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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2017
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number: 001-32567

ALON USA ENERGY, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

74-2966572
(I.R.S. Employer
Identification No.)

12700 Park Central Dr., Suite 1600, Dallas, Texas 75251
(Address of principal executive offices) (Zip Code)

(972) 367-3600
(Registrant's telephone number, including area code)

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

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

Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

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

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

The number of shares of the Registrant's common stock, par value \$0.01 per share, outstanding as of May 1, 2017, was 71,877,464.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands except per share data)

	March 31, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 186,129	\$ 136,302
Accounts and other receivables, net	129,369	134,744
Income tax receivable	—	32,984
Inventories	141,428	130,502
Prepaid expenses and other current assets	50,400	36,761
Total current assets	507,326	471,293
Equity method investments	33,022	33,431
Property, plant and equipment, net	1,351,536	1,366,895
Goodwill	62,885	62,885
Other assets, net	157,435	160,797
Total assets	\$ 2,112,204	\$ 2,095,301
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 386,905	\$ 328,561
Accrued liabilities	101,031	100,529
Current portion of long-term debt	16,414	16,414
Total current liabilities	504,350	445,504
Other non-current liabilities	160,788	188,833
Long-term debt	499,905	511,552
Deferred income tax liability	365,816	366,999
Total liabilities	1,530,859	1,512,888
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, par value \$0.01, 15,000,000 shares authorized; and no shares issued and outstanding at March 31, 2017 and December 31, 2016	—	—
Common stock, par value \$0.01, 150,000,000 shares authorized; 71,761,117 and 71,578,093 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	718	716
Additional paid-in capital	531,142	530,625
Accumulated other comprehensive loss, net of tax	(25,928)	(26,111)
Retained earnings	12,478	15,878
Total stockholders' equity	518,410	521,108
Non-controlling interest in subsidiaries	62,935	61,305
Total equity	581,345	582,413
Total liabilities and equity	\$ 2,112,204	\$ 2,095,301

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, dollars in thousands except per share data)

	For the Three Months Ended	
	March 31,	
	2017	2016
Net sales (1)	\$ 1,150,593	\$ 849,973
Operating costs and expenses:		
Cost of sales	972,874	735,144
Direct operating expenses	64,242	68,617
Selling, general and administrative expenses	49,225	48,701
Depreciation and amortization	36,547	34,862
Total operating costs and expenses	1,122,888	887,324
Gain (loss) on disposition of assets	476	(2,088)
Operating income (loss)	28,181	(39,439)
Interest expense	(15,117)	(18,307)
Equity earnings (losses) of investees	(133)	378
Other income (loss), net	(89)	72
Income (loss) before income tax expense (benefit)	12,842	(57,296)
Income tax expense (benefit)	2,568	(21,236)
Net income (loss)	10,274	(36,060)
Net income (loss) attributable to non-controlling interest	2,947	(523)
Net income (loss) available to stockholders	\$ 7,327	\$ (35,537)
Earnings (loss) per share, basic	\$ 0.10	\$ (0.51)
Weighted average shares outstanding, basic (in thousands)	71,490	70,143
Earnings (loss) per share, diluted	\$ 0.10	\$ (0.51)
Weighted average shares outstanding, diluted (in thousands)	71,577	70,143
Cash dividends per share	\$ 0.15	\$ 0.15

(1) Includes excise taxes on sales by the retail segment of \$20,725 and \$19,525 for the three months ended March 31, 2017 and 2016, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, dollars in thousands)

	For the Three Months Ended	
	March 31,	
	2017	2016
Net income (loss)	\$ 10,274	\$ (36,060)
Other comprehensive income (loss):		
Interest rate derivatives designated as cash flow hedges:		
Unrealized holding gain (loss) arising during period	121	(1,121)
Loss reclassified to earnings - interest expense	172	70
Net gain (loss), before tax	293	(1,051)
Income tax expense (benefit)	107	(383)
Total other comprehensive income (loss), net of tax	186	(668)
Comprehensive income (loss)	10,460	(36,728)
Comprehensive income (loss) attributable to non-controlling interest	2,950	(527)
Comprehensive income (loss) attributable to stockholders	\$ 7,510	\$ (36,201)

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, dollars in thousands)

	For the Three Months Ended	
	March 31,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$ 10,274	\$ (36,060)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	36,547	34,862
Stock compensation	901	2,120
Deferred income taxes	(1,290)	(18,511)
Equity (earnings) losses of investees, net of dividends	409	(378)
Amortization of debt issuance costs	787	880
Amortization of original issuance discount	1,783	1,634
(Gain) loss on disposition of assets	(476)	2,088
Unrealized loss on commodity swaps	—	3,333
Changes in operating assets and liabilities:		
Accounts and other receivables, net	5,375	(30,748)
Income tax receivable	32,984	3,500
Inventories	(10,926)	4,127
Prepaid expenses and other current assets	(13,639)	(2,980)
Other assets, net	(3,318)	(3,940)
Accounts payable	11,751	2,997
Accrued liabilities		7,652
Other non-current liabilities	11,726	73
Net cash provided by (used in) operating activities	82,483	(29,351)
Cash flows from investing activities:		
Capital expenditures	(13,067)	(23,446)
Capital expenditures for turnarounds and catalysts	(1,349)	(16,610)
Proceeds from disposition of assets	1,177	975
Acquisition of California renewable fuels facility	—	(7,936)
Net cash used in investing activities	(13,239)	(47,017)
Cash flows from financing activities:		
Dividends paid to stockholders	(10,727)	(10,527)
Dividends paid to non-controlling interest	(67)	(133)
Distributions paid to non-controlling interest in the Partnership	(1,267)	(921)
Taxes paid due to the net settlement of stock-based compensation	(368)	—
RINs financing transactions	7,115	51,313
Payments on long-term debt	(14,103)	(4,108)
Net cash provided by (used in) financing activities	(19,417)	35,624
Net increase (decrease) in cash and cash equivalents	49,827	(40,744)
Cash and cash equivalents, beginning of period	136,302	234,127
Cash and cash equivalents, end of period	\$ 186,129	\$ 193,383
Supplemental cash flow information:		
Cash paid for interest, net of capitalized interest	\$ 13,355	\$ 16,514
Refunds received for income tax	\$ (35,469)	\$ (3,478)
Supplemental disclosure of non-cash activity:		
Capital expenditures included in accounts payable and accrued liabilities	\$ 907	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, dollars in thousands except as noted)

**(1) Basis of
Presentation**

As used in this report, unless otherwise specified, the terms “Alon,” “we,” “our” and “us” or like terms refer to Alon USA Energy, Inc. and its consolidated subsidiaries or to Alon USA Energy, Inc. or an individual subsidiary. Generally, the words “we,” “our” and “us” include Alon USA Partners, LP and its consolidated subsidiaries (the “Partnership”) as consolidated subsidiaries of Alon USA Energy, Inc. unless when used in disclosures of transactions or obligations between the Partnership and Alon USA Energy, Inc., or its other subsidiaries.

These consolidated financial statements and notes are unaudited and have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements.

In the opinion of our management, the information included in these consolidated financial statements reflects all adjustments, consisting of normal and recurring adjustments, which are necessary for a fair presentation of our consolidated financial position and results of operations for the interim periods presented. All significant intercompany balances and transactions have been eliminated in consolidation. Certain prior year balances may have been aggregated or disaggregated in order to conform to the current year presentation. Our results of operations for the three months ended March 31, 2017 are not necessarily indicative of the operating results that may be realized for the year ending December 31, 2017.

Our consolidated balance sheet as of December 31, 2016 has been derived from the audited financial statements as of that date. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board jointly issued a comprehensive new revenue recognition standard that provides accounting guidance for all revenue arising from contracts to provide goods or services to customers. This standard is intended to improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The standard allows for either full retrospective adoption or modified retrospective adoption. In August 2015, the FASB updated the guidance to include a one-year deferral of the effective date for the new revenue standard, making the requirements of the standard effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted for interim and annual periods beginning after December 15, 2016. We are evaluating the guidance to determine the method of adoption and the impact this standard will have on our consolidated financial statements and related disclosures. Based on our initial evaluation, though not currently quantified, the adoption of the standard is not expected to have a material impact on the timing of revenue recognized, results of operations or cash flows.

In November 2015, the FASB issued an accounting standards update simplifying the presentation of income taxes. This updated standard eliminates the current requirement to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, all deferred tax assets and liabilities will be required to be classified as non-current. The requirements from the updated standard are effective for interim and annual periods beginning after December 31, 2016, and early adoption is permitted. We have adopted this updated guidance as of January 1, 2017 and applied the changes retrospectively to the prior period. The adoption of this updated standard resulted in the reclassification of \$14,858 of current deferred income tax asset to non-current deferred income tax liability on the consolidated balance sheets at December 31, 2016.

In February 2016, the FASB issued new guidance on the accounting for leases, which requires lessees to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. The standard will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The requirements from this guidance are effective for interim and annual periods beginning after December 31, 2018. We are evaluating the guidance to determine the impact this standard will have on our consolidated financial statements.

In March 2016, the FASB issued an accounting standards update to simplify some provisions in stock compensation accounting. The areas for simplification of this update involve the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification of the statement of cash flows. This update will be effective for interim and annual periods beginning after December 15, 2016, and early adoption is permitted. We have adopted the updated guidance, effective January 1, 2017, with no material impact to our consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

In June 2016, the FASB issued an accounting standards update requiring the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The requirements from the updated standard are effective for interim and annual periods beginning after December 15, 2019. We are evaluating the guidance to determine the impact this standard will have on our consolidated financial statements.

In August 2016, the FASB issued an accounting standards update addressing eight specific cash flow issues with the objective of eliminating the existing diversity in practice. The amendments from this update are effective for interim and annual periods beginning after December 15, 2017. We do not expect application of this standard to have a material effect on our consolidated financial statements.

In January 2017, the FASB issued new guidance that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The amendments from this update are effective for interim and annual periods beginning after December 15, 2017. We do not expect application of this standard to have a material effect on our consolidated financial statements.

In March 2017, the FASB issued new guidance to improve the presentation of net periodic benefit cost and net periodic postretirement benefit cost by providing additional guidance on the presentation and classification of net benefit costs in the consolidated statements of operations and on the components eligible for capitalization in assets. The amendments from this update are effective for interim and annual periods beginning after December 15, 2017. We are evaluating the guidance to determine the impact this standard will have on our consolidated financial statements.

**(2) Alon USA Partners,
LP**

The Partnership (NYSE: ALDW) is a publicly-traded limited partnership that owns the assets and conducts the operations of the Big Spring refinery and the associated integrated wholesale marketing operations. The limited partner interests of the Partnership are represented as common units outstanding. As of March 31, 2017, the 11,520,220 common units held by the public represent 18.4% of the Partnership's common units outstanding. We own the remaining 81.6% of the Partnership's common units and Alon USA Partners GP, LLC (the "General Partner"), our wholly-owned subsidiary, owns 100% of the general partner interest in the Partnership, which is a non-economic interest.

The limited partner interests in the Partnership not owned by us are reflected in the consolidated statements of operations in net income (loss) attributable to non-controlling interest and in our consolidated balance sheets in non-controlling interest in subsidiaries. The Partnership is consolidated within the refining and marketing segment.

We have agreements with the Partnership, under which the Partnership has agreed to reimburse us for certain administrative and operational services provided by us and our subsidiaries to the Partnership, provide certain indemnification obligations and other matters and establish terms for the supply of products by the Partnership to us.

Partnership Distributions

The Partnership has adopted a policy pursuant to which it will distribute all of the available cash generated each quarter, as defined in the partnership agreement, subject to the approval of the board of directors of the General Partner. The per unit amount of available cash to be distributed each quarter, if any, will be distributed within 60 days following the end of such quarter.

The following table summarizes the Partnership's cash distribution activity during the period:

	Cash Available for Distribution per Unit (1)	Distribution Paid Per Unit	Total Distribution Paid	Distributions Paid to Non-Controlling Interest
First Quarter 2017	0.38	0.11	6,877	1,267

(1) Represents the aggregate cash available for distribution per unit attributable to the period indicated. This represents the difference between cash available for distribution and distributions paid in the table above.

**(3) Segment
Data**

Our revenues are derived from three operating segments: (i) refining and marketing, (ii) asphalt and (iii) retail. The reportable operating segments are strategic business units that offer different products and services. The segments are managed

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

separately as each segment requires unique technology, marketing strategies and distinct operational emphasis. Each operating segment's performance is evaluated primarily based on operating income.

(a) Refining and Marketing Segment

Our refining and marketing segment includes a sour crude oil refinery located in Big Spring, Texas, a light sweet crude oil refinery located in Krotz Springs, Louisiana, and heavy crude oil refineries located in Paramount, Bakersfield and Long Beach, California (the "California refineries"). We primarily refine crude oil into petroleum products, including various grades of gasoline, diesel, jet fuel, petrochemicals, petrochemical feedstocks, asphalt and other petroleum-based products, which are marketed primarily in the South Central, Southwestern and Western regions of the United States. We are also shipping and selling gasoline into wholesale markets in the Southern and Eastern United States. Our California refineries have not processed crude oil since 2012 due to the high cost of crude oil relative to product yield and low asphalt demand.

The Partnership sells motor fuels under the Alon brand through various terminals to supply 636 Alon branded retail sites, including our retail segment convenience stores. In addition, the Partnership sells motor fuels through our wholesale distribution network on an unbranded basis.

We are the majority owner of a renewable fuels facility in California that began commercial production in February 2016 and converts tallow and vegetable oils into renewable fuels. The produced renewable fuels are drop-in replacements for petroleum-based fuels. The renewable fuels facility generates both state and federal environmental credits as well as the federal blender's tax credit, when effective.

(b) Asphalt Segment

We own or operate 11 asphalt terminals located in Texas (Big Spring), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Washington (Richmond Beach), Arizona (Phoenix and Flagstaff) as well as asphalt terminals in which we own a 50% interest located in Fernley, Nevada, and Brownwood, Texas. The operations in which we have a 50% interest are recorded under the equity method of accounting and the investments are included as part of total assets in the asphalt segment data. Asphalt produced by our Big Spring refinery is transferred to the asphalt segment at prices substantially determined by reference to the cost of crude oil and Rocky Mountain asphalt, which is intended to approximate wholesale market prices.

(c) Retail Segment

Our retail segment operates 304 convenience stores located in Central and West Texas and New Mexico. These convenience stores typically offer various grades of gasoline and diesel under the Alon brand name and food products, food service, tobacco products, non-alcoholic and alcoholic beverages, general merchandise as well as money orders to the public, primarily under the 7-Eleven brand name. Substantially all of the motor fuel sold through our retail segment are supplied by our Big Spring refinery, which are transferred to the retail segment at prices substantially determined by reference to published commodity pricing information.

(d) Corporate

Operations that are not included in any of the three segments are included in the corporate category. These operations consist primarily of corporate headquarters operating and depreciation expenses.

