



# Investor Update

## *February 2017*

NYSE: PSX  
[www.phillips66.com](http://www.phillips66.com)

# Cautionary Statement



This presentation contains forward-looking statements. Words and phrases such as “is anticipated,” “is estimated,” “is expected,” “is planned,” “is scheduled,” “is targeted,” “believes,” “intends,” “objectives,” “projects,” “strategies” and similar expressions are used to identify such forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements relating to the operations of Phillips 66 and Phillips 66 Partners LP (including joint venture operations) are based on management’s expectations, estimates and projections, their interests and the energy industry in general on the date this presentation was prepared. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. Factors that could cause actual results or events to differ materially from those described in the forward-looking statements can be found in filings by Phillips 66 and Phillips 66 Partners LP with the Securities and Exchange Commission. Phillips 66 and Phillips 66 Partners LP are under no obligation (and expressly disclaim any such obligation) to update or alter their forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation includes non-GAAP financial measures. You can find the reconciliations to comparable GAAP financial measures at the end of the presentation materials or in the “Investors” section of the websites of Phillips 66 and Phillips 66 Partners LP.

# Executing Strategy



## Operating Excellence

2016 safest year  
2016 record refining utilization

## Growth

Start-up of Freeport  
LPG Export Terminal  
CPCChem's USGC  
petrochemical project  
> 90% complete

## Returns

Sold Whitegate  
Refinery  
Improving yields,  
reducing costs  
Enhancing brand value

## Distributions

Returned over \$13 B  
to shareholders since  
2012 through share  
repurchases, dividends  
and share exchange

## High-Performing Organization

Building capabilities  
Doing the right thing

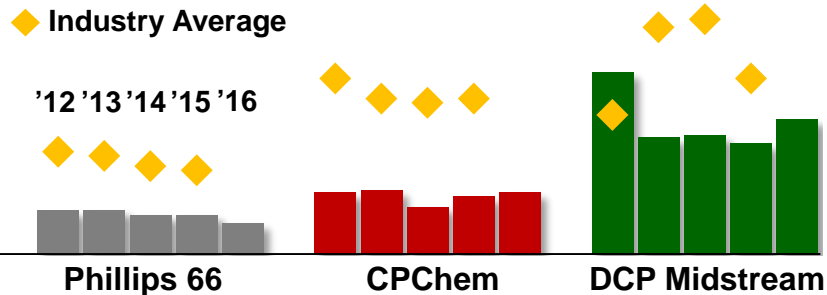




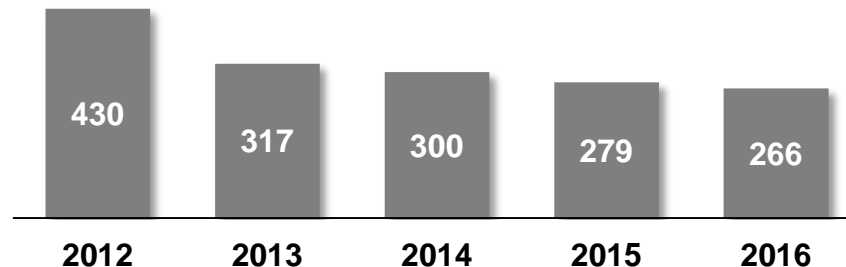
# Operating Excellence



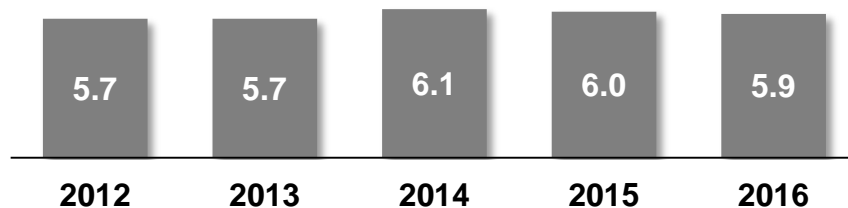
## Total Recordable Rates (Incidents per 200,000 Hours Worked)



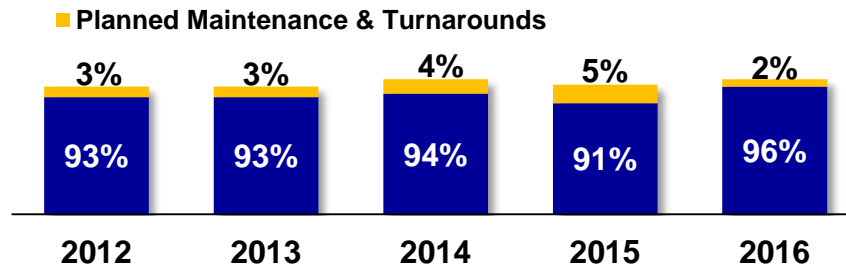
## Refining Environmental Metrics



## Operating Costs and SG&A (\$B)



## Refining Capacity Utilization (%)



See appendix for footnotes.

