventory adjustment of approximately \$265.1 million, or \$160.7 million net of tax, and a pre-tax change in the Tax Receivable Agreement liability of \$0.6 million, or \$0.3 million net of tax. The LCM inventory adjustments were recorded due to movements in the price of crude oil and refined products in the periods presented.

Excluding the impact of these special items, our results were positively impacted by favorable movements in crude differentials, higher throughput volumes and barrels sold across the majority of our refineries and reduced regulatory compliance costs, offset by lower crack spreads realized at each of our refineries, which were favorably impacted in the prior year by the hurricane-related effect on refining margins due to tightening product inventories, specifically distillates. Our results in the current period were negatively impacted by higher general and administrative costs and increased depreciation and amortization expense.

Revenues— Revenues totaled \$7.6 billion for the three months ended September 30, 2018 compared to \$5.5 billion for the three months ended September 30, 2017, an increase of approximately \$2.2 billion, or 39.6%. Revenues per barrel were \$83.55 and \$63.79 for the three months ended September 30, 2018 and 2017, respectively, an increase of 31.0% directly related to higher hydrocarbon commodity prices. For the three months ended September 30, 2018, the total throughput rates at our East Coast, Mid-Continent, Gulf Coast and West Coast refineries averaged approximately 354,600 bpd, 172,100 bpd, 195,500 bpd and 166,200 bpd, respectively. For the three months ended September 30, 2017, the total throughput rates at our East Coast, Mid-Continent, Gulf Coast and West Coast refineries averaged approximately 343,700 bpd, 160,600 bpd, 200,400 bpd and 145,000 bpd, respectively. The throughput rates at our East Coast, Mid-Continent and West Coast refineries were higher in the three months ended September 30, 2018 compared to the same period in 2017. Throughput rates at our Gulf Coast refinery were in line with the same quarter of the prior year, whereas our East Coast and Mid-Continent refineries ran at higher rates during the quarter taking advantage of a relatively strong margin environment. The throughput rates at our West Coast refinery increased due to planned downtime in 2017 related to its first significant turnaround under our ownership, which was completed early in the third quarter of 2017. For the three months ended September 30, 2018, the total barrels sold at our East Coast, Mid-Continent, Gulf Coast and West Coast refineries averaged approximately 380,200 bpd, 175,800 bpd, 242,800 bpd and 196,000 bpd, respectively. For the three months ended September 30, 2017, the total barrels sold at our East Coast, Mid-Continent, Gulf Coast and West Coast refineries averaged approximately 359,700 bpd, 167,300 bpd, 233,400 bpd and 173,300 bpd, respectively. Total refined product barrels sold were higher than throughput rates, reflecting sales from inventory as well as sales and purchases of refined products outside the refinery.

Consolidated Gross Margin— Consolidated gross margin totaled \$315.2 million for the three months ended September 30, 2018 compared to \$648.1 million for the three months ended September 30, 2017, a decrease of approximately \$332.9 million. Gross refining margin (as described below in Non-GAAP Financial Measures) totaled \$765.8 million, or \$9.37 per barrel of throughput (\$755.5 million or \$9.25 per barrel of throughput excluding the impact of special items), for the three months ended September 30, 2018 compared to \$1,064.0 million, or \$13.61 per barrel of throughput (\$798.9 million or \$10.22 per barrel of throughput excluding the impact of special items), for the three months ended September 30, 2017, a decrease of approximately \$298.2 million, or \$43.4 million excluding special items.

Consolidated gross margin and gross refining margin decreased due to overall lower crack spreads in comparison to the same period in 2017, partially offset by favorable movements in crude differentials and higher throughput volumes and barrels sold across the majority of our refineries. During the three months ended September 30, 2017 we experienced higher crack spreads realized at each of our refineries, which were impacted by the hurricane-related reduction in refining throughput in the Gulf Coast region. In addition, consolidated gross margin and gross refining margin were positively impacted in the current and prior year by special items. For the three months ended September 30, 2018, special items impacting our margin calculations included a non-cash LCM inventory adjustment of approximately \$54.8 million on a net basis, resulting from an increase in crude oil

and refined product prices in comparison to the prices at the end of the second quarter of 2018, partially offset by a \$44.6 million charge resulting from costs associated with the early return of certain leased railcars. The non-cash LCM inventory adjustment increased gross margin and gross refining margin by approximately \$265.1 million on a net basis in the third quarter of 2017.

Additionally, our results continue to be impacted by significant costs to comply with the Renewable Fuel Standard (“RFS”), although at a reduced level from the prior year. Total RFS costs were \$33.9 million for the three months ended September 30, 2018 in comparison to \$83.4 million for the three months ended September 30, 2017.

Average industry refining margins in the Mid-Continent were slightly weaker during the three months ended September 30, 2018 as compared to the same period in 2017. The WTI (Chicago) 4-3-1 industry crack spread was \$18.05 per barrel, or 4.1% lower, in the three months ended September 30, 2018 as compared to \$18.82 per barrel in the same period in 2017. Our refinery specific crude slate in the Mid-Continent was impacted by an improving WTI/Bakken differential, which averaged a discount of \$1.08 per barrel in the three months ended September 30, 2018, as compared to a premium of \$0.69 per barrel in the same period in 2017. Additionally, the WTI/Syncrude differential averaged a discount of \$5.59 per barrel during the three months ended September 30, 2018 as compared to a premium of \$1.95 per barrel in the same period of 2017.

On the East Coast, the Dated Brent (NYH) 2-1-1 industry crack spread was approximately \$14.62 per barrel, or 19.3% lower, in the three months ended September 30, 2018, as compared to \$18.12 per barrel in the same period in 2017. The Dated Brent/Maya differential was \$0.37 higher in the three months ended September 30, 2018 as compared to the same period in 2017 and the Dated Brent/WTI differential was \$1.47 higher in the three months ended September 30, 2018 as compared to the same period in 2017.

