
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 JUNE 30, 2016
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number: 001-32567

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check 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 July 25, 2016, was 71,411,430.

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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)

	June 30, 2016	December 31, 2015
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 205,853	\$ 234,127
Accounts and other receivables, net	164,052	119,171
Income tax receivable	241	3,741
Inventories	126,817	105,515
Deferred income tax asset	39,097	13,786
Prepaid expenses and other current assets	34,189	28,275
Total current assets	<u>570,249</u>	<u>504,615</u>
Equity method investments	32,196	42,811
Property, plant and equipment, net	1,400,064	1,380,202
Goodwill	62,885	62,885
Other assets, net	180,070	185,625
Total assets	<u>\$ 2,245,464</u>	<u>\$ 2,176,138</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 411,743	\$ 315,721
Accrued liabilities	103,093	93,780
Current portion of long-term debt	16,408	16,420
Total current liabilities	<u>531,244</u>	<u>425,921</u>
Other non-current liabilities	175,372	165,935
Long-term debt	535,856	539,542
Deferred income tax liability	376,085	380,580
Total liabilities	<u>1,618,557</u>	<u>1,511,978</u>
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Common stock, par value \$0.01, 150,000,000 shares authorized; 71,163,098 and 70,960,461 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	712	710
Additional paid-in capital	529,674	526,035
Accumulated other comprehensive loss, net of tax	(29,583)	(28,808)
Retained earnings	64,139	141,201
Total stockholders' equity	<u>564,942</u>	<u>639,138</u>
Non-controlling interest in subsidiaries	61,965	25,022
Total equity	<u>626,907</u>	<u>664,160</u>
Total liabilities and equity	<u>\$ 2,245,464</u>	<u>\$ 2,176,138</u>

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		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net sales (1)	\$ 1,008,388	\$ 1,301,341	\$ 1,858,361	\$ 2,404,581
Operating costs and expenses:				
Cost of sales	871,394	1,069,931	1,606,538	1,964,419
Direct operating expenses	63,182	62,856	131,799	127,061
Selling, general and administrative expenses	51,644	49,193	100,345	94,789
Depreciation and amortization	36,985	31,267	71,847	63,229
Total operating costs and expenses	1,023,205	1,213,247	1,910,529	2,249,498
Gain (loss) on disposition of assets	6	—	(2,082)	572
Operating income (loss)	(14,811)	88,094	(54,250)	155,655
Interest expense	(18,799)	(18,217)	(37,106)	(39,254)
Equity earnings of investees	4,305	1,828	4,683	1,274
Other income, net	146	13	218	59
Income (loss) before income tax expense (benefit)	(29,159)	71,718	(86,455)	117,734
Income tax expense (benefit)	(8,529)	23,856	(29,765)	35,817
Net income (loss)	(20,630)	47,862	(56,690)	81,917
Net income (loss) attributable to non-controlling interest	(260)	11,452	(783)	18,568
Net income (loss) available to stockholders	\$ (20,370)	\$ 36,410	\$ (55,907)	\$ 63,349
Earnings (loss) per share, basic	\$ (0.29)	\$ 0.52	\$ (0.80)	\$ 0.91
Weighted average shares outstanding, basic (in thousands)	70,493	69,684	70,318	69,584
Earnings (loss) per share, diluted	\$ (0.29)	\$ 0.50	\$ (0.80)	\$ 0.87
Weighted average shares outstanding, diluted (in thousands)	70,493	72,501	70,318	72,395
Cash dividends per share	\$ 0.15	\$ 0.15	\$ 0.30	\$ 0.25

(1) Includes excise taxes on sales by the retail segment of \$19,864 and \$19,369 for the three months and \$39,389 and \$37,425 for the six months ended June 30, 2016 and 2015, 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		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net income (loss)	\$ (20,630)	\$ 47,862	\$ (56,690)	\$ 81,917
Other comprehensive income (loss):				
Interest rate derivatives designated as cash flow hedges:				
Unrealized holding gain (loss) arising during period	(400)	89	(1,521)	(841)
Loss reclassified to earnings - interest expense	228	97	298	112
Net gain (loss), before tax	(172)	186	(1,223)	(729)
Income tax expense (benefit)	(64)	69	(447)	(270)
Net gain (loss), net of tax	(108)	117	(776)	(459)
Commodity contracts designated as cash flow hedges:				
Unrealized holding gain arising during period	—	—	—	6,070
Amortization of unrealized gain on de-designated cash flow hedges - cost of sales	—	(9,955)	—	(17,937)
Net loss, before tax	—	(9,955)	—	(11,867)
Income tax benefit	—	(3,683)	—	(4,391)
Net loss, net of tax	—	(6,272)	—	(7,476)
Total other comprehensive loss, net of tax	(108)	(6,155)	(776)	(7,935)
Comprehensive income (loss)	(20,738)	41,707	(57,466)	73,982
Comprehensive income (loss) attributable to non-controlling interest	(257)	11,291	(784)	18,307
Comprehensive income (loss) attributable to stockholders	\$ (20,481)	\$ 30,416	\$ (56,682)	\$ 55,675

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 Six Months Ended	
	June 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ (56,690)	\$ 81,917
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	71,847	63,229
Stock compensation	5,001	3,767
Deferred income taxes	(29,764)	(7,451)
Equity earnings of investees, net of dividends	(4,533)	(1,274)
Amortization of debt issuance costs	1,594	1,667
Amortization of original issuance discount	3,343	3,070
(Gain) loss on disposition of assets	2,082	(572)
Unrealized (gain) loss on commodity swaps	7,144	(7,925)
Changes in operating assets and liabilities:		
Accounts and other receivables, net	(45,014)	(9,264)
Income tax receivable	3,500	9,196
Inventories	(18,286)	5,436
Prepaid expenses and other current assets	(5,914)	1,690
Other assets, net	7,916	(293)
Accounts payable	45,741	(12,424)
Accrued liabilities	8,310	(6,409)
Other non-current liabilities	(8,286)	(8,469)
Net cash provided by (used in) operating activities	(12,009)	115,891
Cash flows from investing activities:		
Capital expenditures	(37,230)	(31,051)
Capital expenditures for turnarounds and catalysts	(24,272)	(4,363)
Proceeds from disposition of assets	984	1,469
Acquisition of AltAir	(7,936)	—
Net cash used in investing activities	(68,454)	(33,945)
Cash flows from financing activities:		
Dividends paid to stockholders	(21,155)	(17,384)
Dividends paid to non-controlling interest	(244)	(260)
Distributions paid to non-controlling interest in the Partnership	(921)	(16,224)
Inventory agreement transactions	82,724	30,135
Deferred debt issuance costs	—	(1,800)
Revolving credit facilities, net	—	(20,000)
Payments on long-term debt	(8,215)	(7,544)
Net cash provided by (used in) financing activities	52,189	(33,077)
Net increase (decrease) in cash and cash equivalents	(28,274)	48,869
Cash and cash equivalents, beginning of period	234,127	214,961
Cash and cash equivalents, end of period	\$ 205,853	\$ 263,830
Supplemental cash flow information:		
Cash paid for interest, net of capitalized interest	\$ 33,312	\$ 35,660
Cash paid (refunds received) for income tax	\$ (1,808)	\$ 17,853

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 and six months ended June 30, 2016 are not necessarily indicative of the operating results that may be realized for the year ending December 31, 2016.

Our consolidated balance sheet as of December 31, 2015 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, 2015.

New Accounting Standards

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.

In February 2015, the FASB issued an accounting standards update making targeted changes to the current consolidation guidance. The new standard changes the way certain decisions are made related to substantive rights, related parties, and decision making fees when applying the variable interest entity consolidation model and eliminates certain guidance for limited partnerships and similar entities under the voting interest consolidation model. We have adopted the updated guidance, effective January 1, 2016, with no material impact to our consolidated financial statements.

In July 2015, the FASB issued an accounting standards update simplifying the measurement of certain inventory. This updated standard simplifies the measurement of inventory by requiring certain inventory to be measured at the lower of cost or net realizable value. The amendments in this accounting standards update are effective for interim and annual periods beginning after December 15, 2016. This accounting standards update does not apply to the subsequent measurement of inventory measured using the last-in, first-out (“LIFO”) or retail inventory method, therefore the adoption of this guidance will not have a material effect on our financial position or results of operations.

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 are evaluating the guidance to determine the impact this standard will have on our consolidated financial statements.

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

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 ASU also will 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 which clarifies that for the purposes of applying hedge accounting for derivative transactions, a change in the counterparty to a derivative contract (through novation) that has been designated as the hedging instrument in an existing hedging relationship would not, in and of itself, require de-designation of that hedging relationship. The adoption of this guidance will not have a material effect on our financial position or results of operations.

In March 2016, the FASB issued an accounting standard 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 do not expect application of this standard to have a material effect on our consolidated financial statements.

In June 2016, the FASB issued an accounting standard 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.

**(2) AltAir
Acquisition**

On March 1, 2016, we acquired control of Altair Paramount, LLC (“AltAir”) which initially provides for us to receive approximately 77% of earnings and distributions of the entity. We increased our original 32% ownership and obtained control of AltAir after certain operational milestones were achieved. We contributed to AltAir total cash in the amount of \$27,058.

AltAir is a renewable fuels project which began operations in February 2016. The project converts approximately 2,500 barrels per day of tallow and other feedstocks into renewable biofuels, which are replacements for petroleum-based fuel. AltAir generates environmental credits in the form of renewable identification numbers, low-carbon fuels standards credits and blender’s fuel tax credits.

Acquisitions achieved in stages require that in the period the acquiring company achieves control, that it recognize 100% of the fair value of the net assets at that time. Additionally, the existing equity interests of the company and of non-controlling interest are required to be recorded at fair value. The fair value of AltAir was estimated by applying the market approach. Based on our analysis at March 1, 2016, there was no gain recorded for the revaluation of our previous equity interests. The fair value of the assets and liabilities recorded into our consolidated financial statements are as follows:

Current assets	\$ 11,897
Other assets	7,704
Property, plant and equipment	49,612
Current liabilities	(5,408)
Fair value of net assets assumed	63,805
Non-controlling interest	(38,851)
	<u>\$ 24,954</u>

Beginning March 1, 2016, we have consolidated AltAir as part of our refining and marketing segment in our consolidated financial statements. Our consolidated statements of operations include AltAir revenues of \$22,770 and \$50,673 and operating income (loss) of \$(249) and \$6,920 for the three and six months ended June 30, 2016, respectively.

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

**(3) 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 June 30, 2016, 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 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 which establish fees 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 Amount Per Unit	Total Distribution Amount	Distributions Paid to Non-Controlling Interest
First Quarter 2016	\$ —	\$ 0.08	\$ 5,001	\$ 921
Second Quarter 2016	0.14	—	—	—

(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.

**(4) 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 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 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. In February 2016, our renewable fuels project, AltAir, began commercial production.

We sell motor fuels under the Alon brand through various terminals to supply 634 Alon branded retail sites, including our retail segment convenience stores. In addition, we sell motor fuels through our wholesale distribution network on an unbranded basis.

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

(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, which is intended to approximate wholesale market prices.

(c) Retail Segment

Our retail segment operates 306 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 is supplied by our Big Spring refinery.