# Integrated Midstream Network

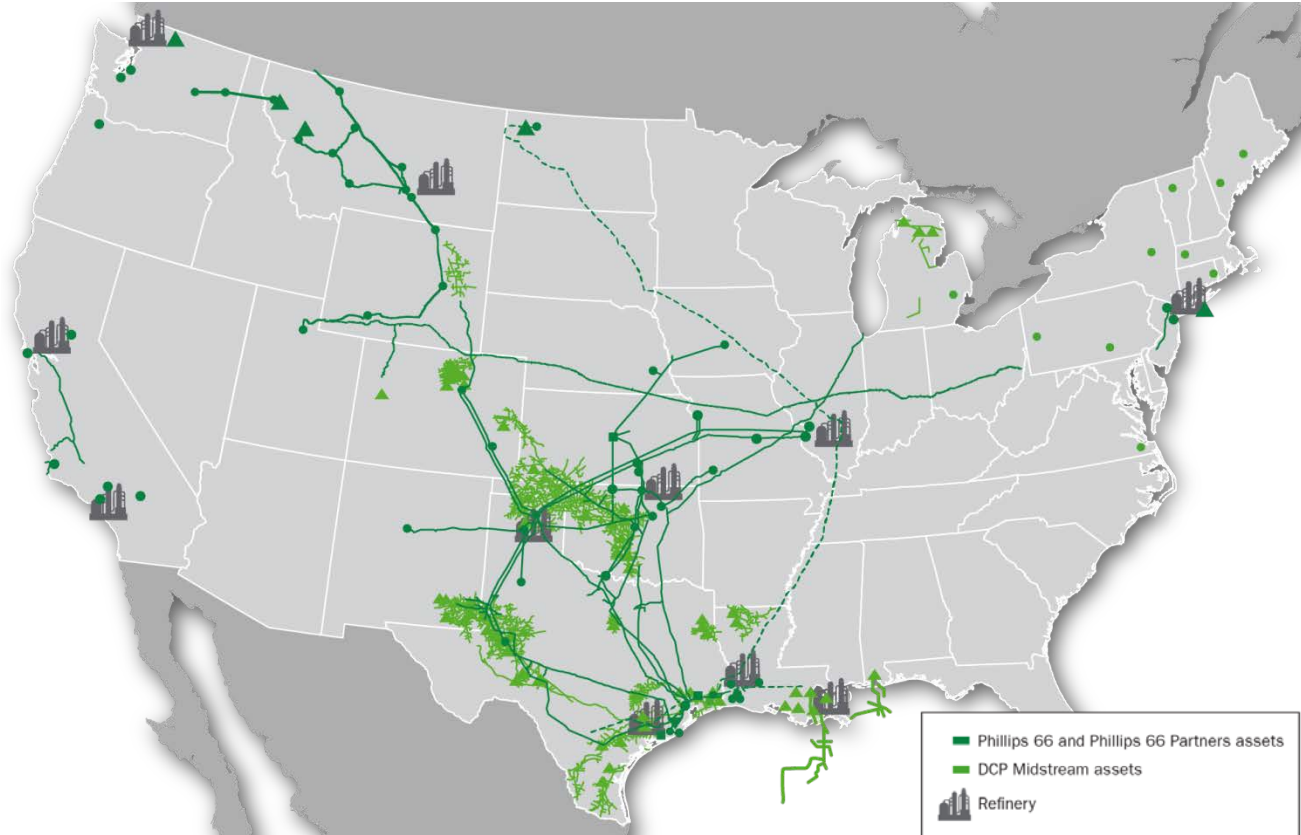


Transportation

NGL

DCP Midstream

Phillips 66 Partners

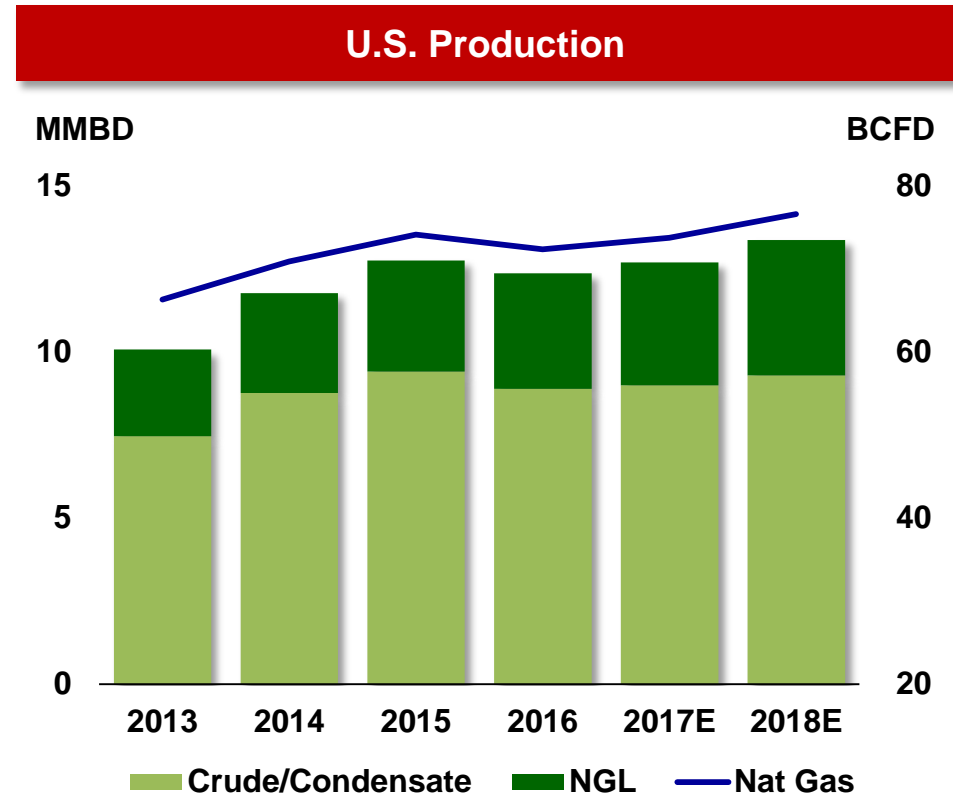


Growing U.S. supply

Enhancing and extending logistics infrastructure

Substantial backlog of investments

PSXP 2018E run-rate EBITDA of \$1.1 B



# PSXP Value to PSX



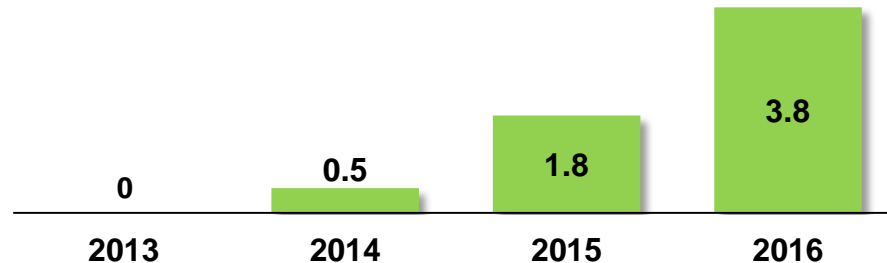
Attractive cost of capital

Growing distributions

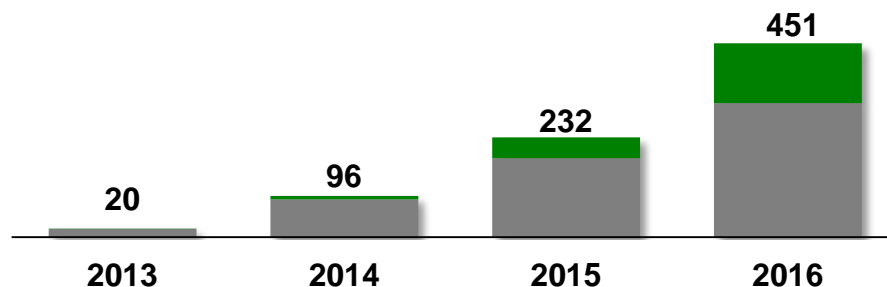
Funding Midstream growth

PSX multiple uplift

## Cumulative Dropdown Proceeds (\$B)



## Cumulative LP & GP Distributions (\$MM)



■ Limited Partner

■ General Partner

# DCP Midstream



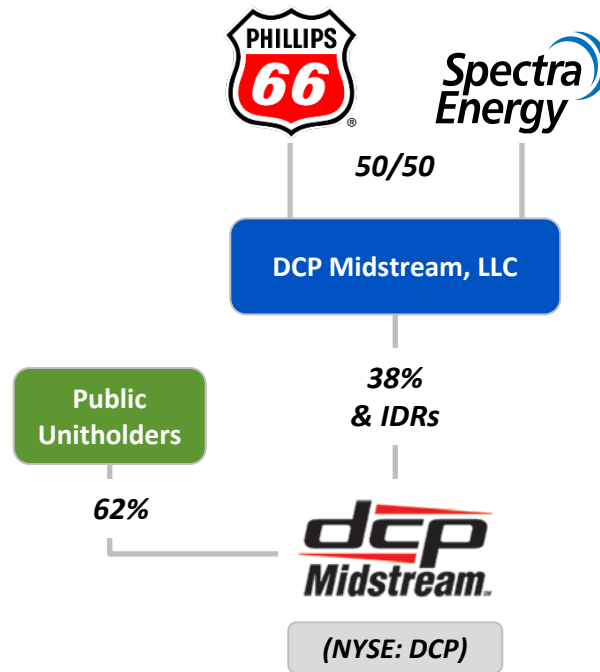
Largest NGL producer and gas processor in U.S.