Gulf Coast industry refining margins weakened during the three months ended September 30, 2018 as compared to the same period in 2017. The LLS (Gulf Coast) 2-1-1 industry crack spread was \$13.38 per barrel, or 19.8% lower, in the three months ended September 30, 2018 as compared to \$16.69 per barrel in the same period in 2017. Additionally, crude differentials weakened with the WTI/LLS differential averaging a premium of \$4.52 per barrel during the three months ended September 30, 2018 as compared to a premium of \$3.49 per barrel in the same period of 2017.

Additionally, West Coast industry refining margins decreased during the three months ended September 30, 2018 as compared to the same period in 2017. The ANS (West Coast) 4-3-1 industry crack spread was \$14.84 per barrel, or 28.2% lower, in the three months ended September 30, 2018 as compared to \$20.66 per barrel in the same period in 2017. Crude differentials weakened with the WTI/ANS differential averaging a premium of \$5.63 per barrel during the three months ended September 30, 2018 as compared to a premium of \$3.86 per barrel in the same period of 2017. Favorable movements in these benchmark crude differentials typically result in lower crude costs and positively impact our earnings while reductions in these benchmark crude differentials typically result in higher crude costs and negatively impact our earnings.

Operating Expenses— Operating expenses totaled \$424.3 million for the three months ended September 30, 2018 compared to \$402.8 million for the three months ended September 30, 2017, an increase of \$21.5 million, or 5.3%. Of the total \$424.3 million of operating expenses for the three months ended September 30, 2018, \$409.6 million or \$5.01 per barrel of throughput, related to expenses incurred by the Refining segment, while the remaining \$14.7 million related to expenses incurred by the Logistics segment (\$389.5 million, or \$4.98 per barrel, and \$13.3 million of operating expenses for the three months ended September 30, 2017 related to the Refining and Logistics segments, respectively). The increase in operating expenses was driven by higher energy and utility costs driven by higher throughput across our system. Operating expenses related to our Logistics segment were generally consistent with the prior year and consist of costs related to the operation and maintenance of PBFX’s assets.

General and Administrative Expenses— General and administrative expenses totaled \$69.9 million for the three months ended September 30, 2018 compared to \$58.3 million for the three months ended September 30,

2017, an increase of approximately \$11.7 million or 20.0%. The increase in general and administrative expenses for the three months ended September 30, 2018 in comparison to the three months ended September 30, 2017 primarily related to higher employee related expenses, including incentive compensation and retirement benefits. Our general and administrative expenses are comprised of the personnel, facilities and other infrastructure costs necessary to support our refineries and related logistical assets.

Gain (Loss) on Sale of Assets— There was a net gain of \$43.7 million on the sale of assets for the three months ended September 30, 2018 mainly attributed to a \$43.8 million gain related to the Torrance land sale. There was a de minimis loss on the sale of non-operating refinery assets for the three months ended September 30, 2017.

Depreciation and Amortization Expense— Depreciation and amortization expense totaled \$93.3 million for the three months ended September 30, 2018 (including \$90.7 million recorded within Cost of sales) compared to \$78.5 million for the three months ended September 30, 2017 (including \$75.9 million recorded within Cost of sales), an increase of \$14.8 million. The increase was a result of additional depreciation expense associated with a general increase in our fixed asset base due to capital projects and turnarounds completed since the third quarter of 2017 which included the first significant Torrance refinery turnaround under our ownership.

Change in Tax Receivable Agreement Liability— Change in the Tax Receivable Agreement liability for the three months ended September 30, 2018 represented a gain of \$7.8 million compared to a gain of \$0.6 million in the three months ended September 30, 2017.

Change in Fair Value of Catalyst Leases— Change in the fair value of catalyst leases represented a gain of \$1.6 million for the three months ended September 30, 2018 compared to a gain of \$0.5 million for the three months ended September 30, 2017. These gains relate to the change in value of the precious metals underlying the sale and leaseback of our refineries' precious metals catalyst, which we are obligated to repurchase at fair market value on the lease termination dates.

Interest Expense, net— PBF Energy interest expense totaled \$42.3 million for the three months ended September 30, 2018 compared to \$37.0 million for the three months ended September 30, 2017, an increase of approximately \$5.3 million. This net increase is mainly attributable to the interest costs associated with the issuance of the new PBFX 2023 Senior Notes in October 2017 and higher borrowings under the PBFX Revolving Credit Facility. Interest expense includes interest on long-term debt including the PBFX credit facilities, costs related to the sale and leaseback of our precious metals catalyst, financing costs associated with the Inventory Intermediation Agreements with J. Aron, letter of credit fees associated with the purchase of certain crude oils and the amortization of deferred financing costs. PBF LLC interest expense totaled \$44.5 million and \$38.9 million for the three months ended September 30, 2018 and September 30, 2017, respectively (inclusive of \$2.2 million and \$1.9 million, respectively, of incremental interest expense on the affiliate note payable with PBF Energy that eliminates in consolidation at the PBF Energy level).

Income Tax Expense— 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 tax. However, two subsidiaries of Chalmette Refining and the Canadian subsidiary of PBF Holding are treated as C-Corporations for income tax purposes and may incur income taxes with respect to their earnings, as applicable. The members of PBF LLC are required to include their proportionate share of PBF LLC's taxable income or loss, which includes PBF LLC's allocable share of PBFX's pre-tax income or loss, on their respective tax returns. PBF LLC generally makes distributions to its members, per the terms of PBF LLC's amended and restated limited liability company agreement, related to such taxes on a pro-rata basis. PBF Energy recognizes an income tax expense or benefit in our consolidated financial statements based on PBF Energy's allocable share of PBF LLC's pre-tax income or loss, which was approximately 99.0% and 96.6%, on a weighted-average basis for the three months ended September 30, 2018 and 2017, respectively. PBF Energy's condensed consolidated financial statements do not reflect any benefit or provision for income taxes on the pre-tax income or loss attributable to the noncontrolling interests in PBF LLC or PBFX (although, as described above, PBF LLC must make tax distributions to all its members on a pro-rata basis). PBF Energy's effective tax rate, excluding the impact of noncontrolling interest, for the three months ended September 30, 2018 and 2017 was 25.5% and 39.4%,

respectively, reflecting tax adjustments for discrete items and the impact of the Tax Cuts and Jobs Act (“TCJA”) which, among other things, reduced the U.S federal corporate tax rate from 35% to 21%.