Segment data for the three month periods ended March 31, 2017 and 2016 is presented below:

	Refining and Marketing	Asphalt	Retail	Corporate	Consolidated Total
Three Months Ended March 31, 2017					
Net sales to external customers	\$ 915,629	\$ 44,821	\$ 190,143	\$ —	\$ 1,150,593
Intersegment sales (purchases)	91,000	(6,883)	(84,117)	—	—
Depreciation and amortization	31,353	1,219	3,291	684	36,547
Operating income (loss)	24,525	(1,481)	6,014	(877)	28,181
Turnarounds, catalysts and capital expenditures	7,903	1,482	4,945	86	14,416

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

	Refining and Marketing	Asphalt	Retail	Corporate	Consolidated Total
Three Months Ended March 31, 2016					
Net sales to external customers	\$ 633,503	\$ 53,499	\$ 162,971	\$ —	\$ 849,973
Intersegment sales (purchases)	63,110	(5,448)	(57,662)	—	—
Depreciation and amortization	29,784	1,260	3,399	419	34,862
Operating income (loss)	(42,363)	(648)	4,182	(610)	(39,439)
Turnarounds, catalysts and capital expenditures	35,169	740	2,711	1,436	40,056

Total assets by reportable segment consisted of the following:

	March 31, 2017	December 31, 2016
Refining and marketing	\$ 1,742,211	\$ 1,724,982
Asphalt	115,635	111,941
Retail	238,524	241,272
Corporate	15,834	17,106
Total assets	<u>\$ 2,112,204</u>	<u>\$ 2,095,301</u>

Operating income (loss) for each segment consists of net sales less cost of sales, direct operating expenses, selling, general and administrative expenses, depreciation and amortization, and gain (loss) on disposition of assets. Intersegment sales are intended to approximate wholesale market prices. Consolidated totals presented are after intersegment eliminations.

Total assets of each segment consist of net property, plant and equipment, inventories, cash and cash equivalents, accounts and other receivables and other assets directly associated with the segment's operations. Corporate assets consist primarily of corporate headquarters information technology and administrative equipment.

(4) Fair Value

We determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We classify financial assets and financial liabilities into the following fair value hierarchy:

- Level 1 - valued based on quoted prices in active markets for identical assets and liabilities;
- Level 2 - valued based on quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability; and
- Level 3 - valued based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As required, we utilize valuation techniques that maximize the use of observable inputs (levels 1 and 2) and minimize the use of unobservable inputs (level 3) within the fair value hierarchy. We generally apply the "market approach" to determine fair value. This method uses pricing and other information generated by market transactions for identical or comparable assets and liabilities. Assets and liabilities are classified within the fair value hierarchy based on the lowest level (least observable) input that is significant to the measurement in its entirety.

The carrying amounts of our cash and cash equivalents, receivables, payables and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The reported amounts of long-term debt approximate fair value. Derivative instruments are carried at fair value, which are based on quoted market prices. Derivative instruments and Renewable Identification Numbers ("RINs") obligation are our only assets and liabilities measured at fair value on a recurring basis.

Our RINs obligation surplus is based on the amount of RINs we purchased and internally generated in excess of our obligation at RINs prices as of the balance sheet date. The RINs obligation surplus is categorized as Level 2 and is measured at fair value based on quoted prices from an independent pricing service.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

The following table sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the consolidated balance sheets at March 31, 2017 and December 31, 2016:

	Level 1	Level 2	Level 3	Total
As of March 31, 2017				
Assets:				
Fair value hedges of consigned inventory	\$ —	\$ 17,340	\$ —	\$ 17,340
RINs obligation surplus (1)	—	6,077	—	6,077
Liabilities:				
Commodity contracts (futures and forwards)	803	—	—	803
Interest rate swaps	—	1,663	—	1,663
As of December 31, 2016				
Assets:				
Fair value hedges of consigned inventory	\$ —	\$ 14,777	\$ —	\$ 14,777
Liabilities:				
Commodity contracts (futures and forwards)	1,561	—	—	1,561
Interest rate swaps	—	1,956	—	1,956

(1) The RINs obligation surplus represents excess RINs received due to the Environmental Protection Agency's approval of a small refinery exemption for the Krotz Springs refinery from the requirements of the renewable fuel standard for the 2016 calendar year that were held for sale at the balance sheet date.

(5) Derivative Financial Instruments

We selectively utilize crude oil and refined product commodity derivative contracts to reduce the risk associated with potential price changes on committed obligations as well as to reduce earnings volatility. We also utilize interest rate swaps to manage our exposure to interest rate risk. We do not speculate using derivative instruments. Credit risk on our derivative instruments is mitigated by transacting with counterparties meeting established collateral and credit criteria.

Mark to Market

We have certain contracts that serve as economic hedges, which are derivatives used for risk management but not designated as hedges for financial accounting purposes. All economic hedge transactions are recorded at fair value and any changes in fair value between periods are recognized in earnings.

We have contracts that are used to fix prices on forecasted purchases of inventory, which we refer to as futures and forwards. Futures represent trades executed on the New York Mercantile Exchange which have not been closed or settled at the end of the reporting period. Forwards represent physical trades for which pricing and quantities have been set, but the physical product delivery has not occurred by the end of the reporting period.

During the year ended December 31, 2016, we had economic hedges in the form of swap contracts that fixed price differentials between different types of crude oil and refined products that we use or produce at our refineries. As of March 31, 2017 and December 31, 2016, we did not have any outstanding commodity swap contracts accounted for as economic hedges.

Fair Value Hedges

Fair value hedges are used to hedge price volatility of certain refining inventories and firm commitments to purchase inventories. The gain or loss on a derivative instrument designated and qualifying as a fair value hedge, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, is recognized in earnings in the same period.

We have certain commodity contracts associated with the Supply and Offtake Agreements discussed in Note 7 that have been accounted for as fair value hedges, which had purchase volumes of 444 thousand barrels of crude oil as of March 31, 2017.

Cash Flow Hedges

To designate a derivative as a cash flow hedge, we document at the inception of the hedge the assessment that the derivative will be highly effective in offsetting expected changes in cash flows from the hedged item. This assessment, which is updated at least quarterly, is generally based on the most recent relevant historical correlation between the derivative and the

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

hedged item. If, during the term of the derivative, the hedge is determined to be no longer highly effective, hedge accounting is prospectively discontinued and any remaining unrealized gains or losses, based on the effective portion of the derivative at that date, are reclassified to earnings when the underlying transactions occur.

Interest Rate Derivatives. We have interest rate swap agreements, maturing March 2019, that effectively fixed the variable LIBOR interest component of the term loans within the retail credit agreement. These interest rate swaps have been accounted for as cash flow hedges. The aggregate notional amount under these agreements covers approximately 75% of the outstanding principal of these term loans throughout the duration of the interest rate swaps. As of March 31, 2017, the outstanding principal of these term loans was \$95,884. The interest rate swaps lock in an average fixed interest rate of 2.40% through the remainder of 2017; 2.89% in 2018 and 3.06% in 2019.

Related to interest rate swap cash flow hedges in OCI, we recognized unrealized gains (losses) of \$293 and \$(1,051) for the three months ended March 31, 2017 and 2016, respectively.

For the three months ended March 31, 2017 and 2016, there was no cash flow hedge ineffectiveness recognized in income and no component of our cash flow hedges' gains or losses was excluded from the assessment of hedge effectiveness.

As of March 31, 2017, we have unrealized losses of \$1,663 classified in OCI related to cash flow hedges. Assuming interest rates remain unchanged, unrealized losses of \$827 will be reclassified from OCI into earnings over the next twelve-month period as the underlying transactions occur.

The following tables present the effect of derivative instruments on the consolidated balance sheets:

As of March 31, 2017			
Asset Derivatives		Liability Derivatives	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:			
Commodity contracts (futures and forwards)	Accounts receivable \$ 2,692	Accrued liabilities	\$ 3,495
Total derivatives not designated as hedging instruments	2,692		3,495
Derivatives designated as hedging instruments:			
Interest rate swaps	\$ —	Other non-current liabilities	\$ 1,663
Fair value hedges of consigned inventory	Other assets 17,340		—
Total derivatives designated as hedging instruments	17,340		1,663
Total derivatives	\$ 20,032		\$ 5,158
As of December 31, 2016			
Asset Derivatives		Liability Derivatives	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:			
Commodity contracts (futures and forwards)	Accounts receivable \$ 3,602	Accrued liabilities	\$ 5,163
Total derivatives not designated as hedging instruments	3,602		5,163
Derivatives designated as hedging instruments:			
Interest rate swaps	\$ —	Other non-current liabilities	\$ 1,956
Fair value hedges of consigned inventory	Other assets 14,777		—
Total derivatives designated as hedging instruments	14,777		1,956
Total derivatives	\$ 18,379		\$ 7,119

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

The following tables present the effect of derivative instruments on the consolidated statements of operations and accumulated other comprehensive income:

Derivatives designated as hedging instruments:

Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Location	Amount	Location	Amount
For the Three Months Ended March 31, 2017					
Interest rate swaps	\$ 293	Interest expense	\$ (172)		\$ —
Total derivatives	<u>\$ 293</u>		<u>\$ (172)</u>		<u>\$ —</u>
For the Three Months Ended March 31, 2016					
Interest rate swaps	\$ (1,051)	Interest expense	\$ (70)		\$ —
Total derivatives	<u>\$ (1,051)</u>		<u>\$ (70)</u>		<u>\$ —</u>

Derivatives in fair value hedging relationships:

	Location	Gain (Loss) Recognized in Income	
		For the Three Months Ended	
		March 31,	
		2017	2016
Fair value hedges of consigned inventory (1)	Interest expense	\$ 2,563	\$ (1,215)
Total derivatives		<u>\$ 2,563</u>	<u>\$ (1,215)</u>

(1) Changes in the fair value hedges are substantially offset in earnings by changes in the hedged items.

Derivatives not designated as hedging instruments:

	Location	Gain (Loss) Recognized in Income	
		For the Three Months Ended	
		March 31,	
		2017	2016
Commodity contracts (futures and forwards)	Cost of sales	\$ (871)	\$ 5,213
Commodity contracts (swaps)	Cost of sales	—	366
Total derivatives		<u>\$ (871)</u>	<u>\$ 5,579</u>

Offsetting Assets and Liabilities

Our derivative instruments are subject to master netting arrangements to manage counterparty credit risk associated with derivatives, and we offset the fair value amounts recorded for derivative instruments to the extent possible under these agreements on our consolidated balance sheets.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

The following table presents offsetting information regarding our derivatives by type of transaction as of March 31, 2017 and December 31, 2016:

	Gross Amounts		Net Amounts		Gross Amounts Not offset in the		Net Amount
	Gross Amounts of Recognized Assets/Liabilities	Statement of Financial Position	Presented in the Statement of Financial Position	Statement of Financial Position	Financial Instruments	Cash Collateral Pledged	
As of March 31, 2017							
Derivative Assets:							
Commodity contracts (futures and forwards)	\$ 3,525	\$ (833)	\$ 2,692	\$ (2,692)	\$ —	\$ —	\$ —
Interest rate swaps	46	(46)	—	—	—	—	—
Fair value hedges of consigned inventory	17,340	—	17,340	—	—	—	17,340
Derivative Liabilities:							
Commodity contracts (futures and forwards)	\$ 4,328	\$ (833)	\$ 3,495	\$ (2,692)	\$ —	\$ —	\$ 803
Interest rate swaps	1,709	(46)	1,663	—	—	—	1,663
As of December 31, 2016							
Derivative Assets:							
Commodity contracts (futures and forwards)	\$ 5,169	\$ (1,567)	\$ 3,602	\$ (3,602)	\$ —	\$ —	\$ —
Interest rate swaps	29	(29)	—	—	—	—	—
Fair value hedges of consigned inventory	14,777	—	14,777	—	—	—	14,777
Derivative Liabilities:							
Commodity contracts (futures and forwards)	\$ 6,730	\$ (1,567)	\$ 5,163	\$ (3,602)	\$ —	\$ —	\$ 1,561
Interest rate swaps	1,985	(29)	1,956	—	—	—	1,956

Compliance Program Market Risk

We are obligated by government regulations to blend a certain percentage of biofuels into the products that we produce and are consumed in the U.S. We purchase biofuels from third parties and blend those biofuels into our products, and each gallon of biofuel purchased includes a RIN. To the degree we are unable to blend biofuels at the required percentage, a RINs deficit is generated and we must acquire that number of RINs by the annual reporting deadline in order to remain in compliance with applicable regulations. Alternatively, if we have a RINs surplus, some of those RINs could be sold. Any such sales would be subject to our normal credit evaluation process.

We are exposed to market risk related to the volatility in the price of credits needed to comply with these governmental and regulatory programs. We manage this risk by purchasing RINs when prices are deemed favorable utilizing fixed price purchase contracts. We may also sell the RINs with an agreement to repurchase in the future at a fixed price. Some of these contracts are derivative instruments; however, we elect the normal purchase and sale exception and do not record these contracts at their fair values.

In February 2017, the Environmental Protection Agency approved a small refinery exemption for the Krotz Springs refinery from the requirements of the renewable fuel standard for the 2016 calendar year (the “Krotz Springs Exemption”). As a result, we recorded a reduction to RINs expense of \$27,746 in the first quarter of 2017.

The total net cost (benefit) related to meeting our obligations under these compliance programs was \$(13,246) and \$11,211 for the three months ended March 31, 2017 and 2016, respectively, inclusive of the Krotz Springs Exemption. These amounts are reflected in cost of sales in the consolidated statements of operations and are exclusive of the benefit generated from operations at our California renewable fuels facility.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

(6) Inventories

Carrying value of inventories consisted of the following:

	March 31, 2017	December 31, 2016
Crude oil, refined products, asphalt and blendstocks	\$ 69,088	\$ 57,021
Crude oil consignment inventory (Note 7)	10,589	11,708
Materials and supplies	29,150	27,826
Store merchandise	27,032	26,752
Store fuel	5,569	7,195
Total inventories	<u>\$ 141,428</u>	<u>\$ 130,502</u>

The market value of our refined products, asphalt and blendstock inventories exceeded LIFO costs by \$6,402 and \$4,390 at March 31, 2017 and December 31, 2016, respectively. The market value of our crude oil inventories exceeded LIFO costs, net of the fair value hedged items, by \$13,100 and \$13,154 at March 31, 2017 and December 31, 2016, respectively.

(7) Inventory Financing Agreements

We have entered into Supply and Offtake Agreements and other associated agreements (together the “Supply and Offtake Agreements”) with J. Aron & Company (“J. Aron”), to support the operations of our Big Spring, Krotz Springs and California refineries and certain of our asphalt terminals. Pursuant to the Supply and Offtake Agreements, (i) J. Aron agreed to sell to us, and we agreed to buy from J. Aron, at market prices, crude oil for processing at the refineries and (ii) we agreed to sell, and J. Aron agreed to buy, at market prices, certain refined products produced at the refineries.

The Supply and Offtake Agreements also provided for the sale, at market prices, of our crude oil and certain refined product inventories to J. Aron, the lease to J. Aron of crude oil and refined product storage facilities, and the identification of prospective purchasers of refined products on J. Aron’s behalf.

The Supply and Offtake Agreements for the Big Spring and Krotz Springs refineries have initial terms that expire in May 2021, and the Supply and Offtake Agreement for the California refineries has initial terms that expire in May 2019. J. Aron may elect to terminate the Supply and Offtake Agreements for the Big Spring and Krotz Springs refineries prior to the expiration of the initial term beginning in May 2018 and upon each anniversary thereof, on six months prior notice. We may elect to terminate at the Big Spring and Krotz refineries in May 2020 on six months prior notice. J. Aron may elect to terminate the Supply and Offtake Agreement for the California refineries prior to the expiration of the initial term in May 2017 and upon each anniversary thereof, on six months prior notice. We may elect to terminate at the California refineries in May 2018 on six months prior notice.

Following expiration or termination of the Supply and Offtake Agreements, we are obligated to purchase the crude oil and refined product inventories then owned by J. Aron and located at the leased storage facilities at then current market prices.