(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 and six month periods ended June 30, 2016 and 2015 is presented below:

	Refining and Marketing	Asphalt	Retail	Corporate	Consolidated Total
Three Months Ended June 30, 2016					
Net sales to external customers	\$ 753,029	\$ 68,097	\$ 187,262	\$ —	\$ 1,008,388
Intersegment sales (purchases)	76,884	(3,237)	(73,647)	—	—
Depreciation and amortization	31,514	1,261	3,350	860	36,985
Operating income (loss)	(23,759)	5,194	4,797	(1,043)	(14,811)
Turnarounds, catalysts and capital expenditures	19,222	335	1,200	689	21,446
	Refining and Marketing	Asphalt	Retail	Corporate	Consolidated Total
Three Months Ended June 30, 2015					
Net sales to external customers	\$ 1,024,807	\$ 69,900	\$ 206,634	\$ —	\$ 1,301,341
Intersegment sales (purchases)	101,233	(7,925)	(93,308)	—	—
Depreciation and amortization	26,692	1,207	2,943	425	31,267
Operating income (loss)	83,581	(1,723)	6,837	(601)	88,094
Turnarounds, catalysts and capital expenditures	14,500	238	6,202	1,392	22,332
	Refining and Marketing	Asphalt	Retail	Corporate	Consolidated Total
Six Months Ended June 30, 2016					
Net sales to external customers	\$ 1,386,532	\$ 121,596	\$ 350,233	\$ —	\$ 1,858,361
Intersegment sales (purchases)	139,994	(8,685)	(131,309)	—	—
Depreciation and amortization	61,298	2,521	6,749	1,279	71,847
Operating income (loss)	(66,122)	4,546	8,979	(1,653)	(54,250)
Turnarounds, catalysts and capital expenditures	54,391	1,075	3,911	2,125	61,502

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
Six Months Ended June 30, 2015					
Net sales to external customers	\$ 1,901,410	\$ 120,552	\$ 382,619	\$ —	\$ 2,404,581
Intersegment sales (purchases)	184,122	(18,856)	(165,266)	—	—
Depreciation and amortization	54,003	2,352	5,980	894	63,229
Operating income (loss)	159,228	(16,154)	13,827	(1,246)	155,655
Turnarounds, catalysts and capital expenditures	21,239	1,644	9,518	3,013	35,414

Total assets by reportable segment consisted of the following:

	June 30, 2016	December 31, 2015
Refining and marketing	\$ 1,869,095	\$ 1,822,924
Asphalt	118,940	106,015
Retail	237,630	231,078
Corporate	19,799	16,121
Total assets	<u>\$ 2,245,464</u>	<u>\$ 2,176,138</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.

**(5) 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 are our only assets and liabilities measured at fair value on a recurring basis.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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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 June 30, 2016 and December 31, 2015:

	Level 1	Level 2	Level 3	Total
As of June 30, 2016				
Assets:				
Commodity contracts (swaps)	\$ —	\$ 7,655	\$ —	\$ 7,655
Fair value hedges of consigned inventory	—	21,456	—	21,456
Liabilities:				
Commodity contracts (futures and forwards)	918	—	—	918
Interest rate swaps	—	3,399	—	3,399
As of December 31, 2015				
Assets:				
Commodity contracts (swaps)	\$ —	\$ 14,799	\$ —	\$ 14,799
Fair value hedges of consigned inventory	—	33,797	—	33,797
Liabilities:				
Commodity contracts (futures and forwards)	592	—	—	592
Interest rate swaps	—	2,176	—	2,176

(6) 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.

We also have economic hedges in the form of swap contracts that fix price differentials between different types of crude oil and refined products that we use or produce at our refineries. At June 30, 2016, these swap contracts had aggregate volumes of 4,500 thousand barrels of crude oil with contract terms through December 2016.

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 8 that have been accounted for as fair value hedges, which had purchase volumes of 539 thousand barrels of crude oil as of June 30, 2016.

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 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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Commodity Derivatives. As of June 30, 2016, we did not have any commodity swap contracts accounted for as cash flow hedges. During the first quarter of 2015, we elected to de-designate certain commodity swap contracts that were previously designated as cash flow hedges. Consequently, hedge accounting was discontinued for these commodity swap contracts and the related unrealized gains in other comprehensive income (“OCI”) were recorded into earnings as the underlying transactions occurred. During the three and six months ended June 30, 2015, we reclassified gains of \$9,955 and \$17,937, respectively, from OCI into cost of sales related to these de-designated cash flow hedges.

Related to commodity swap cash flow hedges in OCI, we recognized unrealized losses of \$0 and \$9,955 for the three months ended and \$0 and \$11,867 for the six months ended June 30, 2016 and 2015, respectively.

Interest Rate Derivatives. We have interest rate swap agreements, maturing March 2019, that effectively fix 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 June 30, 2016, the outstanding principal of these term loans was \$101,933. The interest rate swaps lock in an average fixed interest rate of 1.69% through the remainder of 2016; 2.22% in 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 \$(172) and \$186 for the three months ended and \$(1,223) and \$(729) for the six months ended June 30, 2016 and 2015, respectively.

For the three and six months ended June 30, 2016 and 2015, there was no cash flow hedge ineffectiveness recognized in income. No component of our cash flow hedges’ gains or losses was excluded from the assessment of hedge effectiveness.

As of June 30, 2016, we have unrealized losses of \$3,399 classified in OCI related to cash flow hedges. Assuming interest rates remain unchanged, unrealized losses of \$1,026 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 June 30, 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	\$	1,304	Accrued liabilities	\$ 2,222
Commodity contracts (swaps)	Accounts receivable		7,655		—
	Total derivatives not designated as hedging instruments		<u>8,959</u>		<u>2,222</u>
Derivatives designated as hedging instruments:					
Interest rate swaps		\$	—	Other non-current liabilities	\$ 3,399
Fair value hedges of consigned inventory	Other assets		21,456		—
	Total derivatives designated as hedging instruments		<u>21,456</u>		<u>3,399</u>
	Total derivatives	\$	<u>30,415</u>		<u>\$ 5,621</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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As of December 31, 2015

	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	\$ 292	Accrued liabilities	\$ 884
Commodity contracts (swaps)	Accounts receivable	14,799		—
Total derivatives not designated as hedging instruments		<u>15,091</u>		<u>884</u>

Derivatives designated as hedging instruments:

Interest rate swaps		\$ —	Other non-current liabilities	\$ 2,176
Fair value hedges of consigned inventory	Other assets	33,797		—
Total derivatives designated as hedging instruments		<u>33,797</u>		<u>2,176</u>
Total derivatives		<u>\$ 48,888</u>		<u>\$ 3,060</u>

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 June 30, 2016					
Interest rate swaps	\$ (172)	Interest expense	\$ (228)	\$	—
Total derivatives	<u>\$ (172)</u>		<u>\$ (228)</u>	<u>\$</u>	<u>—</u>

For the Three Months Ended June 30, 2015

Commodity contracts (swaps)	\$ (9,955)	Cost of sales	\$ 9,955	\$	—
Interest rate swaps	186	Interest expense	(97)	\$	—
Total derivatives	<u>\$ (9,769)</u>		<u>\$ 9,858</u>	<u>\$</u>	<u>—</u>

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 Six Months Ended June 30, 2016					
Interest rate swaps	\$ (1,223)	Interest expense	\$ (298)	\$	—
Total derivatives	<u>\$ (1,223)</u>		<u>\$ (298)</u>	<u>\$</u>	<u>—</u>

For the Six Months Ended June 30, 2015

Commodity contracts (swaps)	\$ (11,867)	Cost of sales	\$ 17,937	\$	—
Interest rate swaps	(729)	Interest expense	(112)	\$	—
Total derivatives	<u>\$ (12,596)</u>		<u>\$ 17,825</u>	<u>\$</u>	<u>—</u>

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

Derivatives in fair value hedging relationships:

		Loss Recognized in Income			
		For the Three Months Ended		For the Six Months Ended	
		June 30,		June 30,	
Location		2016	2015	2016	2015
Fair value hedges of consigned inventory (1)	Interest expense	\$ (11,126)	\$ (10,578)	\$ (12,341)	\$ (4,790)
Total derivatives		\$ (11,126)	\$ (10,578)	\$ (12,341)	\$ (4,790)

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

Derivatives not designated as hedging instruments:

		Gain (Loss) Recognized in Income			
		For the Three Months Ended		For the Six Months Ended	
		June 30,		June 30,	
Location		2016	2015	2016	2015
Commodity contracts (futures and forwards)	Cost of sales	\$ 1,207	\$ 1,688	\$ 6,420	\$ (3,670)
Commodity contracts (swaps)	Cost of sales	95	(2,443)	461	19,418
Total derivatives		\$ 1,302	\$ (755)	\$ 6,881	\$ 15,748

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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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.

The following table presents offsetting information regarding our derivatives by type of transaction as of June 30, 2016 and December 31, 2015:

	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Gross Amounts Not offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Pledged	
As of June 30, 2016						
Derivative Assets:						
Commodity contracts (futures and forwards)	\$ 1,991	\$ (687)	\$ 1,304	\$ (1,304)	\$ —	\$ —
Commodity contracts (swaps)	19,147	(11,492)	7,655	—	—	7,655
Fair value hedges of consigned inventory	21,456	—	21,456	—	—	21,456
Derivative Liabilities:						
Commodity contracts (futures and forwards)	\$ 2,909	\$ (687)	\$ 2,222	\$ (1,304)	\$ —	\$ 918
Commodity contracts (swaps)	11,492	(11,492)	—	—	—	—
Interest rate swaps	3,399	—	3,399	—	—	3,399
As of December 31, 2015						
Derivative Assets:						
Commodity contracts (futures and forwards)	\$ 1,112	\$ (820)	\$ 292	\$ (292)	\$ —	\$ —
Commodity contracts (swaps)	39,739	(24,940)	14,799	—	—	14,799
Interest rate swaps	30	(30)	—	—	—	—
Fair value hedges of consigned inventory	33,797	—	33,797	—	—	33,797
Derivative Liabilities:						
Commodity contracts (futures and forwards)	\$ 1,704	\$ (820)	\$ 884	\$ (292)	\$ —	\$ 592
Commodity contracts (swaps)	24,940	(24,940)	—	—	—	—
Interest rate swaps	2,206	(30)	2,176	—	—	2,176

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 renewable identification number, or 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. 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.

The cost of meeting our obligations under these compliance programs (exclusive of benefit generated from AltAir operations) was \$9,136 and \$10,394 for the three months ended and \$20,347 and \$23,090 for the six months ended June 30, 2016 and 2015, respectively. These amounts are reflected in cost of sales in the consolidated statements of operations.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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(7) Inventories

Carrying value of inventories consisted of the following:

	June 30, 2016	December 31, 2015
Crude oil, refined products, asphalt and blendstocks	\$ 54,897	\$ 42,123
Crude oil consignment inventory (Note 8)	10,345	2,928
Materials and supplies	28,203	26,940
Store merchandise	28,053	28,475
Store fuel	5,319	5,049
Total inventories	<u>\$ 126,817</u>	<u>\$ 105,515</u>

The market value of refined products, asphalt and blendstock inventories exceeded LIFO costs by \$4,064 at June 30, 2016 and was lower than LIFO costs by \$836 at December 31, 2015. The market value of crude oil inventories exceeded LIFO costs, net of the fair value hedged items, by \$16,226 and \$18,521 at June 30, 2016 and December 31, 2015, respectively.