Simplified business structure with all assets combined in the MLP

Positioned for long-term success

Enables distributions to parents

## New DCP Structure



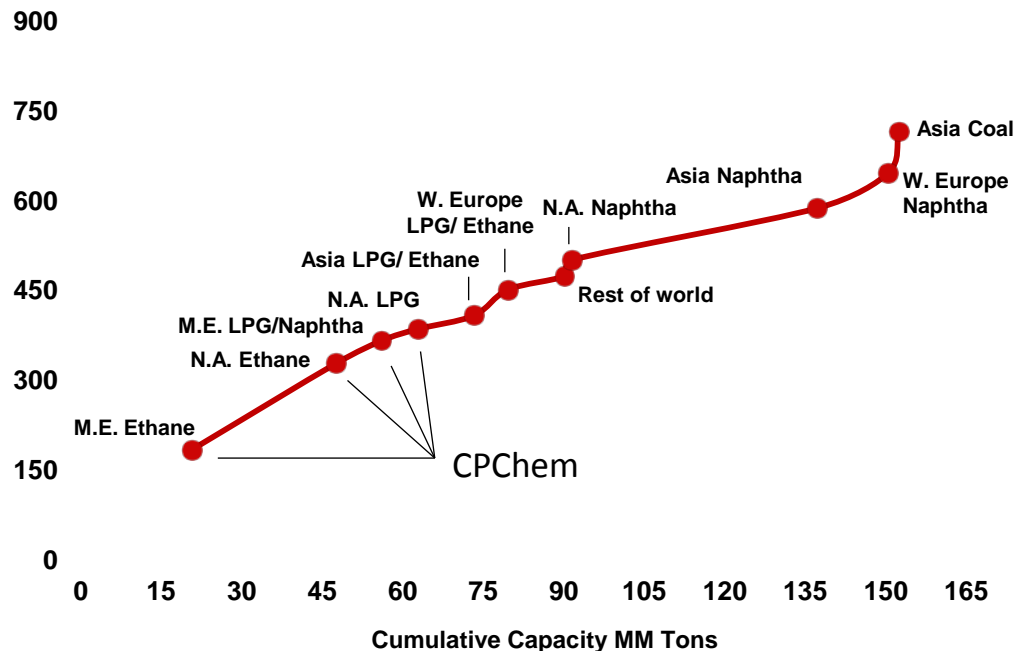


Middle East and North America  
NGLs remain advantaged

Industry ethylene demand growing  
at ~1.5x GDP

Expect global ethylene supply and  
demand to be balanced

## 2017E Average Ethylene Production Cost Curve (\$/ton)



## USGC Petrochemicals Project

1,000 kMTA (polyethylene) at Old Ocean, TX

Start-up expected mid-2017

1,500 kMTA (ethylene) at Cedar Bayou, TX

Start-up expected 4Q 2017

## Expect increased distributions

USGC project completion

Decreased capital spend

Additional EBITDA



*CPCChem USGC Ethane Cracker, Baytown, TX*

# Diversified Refining Portfolio



## Atlantic Basin/Europe

520 MBD crude capacity