Associated with the Supply and Offtake Agreements, we have designated fair value hedges of our inventory purchase commitments with J. Aron and crude oil inventory consigned to J. Aron (“crude oil consignment inventory”). Additionally, financing charges related to the Supply and Offtake Agreements are recorded as interest expense in the consolidated statements of operations.

In connection with the Supply and Offtake Agreement for our Krotz Springs refinery, we have granted a security interest to J. Aron in all of its accounts and inventory to secure its obligations to J. Aron. In addition, we have granted a security interest in all of its real property and equipment to J. Aron to secure its obligations under a commodity hedge and sale agreement in lieu of posting cash collateral and being subject to cash margin calls.

At March 31, 2017 and December 31, 2016, we had net current payables of \$27,865 and net current receivables of \$6,112, respectively, with J. Aron for purchases and sales, and a consignment inventory receivable representing a deposit paid to J. Aron of \$26,179 and \$26,179, respectively. At March 31, 2017 and December 31, 2016, we had non-current liabilities for the original financing of \$21,173 and \$22,042, respectively, net of the related fair value hedges.

Additionally, we had net current payables of \$3,296 and \$5,613 at March 31, 2017 and December 31, 2016, respectively, for forward commitments related to month-end consignment inventory target levels differing from projected levels and the associated pricing with these inventory level differences.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

**(8) Property, Plant and Equipment,
Net**

Property, plant and equipment, net consisted of the following:

	March 31, 2017	December 31, 2016
Refining facilities	\$ 2,013,659	\$ 2,005,015
Pipelines and terminals	43,538	43,538
Retail	218,454	214,596
Other	26,744	26,657
Property, plant and equipment, gross	2,302,395	2,289,806
Accumulated depreciation	(950,859)	(922,911)
Property, plant and equipment, net	\$ 1,351,536	\$ 1,366,895

**(9) Additional Financial
Information**

The following tables provide additional financial information related to the consolidated financial statements.

**(a) Other Assets,
Net**

	March 31, 2017	December 31, 2016
Deferred turnaround and catalyst cost	\$ 73,527	\$ 79,391
Environmental receivables (Note 16)	2,631	2,762
Intangible assets, net	18,832	18,962
Receivable from supply and offtake agreements (Note 7)	26,179	26,179
Fair value hedges of consigned inventory (Note 5)	17,340	14,777
Other, net	18,926	18,726
Total other assets	\$ 157,435	\$ 160,797

**(b) Accounts
Payable**

Included in accounts payable was \$125,778 and \$78,565 related to RINs financing transactions as of March 31, 2017 and December 31, 2016, respectively.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

(c) Accrued Liabilities and Other Non-Current Liabilities

	March 31, 2017	December 31, 2016
Accrued Liabilities:		
Taxes other than income taxes, primarily excise taxes	\$ 35,865	\$ 41,420
Employee costs	29,870	23,014
Commodity contracts	3,495	5,163
Accrued finance charges	667	1,866
Environmental accrual (Note 16)	4,237	4,237
Other	26,897	24,829
Total accrued liabilities	<u>\$ 101,031</u>	<u>\$ 100,529</u>
Other Non-Current Liabilities:		
Pension and other postemployment benefit liabilities, net	\$ 50,657	\$ 48,983
Environmental accrual (Note 16)	41,393	41,399
Asset retirement obligations	12,644	12,463
Consignment inventory obligations (Note 7)	38,513	36,819
Interest rate swaps	1,663	1,956
RINs financing transactions	—	39,478
Other	15,918	7,735
Total other non-current liabilities	<u>\$ 160,788</u>	<u>\$ 188,833</u>

(10) Postretirement Benefits

The components of net periodic benefit cost related to our benefit plans for the three months ended March 31, 2017 and 2016 consisted of the following:

	For the Three Months Ended March 31,	
	2017	2016
Components of net periodic benefit cost:		
Service cost	\$ 976	\$ 952
Interest cost	1,395	1,409
Expected return on plan assets	(1,549)	(1,749)
Amortization of net loss	775	806
Net periodic benefit cost	<u>\$ 1,597</u>	<u>\$ 1,418</u>

Our estimated contributions to our pension plans during 2017 have not changed significantly from amounts previously disclosed in the notes to the consolidated financial statements for the year ended December 31, 2016. For the three months ended March 31, 2017, we made no contributions to our qualified pension plans. For the three months ended March 31, 2016, we contributed \$1,181 to our qualified pension plans.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

(11) Indebtedness

Debt consisted of the following:

	March 31, 2017	December 31, 2016
Term loan credit facilities	\$ 282,686	\$ 284,233
Alon USA, LP Credit Facility	—	—
Convertible senior notes	138,422	136,602
Retail credit facilities	95,211	107,131
Total debt	516,319	527,966
Less: Current portion	16,414	16,414
Total long-term debt	\$ 499,905	\$ 511,552

(a) Letter of Credit Facility and Alon USA, LP Revolving Credit Facility

We had letters of credit outstanding under our \$60,000 letter of credit facility of \$56,227 and \$57,727 at March 31, 2017 and December 31, 2016, respectively.

At March 31, 2017 and December 31, 2016, there were no outstanding borrowings under the Alon USA, LP \$240,000 revolving credit facility. At March 31, 2017 and December 31, 2016, we had letters of credit outstanding of \$68,159 and \$100,613, respectively.

(b) Convertible Senior Notes

The conversion rate for our 3.00% unsecured convertible senior notes (“Convertible Notes”) is subject to adjustment upon the occurrence of certain events, including cash dividend adjustments, but will not be adjusted for any accrued and unpaid interest. As of March 31, 2017, the adjusted conversion rate was 73.702 shares of our common stock per each \$1 (in thousands) principal amount of Convertible Notes, equivalent to a per share conversion price of approximately \$13.57, to reflect cash dividend adjustments. The options had an adjusted strike price of \$13.57 per share and the warrants had an adjusted strike price of \$18.43 per share. Upon a potential change of control, we may have to settle the value of the warrants. Any future quarterly cash dividend payments in excess of \$0.06 per share will cause further adjustment based on the formula contained in the indenture governing the Convertible Notes. As of March 31, 2017, there have been no conversions of the Convertible Notes.

(c) Financial Covenants

We have certain credit agreements that contain maintenance financial covenants. At March 31, 2017, we were in compliance with these covenants.

(12) Stock-Based Compensation (share values in dollars)

Our overall executive incentive compensation program permits the granting of awards to our directors, officers and key employees in the form of options to purchase common stock, stock appreciation rights, restricted shares of common stock, restricted common stock units, performance shares, performance units and senior executive plan bonuses.

Restricted Stock. In January 2017, we granted awards of 105,448 restricted shares to certain executive officers at a grant date price of \$12.07 per share. These January 2017 restricted shares will fully vest in January 2018, assuming continued service at vesting.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

The following table summarizes the restricted share activity from January 1, 2017:

Non-vested Shares	Shares	Weighted Average Grant Date Fair Values (per share)
Non-vested at December 31, 2016	159,634	\$ 12.26
Granted	105,448	12.07
Vested	—	—
Forfeited	—	—
Non-vested at March 31, 2017	265,082	\$ 12.19

Compensation expense for restricted stock awards amounted to \$504 and \$1,713 for the three months ended March 31, 2017 and 2016, respectively. These amounts are included in selling, general and administrative expenses in the consolidated statements of operations.

Partnership Restricted Units. Compensation expense for the Partnership's restricted common unit grants amounted to \$23 and \$10 for the three months ended March 31, 2017 and 2016, respectively. These amounts are included in selling, general and administrative expenses in the consolidated statements of operations.

Unrecognized Compensation Cost. As of March 31, 2017, there was \$1,969 of total unrecognized compensation cost related to non-vested share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.3 years.

(13) Equity (share values in dollars)

Changes to equity during the three months ended March 31, 2017 are presented below:

	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2016	\$ 521,108	\$ 61,305	\$ 582,413
Other comprehensive income	183	3	186
Stock compensation	519	14	533
Distributions to non-controlling interest in the Partnership	—	(1,267)	(1,267)
Dividends	(10,727)	(67)	(10,794)
Net income	7,327	2,947	10,274
Balance at March 31, 2017	\$ 518,410	\$ 62,935	\$ 581,345

(a) Common Stock

Merger Agreement between Alon and Delek. In January 2017, Alon and Delek US Holdings, Inc. ("Delek") entered into a definitive agreement under which Delek will acquire all of the outstanding shares of Alon common stock which Delek does not already own in an all-stock transaction. Delek currently owns approximately 33.7 million shares of our common stock. Under terms of the agreement, the owners of our remaining outstanding shares that Delek does not currently own will receive a fixed exchange ratio of 0.5040 of Delek shares for each share of Alon. The transaction is expected to close within the next few months, subject to customary closing conditions, including regulatory approval and approval by Delek shareholders and Alon shareholders.

Amended Shareholder Agreement. In 2012, we signed agreements with the remaining non-controlling interest shareholders of Alon Assets, Inc. ("Alon Assets") whereby the participants would exchange shares of Alon Assets for shares of our common stock. During the three months ended March 31, 2017, 116,347 shares of our common stock were issued in exchange for 621.98 shares of Alon Assets. At March 31, 2017, 116,352 shares of our common stock are available to be exchanged for all of the outstanding shares held by the non-controlling interest shareholder of Alon Assets. In April 2017, the remaining outstanding shares of Alon Assets held by the non-controlling shareholder were exchanged for 116,352 shares of our common stock.

We recognized compensation expense associated with the difference in value between the participants' ownership of Alon Assets compared to our common stock of \$374 and \$397 for the three months ended March 31, 2017 and 2016, respectively. These amounts are included in selling, general and administrative expenses in the consolidated statements of operations.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

(b) Dividends

Common Stock Dividends. On March 17, 2017, we paid a regular quarterly cash dividend of \$0.15 per share on common stock to stockholders of record at the close of business on March 9, 2017.

(c) Accumulated Other Comprehensive Loss

The following table displays the change in accumulated other comprehensive loss, net of tax:

	Unrealized Gain (Loss) on Cash Flow Hedges	Postretirement Benefit Plans	Total
Balance at December 31, 2016	\$ (1,229)	\$ (24,882)	\$ (26,111)
Other comprehensive income before reclassifications	74	—	74
Amounts reclassified from accumulated other comprehensive loss	109	—	109
Net current-period other comprehensive income	183	—	183
Balance at March 31, 2017	\$ (1,046)	\$ (24,882)	\$ (25,928)

(14) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated as net income (loss) available to common stockholders divided by the average number of participating shares of common stock outstanding. Diluted earnings (loss) per share includes the dilutive effect of granted restricted common stock awards, convertible debt and warrants using the treasury stock method.

The calculation of earnings (loss) per share, basic and diluted, for the three months ended March 31, 2017 and 2016, is as follows (shares in thousands, per share value in dollars):

	For the Three Months Ended March 31,	
	2017	2016
Net income (loss) available to common stockholders	\$ 7,327	\$ (35,537)
Weighted average shares outstanding, basic	71,490	70,143
Dilutive common stock equivalents	87	—
Weighted average shares outstanding, diluted	71,577	70,143
Earnings (loss) per share, basic	\$ 0.10	\$ (0.51)
Earnings (loss) per share, diluted	\$ 0.10	\$ (0.51)

For the three months ended March 31, 2017, the weighted average diluted shares includes all potentially dilutive common stock equivalents. For the three months ended March 31, 2016, we excluded 595 common stock equivalents from the weighted average diluted shares outstanding as the effect of including such shares would be anti-dilutive.

(15) Related Party Transactions

Delek US Holdings, Inc.

At March 31, 2017, Delek owns approximately 47% of our outstanding common stock and has entered into a merger agreement with Alon to acquire all of the remaining outstanding shares of our common stock, which is expected to close during the next few months. We have transactions with Delek that occur in the ordinary course of business. During the three months ended March 31, 2017 and 2016, we had purchases, net of sales, of crude oil, products and RINs from Delek of \$1,661 and \$1,166, respectively.

(16) Commitments and Contingencies**(a) Commitments**

In the normal course of business, we have long-term commitments to purchase, at market prices, utilities such as natural gas, electricity and water for use by our refineries, terminals, pipelines and retail locations. We are also party to various refined product and crude oil supply and exchange agreements, which are typically short-term in nature or provide terms for cancellation.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(unaudited, dollars in thousands except as noted)

(b) Contingencies

We are involved in various legal actions arising in the ordinary course of business. We believe the ultimate disposition of these matters will not have a material effect on our financial position, results of operations or liquidity.

One of our subsidiaries is a party to a lawsuit alleging breach of contract pertaining to an asphalt supply agreement. We believe that we have valid counterclaims as well as affirmative defenses that will preclude recovery. Attempts to reach a commercial arrangement to resolve the dispute have been unsuccessful to this point. This matter is not currently scheduled for trial. Due to the uncertainties of litigation, we cannot predict with certainty the ultimate resolution of this lawsuit.

(c) Environmental

We are subject to loss contingencies pursuant to federal, state, and local environmental laws and regulations. These laws and regulations govern the discharge of materials into the environment and may require us to incur future obligations to investigate the effects of the release or disposal of certain petroleum, chemical, and mineral substances at various sites; to remediate or restore these sites and to compensate others for damage to property and natural resources. These contingent obligations relate to sites that we own and are associated with past or present operations. We are currently participating in environmental investigations, assessments and cleanups pertaining to our refineries, service stations, pipelines and terminals. We may be involved in additional future environmental investigations, assessments and cleanups. The magnitude of future costs are unknown and will depend on factors such as the nature and contamination at many sites, the timing, extent and method of the remedial actions which may be required, and the determination of our liability in proportion to other responsible parties.

Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefit are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Substantially all amounts accrued are expected to be paid out over the next 15 years. The level of future expenditures for environmental remediation obligations cannot be determined with any degree of reliability.

We have accrued environmental remediation obligations of \$45,630 (\$4,237 current liability and \$41,393 non-current liability) at March 31, 2017, and \$45,636 (\$4,237 current liability and \$41,399 non-current liability) at December 31, 2016.

We have an indemnification agreement with a prior owner for part of the remediation expenses at certain West Coast assets. We have recorded current receivables of \$644 and \$644 and non-current receivables of \$2,631 and \$2,762 at March 31, 2017 and December 31, 2016, respectively.

**(17) Subsequent
Events**

Dividend Declared

On May 5, 2017, our board of directors declared the regular quarterly cash dividend of \$0.15 per share on our common stock, payable on June 8, 2017, to holders of record at the close of business on May 22, 2017.

Partnership Distribution

On May 4, 2017, the board of directors of the General Partner declared a cash distribution to the Partnership's common unitholders of approximately \$23,758, or \$0.38 per common unit. The cash distribution will be paid on May 30, 2017 to unitholders of record at the close of business on May 22, 2017. The total cash distribution payable to non-affiliated common unitholders will be approximately \$4,378.

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

In this document, the words "Alon," "we," "our" and "us" or like terms refer to Alon USA Energy, Inc. and its consolidated subsidiaries or to Alon USA Energy, Inc. or an individual subsidiary. Generally, the words "we," "our" and "us" include Alon USA Partners, LP and its consolidated subsidiaries (the "Partnership") as consolidated subsidiaries of Alon USA Energy, Inc. unless when used in disclosures of transactions or obligations between the Partnership and Alon USA Energy, Inc., or its other subsidiaries. The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Forward-Looking Statements

Certain statements contained in this report and other materials we file with the SEC, or in other written or oral statements made by us, other than statements of historical fact, are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "future" and similar terms and phrases to identify forward-looking statements.

Forward-looking statements reflect our current expectations of future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows.