Noncontrolling Interest— 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. PBF Energy consolidates the financial results of PBF LLC and its subsidiaries, including PBFX. With respect to the consolidation of PBF LLC, the Company records a noncontrolling interest for the economic interest in PBF LLC held by members other than PBF Energy, with respect to the consolidation of PBFX, the Company records a noncontrolling interest for the economic interests in PBFX held by the public unit holders of PBFX, and with respect to the consolidation of PBF Holding, the Company records a 20% noncontrolling interest for the ownership interests in two subsidiaries of Chalmette Refining held by a third party. The total noncontrolling interest on the condensed consolidated statements of operations represents the portion of the Company’s earnings or loss attributable to the economic interests held by members of PBF Energy other than PBF Energy, by the public common unitholders of PBFX and by the third party stockholder of the two Chalmette Refining subsidiaries. The total noncontrolling interest on the balance sheet represents the portion of the Company’s net assets attributable to the economic interests held by the members of PBF LLC other than PBF Energy, by the public common unit holders of PBFX and by the third party stockholder of the two Chalmette Refining subsidiaries. PBF Energy’s weighted-average equity noncontrolling interest ownership percentage in PBF LLC for the three months ended September 30, 2018 and 2017 was approximately 1.0% and 3.4%, respectively. The carrying amount of the noncontrolling interest on our condensed consolidated balance sheet attributable to the noncontrolling interest is not equal to the noncontrolling interest ownership percentage due to the effect of income taxes and related agreements that pertain solely to PBF Energy.

Nine Months Ended September 30, 2018 Compared to the Nine Months Ended September 30, 2017

Overview— PBF Energy net income was \$522.0 million for the nine months ended September 30, 2018 compared to a net income of \$223.0 million for the nine months ended September 30, 2017. PBF LLC net income was \$682.3 million for the nine months ended September 30, 2018 compared to a net income of \$327.4 million for the nine months ended September 30, 2017. Net income attributable to PBF Energy Inc. stockholders was \$482.1 million, or \$4.16 per diluted share, for the nine months ended September 30, 2018 (\$4.16 per share on a fully-exchanged, fully-diluted basis based on adjusted fully-converted net income, or \$2.24 per share on a fully-exchanged, fully-diluted basis based on adjusted fully-converted net income excluding special items, as described below in Non-GAAP Financial Measures) compared to net income attributable to PBF Energy Inc. stockholders of \$173.6 million, or \$1.57 per diluted share, for the nine months ended September 30, 2017 (\$1.57 per share on a fully-exchanged, fully-diluted basis based on adjusted fully-converted net income, or \$1.18 per share on a fully-exchanged, fully-diluted basis based on adjusted fully-converted net income excluding special items, as described below in Non-GAAP Financial Measures). The net income attributable to PBF Energy Inc. stockholders represents PBF Energy’s equity interest in PBF LLC’s pre-tax income, less applicable income tax (benefit) expense. PBF Energy’s weighted-average equity interest in PBF LLC was 98.1% and 96.6% for the nine months ended September 30, 2018 and 2017, respectively.

Our results for the nine months ended September 30, 2018 were positively impacted by special items consisting of a non-cash pre-tax LCM inventory adjustment of approximately \$300.5 million, or \$221.1 million net of tax, a pre-tax change in the Tax Receivable Agreement liability of \$7.8 million, or \$5.7 million net of tax, and a pre-tax gain on the Torrance land sale of \$43.8 million, or \$32.2 million net of tax. These favorable impacts were partially offset by a special item related to the early return of certain leased railcars, resulting in a pre-tax charge of \$44.6 million, or \$32.8 million net of tax. Our results for the nine months ended September 30, 2017 were positively impacted by a pre-tax LCM inventory adjustment of approximately \$97.9 million, or \$59.4 million net of tax, and a pre-tax change in the Tax Receivable Agreement liability of \$0.6 million, or \$0.3 million net of tax, which were partially offset by a special item related to pre-tax debt extinguishment costs associated with the early retirement of our 2020 Senior Secured Notes of \$25.5 million, or \$15.4 million net of tax. The LCM inventory adjustments were recorded due to movements in the price of crude oil and refined products in the periods presented.

Excluding the impact of these special items, our results were positively impacted by favorable movements in crude differentials, higher throughput volumes and barrels sold across the majority of our refineries and reduced regulatory compliance costs, offset by lower crack spreads realized at the majority of our refineries, which were favorably impacted in the prior year by the hurricane-related effect on refining margins due to tightening product inventories, specifically distillates. Our results in the current year period were negatively impacted by higher general and administrative costs and increased depreciation and amortization expense.

Revenues— Revenues totaled \$20.9 billion for the nine months ended September 30, 2018 compared to \$15.3 billion for the nine months ended September 30, 2017, an increase of approximately \$5.6 billion, or 37.0%. Revenues per barrel were \$78.96 and \$62.38 for the nine months ended September 30, 2018 and 2017, respectively, an increase of 26.6% directly related to higher hydrocarbon commodity prices. For the nine months ended September 30, 2018, the total throughput rates at our East Coast, Mid-Continent, Gulf Coast and West Coast refineries averaged approximately 349,200 bpd, 149,500 bpd, 184,400 bpd and 168,700 bpd, respectively. For the nine months ended September 30, 2017, the total throughput rates at our East Coast, Mid-Continent, Gulf Coast and West Coast refineries averaged approximately 330,100 bpd, 146,500 bpd, 182,600 bpd and 126,900 bpd, respectively. The throughput rates at our East Coast and West Coast refineries were higher in the nine months ended September 30, 2018 compared to the same period in 2017. Throughput rates at our Mid-Continent and Gulf Coast refineries were in line with the prior year despite planned downtimes during the first half of 2018. The throughput rates at our East Coast refineries increased due to planned downtime at our Delaware City refinery during 2017. The throughput rates at our West Coast refinery increased due to planned downtime in the prior year as part of the first significant turnaround of the refinery under our ownership and improved refinery performance experienced in the current year. For the nine months ended September 30, 2018, the total barrels sold at our East Coast, Mid-Continent, Gulf Coast and West Coast refineries averaged approximately 378,700 bpd, 158,300 bpd, 235,900 bpd and 196,500 bpd, respectively. For the nine months ended September 30, 2017, the total barrels sold at our East Coast, Mid-Continent, Gulf Coast and West Coast refineries averaged approximately 358,000 bpd, 160,600 bpd, 221,700 bpd and 155,200 bpd, respectively. Total refined product barrels sold were higher than throughput rates, reflecting sales from inventory as well as sales and purchases of refined products outside the refinery.