## Gulf Coast

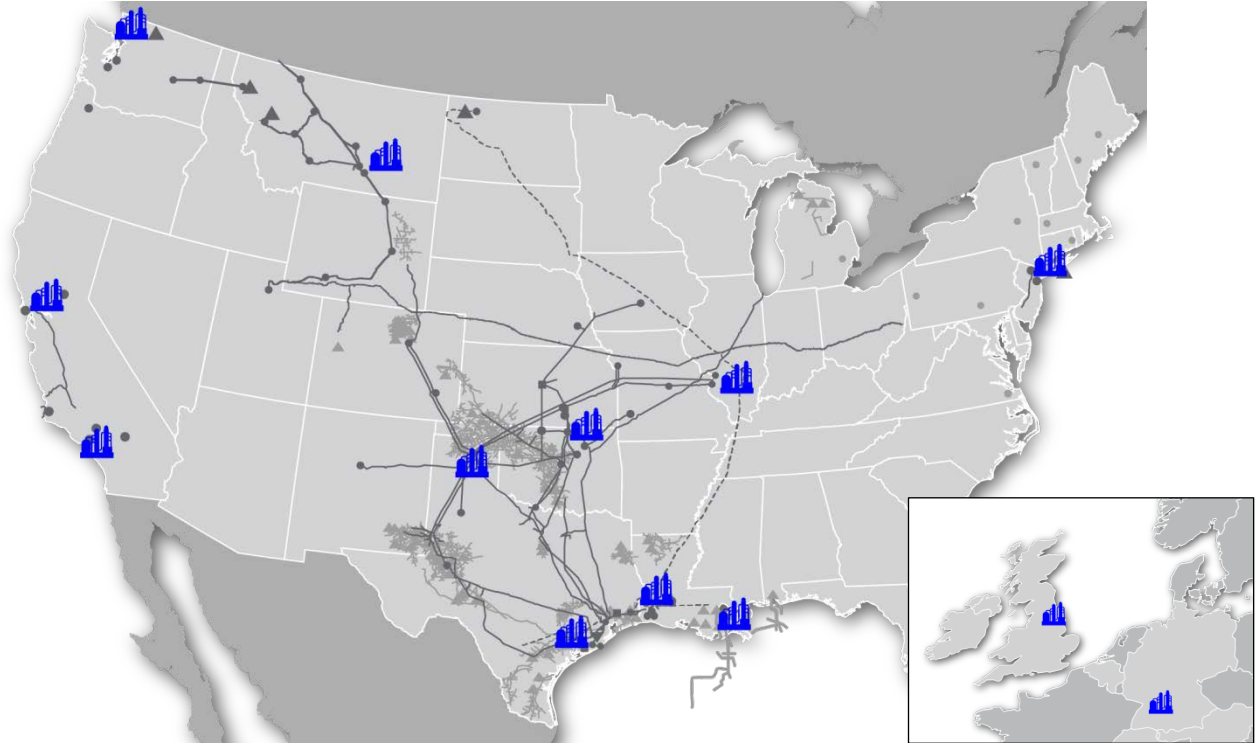
743 MBD crude capacity

## Central Corridor

493 MBD crude capacity

## West Coast

360 MBD crude capacity



# Refining



High product inventories pressuring crack spreads

13 refineries in the U.S. and Europe

Enhancing yield and returns

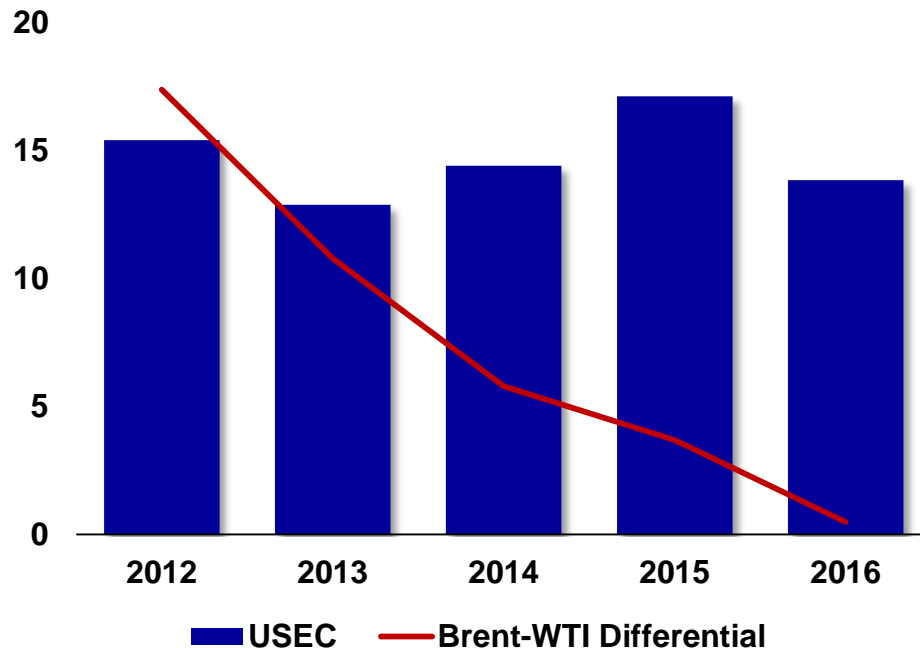
- FCC modernization

- Crude slate optimization

- Yield improvements

Opportunities for Midstream growth

**Crack Spread and Differential  
(\$/bbl)**



# Marketing and Specialties



Stable, high-return businesses

## Marketing

Enhancing U.S. fuels brands

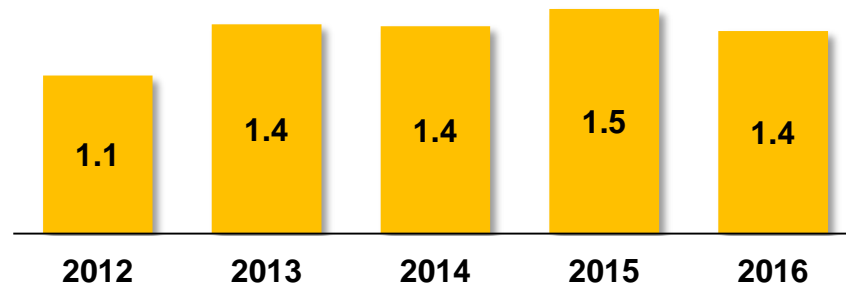
Adding 25-30 European sites per year

Providing ratable refinery off-take

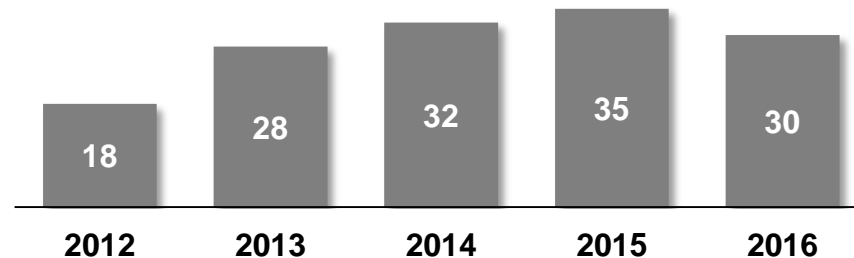
## Specialties

Growing high-performance lubricants