Actual events, results and outcomes may differ materially from our expectations due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, the following:

- the possibility that the previously announced merger between Delek US Holdings, Inc. and Alon USA Energy, Inc. ("Merger") may not be consummated in a timely manner, or at all;
- the diversion of management in connection with the Merger and our ability to realize the anticipated benefits of the Merger;
- changes in general economic conditions and capital markets;
- changes in the underlying demand for our products;
- the availability, costs and price volatility of crude oil, other refinery feedstocks and refined products;
- changes in the spread between West Texas Intermediate ("WTI") Cushing crude oil and West Texas Sour ("WTS") crude oil or WTI Midland crude oil;
- changes in the spread between WTI Cushing crude oil and Light Louisiana Sweet ("LLS") crude oil;
- changes in the spread between Brent crude oil and WTI Cushing crude oil;
- changes in the spread between Brent crude oil and LLS crude oil;
- the effects of transactions involving forward contracts and derivative instruments;
- actions of customers and competitors;
- termination of our Supply and Offtake Agreements with J. Aron & Company ("J. Aron"), which include all of our refineries and certain of our asphalt terminals, under which J. Aron is one of our largest suppliers of crude oil and one of our largest customers of refined products. Additionally, upon termination of the Supply and Offtake Agreements, we are obligated to purchase the crude oil and refined product inventories then owned by J. Aron at then current market prices;
- changes in fuel and utility costs incurred by our facilities;
- disruptions due to equipment interruption, pipeline disruptions or failures at our or third-party facilities;
- the execution of planned capital projects;
- adverse changes in the credit ratings assigned to our debt instruments;

- the effects and cost of compliance with the renewable fuel standards program, including the availability, cost and price volatility of renewable identification numbers (“RINs”);
- the effects of the federal blender’s tax credit on our California renewable fuels facility, including what action, if any, Congress may take with respect to reinstating the blender’s tax credit or when such action might be effective;
- the effects and cost of compliance with current and future state and federal environmental, economic, safety and other laws, policies and regulations;
- the effects of seasonality on demand for our products;
- operating hazards, accidents, fires, severe weather, floods and other natural disasters, casualty losses and other matters beyond our control, which could result in unscheduled downtime;
- the effect of any national or international financial crisis on our business and financial condition;
- and
- the other factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2016 under the caption “Risk Factors.”

Any one of these factors or a combination of these factors could materially affect our future results of operations and could influence whether any forward-looking statements ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and actual results and future performance may differ materially from those suggested in any forward-looking statements. We do not intend to update these statements unless we are required by securities laws to do so.

Company Overview

We are an independent refiner and marketer of petroleum products, operating primarily in the South Central, Southwestern and Western regions of the United States. We own 100% of the general partner and 81.6% of the limited partner interests in the Partnership (NYSE: ALDW), which owns a crude oil refinery in Big Spring, Texas, with a crude oil throughput capacity of 73,000 barrels per day (“bpd”) and an integrated wholesale marketing business. In addition, we directly own a crude oil refinery in Krotz Springs, Louisiana, with a crude oil throughput capacity of 74,000 bpd. We also own crude oil refineries in California, which have not processed crude oil since 2012. We own a majority interest in a renewable fuels facility in California, with a throughput capacity of 3,000 bpd. We are a leading marketer of asphalt, which we distribute primarily through asphalt terminals located predominately in the Southwestern and Western United States. We are the largest 7-Eleven licensee in the United States and operate approximately 300 convenience stores which also market motor fuels in Central and West Texas and New Mexico.

Refining and Marketing

Our refining and marketing segment includes a sour crude oil refinery located in Big Spring, Texas, a light sweet crude oil refinery located in Krotz Springs, Louisiana, and heavy crude oil refineries located in Paramount, Bakersfield and Long Beach, California (“California refineries”). Our California refineries have not processed crude oil since 2012. Our refining and marketing segment also includes our majority ownership interest in a renewable fuels facility in California, which has a throughput capacity of 3,000 bpd. We primarily refine crude oil into petroleum products, including various grades of gasoline, diesel, jet fuel, petrochemicals, petrochemical feedstocks, asphalt and other petroleum-based products, which are marketed primarily in the South Central, Southwestern and Western regions of the United States.

We own the Big Spring refinery and its integrated wholesale marketing operations through the Partnership. Our marketing of transportation fuels produced at the Big Spring refinery is focused on Central and West Texas, Oklahoma, New Mexico and Arizona. We refer to our operations in these regions as our “physically integrated system” because we primarily supply our customers in this region with motor fuels produced at our Big Spring refinery and distributed through a network of pipelines and terminals that we own or access through leases or long-term throughput agreements.

We sell motor fuels under the Alon brand through various terminals to supply 636 locations, including our retail segment convenience stores. We provide substantially all of our branded customers motor fuels, brand support and payment processing services in addition to the license of the Alon brand name and associated trade dress.

We market transportation fuel production from our Krotz Springs refinery substantially through bulk sales and exchange channels. These bulk sales and exchange arrangements are entered into with various oil companies and trading companies and are transported to markets on the Mississippi River and the Atchafalaya River as well as to the Colonial Pipeline.

We are the majority owner of a renewable fuels facility in California that began commercial production in February 2016 and converts tallow and vegetable oils into renewable fuels. The produced renewable fuels are drop-in replacements for petroleum-based fuels. The renewable fuels facility generates both state and federal environmental credits as well as the federal

blender's tax credit, when effective. The throughput and production data for our California renewable fuels facility are generally not included in our combined refinery data, unless otherwise specified.

Asphalt

We own or operate 11 asphalt terminals located in Texas (Big Spring), Washington (Richmond Beach), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Arizona (Phoenix and Flagstaff) as well as asphalt terminals in which we own a 50% interest located in Fernley, Nevada, and Brownwood, Texas. The operations in which we have a 50% interest are recorded under the equity method of accounting and the investments are included as part of total assets in the asphalt segment data.

We purchase non-blended asphalt from third parties in addition to non-blended asphalt produced at the Big Spring refinery. We market asphalt through our terminals as blended and non-blended asphalt. Through our asphalt facilities, we are marketing a number of different product formulations, including both polymer modified asphalt and ground tire rubber asphalt. We have an exclusive license to use advanced asphalt-blending technology in West Texas, Arizona, New Mexico and Colorado, and a non-exclusive license in Idaho, Montana, Nevada, North Dakota, Utah and Wyoming, with respect to asphalt produced at our Big Spring refinery.

Asphalt produced by our Big Spring refinery is transferred to the asphalt segment at prices substantially determined by reference to the cost of crude oil and Rocky Mountain asphalt, which is intended to approximate wholesale market prices. We market asphalt primarily as paving asphalt to road and materials manufacturers and as ground tire rubber polymer modified or emulsion asphalt to highway construction/maintenance contractors. Sales of asphalt are seasonal with the majority of sales occurring between May and October.

Retail

Our convenience stores typically offer various grades of gasoline, diesel, food products, food service, tobacco products, non-alcoholic and alcoholic beverages, general merchandise as well as money orders to the public, primarily under the 7-Eleven and Alon brand names. Substantially all of the motor fuel sold through our retail segment is supplied by our Big Spring refinery.

For additional information on each of our operating segments, see Items 1. and 2. "Business and Properties" included in our Annual Report on Form 10-K for the year ended December 31, 2016.

First Quarter Operational and Financial Highlights

Our operational and financial highlights for the first quarter of 2017 include the following:

- Operating income for the first quarter of 2017 was \$28.2 million, compared to operating loss of \$(39.4) million for the first quarter of 2016.
- Combined refinery average throughput for the first quarter of 2017 was 155,081 bpd, compared to a combined refinery average throughput of 138,998 bpd for the first quarter of 2016. The Big Spring refinery average throughput for the first quarter of 2017 was 77,754 bpd, compared to 67,536 bpd for the first quarter of 2016. The Krotz Springs refinery average throughput for the first quarter of 2017 was 77,327 bpd, compared to 71,462 bpd for the first quarter of 2016. During the first quarter of 2017, both of the Big Spring and Krotz Springs refineries reported the highest total quarterly average throughput since their respective acquisitions. The reduced throughput at our Big Spring refinery during the first quarter of 2016 was the result of planned downtime to complete a reformer regeneration and catalyst replacement for our diesel hydrotreater unit. The reduced throughput at the Krotz Springs refinery during the first quarter of 2016 was the result of our election to reduce the crude rate in order to optimize the refinery yield.
- Refinery operating margin at the Big Spring refinery was \$10.32 per barrel for the first quarter of 2017 compared to \$7.77 per barrel for the same period in 2016. This increase in operating margin was primarily due to a higher Gulf Coast 3/2/1 crack spread and a widening of the WTI Cushing to WTS spread, partially offset by the increased premium in WTI Midland compared to WTI Cushing, increased RINs costs and a reduced benefit from the contango market environment which increased the cost of crude.
- Refinery operating margin at the Krotz Springs refinery was \$5.31 per barrel for the first quarter of 2017 compared to \$1.59 per barrel for the same period in 2016. This increase in operating margin was primarily due to a higher Gulf Coast 2/1/1 high sulfur diesel crack spread and reduced RINs costs, partially offset by the increased premium in WTI Midland compared to WTI Cushing and a reduced benefit from the contango market environment which increased the cost of crude.

- In February 2017, the Environmental Protection Agency (“EPA”) approved a small refinery exemption for the Krotz Springs refinery from the requirements of the renewable fuel standard for the 2016 calendar year, resulting in a reduction to RINs expense of \$27.7 million in the first quarter of 2017.
- The average Gulf Coast 3/2/1 crack spread was \$13.75 per barrel for the first quarter of 2017 compared to \$11.24 per barrel for the first quarter of 2016. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the first quarter of 2017 was \$9.74 per barrel compared to \$6.74 per barrel for the first quarter of 2016.
- The average WTI Cushing to WTI Midland spread for the first quarter of 2017 was \$(0.64) per barrel compared to \$(0.13) per barrel for the same period in 2016. The average WTI Cushing to WTS spread for the first quarter of 2017 was \$1.27 per barrel compared to \$(0.10) per barrel for the same period in 2016. The average LLS to WTI Cushing spread for the first quarter of 2017 was \$1.58 per barrel compared to \$1.60 per barrel for the same period in 2016. The average Brent to WTI Cushing spread for the first quarter of 2017 was \$1.66 per barrel compared to \$0.49 per barrel for the same period in 2016. The average Brent to LLS spread for the first quarter of 2017 was \$(0.13) per barrel compared to \$(0.89) per barrel for the same period in 2016.
- The average RINs cost effect on the Big Spring refinery operating margin was \$0.59 per barrel for the first quarter of 2017, compared to \$0.13 per barrel for the same period in 2016. The average RINs cost effect on the Krotz Springs refinery operating margin, excluding the impact of the 2016 exemption, was \$1.49 per barrel for the first quarter of 2017, compared to \$1.60 per barrel for the same period in 2016.
- The contango environment in the first quarter of 2017 created an average cost of crude benefit of \$1.00 per barrel compared to an average cost of crude benefit of \$1.83 per barrel for the same period in 2016.
- Our California renewable fuels facility generated operating income (loss) of \$(2.4) million for the first quarter of 2017, compared to \$7.2 million for the first quarter of 2016. The decrease was primarily due to the expiration of the blender’s tax credit on December 31, 2016.
- Asphalt margins in the first quarter of 2017 were \$78.45 per ton compared to \$84.16 per ton in the first quarter of 2016.
- Retail fuel margins decreased to 19.5 cents per gallon in the first quarter of 2017 from 19.9 cents per gallon in the first quarter of 2016. Retail fuel sales volume increased to 53.1 million gallons in the first quarter of 2017 from 50.0 million gallons in the first quarter of 2016.

Major Influences on Results of Operations

Refining and Marketing. Earnings and cash flows from our refining and marketing segment are primarily affected by the difference between refined product prices and the prices for crude oil and other feedstocks. These prices depend on numerous factors beyond our control, including the supply of, and demand for, crude oil, gasoline and other refined products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, production levels, the availability of imports, the marketing of competitive fuels and government regulation. While our sales and operating revenues fluctuate significantly with movements in crude oil and refined product prices, it is the spread between crude oil and refined product prices, not necessarily fluctuations in those prices, that affects our earnings.

In order to measure our operating performance, we compare our per barrel refinery operating margins to certain industry benchmarks. We calculate this margin for each refinery by dividing the refinery’s gross margin by its throughput volumes. Gross margin is the difference between net sales and cost of sales (exclusive of certain adjustments and inclusive of RINs costs). Each refinery is compared to an industry benchmark that is intended to approximate that refinery’s crude slate and product yield.

We compare our Big Spring refinery’s operating margin to the Gulf Coast 3/2/1 crack spread. A Gulf Coast 3/2/1 crack spread is calculated assuming that three barrels of WTI Cushing crude oil are converted, or cracked, into two barrels of Gulf Coast conventional gasoline and one barrel of Gulf Coast ultra-low sulfur diesel.

We compare our Krotz Springs refinery’s operating margin to the Gulf Coast 2/1/1 high sulfur diesel crack spread. A Gulf Coast 2/1/1 high sulfur diesel crack spread is calculated assuming that two barrels of LLS crude oil are converted into one barrel of Gulf Coast conventional gasoline and one barrel of Gulf Coast high sulfur diesel.

Our Big Spring refinery is capable of processing substantial volumes of sour crude oil, which has historically cost less than intermediate and sweet crude oils. We measure the cost advantage of refining sour crude oil by calculating the difference between the price of WTI Cushing crude oil and the price of WTS, a medium, sour crude oil. We refer to this differential as the WTI Cushing/WTS, or sweet/sour, spread. A widening of the sweet/sour spread can favorably influence the operating margin for our Big Spring refinery. The Big Spring refinery’s crude oil input is primarily comprised of WTS and WTI Midland.

The Krotz Springs refinery has the capability to process substantial volumes of low-sulfur, or sweet, crude oils to produce a high percentage of light, high-value refined products. Sweet crude oil typically comprises 100% of the Krotz Springs refinery's crude oil input. The Krotz Springs refinery's crude oil input is primarily comprised of LLS and WTI Midland.

In addition, the location of the Big Spring refinery near Midland, the largest origination terminal for West Texas crude oil, provides reliable crude sourcing with a relatively low transportation cost. Additionally, we have the ability to source locally produced crude at Big Spring by truck, which enables us to better control quality and eliminate the cost of transporting our crude supply from Midland. The WTI Cushing less WTI Midland spread represents the differential between the average per barrel price of WTI Cushing crude oil and the average per barrel price of WTI Midland crude oil. A widening of the WTI Cushing less WTI Midland spread will favorably influence the operating margin for both our Big Spring and Krotz Springs refineries. Alternatively, a narrowing of this differential will have an adverse effect on our operating margins.

Global product prices are influenced by the price of Brent crude which is a global benchmark crude. Global product prices influence product prices in the U.S. As a result, both our Big Spring and Krotz Springs refineries are influenced by the spread between Brent crude and WTI Cushing. The Brent less WTI Cushing spread represents the differential between the average per barrel price of Brent crude oil and the average per barrel price of WTI Cushing crude oil. A widening of the spread between Brent and WTI Cushing will favorably influence both the Big Spring and Krotz Springs refineries' operating margins. Also, the Krotz Springs refinery is influenced by the spread between Brent crude and LLS. The Brent less LLS spread represents the differential between the average per barrel price of Brent crude oil and the average per barrel price of LLS crude oil. A discount in LLS relative to Brent will favorably influence the Krotz Springs refinery operating margin.