Consolidated Gross Margin— Consolidated gross margin totaled \$960.6 million for the nine months ended September 30, 2018, compared to \$631.4 million for the nine months ended September 30, 2017, an increase of approximately \$329.1 million. Gross refining margin (as described below in Non-GAAP Financial Measures) totaled \$2,304.1 million, or \$9.90 per barrel of throughput (\$2,048.2 million or \$8.80 per barrel of throughput excluding the impact of special items), for the nine months ended September 30, 2018 compared to \$1,912.9 million, or \$8.91 per barrel of throughput (\$1,814.9 million or \$8.46 per barrel of throughput excluding the impact of special items), for the nine months ended September 30, 2017, an increase of approximately \$391.2 million, or \$233.3 million excluding special items.

Consolidated gross margin and gross refining margin increased due to generally favorable movements in crude differentials and higher throughput volumes and barrels sold across the majority of our refineries. In addition, consolidated gross margin and gross refining margin were positively impacted in the current and prior year by special items. For the nine months ended September 30, 2018, special items impacting our margin calculations included a non-cash LCM inventory adjustment of approximately \$300.5 million on a net basis, resulting from an increase in crude oil and refined product prices in comparison to the prices at the end of 2017, partially offset by a \$44.6 million charge resulting from costs associated with the early return of certain leased railcars. The non-cash LCM inventory adjustment increased consolidated gross margin and gross refining margin by approximately \$97.9 million for the nine months ended September 30, 2017.

Additionally, our results continue to be impacted by significant costs to comply with RFS, although at a reduced level from the prior year. Total RFS costs were \$117.0 million for the nine months ended September 30, 2018 in comparison to \$203.2 million for the nine months ended September 30, 2017.

Average industry refining margins in the Mid-Continent were stronger during the nine months ended September 30, 2018 as compared to the same period in 2017. The WTI (Chicago) 4-3-1 industry crack spread was

\$15.84 per barrel, or 7.8% higher, in the nine months ended September 30, 2018 as compared to \$14.70 per barrel in the same period in 2017. Our refinery specific crude slate in the Mid-Continent was impacted by an improving WTI/Bakken differential, which was approximately \$0.87 per barrel in the nine months ended September 30, 2018, as compared to \$0.18 per barrel in the same period in 2017. Additionally, the WTI/Syncrude differential averaged a discount of \$3.00 per barrel during the nine months ended September 30, 2018 as compared to a premium of \$1.86 per barrel in the same period of 2017.

On the East Coast, the Dated Brent (NYH) 2-1-1 industry crack spread was approximately \$14.15 per barrel, or 4.6% lower in the nine months ended September 30, 2018, as compared to \$14.84 per barrel in the same period in 2017. The Dated Brent/Maya differential was \$3.44 higher in the nine months ended September 30, 2018 as compared to the same period in 2017. The Dated Brent/WTI differential was \$2.82 higher in the nine months ended September 30, 2018 as compared to the same period in 2017, and the WTI/Bakken differential was approximately \$0.69 per barrel higher in the nine months ended September 30, 2018 as compared to the same period in 2017.

Gulf Coast industry refining margins slightly decreased during the nine months ended September 30, 2018 as compared to the same period in 2017. The LLS (Gulf Coast) 2-1-1 industry crack spread was \$13.26 per barrel, or 3.6% lower, in the nine months ended September 30, 2018 as compared to \$13.75 per barrel in the same period in 2017. Crude differentials weakened with the WTI/LLS differential averaging a premium of \$4.21 per barrel during the nine months ended September 30, 2018 as compared to a premium of \$2.41 per barrel in the same period of 2017.

Additionally, West Coast industry refining margins decreased during the nine months ended September 30, 2018 as compared to the same period in 2017. The ANS (West Coast) 4-3-1 industry crack spread was \$16.67 per barrel, or 11.2% lower, in the nine months ended September 30, 2018 as compared to \$18.78 per barrel in the same period in 2017. Crude differentials weakened with the WTI/ANS differential averaging a premium of \$5.29 per barrel during the nine months ended September 30, 2018 as compared to a premium of \$2.82 per barrel in the same period of 2017.

Favorable movements in these benchmark crude differentials typically result in lower crude costs and positively impact our earnings while reductions in these benchmark crude differentials typically result in higher crude costs and negatively impact our earnings.

Operating Expenses— Operating expenses totaled \$1,268.2 million for the nine months ended September 30, 2018 compared to \$1,266.9 million for the nine months ended September 30, 2017, an increase of approximately \$1.3 million, or 0.1%. Of the total \$1,268.2 million of operating expenses for the nine months ended September 30, 2018, \$1,223.8 million or \$5.26 per barrel of throughput, related to expenses incurred by the Refining segment, while the remaining \$44.4 million related to expenses incurred by the Logistics segment (\$1,224.8 million or \$5.71 per barrel, and \$42.1 million of operating expenses for the nine months ended September 30, 2017 related to the Refining and Logistics segments, respectively). Operating expenses for the Company were in line with the prior year. Decreases in operating expenses on a per barrel basis were driven by increased system reliability and our focused efforts on reducing operating costs. Additionally, there was a decrease in supplies and materials due to our Torrance refinery experiencing higher costs in 2017 related to its turnaround. These decreases were offset by higher energy and utility costs as a result of overall increased throughput. Operating expenses related to our Logistics segment were generally consistent with the prior year and consist of costs related to the operation and maintenance of PBFX's assets.