### Adjusted EBITDA (\$B)



### Adjusted ROCE (%)



# Capital Structure



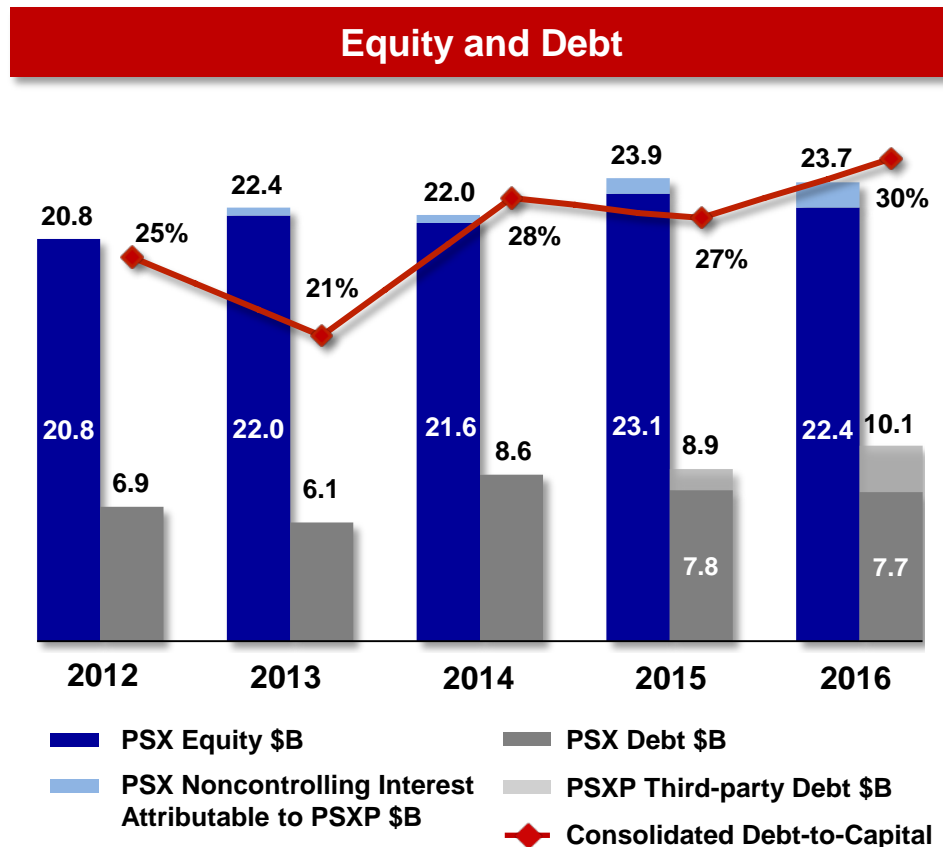
Investment-grade credit ratings

PSX – BBB+ / A3

PSXP – BBB / Baa3

Over \$7 B of available liquidity at PSX

~3.5x debt/EBITDA target at PSXP





# Capital Allocation

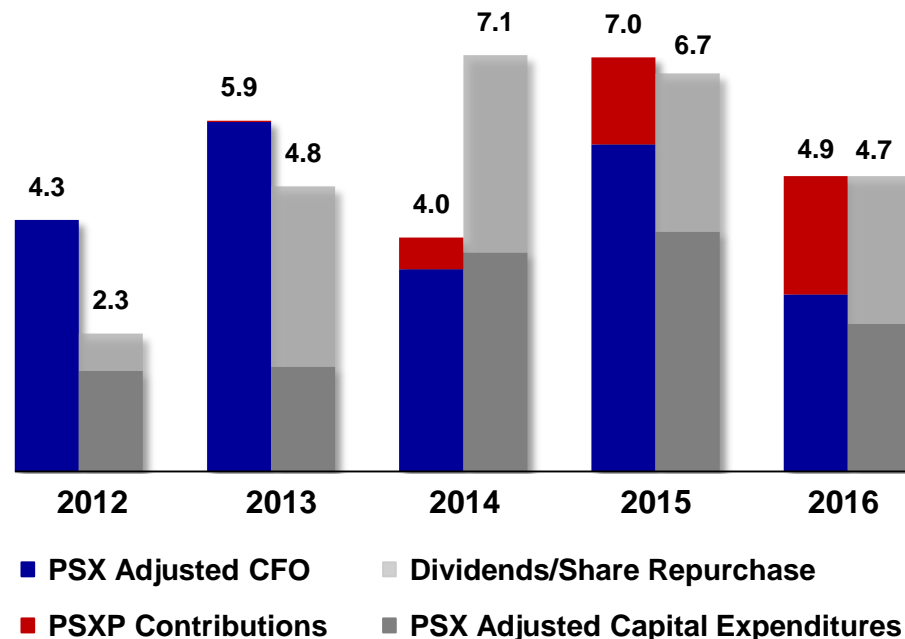


Maintain financial strength

Fund sustaining and growth capital

Growing dividend and ongoing share repurchases

## Phillips 66 Cash Sources and Uses (\$B)

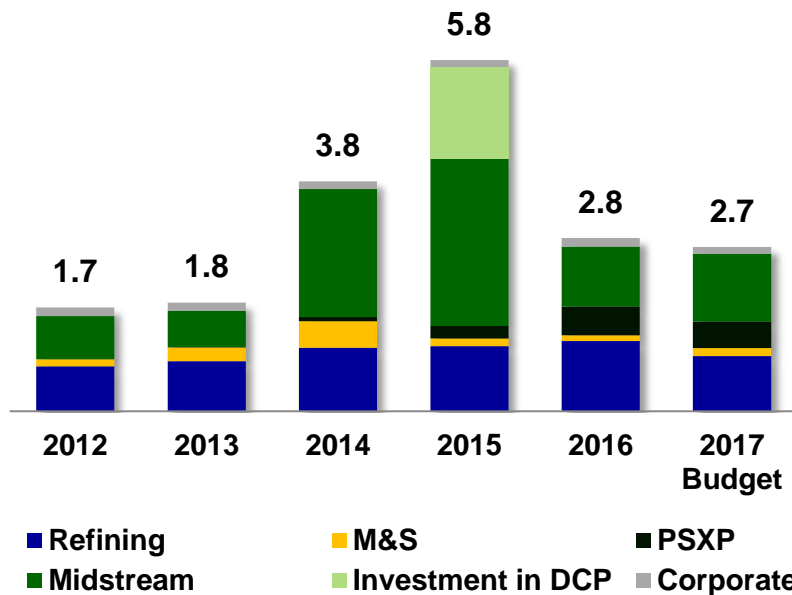


2015 PSX adjusted capital expenditures exclude investment in DCP Midstream of \$1.5 billion. See appendix for additional footnotes.

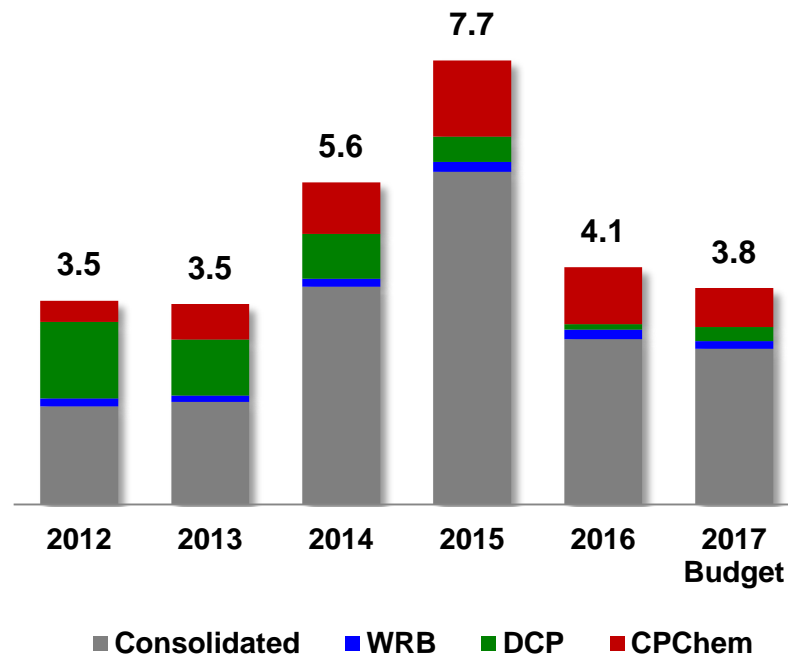
# Capital Spending



## Consolidated (\$B)



## Capital Program (\$B)



Capital program includes Phillips 66's portion of capital spending by DCP Midstream, CPChem and WRB.