The results of operations from our refining and marketing segment are also significantly affected by our refineries' operating costs, particularly the cost of natural gas used for fuel and the cost of electricity. Natural gas prices have historically been volatile. Typically, electricity prices fluctuate with natural gas prices.

Demand for gasoline products is generally higher during summer months than during winter months due to seasonal increases in highway traffic. As a result, the operating results for our refining and marketing segment for the first and fourth calendar quarters are generally lower than those for the second and third calendar quarters. The effects of seasonal demand for gasoline are partially offset by seasonality in demand for diesel, which in our region is generally higher in winter months as east-west trucking traffic moves south to avoid winter conditions on northern routes.

Safety, reliability and the environmental performance of our refineries are critical to our financial performance. The financial impact of planned downtime, such as a turnaround or major maintenance project, is mitigated through a diligent planning process that considers expectations for product availability, margin environment and the availability of resources to perform the required maintenance.

The nature of our business requires us to maintain crude oil and refined product inventories. Crude oil and refined products are essentially commodities, and we have no control over the changing market value of these inventories. Because our inventory is valued at the lower of cost or market value under the last-in, first-out ("LIFO") inventory valuation methodology, price fluctuations generally have little effect on our financial results.

Asphalt. Earnings and cash flows from our asphalt segment depend primarily upon the margin between the price at which we sell our asphalt and the price asphalt is purchased from third parties or the transfer price for asphalt produced at the Big Spring refinery. Asphalt is transferred to our asphalt segment from our refining and marketing segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate wholesale market prices. A portion of our asphalt sales are made using fixed price contracts for delivery at future dates. Because these contracts are priced using market prices for asphalt at the time of the contract, a change in the cost of crude oil between the time we enter into the contract and the time we produce the asphalt can positively or negatively influence the earnings of our asphalt segment. Demand for paving asphalt products is higher during warmer months than during colder months due to seasonal increases in road construction work. As a result, revenues from our asphalt segment for the first and fourth calendar quarters are expected to be lower than those for the second and third calendar quarters.

Retail. Earnings and cash flows from our retail segment are primarily affected by merchandise and retail fuel sales volumes and margins at our convenience stores. Retail merchandise gross margin is equal to retail merchandise sales less the delivered cost of the retail merchandise, net of vendor discounts and rebates, measured as a percentage of total retail merchandise sales. Retail merchandise sales are driven by convenience, branding and competitive pricing. Retail fuel margin is equal to retail fuel sales less the delivered cost of fuel and excise taxes, measured on a cents per gallon ("cpg") basis. Our retail fuel margins are driven by local supply, demand and competitor pricing. Our retail sales are seasonal and peak in the second and third quarters of the year, while the first and fourth quarters usually experience lower overall sales.

Factors Affecting Comparability

Our financial condition and operating results over the three months ended March 31, 2017 and 2016 have been influenced by the following factors which are fundamental to understanding comparisons of our period-to-period financial performance.

Maintenance and Turnaround Impact on Crude Oil Throughput

During the three months ended March 31, 2016, throughput at the Big Spring refinery was reduced as a result of planned downtime to complete a reformer regeneration and catalyst replacement for our diesel hydrotreater unit.

The reduced throughput at the Krotz Springs refinery during the three months ended March 31, 2016 was the result of our election to reduce the crude rate in order to optimize the refinery yield.

Renewable Fuels Standard Exemption

In February 2017, the EPA approved a small refinery exemption for the Krotz Springs refinery from the requirements of the renewable fuel standard for the 2016 calendar year. As a result, we recorded a reduction to RINs expense of \$27.7 million in the first quarter of 2017.

Results of Operations

The period-to-period comparison of our results of operations has been prepared using the historical periods included in our consolidated financial statements. We refer to our financial statement line items in the explanation of our period-to-period changes in results of operations. Below are general definitions of what those line items include and represent.

Net Sales. Net sales consist primarily of sales of refined petroleum products through our refining and marketing segment and asphalt segment and sales of merchandise, food products and motor fuels through our retail segment.

Refining and marketing net sales consist of gross sales, net of customer rebates, discounts and excise taxes and include intersegment sales to our asphalt and retail segments, which are eliminated through consolidation of our financial statements. Also included in net sales are environmental credits in the form of RINs, low-carbon fuel standards credits and blender's tax credits, when effective, generated at our California renewable fuels facility. Asphalt net sales consist of gross sales, net of any discounts and applicable taxes. Our petroleum and asphalt product sales are mainly affected by crude oil and refined product prices and volume changes caused by operations. Retail net sales consist of gross merchandise sales, less rebates, commissions and discounts, and gross fuel sales, including excise taxes. Our retail merchandise sales are affected primarily by competition and seasonal influences.

Cost of Sales. Refining and marketing cost of sales includes principally crude oil, blending materials and RINs, other raw materials and transportation costs, which include costs associated with crude oil and product pipelines which we utilize. Asphalt cost of sales includes costs of purchased asphalt, blending materials and transportation costs. Retail cost of sales includes motor fuels and merchandise. Retail fuel cost of sales represents the cost of purchased fuel, including transportation costs and associated excise taxes. Merchandise cost of sales includes the delivered cost of merchandise purchases, net of merchandise rebates and commissions. Cost of sales excludes depreciation and amortization expense, which is presented separately in the consolidated statements of operations.

Direct Operating Expenses. Direct operating expenses, which relate to our refining and marketing and asphalt segments, include costs associated with the actual operations of our refineries and asphalt terminals, such as energy and utility costs, routine maintenance, labor, insurance and environmental compliance costs.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses consist primarily of costs relating to the operations of our convenience stores, including labor, utilities, maintenance and retail corporate overhead costs. Corporate overhead and wholesale marketing expenses are also included in SG&A expenses for the refining and marketing and asphalt segments.

Depreciation and amortization. Depreciation and amortization represents an allocation of the cost of capital assets to expense within the consolidated statements of operations. The cost is expensed based on the straight-line method over the estimated useful life of the related asset. Depreciation and amortization also includes deferred turnaround and catalyst replacement costs. Turnaround and catalyst replacement costs are currently deferred and amortized on a straight-line basis beginning the month after the completion of the turnaround and ending immediately prior to the next scheduled turnaround.

Operating income. Operating income represents our net sales less our total operating costs and expenses.

Interest expense. Interest expense includes interest expense, letters of credit, financing charges related to the supply and offtake agreements, financing fees, and amortization of both original issuance discount and deferred debt issuance costs but excludes capitalized interest.

ALON USA ENERGY, INC. AND SUBSIDIARIES CONSOLIDATED

Summary Financial Tables. The following tables provide summary financial data and selected key operating statistics for Alon and our three operating segments for the three months ended March 31, 2017 and 2016. The summary financial data for our three operating segments does not include certain SG&A expenses and depreciation and amortization related to our corporate headquarters. The following data should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q. All information in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” except for Balance Sheet data as of December 31, 2016 is unaudited.

	For the Three Months Ended	
	March 31,	
	2017	2016
	(dollars in thousands, except per share data)	
STATEMENTS OF OPERATIONS DATA:		
Net sales (1)	\$ 1,150,593	\$ 849,973
Operating costs and expenses:		
Cost of sales	972,874	735,144
Direct operating expenses	64,242	68,617
Selling, general and administrative expenses (2)	49,225	48,701
Depreciation and amortization (3)	36,547	34,862
Total operating costs and expenses	1,122,888	887,324
Gain (loss) on disposition of assets	476	(2,088)
Operating income (loss)	28,181	(39,439)
Interest expense	(15,117)	(18,307)
Equity earnings (losses) of investees	(133)	378
Other income (loss), net	(89)	72
Income (loss) before income tax expense (benefit)	12,842	(57,296)
Income tax expense (benefit)	2,568	(21,236)
Net income (loss)	10,274	(36,060)
Net income (loss) attributable to non-controlling interest	2,947	(523)
Net income (loss) available to stockholders	\$ 7,327	\$ (35,537)
Earnings (loss) per share, basic	\$ 0.10	\$ (0.51)
Weighted average shares outstanding, basic (in thousands)	71,490	70,143
Earnings (loss) per share, diluted	\$ 0.10	\$ (0.51)
Weighted average shares outstanding, diluted (in thousands)	71,577	70,143
Cash dividends per share	\$ 0.15	\$ 0.15
CASH FLOW DATA:		
Net cash provided by (used in):		
Operating activities	\$ 82,483	\$ (29,351)
Investing activities	(13,239)	(47,017)
Financing activities	(19,417)	35,624
OTHER DATA:		
Adjusted EBITDA (4)	\$ 64,030	\$ (2,039)
Capital expenditures (5)	13,067	23,446
Capital expenditures for turnarounds and catalysts	1,349	16,610

	March 31, 2017	December 31, 2016
	(dollars in thousands)	
BALANCE SHEET DATA (end of period):		
Cash and cash equivalents	\$ 186,129	\$ 136,302
Working capital (6)	2,976	25,789
Total assets (6)	2,112,204	2,095,301
Total debt	516,319	527,966
Total debt less cash and cash equivalents	330,190	391,664
Total equity	581,345	582,413

- (1) Includes excise taxes on sales by the retail segment of \$20,725 and \$19,525 for the three months ended March 31, 2017 and 2016, respectively.
- (2) Includes corporate headquarters selling, general and administrative expenses of \$193 and \$191 for the three months ended March 31, 2017 and 2016, respectively, which are not allocated to our three operating segments.
- (3) Includes corporate depreciation and amortization of \$684 and \$419 for the three months ended March 31, 2017 and 2016, respectively, which are not allocated to our three operating segments.
- (4) Adjusted EBITDA represents earnings before net income (loss) attributable to non-controlling interest, income tax expense (benefit), interest expense, depreciation and amortization and (gain) loss on disposition of assets. Adjusted EBITDA is not a recognized measurement under GAAP; however, the amounts included in Adjusted EBITDA are derived from amounts included in our consolidated financial statements. Our management believes that the presentation of Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. In addition, our management believes that Adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of Adjusted EBITDA generally eliminates the effects of net income (loss) attributable to non-controlling interest, income tax expense (benefit), interest expense, (gain) loss on disposition of assets and the accounting effects of capital expenditures and acquisitions, items that may vary for different companies for reasons unrelated to overall operating performance.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect the prior claim that non-controlling interest have on the income generated by non-wholly-owned subsidiaries;
- Adjusted EBITDA does not reflect changes in or cash requirements for our working capital needs; and
- Our calculation of Adjusted EBITDA may differ from EBITDA calculations of other companies in our industry, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.

The following table reconciles net income (loss) available to stockholders to Adjusted EBITDA for the three months ended March 31, 2017 and 2016:

	For the Three Months Ended	
	March 31,	
	2017	2016
	(dollars in thousands)	
Net income (loss) available to stockholders	\$ 7,327	\$ (35,537)
Net income (loss) attributable to non-controlling interest	2,947	(523)
Income tax expense (benefit)	2,568	(21,236)
Interest expense	15,117	18,307
Depreciation and amortization	36,547	34,862
(Gain) loss on disposition of assets	(476)	2,088
Adjusted EBITDA	\$ 64,030	\$ (2,039)

Adjusted EBITDA does not exclude unrealized losses on commodity swaps of \$0 and \$3,333 for the three months ended March 31, 2017 and 2016, respectively, which are included in net income (loss) available to stockholders. Additionally, Adjusted EBITDA does not exclude gains of \$1,713 and \$0 for the three months ended March 31, 2017 and 2016, respectively, resulting from a price adjustment related to asphalt inventory.

- (5) Includes corporate capital expenditures of \$86 and \$1,436 for the three months ended March 31, 2017 and 2016, respectively, which are not allocated to our three operating segments.
- (6) During the three months ended March 31, 2017, we adopted the FASB's recently issued accounting guidance simplifying the presentation of deferred income taxes. As a result of adopting this guidance, our current deferred income tax asset that had previously been included as a current asset in our consolidated balance sheets has been reclassified as a reduction of our non-current deferred income tax liability. These changes have been applied retrospectively to all periods presented.

REFINING AND MARKETING SEGMENT

	For the Three Months Ended	
	March 31,	
	2017	2016
(dollars in thousands, except per barrel data and pricing statistics)		
STATEMENTS OF OPERATIONS DATA:		
Net sales (1)	\$ 1,006,629	\$ 696,613
Operating costs and expenses:		
Cost of sales	871,482	626,036
Direct operating expenses	57,654	62,793
Selling, general and administrative expenses	21,617	18,275
Depreciation and amortization	31,353	29,784
Total operating costs and expenses	<u>982,106</u>	<u>736,888</u>
Gain (loss) on disposition of assets	<u>2</u>	<u>(2,088)</u>
Operating income (loss)	<u>\$ 24,525</u>	<u>\$ (42,363)</u>
KEY OPERATING STATISTICS:		
Per barrel of throughput:		
Refinery operating margin – Big Spring (2)	\$ 10.32	\$ 7.77
Refinery operating margin – Krotz Springs (2)	5.31	1.59
California renewable fuels operating margin (3)	14.96	153.64
Refinery direct operating expense – Big Spring (4)	3.54	4.07
Refinery direct operating expense – Krotz Springs (4)	3.21	3.83
California renewable fuels direct operating expense (4)	14.56	56.41
Capital expenditures	\$ 6,554	\$ 18,559
Capital expenditures for turnarounds and catalysts	1,349	16,610
PRICING STATISTICS:		
Crack spreads (3/2/1) (per barrel):		
Gulf Coast	\$ 13.75	\$ 11.24
Crack spreads (2/1/1) (per barrel):		
Gulf Coast high sulfur diesel	\$ 9.74	\$ 6.74
WTI Cushing crude oil (per barrel)	\$ 51.78	\$ 33.30
Crude oil differentials (per barrel):		
WTI Cushing less WTI Midland	\$ (0.64)	\$ (0.13)
WTI Cushing less WTS	1.27	(0.10)
LLS less WTI Cushing	1.58	1.60
Brent less WTI Cushing	1.66	0.49
Brent less LLS	(0.13)	(0.89)
Product price (dollars per gallon):		
Gulf Coast unleaded gasoline	\$ 1.56	\$ 1.07
Gulf Coast ultra-low sulfur diesel	1.57	1.03
Gulf Coast high sulfur diesel	1.45	0.91
Natural gas (per MMBtu)	3.07	1.98

**THROUGHPUT AND PRODUCTION DATA:
BIG SPRING REFINERY**

	For the Three Months Ended March 31,			
	2017		2016	
	bpd	%	bpd	%
Refinery throughput:				
WTS crude	30,301	39.0	36,554	54.1
WTI crude	42,877	55.1	27,760	41.1
Blendstocks	4,576	5.9	3,222	4.8
Total refinery throughput (5)	77,754	100.0	67,536	100.0
Refinery production:				
Gasoline	38,690	49.9	34,100	50.5
Diesel/jet	28,871	37.2	22,682	33.6
Asphalt	2,893	3.7	3,148	4.6
Petrochemicals	4,530	5.8	3,617	5.3
Other	2,633	3.4	4,027	6.0
Total refinery production (6)	77,617	100.0	67,574	100.0
Refinery utilization (7)		100.2%		93.2%

**THROUGHPUT AND PRODUCTION DATA:
KROTZ SPRINGS REFINERY**

	For the Three Months Ended March 31,			
	2017		2016	
	bpd	%	bpd	%
Refinery throughput:				
WTI crude	22,633	29.3	13,797	19.3
Gulf Coast sweet crude	49,958	64.6	49,350	69.1
Blendstocks	4,736	6.1	8,315	11.6
Total refinery throughput (5)	77,327	100.0	71,462	100.0
Refinery production:				
Gasoline	38,255	48.7	36,274	49.7
Diesel/jet	30,772	39.1	26,989	37.0
Heavy Oils	1,244	1.6	1,534	2.1
Other	8,339	10.6	8,157	11.2
Total refinery production (6)	78,610	100.0	72,954	100.0
Refinery utilization (7)		98.1%		85.3%

**THROUGHPUT AND PRODUCTION DATA:
CALIFORNIA RENEWABLE FUELS FACILITY**

	For the Three Months Ended March 31,			
	2017		2016	
	bpd	%	bpd	%
Throughput:				
Tallow/vegetable oils	2,361	88.5	2,606	100.0
Other	305	11.5	—	—
Total throughput (5)	2,666	100.0	2,606	100.0
Production:				
Renewable gasoline	300	11.5	—	—
Renewable diesel	2,107	80.6	1,994	81.0
Renewable jet	150	5.7	260	10.6
Naphtha	57	2.2	208	8.4
Total production (6)	2,614	100.0	2,462	100.0

- (1) Net sales include intersegment sales to our asphalt and retail segments at prices which approximate wholesale market prices. These intersegment sales are eliminated through consolidation of our financial statements.
- (2) Refinery operating margin is a per barrel measurement calculated by dividing the margin between net sales and cost of sales (exclusive of certain adjustments) attributable to each refinery by the refinery's throughput volumes. Industry-wide refining results are driven and measured by the margins between refined product prices and the prices for crude oil, which are referred to as crack spreads. We compare our refinery operating margins to these crack spreads to assess our operating performance relative to other participants in our industry.