(8) 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 to identify 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 beginning in May 2016 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 June 30, 2016 and December 31, 2015, we had net current payables of \$13,351 and net current receivables of \$8,385, 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 June 30, 2016 and December 31, 2015, we had non-current liabilities for the original financing of \$25,217 and \$23,771, respectively, net of the related fair value hedges.

Additionally, we had net current payables of \$839 and \$328 at June 30, 2016 and December 31, 2015, 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)

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

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

	June 30, 2016	December 31, 2015
Refining facilities (1)	\$ 1,983,828	\$ 1,915,924
Pipelines and terminals	43,538	43,443
Retail	213,829	209,921
Other	25,435	23,377
Property, plant and equipment, gross	2,266,630	2,192,665
Accumulated depreciation	(866,566)	(812,463)
Property, plant and equipment, net	\$ 1,400,064	\$ 1,380,202

(1) Includes the property, plant and equipment of AltAir (Note 2).

**(10) Additional Financial
Information**

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

**(a) Other Assets,
Net**

	June 30, 2016	December 31, 2015
Deferred turnaround and catalyst cost	\$ 86,689	\$ 87,469
Environmental receivables (Note 17)	2,374	2,648
Intangible assets, net	19,233	14,505
Receivable from supply and offtake agreements (Note 8)	26,179	26,179
Fair value hedges of consigned inventory (Note 8)	21,456	33,797
Other, net	24,139	21,027
Total other assets	\$ 180,070	\$ 185,625

**(b) Accounts
Payable**

Included in accounts payable was \$159,832 and \$91,179 related to inventory financing transactions as of June 30, 2016 and December 31, 2015, 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

	June 30, 2016	December 31, 2015
Accrued Liabilities:		
Taxes other than income taxes, primarily excise taxes	\$ 37,600	\$ 35,375
Employee costs	21,581	25,202
Commodity contracts	2,222	884
Accrued finance charges	1,718	1,789
Environmental accrual (Note 17)	7,880	7,880
Other	32,092	22,650
Total accrued liabilities	<u>\$ 103,093</u>	<u>\$ 93,780</u>
Other Non-Current Liabilities:		
Pension and other postemployment benefit liabilities, net	\$ 50,862	\$ 49,054
Environmental accrual (Note 17)	38,788	38,482
Asset retirement obligations	11,212	10,906
Consignment inventory obligations (Note 8)	46,673	57,568
Interest rate swaps	3,399	2,176
Other	24,438	7,749
Total other non-current liabilities	<u>\$ 175,372</u>	<u>\$ 165,935</u>

(11) Postretirement Benefits

The components of net periodic benefit cost related to our benefit plans for the three and six months ended June 30, 2016 and 2015 consisted of the following:

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Components of net periodic benefit cost:				
Service cost	\$ 951	\$ 997	\$ 1,903	\$ 1,993
Interest cost	1,409	1,255	2,818	2,511
Expected return on plan assets	(1,749)	(1,583)	(3,498)	(3,165)
Amortization of net loss	807	840	1,613	1,679
Net periodic benefit cost	<u>\$ 1,418</u>	<u>\$ 1,509</u>	<u>\$ 2,836</u>	<u>\$ 3,018</u>

Our estimated contributions to our pension plans during 2016 have not changed significantly from amounts previously disclosed in the notes to the consolidated financial statements for the year ended December 31, 2015. For the six months ended June 30, 2016 and 2015, we contributed \$1,181 and \$2,175, respectively, to our qualified pension plans.

(12) Indebtedness

Debt consisted of the following:

	June 30, 2016	December 31, 2015
Term loan credit facilities	\$ 253,256	\$ 256,519
Alon USA, LP Credit Facility	55,000	55,000
Convertible senior notes	133,038	129,623
Retail credit facilities	110,970	114,820
Total debt	<u>552,264</u>	<u>555,962</u>
Less: Current portion	16,408	16,420
Total long-term debt	<u>\$ 535,856</u>	<u>\$ 539,542</u>

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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(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 \$41,227 and \$60,627 at June 30, 2016 and December 31, 2015, respectively.

We had borrowings of \$55,000 and \$55,000 and letters of credit of \$134,350 and \$48,590 outstanding under the Alon USA, LP \$240,000 revolving credit facility at June 30, 2016 and December 31, 2015, 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 June 30, 2016, the conversion rate was adjusted to 71.626 shares of our common stock per each \$1 (in thousands) principal amount of Convertible Notes, equivalent to a conversion price of approximately \$13.96 per share, to reflect cash dividend adjustments. The strike price of the options was adjusted to \$13.96 per share and the strike price of the warrants was adjusted to \$18.97 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 June 30, 2016, there have been no conversions of the Convertible Notes.

In May 2015, Delek US Holdings, Inc. (“Delek”) acquired approximately 48% of our outstanding common stock from Alon Israel Oil Company, Ltd. If Delek were to acquire greater than 50.00% of our outstanding common stock, it could require us to settle the full principal amount of the Convertible Notes of \$150,000 and to render a make-whole payment to holders of our Convertible Notes, assuming full conversion. In the event of a conversion, the convertible note options will cover our obligation to render payment under the make-whole provision. Under these circumstances, we could also be required to settle the outstanding warrants, which had a value of approximately \$4,000 as of June 30, 2016. Based on our share price as of June 30, 2016, we would not have to render a make-whole payment as our share price was below the minimum share price per the make-whole provision in the indenture.

(c) Financial Covenants

We have certain credit agreements that contain maintenance financial covenants. At June 30, 2016, we were in compliance with these covenants.

(13) 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. Non-employee directors are awarded an annual grant of \$25 in shares of restricted stock, which vest over a period of three years, assuming continued service at vesting. In May 2016, Alon granted awards of 14,000 restricted shares at a grant date price of \$8.93 per share.

In May 2015, we granted an award of 100,000 restricted shares to our CEO and President at a grant date price of \$18.82. In May 2016, we granted awards of 158,333 restricted shares to our CEO and President at a grant date price of \$7.55 per share. The 2015 award and 100,000 shares of the 2016 award vested in May 2016 while the remaining 58,333 are scheduled to vest in December 2016. In July 2016, it was determined that awards made in 2015 and 2016 exceeded plan limits, and as a result it is expected that an aggregate of 150,000 previously vested shares will be surrendered back to us by our CEO and President and the outstanding award of 58,333 restricted shares will be reduced to 50,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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The following table summarizes the restricted share activity from January 1, 2016:

Non-vested Shares	Shares (1)	Weighted Average Grant Date Fair Values (per share)
Non-vested at December 31, 2015	905,727	\$ 15.86
Granted	172,333	7.66
Vested	(895,083)	14.62
Forfeited	—	—
Non-vested at June 30, 2016	182,977	\$ 14.23

(1) These amounts do not reflect the surrendering of shares in July 2016 described above.

Compensation expense for restricted stock awards amounted to \$2,553 and \$1,515 for the three months ended June 30, 2016 and 2015, respectively, and \$4,266 and \$2,314 for the six months ended June 30, 2016 and 2015, respectively. These amounts are included in selling, general and administrative expenses in the consolidated statements of operations. The fair value of shares vested in 2016 was \$7,485.

Restricted Stock Units. Compensation expense for restricted stock units granted to our CEO and President amounted to \$0 for the three months ended June 30, 2016 and 2015 and \$0 and \$249 for the six months ended June 30, 2016 and 2015, respectively. These amounts are included in selling, general and administrative expenses in the consolidated statements of operations.

Partnership Restricted Units. Non-employee directors of the Partnership, who are designated by Alon's directors, are awarded an annual grant of \$25 in restricted common units, which vest over a period of three years, assuming continued service at vesting. In May 2016, we granted awards of 7,653 restricted common units at a grant date price of \$9.80 per unit. In June 2016, we granted awards of 2,528 restricted common units at a grant date price of \$9.89 per unit. Compensation expense for the Partnership's restricted common unit grants amounted to \$18 and \$15 for the three months ended June 30, 2016 and 2015, respectively, and \$28 and \$20 for the six months ended June 30, 2016 and 2015, respectively. These amounts are included in selling, general and administrative expenses in the consolidated statements of operations.

Unrecognized Compensation Cost. As of June 30, 2016, there was \$1,645 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 1.6 years.

(14) Equity (share values in dollars)

Changes to equity during the six months ended June 30, 2016 are presented below:

	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2015	\$ 639,138	\$ 25,022	\$ 664,160
Other comprehensive loss	(775)	(1)	(776)
Stock compensation	3,641	(209)	3,432
Acquisition of AltAir	—	39,101	39,101
Distributions to non-controlling interest in the Partnership	—	(921)	(921)
Dividends	(21,155)	(244)	(21,399)
Net loss	(55,907)	(783)	(56,690)
Balance at June 30, 2016	\$ 564,942	\$ 61,965	\$ 626,907

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

(a) Common Stock

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 six months ended June 30, 2016, 232,694 shares of our common stock were issued in exchange for 1,243.96 shares of Alon Assets. At June 30, 2016, 465,389 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.

We recognized compensation expense associated with the difference in value between the participants' ownership of Alon Assets compared to our common stock of \$310 and \$699 for the three months ended June 30, 2016 and 2015, respectively, and \$707 and \$1,183 for the six months ended June 30, 2016 and 2015, respectively. These amounts are included in selling, general and administrative expenses in the consolidated statements of operations.

(b) Dividends

Common Stock Dividends. During the six months ended June 30, 2016, we paid the following dividends:

Date Paid	Record Date	Dividend Amount Per Share
March 18, 2016	February 26, 2016	\$ 0.15
June 6, 2016	May 19, 2016	0.15

(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, 2015	\$ (1,357)	\$ (27,451)	\$ (28,808)
Other comprehensive income before reclassifications	(963)	—	(963)
Amounts reclassified from accumulated other comprehensive loss	188	—	188
Net current-period other comprehensive loss	(775)	—	(775)
Balance at June 30, 2016	\$ (2,132)	\$ (27,451)	\$ (29,583)

(15) 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 stock appreciation rights, granted restricted common stock units, granted restricted common stock awards, convertible debt and warrants using the treasury stock method and the dilutive effect of convertible preferred shares using the if-converted method.

The calculation of earnings (loss) per share, basic and diluted, for the three and six months ended June 30, 2016 and 2015, is as follows (shares in thousands, per share value in dollars):

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net income (loss) available to stockholders	\$ (20,370)	\$ 36,410	\$ (55,907)	\$ 63,349
Less: preferred stock dividends	—	—	—	15
Net income (loss) available to common stockholders	(20,370)	36,410	(55,907)	63,334
Weighted average shares outstanding, basic	70,493	69,684	70,318	69,584
Dilutive common stock equivalents	—	2,817	—	2,811
Weighted average shares outstanding, diluted	70,493	72,501	70,318	72,395
Earnings (loss) per share, basic	\$ (0.29)	\$ 0.52	\$ (0.80)	\$ 0.91
Earnings (loss) per share, diluted	\$ (0.29)	\$ 0.50	\$ (0.80)	\$ 0.87

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

For the three and six months ended June 30, 2016, we excluded 11 and 25 common stock equivalents, respectively, from the weighted average diluted shares outstanding as the effect of including such shares would be anti-dilutive. For the three and six months ended June 30, 2015, the weighted average diluted shares includes all potentially dilutive common stock equivalents.