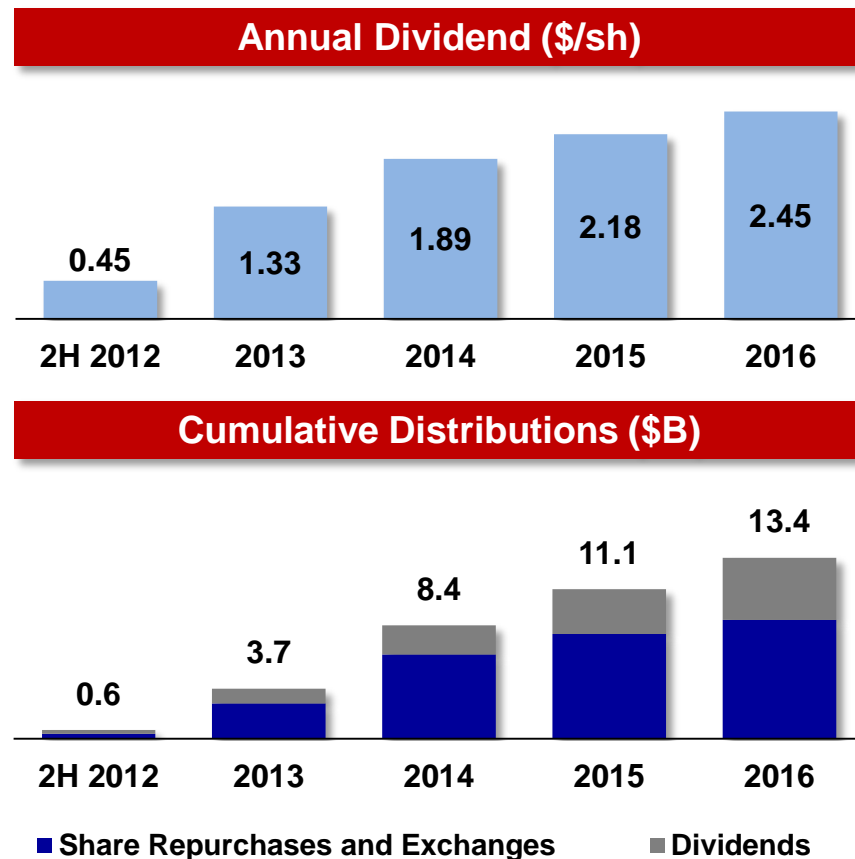
# Distributions



Delivering shareholder value

Growing, secure and competitive dividends

Committed to share repurchases



# Delivering Shareholder Returns



Integrated portfolio

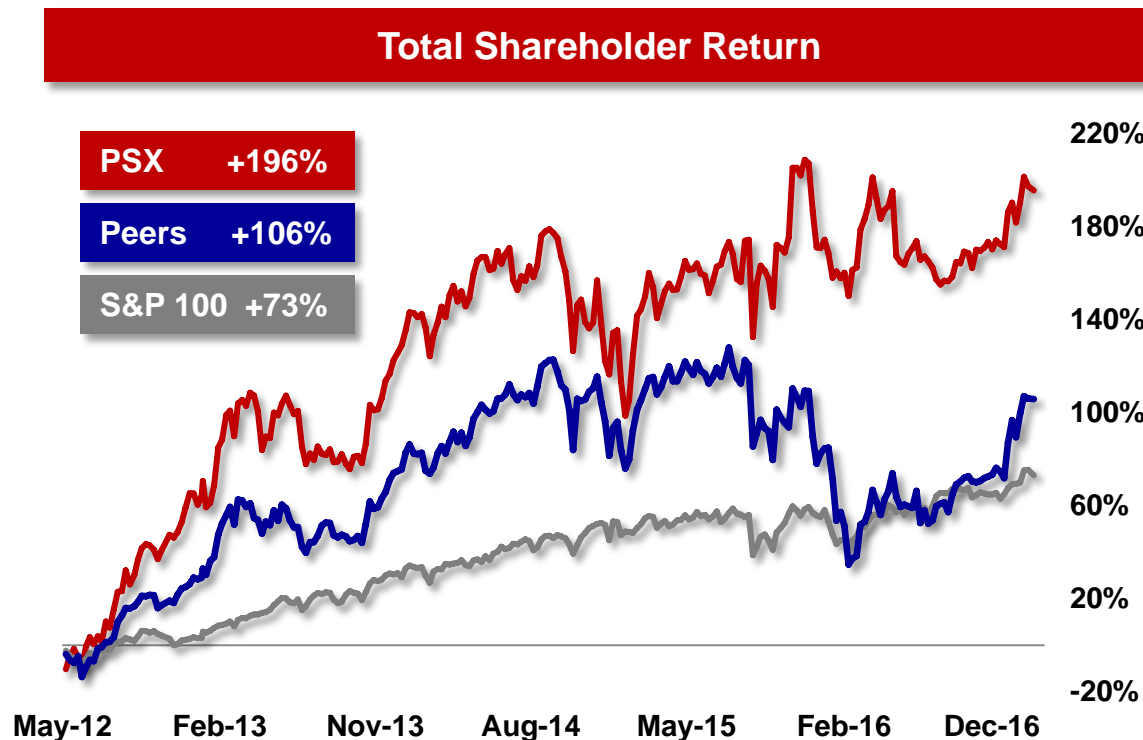
Disciplined capital allocation

Returns focused

Value-added growth

Strong balance sheet

Compelling investment





## Institutional Investors Contact

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General Manager, Investor Relations

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Manager, Investor Relations

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# Investor Update

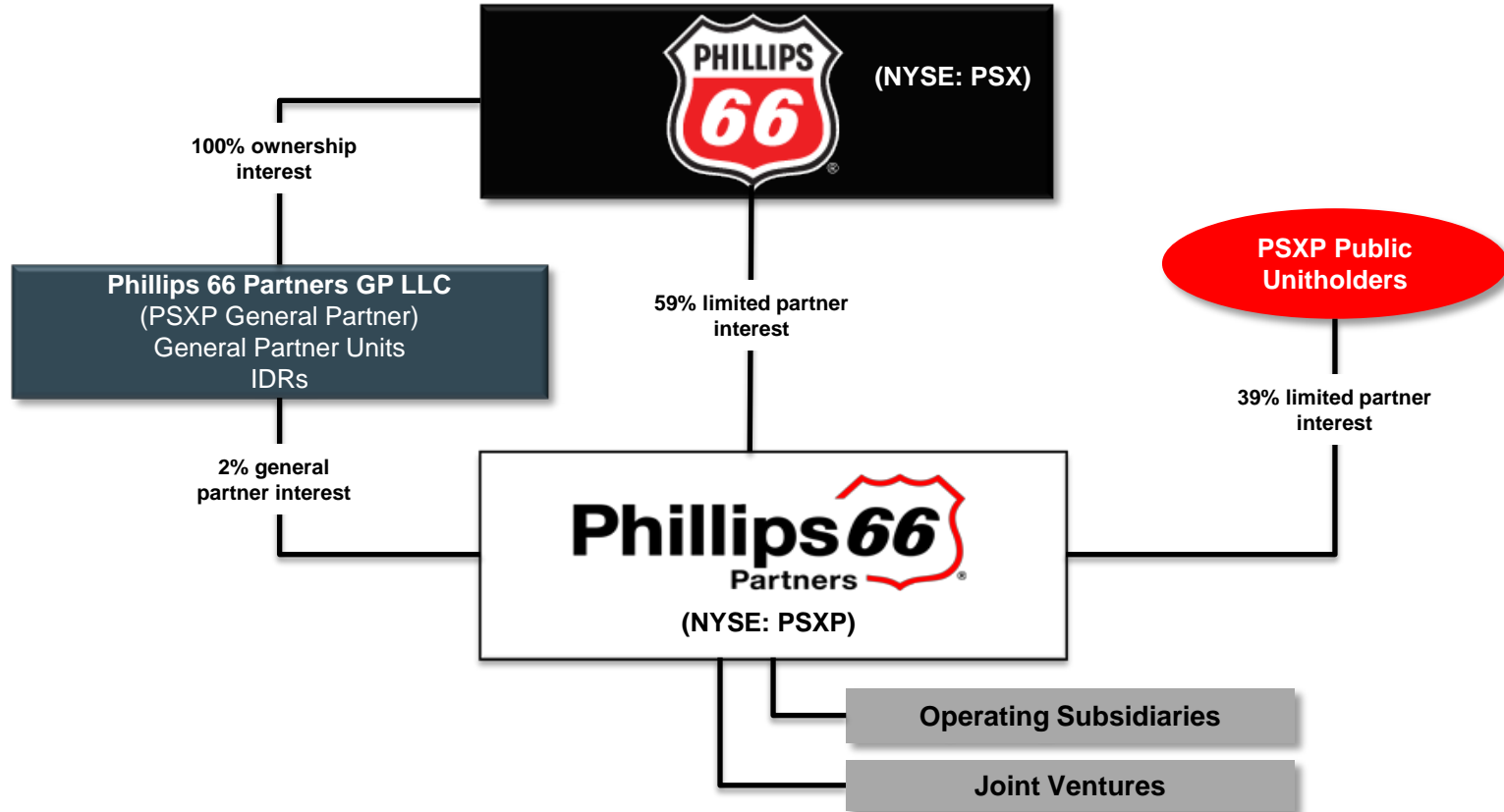
## *February 2017*



NYSE: PSXP  
[www.phillips66partners.com](http://www.phillips66partners.com)