The refinery operating margin for the three months ended March 31, 2017 excludes a benefit of \$27,746 related to the EPA approval of a small refinery exemption for the Krotz Springs refinery from the requirements of the renewable fuel standard for the 2016 calendar year. The refinery operating margin for the three months ended March 31, 2016 excludes realized and unrealized gains on commodity swaps of \$366.

- (3) The California renewable fuels facility operating margin is a per barrel measurement calculated by dividing the facility's margin between net sales and cost of sales by the facility's throughput volumes. Included in net sales are environmental credits in the form of RINs, low-carbon fuel standards credits and blender's tax credits, when effective, generated by the facility.

During the three months ended March 31, 2017, we received no benefit from the federal blender's tax credit as this legislation expired on December 31, 2016. However, if the blender's tax credit is reinstated and becomes effective retroactive to the beginning of 2017, we will record additional pre-tax income of \$8,778, or \$37.00 per barrel of throughput, related to product sales during the first quarter of 2017 at the California renewable fuels facility.

- (4) Refinery direct operating expense is a per barrel measurement calculated by dividing direct operating expenses at our refineries by the applicable refinery's total throughput volumes.
- (5) Total refinery throughput represents the total barrels per day of crude oil and blendstock inputs in the refinery production process. Total throughput for the California renewable fuels facility represents the total barrels per day of tallow and vegetable oils used by the facility for the period following March 1, 2016.
- (6) Total refinery production represents the barrels per day of various products produced from processing crude and other refinery feedstocks through the crude units and other conversion units at the refineries. Total production for the California renewable fuels facility represents the total barrels per day produced from processing tallow and vegetable oils through the facility's units for the period following March 1, 2016.
- (7) Refinery utilization represents average daily crude oil throughput divided by crude oil capacity, excluding planned periods of downtime for maintenance and turnarounds.

ASPHALT SEGMENT

	For the Three Months Ended	
	March 31,	
	2017	2016
	(dollars in thousands, except per ton data)	
STATEMENTS OF OPERATIONS DATA:		
Net sales (1)	\$ 44,821	\$ 53,499
Operating costs and expenses:		
Cost of sales (1) (2)	36,283	43,865
Direct operating expenses	6,588	5,824
Selling, general and administrative expenses	2,212	3,198
Depreciation and amortization	1,219	1,260
Total operating costs and expenses	46,302	54,147
Operating loss (5)	\$ (1,481)	\$ (648)
KEY OPERATING STATISTICS:		
Blended asphalt sales volume (tons in thousands) (3)	65	85
Non-blended asphalt sales volume (tons in thousands) (4)	22	29
Blended asphalt sales price per ton (3)	\$ 427.98	\$ 413.78
Non-blended asphalt sales price per ton (4)	163.86	145.17
Asphalt margin per ton (5)	78.45	84.16
Capital expenditures	\$ 1,482	\$ 740

(1) Net sales and cost of sales include asphalt purchases sold as part of a supply and offtake arrangement of \$13,397 and \$14,118 for the three months ended March 31, 2017 and 2016, respectively. The volumes associated with these sales are excluded from the Key Operating Statistics.

(2) Cost of sales includes intersegment purchases of asphalt blends from our refining and marketing segment at prices which approximate wholesale market prices. These intersegment purchases are eliminated through consolidation of our financial statements.

(3) Blended asphalt represents base material asphalt that has been blended with other materials necessary to sell the asphalt as a finished product.

(4) Non-blended asphalt represents base material asphalt and other components that require additional blending before being sold as a finished product.

(5) Asphalt margin is a per ton measurement calculated by dividing the margin between net sales and cost of sales by the total sales volume. Asphalt margins are used in the asphalt industry to measure operating results related to asphalt sales.

Asphalt margin excludes gains of \$1,713 and \$0 for the three months ended March 31, 2017 and 2016, respectively, resulting from a price adjustment related to asphalt inventory. These gains are included in operating loss above.

RETAIL SEGMENT

	For the Three Months Ended	
	March 31,	
	2017	2016
	(dollars in thousands, except per gallon data)	
STATEMENTS OF OPERATIONS DATA:		
Net sales (1)	\$ 190,143	\$ 162,971
Operating costs and expenses:		
Cost of sales (2)	156,109	128,353
Selling, general and administrative expenses	25,203	27,037
Depreciation and amortization	3,291	3,399
Total operating costs and expenses	184,603	158,789
Gain on disposition of assets	474	—
Operating income	\$ 6,014	\$ 4,182
KEY OPERATING STATISTICS:		
Number of stores (end of period) (3)	304	309
Retail fuel sales (thousands of gallons)	53,101	50,005
Retail fuel sales (thousands of gallons per site per month) (3)	60	56
Retail fuel margin (cents per gallon) (4)	19.5	19.9
Retail fuel sales price (dollars per gallon) (5)	\$ 2.14	\$ 1.70
Merchandise sales	\$ 76,332	\$ 77,825
Merchandise sales (per site per month) (3)	\$ 84	\$ 84
Merchandise margin (6)	30.9%	31.5%
Capital expenditures	\$ 4,945	\$ 2,711

- (1) Includes excise taxes on sales of \$20,725 and \$19,525 for the three months ended March 31, 2017 and 2016, respectively.
- (2) Cost of sales includes intersegment purchases of motor fuels from our refining and marketing segment at prices which approximate wholesale market prices. These intersegment purchases are eliminated through consolidation of our financial statements.
- (3) At March 31, 2017, we had 304 retail convenience stores of which 294 sold fuel. At March 31, 2016, we had 309 retail convenience stores of which 298 sold fuel.
- (4) Retail fuel margin represents the difference between retail fuel sales revenue and the net cost of purchased retail fuel, including transportation costs and associated excise taxes, expressed on a cents-per-gallon basis. Retail fuel margins are frequently used in the retail industry to measure operating results related to retail fuel sales.
- (5) Retail fuel sales price per gallon represents the average sales price for retail fuels sold through our retail convenience stores.
- (6) Merchandise margin represents the difference between merchandise sales revenues and the delivered cost of merchandise purchases, net of rebates and commissions, expressed as a percentage of merchandise sales revenues. Merchandise margins, also referred to as in-store margins, are commonly used in the retail industry to measure in-store, or non-fuel, operating results.

Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016

Net Sales

Consolidated. Net sales for the three months ended March 31, 2017 were \$1,150.6 million, compared to \$850.0 million for the three months ended March 31, 2016, an increase of \$300.6 million, or 35.4%. This increase was primarily due to higher refined product prices and higher refinery throughput.

Refining and Marketing Segment. Net sales for our refining and marketing segment were \$1,006.6 million for the three months ended March 31, 2017, compared to \$696.6 million for the three months ended March 31, 2016, an increase of \$310.0 million, or 44.5%. This increase was primarily due to higher refined product prices and higher refinery throughput.

The average per gallon price of Gulf Coast gasoline for the three months ended March 31, 2017 increased \$0.49, or 45.8%, to \$1.56, compared to \$1.07 for the three months ended March 31, 2016. The average per gallon price of Gulf Coast ultra-low sulfur diesel for the three months ended March 31, 2017 increased \$0.54, or 52.4%, to \$1.57, compared to \$1.03 for the three months ended March 31, 2016. The average per gallon price of Gulf Coast high sulfur diesel for the three months ended March 31, 2017 increased \$0.54, or 59.3%, to \$1.45, compared to \$0.91 for the three months ended March 31, 2016.

Combined refinery average throughput for the three months ended March 31, 2017 was 155,081 bpd compared to a combined refinery average throughput of 138,998 bpd for the three months ended March 31, 2016, an increase of 11.6%. The reduced throughput at our Big Spring refinery during the three months ended March 31, 2016 was the result of planned downtime to complete a reformer regeneration and catalyst replacement for our diesel hydrotreater unit. The reduced throughput at the Krotz Springs refinery during the three months ended March 31, 2016 was the result of our election to reduce the crude rate in order to optimize the refinery yield.

Asphalt Segment. Net sales for our asphalt segment were \$44.8 million for the three months ended March 31, 2017, compared to \$53.5 million for the three months ended March 31, 2016, a decrease of \$8.7 million, or 16.3%. This decrease was primarily due to lower asphalt sales volumes. The asphalt sales volumes decreased to 87 thousand tons for the three months ended March 31, 2017 from 114 thousand tons for the three months ended March 31, 2016.

Retail Segment. Net sales for our retail segment were \$190.1 million for the three months ended March 31, 2017, compared to \$163.0 million for the three months ended March 31, 2016, an increase of \$27.1 million, or 16.6%. This increase was primarily due to higher retail fuel sales prices and increased retail fuel sales volumes. The average retail fuel sales price increased 25.9% to \$2.14 per gallon for the three months ended March 31, 2017 from \$1.70 per gallon for the three months ended March 31, 2016. Retail fuel sales volume increased 6.2% to 53.1 million gallons for the three months ended March 31, 2017 from 50.0 million gallons for the three months ended March 31, 2016.

Cost of Sales

Consolidated. Cost of sales for the three months ended March 31, 2017 were \$972.9 million, compared to \$735.1 million for the three months ended March 31, 2016, an increase of \$237.8 million, or 32.3%. This increase was primarily due to higher crude oil prices, higher refinery throughput and higher retail fuel costs, partially offset by lower asphalt sales volumes.

Refining and Marketing Segment. Cost of sales for our refining and marketing segment were \$871.5 million for the three months ended March 31, 2017, compared to \$626.0 million for the three months ended March 31, 2016, an increase of \$245.5 million, or 39.2%. This increase was primarily due to higher crude oil prices and higher refinery throughput. The average price of WTI Cushing increased 55.5% to \$51.78 per barrel for the three months ended March 31, 2017 from \$33.30 per barrel for the three months ended March 31, 2016.

Asphalt Segment. Cost of sales for our asphalt segment were \$36.3 million for the three months ended March 31, 2017, compared to \$43.9 million for the three months ended March 31, 2016, a decrease of \$7.6 million, or 17.3%. This decrease was primarily due to lower asphalt sales volumes and increased gains related to asphalt inventory price adjustments.

Retail Segment. Cost of sales for our retail segment were \$156.1 million for the three months ended March 31, 2017, compared to \$128.4 million for the three months ended March 31, 2016, an increase of \$27.7 million, or 21.6%. This increase was primarily due to higher retail fuel costs and increased retail fuel sales volumes.

Direct Operating Expenses

Consolidated. Direct operating expenses were \$64.2 million for the three months ended March 31, 2017, compared to \$68.6 million for the three months ended March 31, 2016, a decrease of \$4.4 million, or 6.4%.

Refining and Marketing Segment. Direct operating expenses for our refining and marketing segment for the three months ended March 31, 2017 were \$57.7 million, compared to \$62.8 million for the three months ended March 31, 2016, a decrease of \$5.1 million, or 8.1%. This decrease was primarily due to decreased maintenance costs at our refineries, partially offset by higher natural gas costs.

Asphalt Segment. Direct operating expenses for our asphalt segment for the three months ended March 31, 2017 were \$6.6 million, compared to \$5.8 million for the three months ended March 31, 2016, an increase of \$0.8 million, or 13.8%. This increase was primarily due to higher natural gas costs and increased maintenance costs.

Selling, General and Administrative Expenses

Consolidated. SG&A expenses for the three months ended March 31, 2017 were \$49.2 million, compared to \$48.7 million for the three months ended March 31, 2016, an increase of \$0.5 million, or 1.0%.

Refining and Marketing Segment. SG&A expenses for our refining and marketing segment for the three months ended March 31, 2017 were \$21.6 million, compared to \$18.3 million for the three months ended March 31, 2016, an increase of \$3.3 million, or 18.0%. This increase was primarily due to higher costs associated with operating leases for the three months ended March 31, 2017.

Asphalt Segment. SG&A expenses for our asphalt segment for the three months ended March 31, 2017 were \$2.2 million, compared to \$3.2 million for the three months ended March 31, 2016, a decrease of \$1.0 million, or 31.3%. This decrease was primarily due to reduced professional fees.

Retail Segment. SG&A expenses for our retail segment for the three months ended March 31, 2017 were \$25.2 million, compared to \$27.0 million for the three months ended March 31, 2016, a decrease of \$1.8 million, or 6.7%. This decrease was primarily due to lower corporate expense allocated to the retail segment.

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2017 was \$36.5 million, compared to \$34.9 million for the three months ended March 31, 2016, an increase of \$1.6 million, or 4.6%.

Operating Income (Loss)

Consolidated. Operating income for the three months ended March 31, 2017 was \$28.2 million, compared to operating loss of \$(39.4) million for the three months ended March 31, 2016, an increase of \$67.6 million. This increase was primarily due to higher refinery operating margins, increased refinery throughput and the benefit related to the Krotz Springs refinery's exemption from the requirements of the renewable fuel standard for the 2016 calendar year.

Refining and Marketing Segment. Operating income for our refining and marketing segment was \$24.5 million for the three months ended March 31, 2017, compared to operating loss of \$(42.4) million for the three months ended March 31, 2016, an increase of \$66.9 million. This increase was primarily due to higher refinery operating margins, increased refinery throughput and the benefit related to the Krotz Springs refinery's exemption from the requirements of the renewable fuel standard for the 2016 calendar year, partially offset by the operations of our California renewable fuels facility. Our RINs costs for 2017 were reduced by \$27.7 million in the first quarter of 2017 as a result of the Krotz Springs refinery's exemption.