**(16) Related Party
Transactions**

Delek US Holdings, Inc.

In May 2015, Delek completed the purchase of approximately 48% of our outstanding common stock from Alon Israel Oil Company, Ltd. We have transactions with Delek that occur in the ordinary course of business. Including amounts prior to the transaction, we purchased refined products from Delek of \$371 and \$2,227 for the three months ended June 30, 2016 and 2015, respectively, and \$1,537 and \$2,400 for the six months ended June 30, 2016 and 2015, respectively.

**(17) 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.

(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 currently scheduled for trial in November 2016. 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 \$46,668 (\$7,880 current liability and \$38,788 non-current liability) at June 30, 2016, and \$46,362 (\$7,880 current liability and \$38,482 non-current liability) at December 31, 2015.

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 \$623 and \$623 and non-current receivables of \$2,374 and \$2,648 at June 30, 2016 and December 31, 2015, respectively.

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

**(18) Subsequent
Events**

Dividend Declared

On July 27, 2016, our board of directors declared the regular quarterly cash dividend of \$0.15 per share on our common stock, payable on September 6, 2016, to holders of record at the close of business on August 19, 2016.

Partnership Distribution

On July 28, 2016, the board of directors of the General Partner declared a cash distribution to the Partnership's common unitholders of approximately \$8,753, or \$0.14 per common unit. The cash distribution will be paid on August 25, 2016 to unitholders of record at the close of business on August 18, 2016. The total cash distribution payable to non-affiliated common unitholders will be approximately \$1,613.

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, 2015.

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:

- 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;
- changes in the ownership of our common stock by Delek US Holdings, Inc. ("Delek"), which may trigger change of control provisions contained in the agreements and instruments governing our convertible senior notes and the related purchased options and warrant transactions;
- 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;

- 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;
- the level of competition from other petroleum refiners;
- 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, 2015 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 the 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 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 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 due to the high costs of crude oil relative to product yield and low asphalt demand. We 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. In February 2016, our renewable fuels project, AltAir, began commercial production.

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 our distributors in this region are supplied primarily 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 634 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. Beginning in the fourth quarter of 2015, we began shipping and selling gasoline into wholesale markets in the Southern and Eastern United States using our status as a regular shipper on the Colonial Pipeline.

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. 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, 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, 2015.

Second Quarter Operational and Financial Highlights

Operating loss for the second quarter of 2016 was \$14.8 million, compared to operating income of \$88.1 million for the same period last year. Our operational and financial highlights for the second quarter of 2016 include the following:

- Combined refinery average throughput for the second quarter of 2016 was 133,413 bpd, compared to a combined refinery average throughput of 152,092 bpd for the second quarter of 2015. The Big Spring refinery average throughput for the second quarter of 2016 was 71,153 bpd, compared to 75,491 bpd for the second quarter of 2015. The Krotz Springs refinery average throughput for the second quarter of 2016 was 62,260 bpd, compared to 76,601 bpd for the second quarter of 2015. The reduced throughput at our Big Spring refinery was the result of unplanned downtime during the second quarter of 2016 due to a power outage caused by inclement weather, which affected multiple units. During the second quarter of 2016 we performed maintenance on the fluid catalytic cracking unit at the Krotz Springs refinery, which reduced total throughput for the quarter.
- Refinery operating margin at the Big Spring refinery was \$8.53 per barrel for the second quarter of 2016 compared to \$17.22 per barrel for the same period in 2015. This decrease in operating margin was primarily due to a lower Gulf Coast 3/2/1 crack spread, a narrowing of the WTI Cushing to WTI Midland spread, a reduced cost of crude benefit from the contango market in 2016 and the unplanned refinery downtime discussed above, partially offset by a widening of the WTI Cushing to WTS spread.
- Refinery operating margin at the Krotz Springs refinery was \$3.96 per barrel for the second quarter of 2016 compared to \$7.95 per barrel for the same period in 2015. This decrease in operating margin was primarily due to a lower Gulf Coast 2/1/1 high sulfur diesel crack spread, a narrowing of both the WTI Cushing to WTI Midland and the LLS to WTI Cushing spreads, the premium in LLS compared to Brent, refinery downtime discussed above and a reduced cost of crude benefit from the contango market in 2016.
- The average Gulf Coast 3/2/1 crack spread was \$13.16 per barrel for the second quarter of 2016 compared to \$19.71 per barrel for the second quarter of 2015. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the second quarter of 2016 was \$7.92 per barrel compared to \$10.21 per barrel for the second quarter of 2015.
- The average WTI Cushing to WTI Midland spread for the second quarter of 2016 was \$0.17 per barrel compared to \$0.60 per barrel for the same period in 2015. The average WTI Cushing to WTS spread for the second quarter of 2016 was \$0.75 per barrel compared to \$(0.21) per barrel for the same period in 2015. The average Brent to WTI Cushing spread for the second quarter of 2016 was \$(0.18) per barrel compared to \$3.66 per barrel for the same period in 2015. The average LLS to WTI Cushing spread for the second quarter of 2016 was \$2.04 per barrel compared to \$6.28 per barrel for the same period in 2015. The average Brent to LLS spread for the second quarter of 2016 was \$(1.64) per barrel compared to \$0.32 per barrel for the same period in 2015.
- The contango environment in the second quarter of 2016 created an average cost of crude benefit of \$1.49 per barrel compared to an average cost of crude benefit of \$1.90 per barrel for the same period in 2015.

- Asphalt margins in the second quarter of 2016 were \$106.90 per ton compared to \$100.92 per ton in the second quarter of 2015.
- Retail fuel margins increased to 20.8 cents per gallon in the second quarter of 2016 from 20.3 cents per gallon in the second quarter of 2015. Retail fuel sales volume increased to 50.9 million gallons in the second quarter of 2016 from 49.5 million gallons in the second quarter of 2015. Merchandise margins decreased to 31.0% in the second quarter of 2016 from 31.8% in the second quarter of 2015. Merchandise sales decreased to \$83.7 million in the second quarter of 2016 from \$84.9 million in the second quarter of 2015.

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). 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. We are also able to source locally produced crude at Big Spring by truck, which tends to have cost and quality advantages. 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.

Recently, the additional takeaway capacity moving crude from Midland to the Gulf Coast has caused a contraction of the WTI Cushing less WTI Midland spread. In addition, the relative small growth in WTS production compared to WTI production and the relative high demand for WTS has caused a contraction of the WTI Cushing less WTS spread.

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 and six months ended June 30, 2016 and 2015 have been influenced by the following factors which are fundamental to understanding comparisons of our period-to-period financial performance.

Planned Maintenance and Reduced Crude Oil Throughput

During the six months ended June 30, 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 in the beginning of the first quarter of 2016, as well as unplanned downtime during the second quarter of 2016 due to a power outage caused by inclement weather, which affected multiple units.

The reduced throughput at the Krotz Springs refinery during the six months ended June 30, 2016 was the result of our election to reduce the crude rate to improve the refinery yield structure, as well as maintenance that was performed on the fluid catalytic cracking unit.

Certain Derivative Impacts

Included in cost of sales in the consolidated statements of operations for the three and six months ended June 30, 2016 are realized and unrealized gains on commodity swaps of \$0.1 million and \$0.5 million, respectively, compared to \$7.5 million and \$37.4 million for the three and six months ended June 30, 2015.

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. 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.

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 and six months ended June 30, 2016 and 2015. 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, 2015 is unaudited.

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
(dollars in thousands, except per share data)				
STATEMENTS OF OPERATIONS DATA:				
Net sales (1)	\$ 1,008,388	\$ 1,301,341	\$ 1,858,361	\$ 2,404,581
Operating costs and expenses:				
Cost of sales	871,394	1,069,931	1,606,538	1,964,419
Direct operating expenses	63,182	62,856	131,799	127,061
Selling, general and administrative expenses (2)	51,644	49,193	100,345	94,789
Depreciation and amortization (3)	36,985	31,267	71,847	63,229
Total operating costs and expenses	1,023,205	1,213,247	1,910,529	2,249,498
Gain (loss) on disposition of assets	6	—	(2,082)	572
Operating income (loss)	(14,811)	88,094	(54,250)	155,655
Interest expense	(18,799)	(18,217)	(37,106)	(39,254)
Equity earnings of investees	4,305	1,828	4,683	1,274
Other income, net	146	13	218	59
Income (loss) before income tax expense (benefit)	(29,159)	71,718	(86,455)	117,734
Income tax expense (benefit)	(8,529)	23,856	(29,765)	35,817
Net income (loss)	(20,630)	47,862	(56,690)	81,917
Net income (loss) attributable to non-controlling interest	(260)	11,452	(783)	18,568
Net income (loss) available to stockholders	\$ (20,370)	\$ 36,410	\$ (55,907)	\$ 63,349
Earnings (loss) per share, basic	\$ (0.29)	\$ 0.52	\$ (0.80)	\$ 0.91
Weighted average shares outstanding, basic (in thousands)	70,493	69,684	70,318	69,584
Earnings (loss) per share, diluted	\$ (0.29)	\$ 0.50	\$ (0.80)	\$ 0.87
Weighted average shares outstanding, diluted (in thousands)	70,493	72,501	70,318	72,395
Cash dividends per share	\$ 0.15	\$ 0.15	\$ 0.30	\$ 0.25
CASH FLOW DATA:				
Net cash provided by (used in):				
Operating activities	\$ 17,342	\$ 135,112	\$ (12,009)	\$ 115,891
Investing activities	(21,437)	(22,332)	(68,454)	(33,945)
Financing activities	16,565	(39,415)	52,189	(33,077)
OTHER DATA:				
Adjusted EBITDA (4)	\$ 26,619	\$ 121,202	\$ 24,580	\$ 219,645
Capital expenditures (5)	13,784	20,302	37,230	31,051
Capital expenditures for turnarounds and catalysts	7,662	2,030	24,272	4,363

	June 30, 2016	December 31, 2015
BALANCE SHEET DATA (end of period):		
	(dollars in thousands)	
Cash and cash equivalents	\$ 205,853	\$ 234,127
Working capital	39,005	78,694
Total assets	2,245,464	2,176,138
Total debt	552,264	555,962
Total debt less cash and cash equivalents	346,411	321,835
Total equity	626,907	664,160

- (1) Includes excise taxes on sales by the retail segment of \$19,864 and \$19,369 for the three months ended June 30, 2016 and 2015, respectively, and \$39,389 and \$37,425 for the six months ended June 30, 2016 and 2015, respectively.
- (2) Includes corporate headquarters selling, general and administrative expenses of \$183 and \$176 for the three months ended June 30, 2016 and 2015, respectively, and \$374 and \$352 for the six months ended June 30, 2016 and 2015, respectively, which are not allocated to our three operating segments.
- (3) Includes corporate depreciation and amortization of \$860 and \$425 for the three months ended June 30, 2016 and 2015, respectively, and \$1,279 and \$894 for the six months ended June 30, 2016 and 2015, 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 and six months ended June 30, 2016 and 2015:

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Net income (loss) available to stockholders	\$ (20,370)	\$ 36,410	\$ (55,907)	\$ 63,349
Net income (loss) attributable to non-controlling interest	(260)	11,452	(783)	18,568
Income tax expense (benefit)	(8,529)	23,856	(29,765)	35,817
Interest expense	18,799	18,217	37,106	39,254
Depreciation and amortization	36,985	31,267	71,847	63,229
(Gain) loss on disposition of assets	(6)	—	2,082	(572)
Adjusted EBITDA	\$ 26,619	\$ 121,202	\$ 24,580	\$ 219,645

Adjusted EBITDA does not exclude unrealized (gains) losses on commodity swaps of \$3,811 and \$10,478 for the three months ended June 30, 2016 and 2015, respectively, and \$7,144 and \$(7,925) for the six months ended June 30, 2016 and 2015, respectively, which are included in net income (loss) available to stockholders. Additionally, Adjusted EBITDA does not exclude a loss of \$2,003 and \$3,284 for the three months ended June 30, 2016 and 2015, respectively, and \$2,003 and \$13,950 for the six months ended June 30, 2016 and 2015, respectively, resulting from a price adjustment related to asphalt inventory.