# Phillips 66 Partners Ownership Structure



# Phillips 66 Partners

Strong alignment with Phillips 66

Highly integrated assets

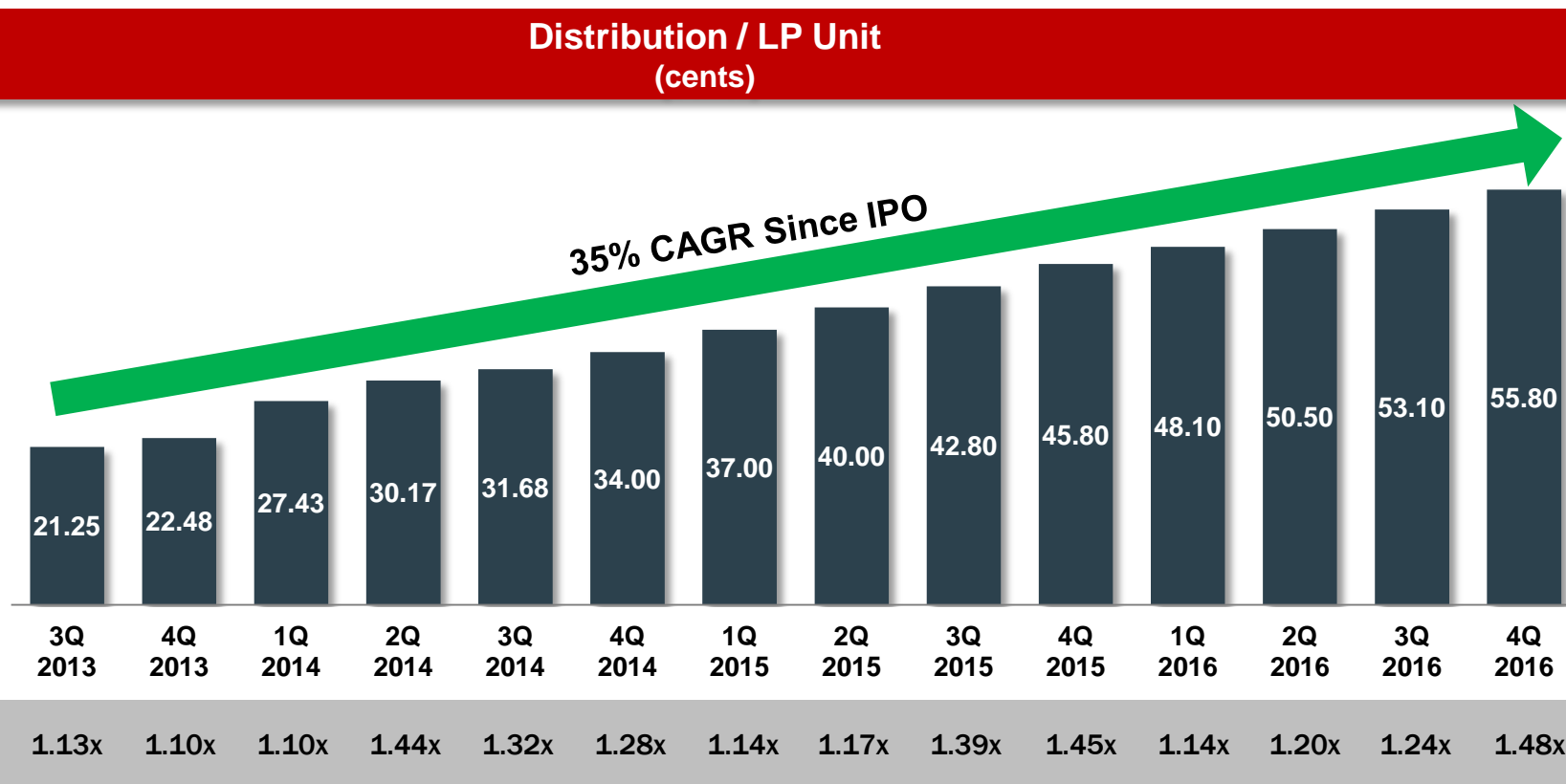
Stable and predictable cash flows

Significant growth potential

Financial flexibility



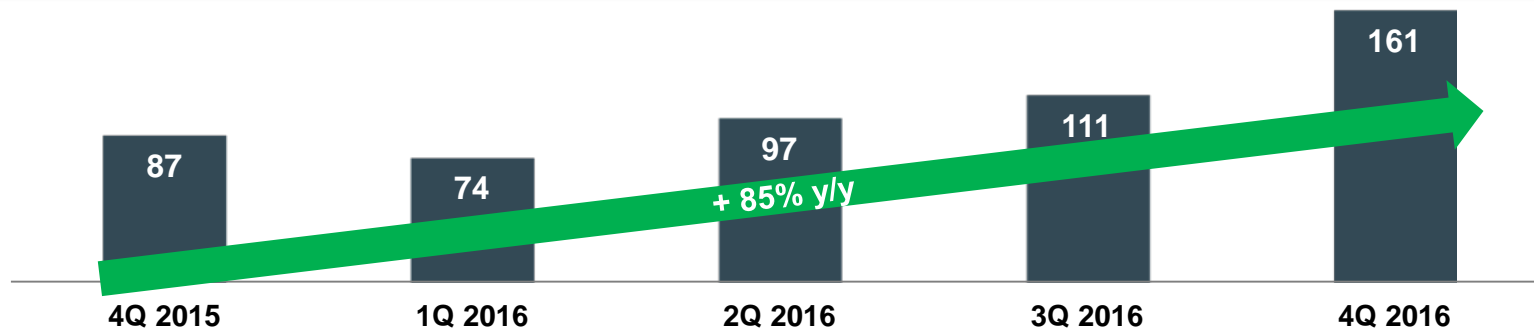
# Distribution Growth



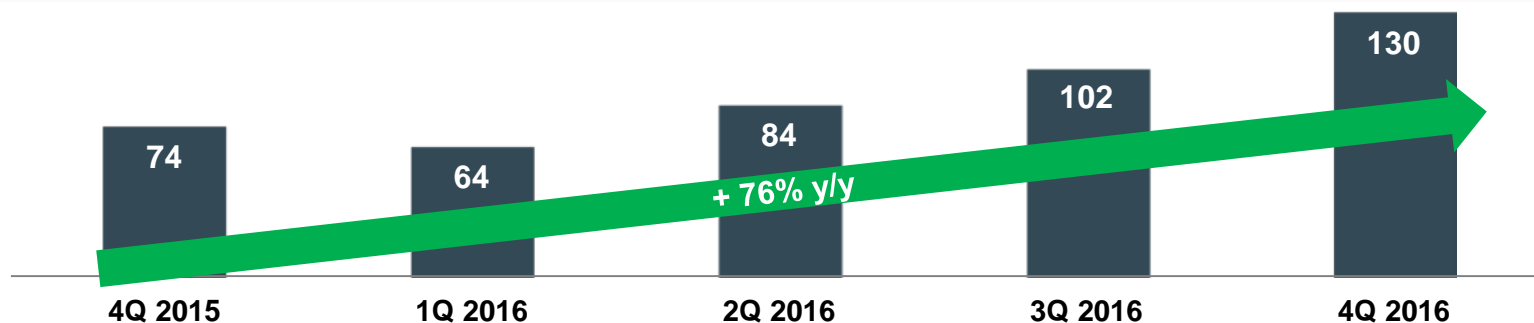
3Q 2013 distribution represents the minimum quarterly distribution, actual distribution of 15.48 cents equal to MQD prorated.