Refinery operating margin at the Big Spring refinery was \$10.32 per barrel for the three months ended March 31, 2017, compared to \$7.77 per barrel for the three months ended March 31, 2016. This increase in operating margin was primarily due to a higher Gulf Coast 3/2/1 crack spread and a widening of the WTI Cushing to WTS spread, partially offset by the increased premium in WTI Midland compared to WTI Cushing, increased RINs costs and a reduced benefit from the contango market environment which increased the cost of crude. The average Gulf Coast 3/2/1 crack spread increased to \$13.75 per barrel for the three months ended March 31, 2017, compared to \$11.24 per barrel for the three months ended March 31, 2016. The average WTI Cushing to WTI Midland spread was \$(0.64) per barrel for the three months ended March 31, 2017, compared to \$(0.13) per barrel for the three months ended March 31, 2016. The average WTI Cushing to WTS spread widened to \$1.27 per barrel for the three months ended March 31, 2017, compared to \$(0.10) per barrel for the three months ended March 31, 2016. The average Brent to WTI Cushing spread widened to \$1.66 per barrel for the three months ended March 31, 2017, compared to \$0.49 per barrel for the three months ended March 31, 2016. The contango environment for the three months ended March 31, 2017 created an average cost of crude benefit of \$1.00 per barrel, compared to an average cost of crude benefit of \$1.83 per barrel for the three months ended March 31, 2016. The average RINs cost effect on the Big Spring refinery operating margin was \$0.59 per barrel for the three months ended March 31, 2017, compared to \$0.13 per barrel for the three months ended March 31, 2016.

Refinery operating margin at the Krotz Springs refinery was \$5.31 per barrel for the three months ended March 31, 2017, compared to \$1.59 per barrel for the three months ended March 31, 2016. This increase in operating margin was primarily due

to a higher Gulf Coast 2/1/1 high sulfur diesel crack spread and reduced RINs costs, partially offset by the increased premium in WTI Midland compared to WTI Cushing and a reduced benefit from the contango market environment which increased the cost of crude. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the three months ended March 31, 2017 increased to \$9.74 per barrel, compared to \$6.74 per barrel for the three months ended March 31, 2016. The average LLS to WTI Cushing spread narrowed slightly to \$1.58 per barrel for the three months ended March 31, 2017, compared to \$1.60 per barrel for the three months ended March 31, 2016. The average Brent to LLS spread was \$(0.13) per barrel for the three months ended March 31, 2017, compared to \$(0.89) per barrel for the three months ended March 31, 2016. The average RINs cost effect on refinery operating margin, excluding the impact of the 2016 exemption, was \$1.49 per barrel for the three months ended March 31, 2017, compared to \$1.60 per barrel for the three months ended March 31, 2016.

Asphalt Segment. Operating loss for our asphalt segment was \$1.5 million for the three months ended March 31, 2017, compared to \$0.6 million for the three months ended March 31, 2016, an increase of \$0.9 million. This increased loss was primarily due to lower asphalt margins, partially offset by increased gains related to asphalt inventory price adjustments and lower SG&A expenses. Operating loss was impacted by gains of \$1.7 million and \$0.0 million for the three months ended March 31, 2017 and 2016, respectively, resulting from a price adjustment related to asphalt inventory. Asphalt margins for the three months ended March 31, 2017 were \$78.45 per ton compared to \$84.16 per ton for the three months ended March 31, 2016.

Retail Segment. Operating income for our retail segment was \$6.0 million for the three months ended March 31, 2017, compared to \$4.2 million for the three months ended March 31, 2016, an increase of \$1.8 million, or 42.9%. This increase was primarily due to increased retail fuel sales volumes and reduced SG&A expenses, partially offset by lower merchandise sales and lower merchandise margins. Merchandise margins were 30.9% for the three months ended March 31, 2017, compared to 31.5% for the three months ended March 31, 2016.

Interest Expense

Interest expense was \$15.1 million for the three months ended March 31, 2017, compared to \$18.3 million for the three months ended March 31, 2016, a decrease of \$3.2 million, or 17.5%. This decrease was primarily due to the effect of the contango in crude oil prices on our supply and offtake agreements.

Income Tax Expense (Benefit)

Income tax expense was \$2.6 million for the three months ended March 31, 2017, compared to income tax benefit of \$(21.2) million for the three months ended March 31, 2016, an increase of \$23.8 million. Income tax expense increased as a result of having pre-tax income for the three months ended March 31, 2017 compared to having a pre-tax loss for the three months ended March 31, 2016. Our effective tax rate was 20.0% for the three months ended March 31, 2017, compared to an effective tax rate of 37.1% for the three months ended March 31, 2016. The lower effective tax rate for the three months ended March 31, 2017 was the result of having the benefit received from domestic production activity deduction associated with taxable income as well as the impact of the non-controlling interest's share of Partnership taxable income.

Net Income (Loss) Attributable to Non-controlling Interest

Net income attributable to non-controlling interest primarily consists of the proportional share of the Partnership's income attributable to the limited partner interests held by the public as well as the proportional share of income from our California renewable fuels facility attributable to the non-affiliate owners. Net income attributable to non-controlling interest was \$2.9 million for the three months ended March 31, 2017, compared to net loss attributable to non-controlling interest of \$(0.5) million for the three months ended March 31, 2016, an increase of \$3.4 million.

Net Income (Loss) Available to Stockholders

Net income available to stockholders was \$7.3 million for the three months ended March 31, 2017, compared to net loss available to stockholders of \$(35.5) million for the three months ended March 31, 2016, an increase of \$42.8 million. This increase was attributable to the factors discussed above.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated from our operating activities, borrowings under our revolving credit facilities, inventory supply and offtake arrangements and other sources of credit lines.

We have agreements with J. Aron for the supply of crude oil that support the operations of all our refineries as well as certain of our asphalt terminals. These agreements substantially reduce our physical inventories and our associated need to issue letters of credit to support crude oil and asphalt purchases. In addition, the structure allows us to acquire crude oil and asphalt without the constraints of a maximum facility size during periods of high crude oil prices.

We believe that the aforementioned sources of funds and other sources of capital available to us will be sufficient to satisfy the anticipated cash requirements associated with our existing operations for at least the next twelve months. However, future capital expenditures and other cash requirements could be higher than we currently expect as a result of various factors. Additionally, our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control.

Depending upon conditions in the capital markets and other factors, we will from time to time consider the issuance of debt or equity securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness, extend or replace existing revolving credit facilities or for other corporate purposes.

Cash Flows

The following table sets forth our consolidated cash flows for the three months ended March 31, 2017 and 2016:

	For the Three Months Ended	
	March 31,	
	2017	2016
	(dollars in thousands)	
Cash provided by (used in):		
Operating activities	\$ 82,483	\$ (29,351)
Investing activities	(13,239)	(47,017)
Financing activities	(19,417)	35,624
Net increase (decrease) in cash and cash equivalents	\$ 49,827	\$ (40,744)

Cash Flows Provided by (Used in) Operating Activities

Net cash provided by operating activities was \$82.5 million during the three months ended March 31, 2017, compared to net cash used in operating activities of \$29.4 million during the three months ended March 31, 2016. The increase in cash flows provided by operations of \$111.9 million was primarily attributable to increased net income (loss) after adjusting for non-cash items of \$59.0 million, increased cash provided by other non-current liabilities of \$11.7 million, increased cash collected on receivables of \$65.6 million, reduced cash used for accounts payable and accrued liabilities of \$0.7 million and reduced cash used for other assets of \$0.6 million. These changes were partially offset by increased cash used for inventories of \$15.1 million and reduced cash used for prepaid expenses and other current assets of \$10.7 million during the three months ended March 31, 2017.

Cash Flows Used in Investing Activities

Net cash used in investing activities was \$13.2 million during the three months ended March 31, 2017, compared to \$47.0 million during the three months ended March 31, 2016. The decrease in cash flows used in investing activities of \$33.8 million was primarily attributable to lower cash used for capital expenditures and capital expenditures for turnarounds and catalysts of \$25.6 million as well as cash used to acquire a controlling interest in our California renewable fuels facility of \$7.9 million during the three months ended March 31, 2016.

Cash Flows Provided by (Used in) Financing Activities

Net cash used in financing activities was \$19.4 million during the three months ended March 31, 2017, compared to net cash provided by financing activities of \$35.6 million during the three months ended March 31, 2016. The change in financing cash flows of \$55.0 million was primarily attributable to higher repayments of \$10.0 million on our long-term debt agreements, increased payments to shareholders and non-controlling interests of \$0.5 million and reduced cash received on our RINs financing transactions of \$44.2 million during the three months ended March 31, 2017.

Indebtedness

Alon USA Energy, Inc. Letter of Credit Facility. We have a credit facility for the issuance of standby letters of credit in an amount not to exceed \$60.0 million. At March 31, 2017 and December 31, 2016, we had letters of credit outstanding under this facility of \$56.2 million and \$57.7 million, respectively.

Alon USA, LP Revolving Credit Facility. We have a \$240.0 million revolving credit facility that can be used both for borrowings and the issuance of letters of credit. At March 31, 2017 and December 31, 2016, there were no outstanding borrowings under this facility. At March 31, 2017 and December 31, 2016, we had letters of credit outstanding of \$68.2 million and \$100.6 million, respectively.

Convertible Senior Notes. The conversion rate for our 3.00% unsecured convertible senior notes (“Convertible Notes”) is subject to adjustment upon the occurrence of certain events, including cash dividend adjustments, but will not be adjusted for any accrued and unpaid interest. As of March 31, 2017, the adjusted conversion rate was 73.702 shares of our common stock per each \$1 (in thousands) principal amount of Convertible Notes, equivalent to a per share conversion price of approximately \$13.57, to reflect cash dividend adjustments. The options had an adjusted strike price of \$13.57 per share and the warrants had an adjusted strike price of \$18.43 per share. Upon a potential change of control, we may have to settle the value of the warrants. Any future quarterly cash dividend payments in excess of \$0.06 per share will cause further adjustment based on the formula contained in the indenture governing the Convertible Notes. As of March 31, 2017, there have been no conversions of the Convertible Notes.

Capital Spending

Each year our board of directors approves capital projects, including sustaining maintenance, regulatory and planned turnaround and catalyst projects that our management is authorized to undertake in our annual capital budget. Additionally, our management assesses opportunities for growth and profit improvement projects on an ongoing basis and any related projects require further approval from our board of directors. Our total capital expenditure projection for 2017 is \$115.0 million, which includes expenditures for catalysts and turnarounds of \$18.0 million, growth and profit improvement projects of \$36.0 million, special regulatory projects of \$23.0 million and sustaining and other regulatory projects of \$38.0 million. Approximately \$14.4 million has been spent during the three months ended March 31, 2017.

Contractual Obligations and Commercial Commitments

There have been no material changes outside the ordinary course of business from our contractual obligations and commercial commitments detailed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with GAAP. In order to apply these principles, we must make judgments, assumptions and estimates based on the best available information at the time. Actual results may differ based on the accuracy of the information utilized and subsequent events, some of which we may have little or no control over.

Our critical accounting policies are described under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” in our Annual Report on Form 10-K for the year ended December 31, 2016. Certain critical accounting policies that materially affect the amounts recorded in our consolidated financial statements are the use of the LIFO method for valuing certain inventories and the deferral and subsequent amortization of costs associated with major turnarounds and catalysts replacements. No significant changes to these accounting policies have occurred subsequent to December 31, 2016.

New Accounting Standards and Disclosures

New accounting standards if any are disclosed in Note (1) Basis of Presentation included in the consolidated financial statements included in Item 1 of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Changes in commodity prices, purchased fuel prices and interest rates are our primary sources of market risk. Our risk management committee oversees all activities associated with the identification, assessment and management of our market risk exposure.

Commodity Price Risk

We are exposed to market risks related to the volatility of crude oil and refined product prices, as well as volatility in the price of natural gas used in our refinery operations. Our financial results can be affected significantly by fluctuations in these prices, which depend on many factors, including demand for crude oil, gasoline and other refined products, changes in the economy, worldwide production levels, worldwide inventory levels and governmental regulatory initiatives. Our risk management strategy identifies circumstances in which we may utilize the commodity futures market to manage risk associated with these price fluctuations.

In order to manage the uncertainty relating to inventory price volatility, we have consistently applied a policy of maintaining inventories at or below a targeted operating level. In the past, circumstances have occurred, such as timing of crude oil cargo deliveries, turnaround schedules or shifts in market demand that have resulted in variances between our actual inventory level and our desired target level. Upon the review and approval of our risk management committee, we may utilize the commodity futures market to manage these anticipated inventory variances.

We maintain inventories of crude oil, refined products, asphalt and blendstocks, the values of which are subject to wide fluctuations in market prices driven by world economic conditions, regional and global inventory levels and seasonal conditions. At March 31, 2017, the market value of refined products, asphalt and blendstock inventories exceeded LIFO costs by \$6.4 million. At March 31, 2017, the market value of crude oil inventories exceeded LIFO costs, net of the fair value hedged items, by \$13.1 million.

As of March 31, 2017, we held 0.6 million barrels of refined products, asphalt and blendstock and 1.1 million barrels of crude oil inventories valued under the LIFO valuation method. If the market value of refined products, asphalt and blendstock inventories would have been \$1.00 per barrel lower, the market value of product inventories would have exceeded LIFO costs by \$5.8 million. If the market value of crude oil would have been \$1.00 per barrel lower, the market value of crude oil inventories would have exceeded LIFO costs, net of the fair value hedged item, by \$12.0 million.

All commodity derivative contracts are recorded at fair value and any changes in fair value between periods is recorded in the profit and loss section or accumulated other comprehensive income of our consolidated financial statements. "Forwards" represent physical trades for which pricing and quantities have been set, but the physical product delivery has not occurred by the end of the reporting period. "Futures" represent trades which have been executed on the New York Mercantile Exchange which have not been closed or settled at the end of the reporting period. A "long" represents an obligation to purchase product and a "short" represents an obligation to sell product.

The following table provides information about our commodity derivative contracts as of March 31, 2017:

Description of Activity	Contract Volume (barrels)	Wtd Avg Purchase Price/BBL	Wtd Avg Sales Price/BBL	Contract Value	Market Value	Gain (Loss)
(in thousands)						
Forwards-long (Crude)	157,895	\$ 50.36	\$ —	\$ 7,952	\$ 8,098	\$ 146
Forwards-short (Crude)	(539,778)	—	58.05	(31,332)	(32,066)	(734)
Forwards-long (Gasoline)	61,275	62.81	—	3,849	4,104	255
Forwards-short (Gasoline)	(336,962)	—	64.97	(21,894)	(23,008)	(1,114)
Forwards-long (Distillate)	239,265	59.26	—	14,178	15,019	841
Forwards-short (Distillate)	(375,437)	—	65.52	(24,597)	(25,762)	(1,165)
Forwards-short (Jet)	(62,321)	—	63.29	(3,944)	(4,029)	(85)
Forwards-long (Slurry)	49,181	36.05	—	1,773	1,804	31
Forwards-long (Catfeed)	135,003	61.80	—	8,343	8,763	420
Forwards-short (Catfeed)	(171,157)	—	61.80	(10,577)	(11,109)	(532)
Forwards-long (Slop)	16,630	39.67	—	660	683	23
Forwards-short (Slop)	(26,380)	—	41.31	(1,090)	(1,127)	(37)
Forwards-short (Propane)	(10,000)	—	24.68	(247)	(252)	(5)
Forwards-long (Butane)	8,376	32.37	—	271	264	(7)
Forwards-short (Asphalt)	(208,091)	—	45.29	(9,424)	(9,729)	(305)
Futures-long (Crude)	627,000	50.33	—	31,557	31,726	169
Futures-long (Gasoline)	340,000	69.03	—	23,470	24,319	849
Futures-short (Gasoline)	(91,000)	—	68.98	(6,277)	(6,509)	(232)
Futures-long (Distillate)	460,000	64.46	—	29,652	30,421	769
Futures-short (Distillate)	(118,000)	—	65.37	(7,714)	(7,804)	(90)

Interest Rate Risk

As of March 31, 2017, \$382.7 million, excluding discounts and issuance costs, of our outstanding debt was subject to floating interest rates, of which \$239.4 million was charged interest at the Eurodollar rate (with a floor of 1.25%) plus a margin of 8.00%.