General and Administrative Expenses— General and administrative expenses totaled \$191.4 million for the nine months ended September 30, 2018 compared to \$143.1 million for the nine months ended September 30, 2017, an increase of approximately \$48.3 million or 33.7%. The increase in general and administrative expenses for the nine months ended September 30, 2018 in comparison to the nine months ended September 30, 2017 primarily related to higher employee related expenses, including incentive compensation and retirement benefits. Our general and administrative expenses are comprised of the personnel, facilities and other infrastructure costs necessary to support our refineries and related logistical assets.

Gain (Loss) on Sale of Assets— There was a net gain of \$43.1 million for the nine months ended September 30, 2018 mainly attributed to a \$43.8 million gain related to the Torrance land sale. There was a loss of \$0.9 million for the nine months ended September 30, 2017 related to the sale of non-operating refinery assets.

Depreciation and Amortization Expense— Depreciation and amortization expense totaled \$271.6 million for the nine months ended September 30, 2018 (including \$263.8 million recorded within Cost of sales) compared to \$208.2 million for the nine months ended September 30, 2017 (including \$197.8 million recorded within Cost of sales), an increase of approximately \$63.5 million. The increase was a result of additional depreciation expense associated with a general increase in our fixed asset base due to capital projects and turnarounds completed since the third quarter of 2017, which included the first significant Torrance refinery turnaround under our ownership.

Change in Tax Receivable Agreement Liability— Change in the Tax Receivable Agreement liability for the nine months ended September 30, 2018 represented a gain of \$7.8 million compared to a gain of \$0.6 million in the nine months ended September 30, 2017.

Change in Fair Value of Catalyst Leases— Change in the fair value of catalyst leases represented a gain of \$5.8 million for the nine months ended September 30, 2018 compared to a loss of \$1.0 million for the nine months ended September 30, 2017. These gains and losses relate to the change in value of the precious metals underlying the sale and leaseback of our refineries' precious metals catalyst, which we are obligated to repurchase at fair market value on the lease termination dates.

Debt extinguishment costs— Debt extinguishment costs of \$25.5 million incurred in the nine months ended September 30, 2017 relate to nonrecurring charges associated with debt refinancing activity calculated based on the difference between the carrying value of the 2020 Senior Secured Notes on the date that they were reacquired and the amount for which they were reacquired. There were no such costs in the same period of 2018.

Interest Expense, net— PBF Energy interest expense totaled \$128.9 million for the nine months ended September 30, 2018 compared to \$114.9 million for the nine months ended September 30, 2017, an increase of approximately \$14.1 million. This net increase is mainly attributable to the interest costs associated with the issuance of the new PBFX 2023 Senior Notes in October 2017 and higher borrowings under the PBFX Revolving Credit Facility. Interest expense includes interest on long-term debt including the PBFX credit facilities, costs related to the sale and leaseback of our precious metals catalyst, financing costs associated with the Inventory Intermediation Agreements with J. Aron, letter of credit fees associated with the purchase of certain crude oils and the amortization of deferred financing costs. PBF LLC interest expense totaled \$135.1 million and \$120.9 million for the nine months ended September 30, 2018 and September 30, 2017, respectively (inclusive of \$6.2 million and \$6.1 million, respectively, of incremental interest expense on the affiliate note payable with PBF Energy that eliminates in consolidation at the PBF Energy level).

Income Tax Expense— 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 tax. However, two subsidiaries of Chalmette Refining and our Canadian subsidiary of PBF Holding are treated as C-Corporations for income tax purposes and may incur income taxes with respect to their earnings, as applicable. The members of PBF LLC are required to include their proportionate share of PBF LLC's taxable income or loss, which includes PBF LLC's allocable share of PBFX's pre-tax income or loss, on their respective tax returns. PBF LLC generally makes distributions to its members, per the terms of PBF LLC's amended and restated limited liability company agreement, related to such taxes on a pro-rata basis. PBF Energy recognizes an income tax expense or benefit in our consolidated financial statements based on PBF Energy's allocable share of PBF LLC's pre-tax income or loss, which was approximately 98.1% and 96.6%, on a weighted-average basis for the nine months ended September 30, 2018 and 2017, respectively. PBF Energy's condensed consolidated financial statements do not reflect any benefit or provision for income taxes on the pre-tax income or loss attributable to the noncontrolling interests in PBF LLC or PBFX (although, as described above, PBF LLC must make tax distributions to all its members on a pro-rata basis). PBF Energy's effective tax rate, excluding the impact of noncontrolling interest, for the nine months ended September 30, 2018 and 2017 was 25.8% and 39.4%.

respectively, reflecting tax adjustments for discrete items and the impact of the TCJA which, among other things, reduced the U.S federal corporate tax rate from 35% to 21%.

Noncontrolling Interest— 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. PBF Energy consolidates the financial results of PBF LLC and its subsidiaries, including PBFX. With respect to the consolidation of PBF LLC, the Company records a noncontrolling interest for the economic interest in PBF LLC held by members other than PBF Energy, and with respect to the consolidation of PBFX, the Company records a noncontrolling interest for the economic interests in PBFX held by the public unit holders of PBFX, and with respect to the consolidation of PBF Holding, the Company records a 20% noncontrolling interest for the ownership interests in two subsidiaries of Chalmette Refining held by a third party. The total noncontrolling interest on the condensed consolidated statements of operations represents the portion of the Company's earnings or loss attributable to the economic interests held by members of PBF Energy other than PBF Energy and the public common unit holders of PBFX and by the third party stockholders of the two Chalmette Refining subsidiaries. The total noncontrolling interest on the balance sheet represents the portion of the Company's net assets attributable to the economic interests held by the members of PBF LLC other than PBF Energy, by the public common unitholders of PBFX and by the third party stockholders of the two Chalmette Refining subsidiaries. PBF Energy's weighted-average equity noncontrolling interest ownership percentage in PBF LLC for the nine months ended September 30, 2018 and 2017 was approximately 1.9% and 3.4%, respectively. The carrying amount of the noncontrolling interest on our condensed consolidated balance sheet attributable to the noncontrolling interest is not equal to the noncontrolling interest ownership percentage due to the effect of income taxes and related agreements that pertain solely to PBF Energy.