- (5) Includes corporate capital expenditures of \$689 and \$1,392 for the three months ended June 30, 2016 and 2015, respectively, and \$2,125 and \$3,013 for the six months ended June 30, 2016 and 2015, respectively, which are not allocated to our three operating segments.

REFINING AND MARKETING SEGMENT

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
(dollars in thousands, except per barrel data and pricing statistics)				
STATEMENTS OF OPERATIONS DATA:				
Net sales (1)	\$ 829,913	\$ 1,126,040	\$ 1,526,526	\$ 2,085,532
Operating costs and expenses:				
Cost of sales	746,324	940,861	1,372,360	1,724,252
Direct operating expenses	56,913	55,966	119,706	112,292
Selling, general and administrative expenses	18,930	18,940	37,205	36,279
Depreciation and amortization	31,514	26,692	61,298	54,003
Total operating costs and expenses	853,681	1,042,459	1,590,569	1,926,826
Gain (loss) on disposition of assets	9	—	(2,079)	522
Operating income (loss)	\$ (23,759)	\$ 83,581	\$ (66,122)	\$ 159,228
KEY OPERATING STATISTICS:				
Per barrel of throughput:				
Refinery operating margin – Big Spring (2)	\$ 8.53	\$ 17.22	\$ 8.16	\$ 15.56
Refinery operating margin – Krotz Springs (2)	3.96	7.95	2.69	8.71
Refinery direct operating expense – Big Spring (3)	3.59	3.54	3.83	3.56
Refinery direct operating expense – Krotz Springs (3)	4.10	3.49	3.96	3.64
Capital expenditures	\$ 11,560	\$ 12,470	\$ 30,119	\$ 16,876
Capital expenditures for turnarounds and catalysts	7,662	2,030	24,272	4,363
PRICING STATISTICS:				
Crack spreads (3/2/1) (per barrel):				
Gulf Coast	\$ 13.16	\$ 19.71	\$ 12.20	\$ 18.73
Crack spreads (2/1/1) (per barrel):				
Gulf Coast high sulfur diesel	\$ 7.92	\$ 10.21	\$ 7.33	\$ 11.79
WTI Cushing crude oil (per barrel)	\$ 45.48	\$ 57.86	\$ 39.39	\$ 53.20
Crude oil differentials (per barrel):				
WTI Cushing less WTI Midland	\$ 0.17	\$ 0.60	\$ 0.02	\$ 1.27
WTI Cushing less WTS	0.75	(0.21)	0.32	0.76
LLS less WTI Cushing	2.04	6.28	1.82	4.48
Brent less LLS	(1.64)	0.32	(1.26)	0.57
Brent less WTI Cushing	(0.18)	3.66	0.15	4.54
Product price (dollars per gallon):				
Gulf Coast unleaded gasoline	\$ 1.42	\$ 1.86	\$ 1.25	\$ 1.69
Gulf Coast ultra-low sulfur diesel	1.34	1.83	1.19	1.76
Gulf Coast high sulfur diesel	1.22	1.68	1.06	1.62
Natural gas (per MMBtu)	2.25	2.74	2.12	2.77

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

	For the Three Months Ended				For the Six Months Ended			
	June 30,				June 30,			
	2016		2015		2016		2015	
	bpd	%	bpd	%	bpd	%	bpd	%
Refinery throughput:								
WTS crude	25,698	36.1	29,605	39.2	31,126	44.9	37,193	50.3
WTI crude	43,040	60.5	43,659	57.8	35,400	51.0	33,952	45.9
Blendstocks	2,415	3.4	2,227	3.0	2,819	4.1	2,789	3.8
Total refinery throughput (4)	71,153	100.0	75,491	100.0	69,345	100.0	73,934	100.0
Refinery production:								
Gasoline	33,744	47.6	37,755	49.8	33,922	49.0	36,978	49.8
Diesel/jet	26,627	37.6	28,052	37.0	24,655	35.6	27,074	36.5
Asphalt	2,572	3.6	2,479	3.3	2,860	4.2	2,876	3.9
Petrochemicals	3,354	4.7	4,915	6.5	3,485	5.0	4,863	6.5
Other	4,569	6.5	2,537	3.4	4,298	6.2	2,466	3.3
Total refinery production (5)	70,866	100.0	75,738	100.0	69,220	100.0	74,257	100.0
Refinery utilization (6)		94.2%		100.4%		93.7%		97.5%

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

	For the Three Months Ended				For the Six Months Ended			
	June 30,				June 30,			
	2016		2015		2016		2015	
	bpd	%	bpd	%	bpd	%	bpd	%
Refinery throughput:								
WTI crude	15,921	25.5	29,429	38.4	14,859	22.2	29,888	40.0
Gulf Coast sweet crude	42,624	68.5	45,069	58.8	45,987	68.8	41,076	55.0
Blendstocks	3,715	6.0	2,103	2.8	6,015	9.0	3,781	5.0
Total refinery throughput (4)	62,260	100.0	76,601	100.0	66,861	100.0	74,745	100.0
Refinery production:								
Gasoline	31,112	49.0	35,511	45.4	33,693	49.4	35,021	45.8
Diesel/jet	24,201	38.1	32,496	41.5	25,595	37.5	31,599	41.4
Heavy Oils	959	1.5	1,378	1.8	1,246	1.8	1,356	1.8
Other	7,226	11.4	8,838	11.3	7,692	11.3	8,419	11.0
Total refinery production (5)	63,498	100.0	78,223	100.0	68,226	100.0	76,395	100.0
Refinery utilization (6)		79.1%		100.7%		82.2%		95.9%

- (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 and six months ended June 30, 2016 excludes realized and unrealized gains on commodity swaps of \$96 and \$461, respectively.

The refinery operating margin for the three and six months ended June 30, 2015 excludes realized and unrealized gains on commodity swaps of \$7,512 and \$37,355, respectively. For the six months ended June 30, 2015, \$8,926 related substantially to inventory adjustments was not included in cost of sales for either the Big Spring refinery or the Krotz Springs refinery.

- (3) 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.
- (4) Total refinery throughput represents the total barrels per day of crude oil and blendstock inputs in the refinery production process.
- (5) 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.
- (6) 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		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
(dollars in thousands, except per ton data)				
STATEMENTS OF OPERATIONS DATA:				
Net sales (1)	\$ 68,097	\$ 69,900	\$ 121,596	\$ 120,552
Operating costs and expenses:				
Cost of sales (1) (2)	51,326	60,771	95,191	115,054
Direct operating expenses	6,269	6,890	12,093	14,769
Selling, general and administrative expenses	4,047	2,755	7,245	4,531
Depreciation and amortization	1,261	1,207	2,521	2,352
Total operating costs and expenses	62,903	71,623	117,050	136,706
Operating income (loss) (5)	\$ 5,194	\$ (1,723)	\$ 4,546	\$ (16,154)
KEY OPERATING STATISTICS:				
Blended asphalt sales volume (tons in thousands) (3)	158	108	243	173
Non-blended asphalt sales volume (tons in thousands) (4)	18	15	47	33
Blended asphalt sales price per ton (3)	\$ 389.95	\$ 505.54	\$ 398.28	\$ 498.83
Non-blended asphalt sales price per ton (4)	135.06	229.20	141.30	317.36
Asphalt margin per ton (5)	106.90	100.92	97.96	94.41
Capital expenditures	\$ 335	\$ 238	\$ 1,075	\$ 1,644

- (1) Net sales and cost of sales include asphalt purchases sold as part of a supply and offtake arrangement of \$4,054 and \$11,864 for the three months ended June 30, 2016 and 2015 and \$18,172 and \$23,782 for the six months ended June 30, 2016 and 2015, 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 losses of \$2,003 and \$3,284 for the three months ended June 30, 2016 and 2015, respectively, and \$2,003 and \$13,950 for the six months ended June 30, 2016 and 2015, respectively, resulting from a price adjustment related to asphalt inventory. This loss is included in operating income (loss) above.

RETAIL SEGMENT

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
(dollars in thousands, except per gallon data)				
STATEMENTS OF OPERATIONS DATA:				
Net sales (1)	\$ 187,262	\$ 206,634	\$ 350,233	\$ 382,619
Operating costs and expenses:				
Cost of sales (2)	150,628	169,532	278,981	309,235
Selling, general and administrative expenses	28,484	27,322	55,521	53,627
Depreciation and amortization	3,350	2,943	6,749	5,980
Total operating costs and expenses	182,462	199,797	341,251	368,842
Gain on disposition of assets	(3)	—	(3)	50
Operating income	\$ 4,797	\$ 6,837	\$ 8,979	\$ 13,827
KEY OPERATING STATISTICS:				
Number of stores (end of period) (3)	306	294	306	294
Retail fuel sales (thousands of gallons)	50,877	49,511	100,882	95,606
Retail fuel sales (thousands of gallons per site per month)(3)	57	58	57	56
Retail fuel margin (cents per gallon) (4)	20.8	20.3	20.4	21.9
Retail fuel sales price (dollars per gallon) (5)	\$ 2.03	\$ 2.46	\$ 1.87	\$ 2.32
Merchandise sales	\$ 83,673	\$ 84,878	\$ 161,498	\$ 160,980
Merchandise sales (per site per month) (3)	\$ 91	\$ 96	\$ 88	\$ 91
Merchandise margin (6)	31.0%	31.8%	31.3%	32.5%
Capital expenditures	\$ 1,200	\$ 6,202	\$ 3,911	\$ 9,518

- (1) Includes excise taxes on sales of \$19,864 and \$19,369 for the three months ended June 30, 2016 and 2015, respectively, and \$39,389 and \$37,425 for the six months ended June 30, 2016 and 2015, 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 June 30, 2016, we had 306 retail convenience stores of which 296 sold fuel. At June 30, 2015, we had 294 retail convenience stores of which 283 sold fuel.
- The 14 retail convenience stores acquired in August 2015 have been included in the per site key operating statistics only for the period after acquisition.
- (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 June 30, 2016 Compared to the Three Months Ended June 30, 2015

Net Sales

Consolidated. Net sales for the three months ended June 30, 2016 were \$1,008.4 million, compared to \$1,301.3 million for the three months ended June 30, 2015, a decrease of \$292.9 million, or 22.5%. This decrease was primarily due to lower refined product prices and lower refinery throughput for the three months ended June 30, 2016.