As of March 31, 2017, we had interest rate swap contracts, maturing March 2019, that effectively fixed the variable interest component on approximately \$72.8 million of the outstanding principal of the term loans within the retail credit agreement.

An increase of 1% in the variable rate on our indebtedness, after considering the instrument subject to a minimum interest rate and the interest rate swap contracts, would result in an increase to our interest expense of approximately \$2.3 million per year.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures

Our management has evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures are effective as of March 31, 2017 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or furnish under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms including, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or furnish under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in internal control over financial reporting

There has been no change in our internal control over financial reporting (as described in Rule 13a-15(f) under the Exchange Act) during the quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS.

Exhibit	
Number	Description of Exhibit
2.1	Second Amendment to Agreement and Plan of Merger, dated as of April 21, 2017, by and among Alon USA Energy, Inc., Delek US Holdings, Inc., Dione Mergeco, Inc., Astro Mergeco, Inc., and Delek Holdco, Inc.
31.1	Certification of Chief Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Alon USA Energy, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows and (v) Notes to the Consolidated Financial Statements.

SIGNATURES

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

Alon USA Energy, Inc.

Date: May 8, 2017

By: /s/ Alan Moret

Alan Moret
Interim Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2017

By: /s/ Shai Even

Shai Even
Senior Vice President and Chief Financial Officer
(Principal Accounting Officer)

**SECOND AMENDMENT
TO
AGREEMENT AND PLAN OF MERGER**

This SECOND AMENDMENT TO AGREEMENT AND PLAN OF MERGER, dated as of April 21, 2017 (this "**Amendment**"), is entered into by and among Delek US Holdings, Inc., a Delaware corporation ("**Parent**"), Delek Holdco, Inc., a Delaware corporation and wholly owned subsidiary of Parent ("**HoldCo**"), Dione Mergeco, Inc., a Delaware corporation and wholly owned subsidiary of HoldCo ("**Parent Merger Sub**"), and Astro Mergeco, Inc., a Delaware corporation and wholly owned subsidiary of HoldCo ("**Astro Merger Sub**" and, together with HoldCo and Parent Merger Sub, the "**HoldCo Parties**"), and Alon USA Energy, Inc., a Delaware corporation (the "**Company**"). Each of the HoldCo Parties and Parent may be referred to herein individually as a "**Buyer Party**" and collectively as the "**Buyer Parties.**" Each of HoldCo, Parent, the Company, Parent Merger Sub and Astro Merger Sub may be referred to herein individually as a "**Party**" and collectively as the "**Parties.**"

RECITALS

WHEREAS, the Parties entered into that certain Agreement and Plan of Merger dated January 2, 2017 as amended by the First Amendment to Agreement and Plan of Merger dated February 27, 2017 (the "**Merger Agreement**");

WHEREAS, the Required Company Vote (as such term is defined in the Merger Agreement) has not yet been obtained, and the Parties desire to amend the Merger Agreement pursuant to Section 10.2 of the Merger Agreement and make such other related agreements as are described in this Amendment;

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants, agreements and conditions contained herein, the Parties agree as follows:

**ARTICLE I
AMENDMENTS**

1.1 **Excluded Company Common Stock Definition.** The following sentence is hereby added to Section 1.1 of the Merger Agreement after the definition of "Exchange Ratio":

"Excluded Company Common Stock" shall have the meaning set forth in Section 3.1(b)(i).

1.2 **Astro Merger.** Section 3.1(b)(i) of the Merger Agreement is hereby deleted and replaced in its entirety as follows:

Company Common Stock. Subject to Sections 3.4(e) and 3.5, each share of common stock of the Company, par value \$0.01 per share ("**Company Common Stock**"), issued and outstanding immediately prior to the Astro Effective Time (other than (x) Company Common Stock owned by Parent and its Subsidiaries, which shall remain outstanding ("**Excluded Company Common Stock**"), and (y) the Company Common Stock held in the treasury of the Company, which shall be canceled without any consideration being exchanged therefor) shall, subject to Section 3.5, be converted at the Astro Effective Time into the right to receive and be exchangeable for 0.504 (the "**Exchange Ratio**") validly issued, fully paid and non-assessable shares of New Common Stock (the "**Astro Merger Consideration,**" and together with the Parent Merger Consideration, the "**Merger Consideration**"). As of the Astro

Effective Time, all such shares of Company Common Stock (other than Excluded Company Common Stock) shall no longer be outstanding and shall automatically be cancelled and shall cease to exist, and shall thereafter only represent the right to receive the Astro Merger Consideration, any dividends or other distributions payable pursuant to Section 3.4(c) and any cash in lieu of fractional shares of New Common Stock payable pursuant to Section 3.4(e), in each case to be issued or paid in accordance with such sections, without interest. For the avoidance of doubt, the Excluded Company Common Stock, including any fractional shares thereof, shall remain outstanding and shall not be cancelled.”

1.3 ***Rights as Stockholders; Share Transfers.*** Section 3.2 of the Merger Agreement is hereby deleted and replaced in its entirety as follows:

“Rights as Stockholders; Share Transfers. At the Parent Effective Time and Astro Effective Time, respectively, each share of Parent Common Stock and Company Common Stock (other than Excluded Company Common Stock), respectively, shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each Parent Stockholder and Company Stockholder holding a certificate representing Parent Common Stock or Company Common Stock (other than Excluded Company Common Stock), as applicable (a ***“Certificate”***), and each Parent Stockholder or Company Stockholder holding non-certificated Parent Common Stock or Company Common Stock (other than Excluded Company Common Stock) represented by book-entry, as applicable (***“Book-Entry Shares”***), shall cease to be a Parent Stockholder or Company Stockholder, as applicable, and cease to have any rights with respect thereto, except the right to receive (a) the Merger Consideration, (b) and any cash to be paid in lieu of any fractional shares of New Common Stock in accordance with Section 3.4(e), and (c) any cash amounts payable in accordance with Section 3.4(c) following such stockholder’s compliance with Section 3.4(b) or Section 3.4(h), in each case, to be issued or paid, without interest, in consideration therefor in accordance with Section 3.4. For the avoidance of doubt, the certificates representing Excluded Company Common Stock shall remain outstanding and shall not be cancelled.”

1.4 ***Closing of Stock Transfer Books.*** The initial sentence of Section 3.3 of the Merger Agreement is hereby deleted and replaced in its entirety as follows:

“At the Parent Effective Time and Astro Effective Time, respectively, the stock transfer books of each of Parent and the Company, respectively, shall be closed and no transfer of Parent Common Stock or Company Common Stock (other than Excluded Company Common Stock), as applicable, shall thereafter be made.”

1.5 ***Exchange Agent.*** Section 3.4(a) of the Merger Agreement is hereby deleted and replaced in its entirety as follows:

“Exchange Agent. Prior to the Parent Effective Time, Parent shall appoint a Person (such as, but not limited to, a commercial bank or trust company) reasonably acceptable to the Company to act as exchange agent hereunder for the purpose of exchanging the shares of Company Common Stock (other than Excluded Company Common Stock) and Parent Common Stock for shares of New Common Stock and cash in lieu of fractional shares of New Common Stock as required by this Article III (the ***“Exchange Agent”***). At the Parent Effective Time, HoldCo shall cause Astro Merger Sub and Parent Merger Sub to deposit with the Exchange Agent for the benefit of the holders of the applicable shares of Company

Common Stock (other than Excluded Company Common Stock) and Parent Common Stock, for exchange in accordance with this Article III, through the Exchange Agent, shares of New Common Stock. HoldCo agrees to make available to the Exchange Agent, from time to time as needed, cash sufficient to make payments for any dividends pursuant to Section 3.4(c) and payments in lieu of any fractional shares of New Common Stock pursuant to Section 3.4(e), in each case without interest. Any cash (including for any fractional shares of New Common Stock in accordance with Section 3.4(e)) and any dividends with respect to New Common Stock in accordance with Section 3.4(c) and shares of New Common Stock deposited with the Exchange Agent shall hereinafter be referred to as the “**Exchange Fund**.” The Exchange Agent shall, pursuant to irrevocable instructions, deliver the Merger Consideration contemplated to be paid for the shares of Company Common Stock (other than Excluded Company Common Stock) or Parent Common Stock, as applicable, pursuant to this Agreement. Except as contemplated by Sections 3.4(c) and 3.4(e), the Exchange Fund shall not be used for any other purpose.”

1.6 **Exchange Procedures.** Section 3.4(b) of the Merger Agreement is hereby deleted and replaced in its entirety as follows:

“**Exchange Procedures.** Promptly after the Astro Effective Time, HoldCo shall instruct the Exchange Agent to mail to each record holder of shares of Parent Common Stock as of the Parent Effective Time and Company Common Stock as of the Astro Effective Time (in each case, other than holders of Existing Company Restricted Stock Awards, Existing Parent Restricted Stock Awards, Existing Parent Stock Options and Excluded Company Common Stock (i) a letter of transmittal (which shall specify that, in respect of certificated shares of Company Common Stock (other than Excluded Company Common Stock) or Parent Common Stock, as applicable, delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent, and which shall be in customary form and agreed to by Parent and the Company prior to the Parent Effective Time) (the “**Letter of Transmittal**”) and (ii) instructions (which shall be in customary form and agreed to by Parent and the Company prior to the Parent Effective Time) for use in effecting the surrender of the Certificates or Book-Entry Shares in exchange for the Merger Consideration. Upon proper surrender of Certificates, if any, for cancellation to the Exchange Agent together with such letters of transmittal, properly completed and duly executed, and such other documents (including in respect of Book-Entry Shares) as may be required pursuant to such instructions, each holder who held shares of Company Common Stock (other than Excluded Company Common Stock) or Parent Common Stock, as applicable, immediately prior to the Parent Effective Time or Astro Effective Time, respectively, (other than holders of Existing Company Restricted Stock Awards, Existing Parent Restricted Stock Awards, and Existing Parent Stock Options and Excluded Company Common Stock) shall be entitled to receive in exchange therefor, (A) shares of New Common Stock which shall be in uncertificated book-entry form and which shall represent, in the aggregate, the number of shares of New Common Stock that such holder has the right to receive pursuant to this Article III (after taking into account all shares of Company Common Stock or Parent Common Stock, as applicable, then held by such holder) or as applicable (B) a check or electronic transfer to the account of such holder in an amount equal to the aggregate amount of cash that such holder has the right to receive pursuant to this Article III (after taking into account all shares of Company Common Stock or Parent Common Stock, as applicable, then held by such holder), consisting of any cash payable in lieu of any fractional shares of New Common Stock pursuant to Section 3.4(e) and any dividends

pursuant to Section 3.4(c). No interest shall be paid or accrued on any Merger Consideration, any cash payment in lieu of fractional shares of New Common Stock, or any dividend payable pursuant to Section 3.4(c). In the event of a transfer of ownership of shares of Company Common Stock (other than Excluded Company Common Stock) or Parent Common Stock that has not been registered in the transfer records of the Company or Parent, as applicable, the Merger Consideration payable in respect of such shares may be paid to a transferee, if the Certificate representing such shares or evidence of ownership of the Book-Entry Shares is presented to the Exchange Agent, and, in the case of both certificated and book-entry shares of Company Common Stock (other than Excluded Company Common Stock) or Parent Common Stock, as applicable, accompanied by all documents reasonably required to evidence and effect such transfer, and the Person requesting such exchange shall pay to the Exchange Agent in advance any transfer or other Taxes required by reason of the delivery of the Merger Consideration in any name other than that of the record holder of such shares of Company Common Stock or Parent Common Stock, as applicable, or shall establish to the satisfaction of the Exchange Agent that such Taxes have been paid or are not payable. Until such required documentation has been delivered and Certificates, if any, or Book-Entry Shares have been surrendered, as contemplated by this Section 3.4, each Certificate or Book-Entry Shares shall be deemed at any time after the Parent Effective Time or Astro Effective Time, as applicable, to represent only the right to receive upon such delivery and surrender the Merger Consideration payable in respect of shares of Company Common Stock (other than Excluded Company Common Stock) or Parent Common Stock, as applicable, any cash amounts payable in lieu of fractional shares of New Common Stock and any dividends pursuant to Section 3.4(c).”

1.7 **Fractional New Common Stock.** The initial sentence of Section 3.4(e) of the Merger Agreement is hereby deleted and replaced in its entirety as follows:

“No certificates or scrip representing fractional shares of New Common Stock or book-entry credit of the same shall be issued or delivered in exchange for Company Common Stock converted in the Astro Merger, and such fractional interests of Company Common Stock will not entitle the owner thereof to vote or to have any rights as a holder of any share of New Common Stock.”

ARTICLE II MISCELLANEOUS

2.1 **Definitions.** Unless the context otherwise requires, the capitalized terms used in this Amendment shall have the meanings set forth in the Merger Agreement.

2.2 **Counterparts.** This Amendment may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Amendment by facsimile or other customary means of electronic transmission (e.g., “pdf”) shall be effective as delivery of a manually executed counterpart hereof.

2.3 **References.** Each reference to this “Agreement” or other similar terms in the Merger Agreement or in any related document shall, unless the context otherwise requires, mean the Merger Agreement as amended by this Amendment.

2.4 **Construction.** This Amendment shall be governed by all of the provisions of the Merger Agreement, including those relating to construction, enforcement, notices, governing law and others set forth

in Article X thereof, which shall be deemed to have been set forth herein, *mutatis mutandis*, unless the context otherwise requires.

2.5 ***Ratification***. The Merger Agreement, as amended by this Amendment, is in all respects ratified, approved and confirmed. Except as expressly modified by this Amendment, all other terms and conditions of the Merger Agreement shall remain in full force and effect.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the date first referred to above.

COMPANY:

ALON USA ENERGY, INC.

By: /s/ Shai Even

Name: Shai Even

Title: SVP & CFO

PARENT:

DELEK US HOLDINGS, INC.

By: /s/ Frederec Green

Name: Frederec Green

Title: EVP / COO

By: /s/ Mark Smith

Name: Mark Smith

Title: EVP

HOLDCO:

DELEK HOLDCO, INC.

By: /s/ Frederec Green

Name: Frederec Green

Title: EVP / COO

By: /s/ Mark Smith

Name: Mark Smith

Title: EVP

[Signature Page to Second Amendment to Merger Agreement]

PARENT MERGER SUB:

DIONE MERGECO, INC.

By: /s/ Frederec Green

Name: Frederec Green

Title: EVP / COO

By: /s/ Mark Smith

Name: Mark Smith

Title: EVP

ASTRO MERGER SUB:

ASTRO MERGECO, INC.

By: /s/ Frederec Green

Name: Frederec Green

Title: EVP / COO

By: /s/ Mark Smith

Name: Mark Smith

Title: EVP

[Signature Page to Second Amendment to Merger Agreement]

CERTIFICATION

I, Alan Moret, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alon USA Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

By: /s/ Alan Moret

Alan Moret

Interim Chief Executive Officer

CERTIFICATION

I, Shai Even, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alon USA Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

By: /s/ Shai Even

Shai Even

Senior Vice President and Chief Financial Officer

**CERTIFICATIONS PURSUANT TO 18 U.S.C. §1350,
AS ADOPTED PURSUANT TO §906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Quarterly Report on Form 10-Q of Alon USA Energy, Inc., a Delaware corporation (the "Company"), for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: May 8, 2017

By: /s/ Alan Moret

Alan Moret
Interim Chief Executive Officer

Date: May 8, 2017

By: /s/ Shai Even

Shai Even
Senior Vice President and Chief Financial Officer