Non-GAAP Financial Measures

Management uses certain financial measures to evaluate our operating performance that are calculated and presented on the basis of methodologies other than in accordance with GAAP ("Non-GAAP"). These measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP, and our calculations thereof may not be comparable to similarly entitled measures reported by other companies. Such Non-GAAP financial measures are presented only in the context of PBF Energy's results and are not presented or discussed in respect to PBF LLC.

Special Items

The Non-GAAP measures presented include Adjusted Fully-Converted Net Income excluding special items, EBITDA excluding special items and gross refining margin excluding special items. Special items for the three and nine months ended September 30, 2018 relate to an LCM inventory adjustment, changes in the Tax Receivable Agreement liability, gain on the sale of assets related to the Torrance land sale and charges associated with the early return of certain leased railcars. Special items for the three and nine months ended September 30, 2017 relate to an LCM inventory adjustment, changes in the Tax Receivable Agreement liability and debt extinguishment costs. See "Notes to Non-GAAP Financial Measures" below for more details on all special items disclosed. Although we believe that Non-GAAP financial measures, excluding the impact of special items, provide useful supplemental information to investors regarding the results and performance of our business and allow for helpful period-over-period comparisons, such Non-GAAP measures should only be considered as a supplement to, and not as a substitute for, or superior to, the financial measures prepared in accordance with GAAP.

Adjusted Fully-Converted Net Income (Loss) and Adjusted Fully-Converted Net Income (Loss) Excluding Special Items

PBF Energy utilizes results presented on an Adjusted Fully-Converted basis that reflects an assumed exchange of all PBF LLC Series A Units for shares of Class A common stock of PBF Energy. In addition, we present results on an Adjusted Fully-Converted basis excluding special items as described above. We believe that these Adjusted Fully-Converted measures, when presented in conjunction with comparable GAAP measures, are useful to investors to compare PBF Energy results across different periods and to facilitate an understanding of our operating results.

Neither Adjusted Fully-Converted Net Income (Loss) nor Adjusted Fully-Converted Net Income (Loss) excluding special items should be considered an alternative to net income (loss) presented in accordance with GAAP. Adjusted Fully-Converted Net Income (Loss) and Adjusted Fully-Converted Net Income (Loss) excluding special items presented by other companies may not be comparable to our presentation, since each company may define these terms differently. The differences between Adjusted Fully-Converted and GAAP results are as follows:

1. Assumed exchange of all PBF LLC Series A Units for shares of PBF Energy Class A common stock. As a result of the assumed exchange of all PBF LLC Series A Units, the noncontrolling interest related to these units is converted to controlling interest. Management believes that it is useful to provide the per-share effect associated with the assumed exchange of all PBF LLC Series A Units.

2. Income Taxes. Prior to PBF Energy's initial public offering ("IPO"), PBF Energy was organized as a limited liability company treated as a "flow-through" entity for income tax purposes, and even after PBF Energy's IPO, not all of its earnings are subject to corporate-level income taxes. Adjustments have been made to the Adjusted Fully-Converted tax provisions and earnings to assume that PBF Energy had adopted its post-IPO corporate tax structure for all periods presented and is taxed as a C-corporation in the U.S. at the prevailing corporate rates. These assumptions are consistent with the assumption in clause 1 above that all PBF LLC Series A Units are exchanged for shares of PBF Energy Class A common stock, as the assumed exchange would change the amount of PBF Energy's earnings that are subject to corporate income tax.

The following table reconciles the Adjusted Fully-Converted results for PBF Energy with their results presented in accordance with GAAP for the three and nine months ended September 30, 2018 and 2017 (in thousands, except share and per share amount):

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Net income attributable to PBF Energy Inc. stockholders | \$179,538 | \$314,365 | \$482,057 | \$173,625 |
| Less: Income allocated to participating securities | 194 | 272 | 592 | 811 |
| Income available to PBF Energy Inc. stockholders - basic | 179,344 | 314,093 | 481,465 | 172,814 |
| Add: Net income attributable to the noncontrolling interest ⁽¹⁾ | 2,394 | 18,137 | 9,790 | 9,677 |
| Less: Income tax expense ⁽²⁾ | (632) | (7,139) | (2,585) | (3,809) |
| Adjusted fully-converted net income | \$181,106 | \$325,091 | \$488,670 | \$178,682 |
| Special Items: ⁽³⁾ | | | | |
| Add: Non-cash LCM inventory adjustment | (54,801) | (265,077) | (300,456) | (97,943) |
| Add: Change in Tax Receivable Agreement liability | (7,763) | (565) | (7,763) | (565) |
| Add: Debt extinguishment costs | — | — | — | 25,451 |
| Add: Gain on Torrance land sale | (43,761) | — | (43,761) | — |
| Add: Early railcar return expense | 44,571 | — | 44,571 | — |
| Add: Recomputed income taxes on special items | 16,309 | 104,556 | 81,186 | 28,755 |
| Adjusted fully-converted net income excluding special items | \$135,661 | \$164,005 | \$262,447 | \$134,380 |
| Weighted-average shares outstanding of PBF Energy Inc. | 117,029,486 | 109,724,595 | 113,597,970 | 109,634,921 |
| Conversion of PBF LLC Series A Units ⁽⁴⁾ | 1,206,326 | 3,825,508 | 2,184,690 | 3,832,464 |
| Common stock equivalents ⁽⁵⁾ | 2,169,503 | 332,137 | 1,592,510 | 324,157 |
| Fully-converted shares outstanding-diluted | 120,405,315 | 113,882,240 | 117,375,170 | 113,791,542 |
| Diluted net income per share | \$1.50 | \$2.85 | \$4.16 | \$1.57 |
| Adjusted fully-converted net income per fully exchanged, fully diluted shares outstanding | \$1.50 | \$2.85 | \$4.16 | \$1.57 |
| Adjusted fully-converted net income excluding special items per fully exchanged, fully diluted shares outstanding | \$1.13 | \$1.44 | \$2.24 | \$1.18 |

See Notes to Non-GAAP Financial Measures.