Refining and Marketing Segment. Net sales for our refining and marketing segment were \$829.9 million for the three months ended June 30, 2016, compared to \$1,126.0 million for the three months ended June 30, 2015, a decrease of \$296.1 million, or 26.3%. This decrease was primarily due to lower refined product prices and lower refinery throughput for the three months ended June 30, 2016.

The average per gallon price of Gulf Coast gasoline for the three months ended June 30, 2016 decreased \$0.44, or 23.7%, to \$1.42, compared to \$1.86 for the three months ended June 30, 2015. The average per gallon price of Gulf Coast ultra-low sulfur diesel for the three months ended June 30, 2016 decreased \$0.49, or 26.8%, to \$1.34, compared to \$1.83 for the three months ended June 30, 2015. The average per gallon price for Gulf Coast high sulfur diesel for the three months ended June 30, 2016 decreased \$0.46, or 27.4%, to \$1.22, compared to \$1.68 for the three months ended June 30, 2015.

Combined refinery average throughput for the three months ended June 30, 2016 was 133,413 bpd compared to a combined refinery average throughput of 152,092 bpd for the three months ended June 30, 2015, a decrease of 12.3%. The reduced throughput at our Big Spring refinery was the result of unplanned downtime during the second quarter of 2016 due to a power outage caused by inclement weather, which affected multiple units. The reduced throughput at the Krotz Springs refinery during the three months ended June 30, 2016 was the result of maintenance that was performed on the fluid catalytic cracking unit.

Asphalt Segment. Net sales for our asphalt segment were \$68.1 million for the three months ended June 30, 2016, compared to \$69.9 million for the three months ended June 30, 2015, a decrease of \$1.8 million, or 2.6%.

Retail Segment. Net sales for our retail segment were \$187.3 million for the three months ended June 30, 2016, compared to \$206.6 million for the three months ended June 30, 2015, a decrease of \$19.3 million, or 9.3%. This decrease was primarily due to lower retail fuel sales prices, partially offset by increased retail fuel sales volumes related to the 14 stores acquired in 2015 for the three months ended June 30, 2016. Retail fuel sales prices decreased 17.5% to \$2.03 per gallon for the three months ended June 30, 2016 from \$2.46 per gallon for the three months ended June 30, 2015. Retail fuel sales volumes increased to 50.9 million gallons for the three months ended June 30, 2016 from 49.5 million gallons for the three months ended June 30, 2015.

Cost of Sales

Consolidated. Cost of sales for the three months ended June 30, 2016 were \$871.4 million, compared to \$1,069.9 million for the three months ended June 30, 2015, a decrease of \$198.5 million, or 18.6%. This decrease was primarily due to lower crude oil prices and lower refinery throughput for the three months ended June 30, 2016.

Refining and Marketing Segment. Cost of sales for our refining and marketing segment were \$746.3 million for the three months ended June 30, 2016, compared to \$940.9 million for the three months ended June 30, 2015, a decrease of \$194.6 million, or 20.7%. This decrease was primarily due to lower crude oil prices and lower refinery throughput for the three months ended June 30, 2016. The average price of WTI Cushing decreased 21.4% to \$45.48 per barrel for the three months ended June 30, 2016, compared to \$57.86 per barrel for the three months ended June 30, 2015.

Asphalt Segment. Cost of sales for our asphalt segment were \$51.3 million for the three months ended June 30, 2016, compared to \$60.8 million for the three months ended June 30, 2015, a decrease of \$9.5 million, or 15.6%. This decrease was primarily due to lower cost of purchased asphalt, partially offset by higher asphalt sales volumes during the three months ended June 30, 2016.

Retail Segment. Cost of sales for our retail segment were \$150.6 million for the three months ended June 30, 2016, compared to \$169.5 million for the three months ended June 30, 2015, a decrease of \$18.9 million, or 11.2%. This decrease was primarily due to lower retail fuel costs, partially offset by increased retail fuel sales volumes during the three months ended June 30, 2016.

Direct Operating Expenses

Consolidated. Direct operating expenses were \$63.2 million for the three months ended June 30, 2016, compared to \$62.9 million for the three months ended June 30, 2015, an increase of \$0.3 million, or 0.5%.

Refining and Marketing Segment. Direct operating expenses for our refining and marketing segment for the three months ended June 30, 2016 were \$56.9 million, compared to \$56.0 million for the three months ended June 30, 2015, an increase of \$0.9 million, or 1.6%.

Asphalt Segment. Direct operating expenses for our asphalt segment for the three months ended June 30, 2016 were \$6.3 million, compared to \$6.9 million for the three months ended June 30, 2015, a decrease of \$0.6 million, or 8.7%. This decrease was the result of lower fixed operating costs during the three months ended June 30, 2016 as a result of realignment of our asphalt operations during 2015.

Selling, General and Administrative Expenses

Consolidated. SG&A expenses for the three months ended June 30, 2016 were \$51.6 million, compared to \$49.2 million for the three months ended June 30, 2015, an increase of \$2.4 million, or 4.9%. This increase was primarily due to increased employee related costs during the three months ended June 30, 2016.

Refining and Marketing Segment. SG&A expenses for our refining and marketing segment for the three months ended June 30, 2016 were \$18.9 million, compared to \$18.9 million for the three months ended June 30, 2015.

Asphalt Segment. SG&A expenses for our asphalt segment for the three months ended June 30, 2016 were \$4.0 million, compared to \$2.8 million for the three months ended June 30, 2015, an increase of \$1.2 million, or 42.9%. This increase was primarily due to higher corporate expense allocated to the asphalt segment during the three months ended June 30, 2016.

Retail Segment. SG&A expenses for our retail segment for the three months ended June 30, 2016 were \$28.5 million, compared to \$27.3 million for the three months ended June 30, 2015, an increase of \$1.2 million, or 4.4%. This increase was primarily due to higher employee related costs including the increase in costs due to the addition of 14 stores during 2015.

Depreciation and Amortization

Depreciation and amortization for the three months ended June 30, 2016 was \$37.0 million, compared to \$31.3 million for the three months ended June 30, 2015, an increase of \$5.7 million, or 18.2%. This increase was primarily due to increased amortization of turnaround and catalyst replacement costs during the three months ended June 30, 2016 resulting from the completion of the planned major turnaround at the Krotz Springs refinery during the fourth quarter of 2015.

Operating Income (Loss)

Consolidated. Operating loss for the three months ended June 30, 2016 was \$14.8 million, compared to operating income of \$88.1 million for the three months ended June 30, 2015, a decrease of \$102.9 million. This decrease was primarily due to lower refinery operating margins and decreased refinery throughput, partially offset by increased asphalt margins during the three months ended June 30, 2016.

Refining and Marketing Segment. Operating loss for our refining and marketing segment was \$23.8 million for the three months ended June 30, 2016, compared to operating income of \$83.6 million for the three months ended June 30, 2015, a decrease of \$107.4 million. This decrease was primarily due to lower refinery operating margins and decreased refinery throughput during the three months ended June 30, 2016.

Refinery operating margin at the Big Spring refinery was \$8.53 per barrel for the three months ended June 30, 2016, compared to \$17.22 per barrel for the three months ended June 30, 2015. This decrease in operating margin was primarily due to a lower Gulf Coast 3/2/1 crack spread, a narrowing of the WTI Cushing to WTI Midland spread, a reduced cost of crude benefit from the contango market in 2016 and the refinery downtime discussed above, partially offset by a widening of the WTI Cushing to WTS spread during the three months ended June 30, 2016. The average Gulf Coast 3/2/1 crack spread decreased to \$13.16 per barrel for the three months ended June 30, 2016, compared to \$19.71 per barrel for the three months ended June 30, 2015. The average WTI Cushing to WTI Midland spread narrowed to \$0.17 per barrel for the three months ended June 30, 2016, compared to \$0.60 per barrel for the three months ended June 30, 2015. The average Brent to WTI Cushing spread narrowed to \$(0.18) per barrel for the three months ended June 30, 2016, compared to \$3.66 per barrel for the three months ended June 30, 2015. The average WTI Cushing to WTS spread widened to \$0.75 per barrel for the three months ended June 30, 2016, compared to \$(0.21) per barrel for the three months ended June 30, 2015. The contango environment for the three months ended June 30, 2016 created an average cost of crude benefit of \$1.49 per barrel compared to an average cost of crude benefit of \$1.90 per barrel for the three months ended June 30, 2015.

Refinery operating margin at the Krotz Springs refinery was \$3.96 per barrel for the three months ended June 30, 2016, compared to \$7.95 per barrel for the three months ended June 30, 2015. This decrease in operating margin was primarily due to a lower Gulf Coast 2/1/1 high sulfur diesel crack spread, a narrowing of both the WTI Cushing to WTI Midland and the LLS to WTI Cushing spreads, the premium in LLS compared to Brent, the refinery downtime discussed above and a reduced cost of crude benefit from the contango market in 2016. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the three months ended June 30, 2016 was \$7.92 per barrel, compared to \$10.21 per barrel for the three months ended June 30, 2015. The average LLS to WTI Cushing spread narrowed \$4.24 per barrel to \$2.04 per barrel for the three months ended June 30, 2016, compared to \$6.28 per barrel for the three months ended June 30, 2015. The average Brent to LLS spread narrowed to \$(1.64) per barrel for the three months ended June 30, 2016, compared to \$0.32 per barrel for the three months ended June 30, 2015.

Asphalt Segment. Operating income for our asphalt segment was \$5.2 million for the three months ended June 30, 2016, compared to an operating loss of \$1.7 million for the three months ended June 30, 2015, an increase of \$6.9 million. This increase was primarily due to higher asphalt sales volumes and higher asphalt margins for the three months ended June 30, 2016. Asphalt margins for the three months ended June 30, 2016 was \$106.90 per ton compared to \$100.92 per ton for the three months ended June 30, 2015.

Retail Segment. Operating income for our retail marketing segment was \$4.8 million for the three months ended June 30, 2016, compared to \$6.8 million for the three months ended June 30, 2015, a decrease of \$2.0 million, or 29.4%. This decrease was primarily due to increased SG&A expenses and lower merchandise margins, partially offset by higher retail fuel margins for the three months ended June 30, 2016. Merchandise margins were 31.0% for the three months ended June 30, 2016 compared to 31.8% for the three months ended June 30, 2015. Retail fuel margins were 20.8 cents per gallon for the three months ended June 30, 2016 compared to 20.3 cents per gallon for the three months ended June 30, 2015.

Interest Expense

Interest expense was \$18.8 million for the three months ended June 30, 2016, compared to \$18.2 million for the three months ended June 30, 2015, an increase of \$0.6 million, or 3.3%.

Income Tax Expense (Benefit)

Income tax benefit was \$8.5 million for the three months ended June 30, 2016, compared to income tax expense of \$23.9 million for the three months ended June 30, 2015, a change of \$32.4 million. Income tax expense decreased as a result of having a pre-tax loss for the three months ended June 30, 2016 compared to having pre-tax income for the three months ended June 30, 2015. Our effective tax rate was 29.2% for the three months ended June 30, 2016, compared to an effective tax rate of 33.3% for the three months ended June 30, 2015. The low effective tax rate is primarily due to the impact of the non-controlling interest's share of Partnership taxable income offset by an increase in the effective tax rate in Louisiana.