Gross Refining Margin and Gross Refining Margin Excluding Special Items

Gross refining margin is defined as consolidated gross margin excluding refinery depreciation, refinery operating expense, and gross margin of PBFX. We believe both gross refining margin and gross refining margin excluding special items are important measures of operating performance and provide useful information to

investors because they are helpful metric comparisons to the industry refining margin benchmarks, as the refining margin benchmarks do not include a charge for refinery operating expenses and depreciation. In order to assess our operating performance, we compare our gross refining margin (revenue less cost of products and other) to industry refining margin benchmarks and crude oil prices as defined in the table below.

Neither gross refining margin nor gross refining margin excluding special items should be considered an alternative to consolidated gross margin, income from operations, net cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Gross refining margin and gross refining margin excluding special items presented by other companies may not be comparable to our presentation, since each company may define these terms differently. The following table presents our GAAP calculation of consolidated gross margin and a reconciliation of gross refining margin to the most directly comparable GAAP financial measure, consolidated gross margin, on a historical basis, as applicable, for each of the periods indicated (in thousands, except per barrel amounts):

| | Three Months Ended September 30, | | | |
|---|----------------------------------|------------|-------------|------------|
| | 2018 | per barrel | 2017 | per barrel |
| | \$ | of | \$ | of |
| | | throughput | | throughput |
| Calculation of consolidated gross margin: | | | | |
| Revenues | \$7,646,360 | \$ 93.56 | \$5,478,951 | \$ 70.09 |
| Less: Cost of Sales | 7,331,158 | 89.70 | 4,830,832 | 61.80 |
| Consolidated gross margin | \$315,202 | \$ 3.86 | \$648,119 | \$ 8.29 |
| Reconciliation of consolidated gross margin to gross refining margin: | | | | |
| Consolidated gross margin | \$315,202 | \$ 3.86 | \$648,119 | \$ 8.29 |
| Add: PBFX operating expense | 20,268 | 0.25 | 15,930 | 0.20 |
| Add: PBFX depreciation expense | 7,379 | 0.09 | 5,610 | 0.08 |
| Less: Revenues of PBFX | (70,029) | (0.86) | (65,494) | (0.84) |
| Add: Refinery operating expenses | 409,600 | 5.01 | 389,504 | 4.98 |
| Add: Refinery depreciation expense | 83,353 | 1.02 | 70,338 | 0.90 |
| Gross refining margin | \$765,773 | \$ 9.37 | \$1,064,007 | \$ 13.61 |
| Special items: ⁽³⁾ | | | | |
| Add: Non-cash LCM inventory adjustment | (54,801) | (0.67) | (265,077) | (3.39) |
| Add: Early railcar return expense | 44,571 | 0.55 | — | — |
| Gross refining margin excluding special items | \$755,543 | \$ 9.25 | \$798,930 | \$ 10.22 |

See Notes to Non-GAAP Financial Measures.

| | Nine Months Ended September 30, | | | |
|---|---------------------------------|--------------------------------|--------------|--------------------------------|
| | 2018 | | 2017 | |
| | \$ | per barrel of throughput | \$ | per barrel of throughput |
| Calculation of consolidated gross margin: | | | | |
| Revenues | \$20,893,219 | \$ 89.84 | \$15,250,649 | \$ 71.07 |
| Less: Cost of Sales | 19,932,646 | 85.71 | 14,619,200 | 68.13 |
| Consolidated gross margin | \$960,573 | \$ 4.13 | \$631,449 | \$ 2.94 |
| Reconciliation of consolidated gross margin to gross refining margin: | | | | |
| Consolidated gross margin | \$960,573 | \$ 4.13 | \$631,449 | \$ 2.94 |
| Add: PBFX operating expense | 57,427 | 0.25 | 47,163 | 0.22 |
| Add: PBFX depreciation expense | 20,793 | 0.09 | 16,562 | 0.08 |
| Less: Revenues of PBFX | (201,466) | (0.87) | (188,300) | (0.88) |
| Add: Refinery operating expense | 1,223,798 | 5.26 | 1,224,757 | 5.71 |
| Add: Refinery depreciation | 242,960 | 1.04 | 181,238 | 0.84 |
| Gross refining margin | \$2,304,085 | \$ 9.90 | \$1,912,869 | \$ 8.91 |
| Special items: ⁽³⁾ | | | | |
| Add: Non-cash LCM inventory adjustment | (300,456) | (1.29) | (97,943) | (0.45) |
| Add: Early railcar return expense | 44,571 | 0.19 | — | — |
| Gross refining margin excluding special items | \$2,048,200 | \$ 8.80 | \$1,814,926 | \$ 8.46 |

See Notes to Non-GAAP Financial Measures.

EBITDA, EBITDA Excluding Special Items and Adjusted EBITDA

Our management uses EBITDA (earnings before interest, income taxes, depreciation and amortization), EBITDA excluding special items and Adjusted EBITDA as measures of operating performance to assist in comparing performance from period to period on a consistent basis and to readily view operating trends, as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations, and in communications with our board of directors, creditors, analysts and investors concerning our financial performance. Our outstanding indebtedness for borrowed money and other contractual obligations also include similar measures as a basis for certain covenants under those agreements which may differ from the Adjusted EBITDA definition described below.

EBITDA, EBITDA excluding special items and Adjusted EBITDA are not presentations made in accordance with GAAP and our computation of EBITDA, EBITDA excluding special items and Adjusted EBITDA may vary from others in our industry. In addition, Adjusted EBITDA contains some, but not all, adjustments that are taken into account in the calculation of the components of various covenants in the agreements governing our senior notes and other credit facilities. EBITDA, EBITDA excluding special items and Adjusted EBITDA should not be considered as alternatives to income from operations or net income as measures of operating performance. In addition, EBITDA, EBITDA excluding special items and Adjusted EBITDA are not presented as, and should not be considered, an alternative to cash flows from operations as a measure of liquidity. Adjusted EBITDA is defined as EBITDA before adjustments for items such as stock-based compensation expense, the non-cash change in the fair value of catalyst leases, the write down of inventory to the LCM, changes in the liability for Tax Receivable Agreement due to factors out of our control such as changes in tax rates, debt extinguishment costs related to refinancing activities, and certain other non-cash items. Other companies, including other companies in our industry, may calculate EBITDA, EBITDA excluding special items and Adjusted EBITDA differently than we do, limiting

their usefulness as comparative measures. EBITDA, EBITDA excluding special items and Adjusted EBITDA also have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include that EBITDA, EBITDA excluding special items and Adjusted EBITDA:

- do not reflect depreciation expense or our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- do not reflect changes in, or cash requirements for, our working capital needs;
- do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- do not reflect realized and unrealized gains and losses from certain hedging activities, which may have a substantial impact on our cash flow;
- do not reflect certain other non-cash income and expenses; and
- exclude income taxes that may represent a reduction in available cash.