Net Income (Loss) Attributable to Non-controlling Interest

Net income (loss) attributable to non-controlling interest primarily consists of the proportional share of the Partnership's income (loss) attributable to the limited partner interests held by the public. Net loss attributable to non-controlling interest was \$0.3 million for the three months ended June 30, 2016, compared to net income attributable to non-controlling interest of \$11.5 million for the three months ended June 30, 2015, a decrease of \$11.8 million.

Net Income (Loss) Available to Stockholders

Net loss available to stockholders was \$20.4 million for the three months ended June 30, 2016, compared to net income of \$36.4 million for the three months ended June 30, 2015, a decrease of \$56.8 million. This decrease was attributable to the factors discussed above.

Six Months Ended June 30, 2016 Compared to the Six Months Ended June 30, 2015

Net Sales

Consolidated. Net sales for the six months ended June 30, 2016 were \$1,858.4 million, compared to \$2,404.6 million for the six months ended June 30, 2015, a decrease of \$546.2 million, or 22.7%. This decrease was primarily due to lower refined product prices and lower refinery throughput for the six months ended June 30, 2016.

Refining and Marketing Segment. Net sales for our refining and marketing segment were \$1,526.5 million for the six months ended June 30, 2016, compared to \$2,085.5 million for the six months ended June 30, 2015, a decrease of \$559.0 million, or 26.8%. This decrease was primarily due to lower refined product prices and lower refinery throughput for the six months ended June 30, 2016.

The average per gallon price of Gulf Coast gasoline for the six months ended June 30, 2016 decreased \$0.44, or 26.0%, to \$1.25, compared to \$1.69 for the six months ended June 30, 2015. The average per gallon price of Gulf Coast ultra-low sulfur diesel for the six months ended June 30, 2016 decreased \$0.57, or 32.4%, to \$1.19, compared to \$1.76 for the six months ended June 30, 2015. The average per gallon price of Gulf Coast high sulfur diesel for the six months ended June 30, 2016 decreased \$0.56, or 34.6%, to \$1.06, compared to \$1.62 for the six months ended June 30, 2015.

Combined refinery average throughput for the six months ended June 30, 2016 was 136,206 bpd compared to a combined refinery average throughput of 148,679 bpd for the six months ended June 30, 2015, a decrease of 8.4%. The reduced throughput at our Big Spring refinery was the result of planned downtime to complete a reformer regeneration and catalyst replacement for our diesel hydrotreater unit in the beginning of the first quarter of 2016, as well as unplanned downtime during the second quarter of 2016 due to a power outage caused by inclement weather, which affected multiple units. The reduced throughput at the Krotz Springs refinery during the six months ended June 30, 2016 was the result of our election to reduce the crude rate to improve the refinery yield structure, as well as maintenance that was performed on the fluid catalytic cracking unit.

Asphalt Segment. Net sales for our asphalt segment were \$121.6 million for the six months ended June 30, 2016, compared to \$120.6 million for the six months ended June 30, 2015, an increase of \$1.0 million, or 0.8%.

Retail Segment. Net sales for our retail segment were \$350.2 million for the six months ended June 30, 2016, compared to \$382.6 million for the six months ended June 30, 2015, a decrease of \$32.4 million, or 8.5%. This decrease was primarily due to lower retail fuel sales prices, partially offset by increased volumes related to the 14 stores acquired in 2015 for the six months ended June 30, 2016. The retail fuel sales price decreased 19.4% to \$1.87 per gallon for the six months ended June 30, 2016 from \$2.32 per gallon for the six months ended June 30, 2015. Retail fuel sales volume increased 5.5% to 100.9 million gallons for the six months ended June 30, 2016 from 95.6 million gallons for the six months ended June 30, 2015.

Cost of Sales

Consolidated. Cost of sales for the six months ended June 30, 2016 were \$1,606.5 million, compared to \$1,964.4 million for the six months ended June 30, 2015, a decrease of \$357.9 million, or 18.2%. This decrease was primarily due to lower crude oil prices, lower refinery throughput and lower retail fuel costs, partially offset by higher asphalt sales volumes for the six months ended June 30, 2016.

Refining and Marketing Segment. Cost of sales for our refining and marketing segment were \$1,372.4 million for the six months ended June 30, 2016, compared to \$1,724.3 million for the six months ended June 30, 2015, a decrease of \$351.9 million, or 20.4%. This decrease was primarily due to lower crude oil prices and lower refinery throughput for the six months ended June 30, 2016. The average price of WTI Cushing decreased 26.0% to \$39.39 per barrel for the six months ended June 30, 2016 from \$53.20 per barrel for the six months ended June 30, 2015.

Asphalt Segment. Cost of sales for our asphalt segment were \$95.2 million for the six months ended June 30, 2016, compared to \$115.1 million for the six months ended June 30, 2015, a decrease of \$19.9 million, or 17.3%. This decrease was primarily due to lower cost of purchased asphalt, partially offset by higher asphalt sales volumes during the six months ended June 30, 2016.

Retail Segment. Cost of sales for our retail segment were \$279.0 million for the six months ended June 30, 2016, compared to \$309.2 million for the six months ended June 30, 2015, a decrease of \$30.2 million, or 9.8%. This decrease was primarily due to lower retail fuel costs, partially offset by increased retail fuel sales volumes during the six months ended June 30, 2016.

Direct Operating Expenses

Consolidated. Direct operating expenses were \$131.8 million for the six months ended June 30, 2016, compared to \$127.1 million for the six months ended June 30, 2015, an increase of \$4.7 million, or 3.7%.

Refining and Marketing Segment. Direct operating expenses for our refining and marketing segment for the six months ended June 30, 2016 were \$119.7 million, compared to \$112.3 million for the six months ended June 30, 2015, an increase of \$7.4 million, or 6.6%. This increase was primarily due to the consolidation of AltAir in our consolidated statements of operations and higher maintenance costs, partially offset by lower utility costs during the six months ended June 30, 2016.

Asphalt Segment. Direct operating expenses for our asphalt segment for the six months ended June 30, 2016 were \$12.1 million, compared to \$14.8 million for the six months ended June 30, 2015, a decrease of \$2.7 million, or 18.2%. This decrease was due to lower fixed operating costs during the six months ended June 30, 2016 as a result of realignment of our asphalt operations during 2015.

Selling, General and Administrative Expenses

Consolidated. SG&A expenses for the six months ended June 30, 2016 were \$100.3 million, compared to \$94.8 million for the six months ended June 30, 2015, an increase of \$5.5 million, or 5.8%. This increase was primarily due to increased employee related costs for the six months ended June 30, 2016.

Refining and Marketing Segment. SG&A expenses for our refining and marketing segment for the six months ended June 30, 2016 were \$37.2 million, compared to \$36.3 million for the six months ended June 30, 2015, an increase of \$0.9 million, or 2.5%. This increase was primarily due to increased employee related costs for the six months ended June 30, 2016.

Asphalt Segment. SG&A expenses for our asphalt segment for the six months ended June 30, 2016 were \$7.2 million, compared to \$4.5 million for the six months ended June 30, 2015, an increase of \$2.7 million, or 60.0%. This increase was primarily due to higher corporate expense allocated to the asphalt segment for the six months ended June 30, 2016.

Retail Segment. SG&A expenses for our retail segment for the six months ended June 30, 2016 were \$55.5 million, compared to \$53.6 million for the six months ended June 30, 2015, an increase of \$1.9 million, or 3.5%. This increase was primarily due to higher employee related costs including the increase in costs due to the addition of 14 stores in the third quarter of 2015.

Depreciation and Amortization

Depreciation and amortization for the six months ended June 30, 2016 was \$71.8 million, compared to \$63.2 million for the six months ended June 30, 2015, an increase of \$8.6 million, or 13.6%. This increase was primarily due to increased amortization of turnaround and catalyst replacement costs during the six months ended June 30, 2016 resulting from the completion of the planned major turnaround at the Krotz Springs refinery during the fourth quarter of 2015.

Operating Income (Loss)

Consolidated. Operating loss for the six months ended June 30, 2016 was \$54.3 million, compared to operating income of \$155.7 million for the six months ended June 30, 2015, a decrease of \$210.0 million. This decrease was primarily due to lower refinery operating margins, decreased refinery throughput, lower retail fuel and merchandise margins and the impacts of commodity swaps, partially offset by higher asphalt margins during the six months ended June 30, 2016.

Refining and Marketing Segment. Operating loss for our refining and marketing segment was \$66.1 million for the six months ended June 30, 2016, compared to operating income of \$159.2 million for the six months ended June 30, 2015, a decrease of \$225.3 million. This decrease was primarily due to lower refinery operating margins, decreased refinery throughput and the impacts of commodity swaps. We had realized and unrealized gains on commodity swaps of \$0.5 million for the six months ended June 30, 2016, compared to \$37.4 million for the six months ended June 30, 2015.

Refinery operating margin at the Big Spring refinery was \$8.16 per barrel for the six months ended June 30, 2016, compared to \$15.56 per barrel for the six months ended June 30, 2015. This decrease in operating margin was primarily due to a lower Gulf Coast 3/2/1 crack spread, a narrowing of both the WTI Cushing to WTI Midland and the WTI Cushing to WTS spreads and refinery downtime discussed above, partially offset by the cost of crude benefit from the market moving further into contango during the six months ended June 30, 2016. The average Gulf Coast 3/2/1 crack spread decreased to \$12.20 per barrel for the six months ended June 30, 2016, compared to \$18.73 per barrel for the six months ended June 30, 2015. The average WTI Cushing to WTI Midland spread narrowed to \$0.02 per barrel for the six months ended June 30, 2016, compared to \$1.27 per barrel for the six months ended June 30, 2015. The average WTI Cushing to WTS spread narrowed to \$0.32 per barrel for the six months ended June 30, 2016, compared to \$0.76 per barrel for the six months ended June 30, 2015. The average Brent to WTI Cushing spread narrowed to \$0.15 per barrel for the six months ended June 30, 2016, compared to \$4.54 per barrel for the six months ended June 30, 2015. The contango environment for the six months ended June 30, 2016 created an average cost of crude benefit of \$1.66 per barrel compared to an average cost of crude benefit of \$1.28 per barrel for the six months ended June 30, 2015.

Refinery operating margin at the Krotz Springs refinery was \$2.69 per barrel for the six months ended June 30, 2016, compared to \$8.71 per barrel for the six months ended June 30, 2015. This decrease in operating margin was primarily due to a lower Gulf Coast 2/1/1 high sulfur diesel crack spread, a narrowing of both the WTI Cushing to WTI Midland and the LLS to WTI Cushing spreads, the premium in LLS compared to Brent and refinery downtime discussed above, partially offset by the cost of crude benefit from the market moving further into contango during the six months ended June 30, 2016. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the six months ended June 30, 2016 was \$7.33 per barrel, compared to \$11.79 per barrel for the six months ended June 30, 2015. The average LLS to WTI Cushing spread narrowed to \$1.82 per barrel for the six months ended June 30, 2016, compared to \$4.48 per barrel for the six months ended June 30, 2015. The average Brent to LLS spread narrowed to \$(1.26) per barrel for the six months ended June 30, 2016, compared to \$0.57 per barrel for the six months ended June 30, 2015.