The following tables reconcile net income as reflected in PBF Energy's results of operations to EBITDA, EBITDA excluding special items and Adjusted EBITDA for the periods presented (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|----------------------|--------------------|------------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Reconciliation | | | | |
| of | | | | |
| net | | | | |
| income | | | | |
| to | | | | |
| EBITDA | | | | |
| and | | | | |
| EBITDA | | | | |
| excluding | | | | |
| special | | | | |
| items: | | | | |
| Net | | | | |
| income | \$192,466 | \$347,226 | \$521,964 | \$223,045 |
| Add: | | | | |
| Depreciation | | | | |
| and | | | | |
| amortization | | | | |
| expense | 93,326 | 78,520 | 271,624 | 208,155 |
| Add: | | | | |
| Interest | | | | |
| expense, | 42,289 | 36,990 | 128,935 | 114,871 |
| net | | | | |
| Add: | | | | |
| Income | | | | |
| tax | 61,349 | 203,979 | 167,836 | 112,889 |
| expense | | | | |
| EBITDA | \$389,430 | \$666,715 | \$1,090,359 | \$658,960 |
| Special | | | | |
| Items ⁽³⁾ | | | | |
| Add: | (64,801) | (265,077) | (300,456) | (97,943) |
| Non-cash | | | | |
| LCM | | | | |

| | | | | |
|--|------------|------------|--------------|------------|
| inventory adjustment | | | | |
| Add: | | | | |
| Change in | | | | |
| Tax | (7,763) | (565) | (7,763) | (565) |
| Receivable Agreement liability | | | | |
| Add: | | | | |
| Debt extinguishment costs | — | — | — | 25,451 |
| Add: | | | | |
| Gain on Torrance land sale | (43,761) | — | (43,761) | — |
| Add: | | | | |
| Early rainfall return expense | 44,571 | — | 44,571 | — |
| EBITDA excluding special items | \$ 327,676 | \$ 401,073 | \$ 782,950 | \$ 585,903 |
| Reconciliation of EBITDA to Adjusted EBITDA: | | | | |
| EBITDA | \$ 118,430 | \$ 666,715 | \$ 1,090,359 | \$ 658,960 |
| Add: | | | | |
| Stock-based compensation | 5,591 | 4,222 | 18,608 | 18,064 |
| Add: | | | | |
| Net non-cash change in fair value of catalyst leases | (1,630) | (473) | (5,783) | 1,011 |
| Add: | | | | |
| Non-cash | (4,801) | (265,077) | (300,456) | (97,943) |

| | | | | |
|---------------------------|------------|------------|------------|------------|
| LCM | | | | |
| inventory | | | | |
| adjustment ⁽³⁾ | | | | |
| Add: | | | | |
| Change | | | | |
| in | | | | |
| Tax | (7,763) | (565) | (7,763) | (565) |
| Receivable | | | | |
| Agreement | | | | |
| liability ⁽³⁾ | | | | |
| Add: | | | | |
| Debt | | | | |
| extinguishment | — | — | 25,451 | |
| costs | | | | |
| ⁽³⁾ | | | | |
| Adjusted | | | | |
| EBITDA | \$ 330,827 | \$ 404,822 | \$ 794,965 | \$ 604,978 |

See Notes to Non-GAAP Financial Measures.

Notes to Non-GAAP Financial Measures

The following notes are applicable to the Non-GAAP Financial Measures above:

Represents the elimination of the noncontrolling interest associated with the ownership by the members of PBF (1) LLC other than PBF Energy, as if such members had fully exchanged their PBF LLC Series A Units for shares of PBF Energy's Class A common stock.

Represents an adjustment to reflect PBF Energy's estimated annualized statutory corporate tax rate of approximately 26.4% and 39.4% for the 2018 and 2017 periods, respectively, applied to net income attributable to (2) noncontrolling interest for all periods presented. The adjustment assumes the full exchange of existing PBF LLC Series A Units as described in (1) above. Our statutory tax rates were reduced in 2018 as a result of the TCJA enactment.

(3) Special items:

LCM inventory adjustment - LCM is a GAAP guideline related to inventory valuation that requires inventory to be stated at the lower of cost or market. Our inventories are stated at the lower of cost or market. Cost is determined using last-in, first-out ("LIFO") inventory valuation methodology, in which the most recently incurred costs are charged to cost of sales and inventories are valued at base layer acquisition costs. Market is determined based on an assessment of the current estimated replacement cost and net realizable selling price of the inventory. In periods where the market price of our inventory declines substantially, cost values of inventory may exceed market values. In such instances, we record an adjustment to write down the value of inventory to market value in accordance with GAAP. In subsequent periods, the value of inventory is reassessed and an LCM inventory adjustment is recorded to reflect the net change in the LCM inventory reserve between the prior period and the current period. The net impact of these LCM inventory adjustments are included in the Refining segment's operating income, but are excluded from the operating results presented in the table in order to make such information comparable between periods.

The following table includes the lower of cost or market inventory reserve as of each date presented (in thousands):

| | 2018 | 2017 |
|-----------------|------------|------------|
| January 1, | \$ 300,456 | \$ 595,988 |
| June 30, | 54,801 | 763,122 |
| September 30, — | | 498,045 |

The following table includes the corresponding impact of changes in the LCM inventory reserve on income from operations and net income for the periods presented (in thousands):

| Three Months Ended September 30, | Nine Months Ended September 30, |
|--|---|
|--|---|