Asphalt Segment. Operating income for our asphalt segment was \$4.5 million for the six months ended June 30, 2016, compared to operating loss of \$16.2 million for the six months ended June 30, 2015, an increase of \$20.7 million. This increase was primarily due to higher asphalt sales volumes and lower direct operating expenses for the six months ended June 30, 2016. Operating loss for the six months ended June 30, 2015 included a loss of \$14.0 million resulting from a price adjustment related to asphalt inventory. Asphalt margins for the six months ended June 30, 2016 were \$97.96 per ton compared to \$94.41 per ton for the six months ended June 30, 2015.

Retail Segment. Operating income for our retail segment was \$9.0 million for the six months ended June 30, 2016, compared to \$13.8 million for the six months ended June 30, 2015, a decrease of \$4.8 million, or 34.8%. This decrease was primarily due to increased costs due to the addition of 14 stores during 2015, lower retail fuel margins and lower merchandise margins. Retail fuel margins were 20.4 cents per gallon for the six months ended June 30, 2016 compared to 21.9 cents per gallon for the six months ended June 30, 2015. Merchandise margins were 31.3% for the six months ended June 30, 2016 compared to 32.5% for the six months ended June 30, 2015.

Interest Expense

Interest expense was \$37.1 million for the six months ended June 30, 2016, compared to \$39.3 million for the six months ended June 30, 2015, a decrease of \$2.2 million, or 5.6%.

Income Tax Expense (Benefit)

Income tax benefit was \$29.8 million for the six months ended June 30, 2016, compared to income tax expense of \$35.8 million for the six months ended June 30, 2015. Income tax expense decreased as a result of having a pre-tax loss for the six months ended June 30, 2016 compared to having pre-tax income for the six months ended June 30, 2015. Our effective tax rate was 34.4% for the six months ended June 30, 2016, compared to an effective tax rate of 30.4% for the six months ended June 30, 2015. The lower effective tax rate for the six months ended June 30, 2015 was the result of not 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 offset by an increase in the effective tax rate in Louisiana.

Net Income (Loss) Attributable to Non-controlling Interest

Net income (loss) attributable to non-controlling interest primarily consists of the proportional share of the Partnership's income (loss) attributable to the limited partner interests held by the public. Net loss attributable to non-controlling interest was \$0.8 million for the six months ended June 30, 2016, compared to net income attributable to non-controlling interest of \$18.6 million for the six months ended June 30, 2015, a decrease of \$19.4 million.

Net Income (Loss) Available to Stockholders

Net loss available to stockholders was \$55.9 million for the six months ended June 30, 2016, compared to net income available to stockholders of \$63.3 million for the six months ended June 30, 2015, a decrease of \$119.2 million. This decrease 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 six months ended June 30, 2016 and 2015:

	For the Six Months Ended	
	June 30,	
	2016	2015
	(dollars in thousands)	
Cash provided by (used in):		
Operating activities	\$ (12,009)	\$ 115,891
Investing activities	(68,454)	(33,945)
Financing activities	52,189	(33,077)
Net increase (decrease) in cash and cash equivalents	\$ (28,274)	\$ 48,869

Cash Flows Provided by (Used in) Operating Activities

Net cash used in operating activities was \$12.0 million during the six months ended June 30, 2016, compared to net cash provided by operating activities of \$115.9 million during the six months ended June 30, 2015. The decrease in cash flows provided by operations of \$127.9 million was primarily attributable to reduced net income (loss) after adjusting for non-cash items of \$136.4 million, increased cash used for inventories of \$23.7 million, increased cash used for prepaid expenses and other current assets of \$7.6 million and reduced cash collected on receivables of \$41.4 million. These changes were partially offset by reduced cash used for accounts payable and accrued liabilities of \$72.9 million, reduced cash used for other assets of \$8.2 million and lower cash used for other non-current liabilities of \$0.2 million during the six months ended June 30, 2016.

Cash Flows Used in Investing Activities

Net cash used in investing activities was \$68.5 million during the six months ended June 30, 2016, compared to \$33.9 million during the six months ended June 30, 2015. The increase in cash flows used in investing activities of \$34.6 million was primarily attributable to higher cash used for capital expenditures and capital expenditures for turnarounds and catalysts of \$26.1 million and cash used to acquire a controlling interest in AltAir of \$7.9 million during the six months ended June 30, 2016.

Cash Flows Provided by (Used in) Financing Activities

Net cash provided by financing activities was \$52.2 million during the six months ended June 30, 2016, compared to \$33.1 million net cash used in financing activities during the six months ended June 30, 2015. The increase in cash flows provided by financing activities of \$85.3 million was primarily attributable to lower repayments of \$20.0 million on our revolving credit facilities, reduced payments to shareholders and non-controlling interests of \$11.5 million and increased cash received on our inventory agreement transactions of \$52.6 million during the six months ended June 30, 2016.

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 June 30, 2016 and December 31, 2015, we had letters of credit outstanding under this facility of \$41.2 million and \$60.6 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. We had borrowings of \$55.0 million and \$55.0 million and letters of credit outstanding of \$134.4 million and \$48.6 million under this facility at June 30, 2016 and December 31, 2015, 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 June 30, 2016, the conversion rate was adjusted to 71.626 shares of our common stock per each \$1 (in thousands) principal amount of Convertible Notes, equivalent to a conversion price of approximately \$13.96 per share, to reflect cash dividend adjustments. The strike price of the options was adjusted to \$13.96 per share and the strike price of the warrants was adjusted to \$18.97 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 June 30, 2016, there have been no conversions of the Convertible Notes.

In May 2015, Delek acquired approximately 48% of our outstanding common stock from Alon Israel Oil Company, Ltd. If Delek were to acquire greater than 50.00% of our outstanding common stock, it could require us to settle the full principal amount of the Convertible Notes of \$150.0 million and to render a make-whole payment to holders of our Convertible Notes, assuming full conversion. In the event of a conversion, the convertible note options will cover our obligation to render payment under the make-whole provision. Under these circumstances, we could also be required to settle the outstanding warrants, which had a value of approximately \$4.0 million as of June 30, 2016. Based on our share price as of June 30, 2016, we would not have to render a make-whole payment as our share price was below the minimum share price per the make-whole provision in the indenture.

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 2016 is \$60.0 million, which includes expenditures for catalysts and turnarounds and approximately \$10.0 million of special regulatory projects. Approximately \$61.5 million has been spent during the six months ended June 30, 2016, which includes approximately \$21.0 million of payments during 2016 for expenditures incurred during 2015.

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, 2015.

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, 2015. 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, 2015.

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 June 30, 2016, the market value of refined products, asphalt and blendstock inventories exceeded LIFO costs by \$4.1 million. At June 30, 2016, the market value of crude oil inventories exceeded LIFO costs, net of the fair value hedged items, by \$16.2 million.

As of June 30, 2016, we held 0.7 million barrels of refined products, asphalt and blendstock and 0.9 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 still exceeded LIFO costs by \$3.4 million, requiring no inventory adjustment to be made. If the market value of crude oil would have been \$1.00 per barrel lower, the market value of crude oil inventories would have still exceeded LIFO costs, net of the fair value hedged item, by \$15.3 million, requiring no inventory adjustment to be made.

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 June 30, 2016:

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)	142,037	\$ 49.08	\$ —	\$ 6,971	\$ 6,897	\$ (74)
Forwards-short (Crude)	(362,217)	—	56.86	(20,597)	(20,552)	45
Forwards-long (Gasoline)	205,062	62.91	—	12,901	12,745	(156)
Forwards-short (Gasoline)	(144,023)	—	62.48	(8,998)	(8,658)	340
Forwards-long (Distillate)	88,250	57.76	—	5,098	5,221	123
Forwards-short (Distillate)	(331,484)	—	63.70	(21,115)	(22,009)	(894)
Forwards-long (Jet)	11,287	58.15	—	656	656	—
Forwards-short (Jet)	(64,646)	—	60.67	(3,922)	(3,957)	(35)
Forwards-short (Slurry)	(32,364)	—	29.46	(953)	(988)	(35)
Forwards-long (Catfeed)	151,039	59.17	—	8,937	8,912	(25)
Forwards-short (Catfeed)	(95,197)	—	59.17	(5,633)	(5,512)	121
Forwards-short (Slop)	(26,854)	—	40.60	(1,090)	(1,102)	(12)
Forwards-short (Propane)	(40,000)	—	20.56	(822)	(902)	(80)
Forwards-long (Butane)	78,483	27.43	—	2,153	2,279	126
Forwards-short (Asphalt)	(195,358)	—	47.85	(9,348)	(9,569)	(221)
Futures-long (Crude)	400,000	49.39	—	19,756	19,331	(425)
Futures-short (Crude)	(71,000)	—	52.16	(3,704)	(3,431)	273
Futures-long (Gasoline)	213,000	65.77	—	14,009	13,431	(578)
Futures-short (Gasoline)	(348,000)	—	65.57	(22,818)	(21,943)	875
Futures-long (Distillate)	401,000	63.24	—	25,359	25,073	(286)

Description of Activity	Contract Volume (barrels)	Wtd Avg Contract Spread	Wtd Avg Market Spread	Contract Value	Market Value	Gain (Loss)
(in thousands)						
Futures-swaps long (LLS-WTI)	540,000	\$ 8.04	\$ 1.75	\$ 4,340	\$ 946	\$ (3,394)
Futures-swaps short (WTI-Brent)	(1,980,000)	10.54	0.87	(20,859)	(1,712)	19,147
Futures-swaps long (WTI-Brent)	1,980,000	4.95	0.87	9,810	1,712	(8,098)

Interest Rate Risk

As of June 30, 2016, \$424.9 million, excluding discounts and issuance costs, of our outstanding debt was subject to floating interest rates, of which \$241.3 million was charged interest at the Eurodollar rate (with a floor of 1.25%) plus a margin of 8.00%.

As of June 30, 2016, we had interest rate swap contracts, maturing March 2019, that effectively fix the variable interest component on approximately \$77.4 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 \$1.6 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 our disclosure controls and procedures (as defined in Rule 13a-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 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit 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 ensure that information required to be disclosed by us in the reports that we file or submit 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.

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) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
31.1	Certifications of Chief Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications 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 June 30, 2016, 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: August 1, 2016

By: /s/ Paul Eisman

Paul Eisman

President and Chief Executive Officer

Date: August 1, 2016

By: /s/ Shai Even

Shai Even

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

CERTIFICATIONS

I, Paul Eisman, 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: August 1, 2016

By: /s/ Paul Eisman

Paul Eisman

President and Chief Executive Officer

CERTIFICATIONS

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: August 1, 2016

By: /s/ Shai Even

Shai Even

Senior Vice President and Chief Financial Officer

**CERTIFICATION 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 June 30, 2016, 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: August 1, 2016

By: /s/ Paul Eisman

Paul Eisman
President and Chief Executive Officer

Date: August 1, 2016

By: /s/ Shai Even

Shai Even
Senior Vice President and Chief Financial Officer