# Financial Performance

## Adjusted EBITDA (\$MM)



## Distributable Cash Flow (\$MM)



Adjusted EBITDA and Distributable Cash Flow shown are attributable to PSXP.

# 2016 Third-Party Acquisitions

## Explorer Pipeline

Acquisition of an additional 2.5% equity interest to bring ownership to ~ 22%

Approximately 660 Mbd petroleum products pipeline delivering to more than 70 major cities in 16 states

## STACK 50/50 JV with Plains All American Pipeline, L.P.

Acquisition of 50% interest

Pipeline transporting crude oil from STACK play in northwestern Oklahoma to Cushing, Okla.

## River Parish NGL System

Acquisition of NGL pipeline and storage system in southeast Louisiana



# Recent Acquisitions from Phillips 66

1Q 2016 \$236 MM, 25% controlling interest in Sweeny Fractionator & Clemens NGL Caverns funded with:

- \$24 MM take-back equity of PSXP LP and GP units

- \$212 MM sponsor loan payable to PSX

- Sponsor loan repaid with proceeds from public unit offering

2Q 2016 \$775 MM, Standish Pipe & remaining 75% interest in Sweeny Fractionator & Clemens NGL Caverns funded with:

- \$100 MM take-back equity of PSXP LP and GP units

- \$675 MM sponsor loans payable to PSX

- Sponsor loans repaid with proceeds from public unit offerings

4Q 2016 \$1.3 B, 30 Phillips 66 Crude, Products, and NGL Logistics Assets funded with:

- \$1.1 B net proceeds from Senior Notes offering

- \$196 MM take-back equity of PSXP LP and GP units





# Phillips 66 Partners Capital Expenditures



2017E Capex of \$437 MM

## PSXP Capital Expenditures (\$MM)

\$381 MM Growth

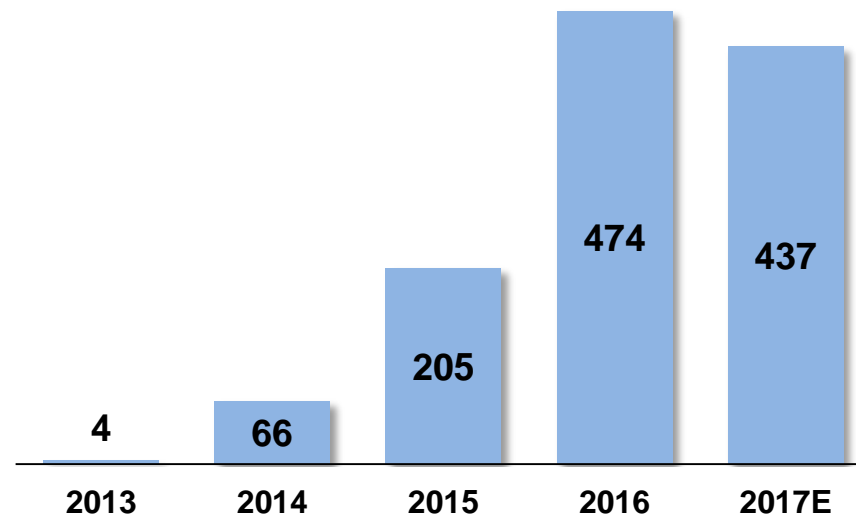
Bayou Bridge Pipeline

Sand Hills Pipeline

STACK Pipeline JV

River Parish NGL System

\$56 MM Sustaining



# \$381 MM 2017 Organic Growth Plan

## Bayou Bridge Pipeline

Transports crude from Nederland, TX to Lake Charles, LA, and eventually to St. James, LA

Increases crude supply options for Louisiana refineries

Nederland to Lake Charles leg began operations in April 2016

Development continues for segment from Lake Charles to St. James, commercial operations expected 4Q 2017

## Sand Hills Pipeline

Adding lateral connections and increasing pumping capacity

## STACK Pipeline JV

Expanding the capacity of the STACK Pipeline through looping the pipeline from Cashion Terminal to Cushing

## River Parish NGL system

Expanding the system to reactivate and develop pipeline connections and a storage cavern



# PSXP Debt Profile

\$2.4 B Total Debt as of December 31, 2016

\$2.2 B Senior Notes:

5-Year \$300 MM notes, 2.646% coupon

10-Year \$500 MM notes, 3.605% coupon

10-Year \$500 MM notes, 3.550% coupon

30-Year \$300 MM notes, 4.680% coupon

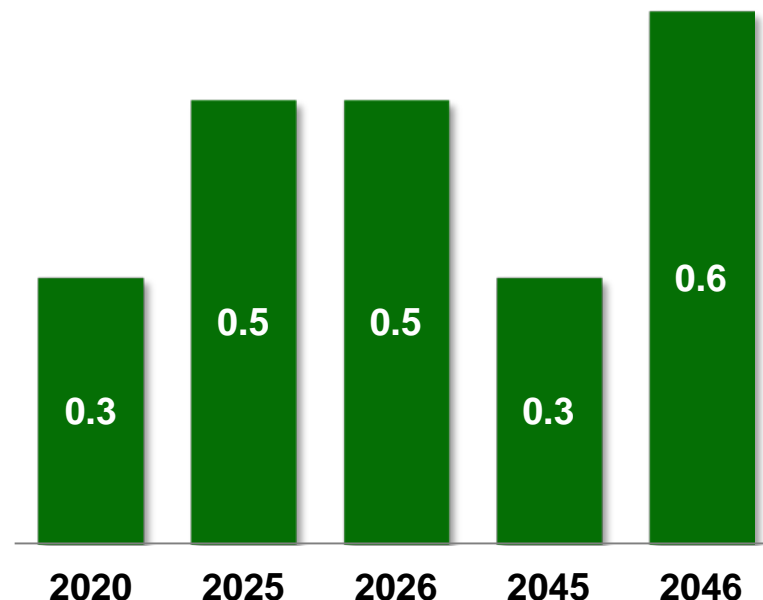
30-Year \$625 MM notes, 4.900% coupon

Weighted average cost of 3.97%

BBB / Baa3 credit rating

Weighted average cost excludes revolving credit facility.

## Senior Notes Maturity Profile (\$B)



# Financial Flexibility

Investment-grade credit rating

Financial targets:

30% distribution CAGR 2013-2018

3.5x debt / EBITDA

1.1x annual coverage ratio

Support Phillips 66 Midstream growth



# Total Return Since IPO

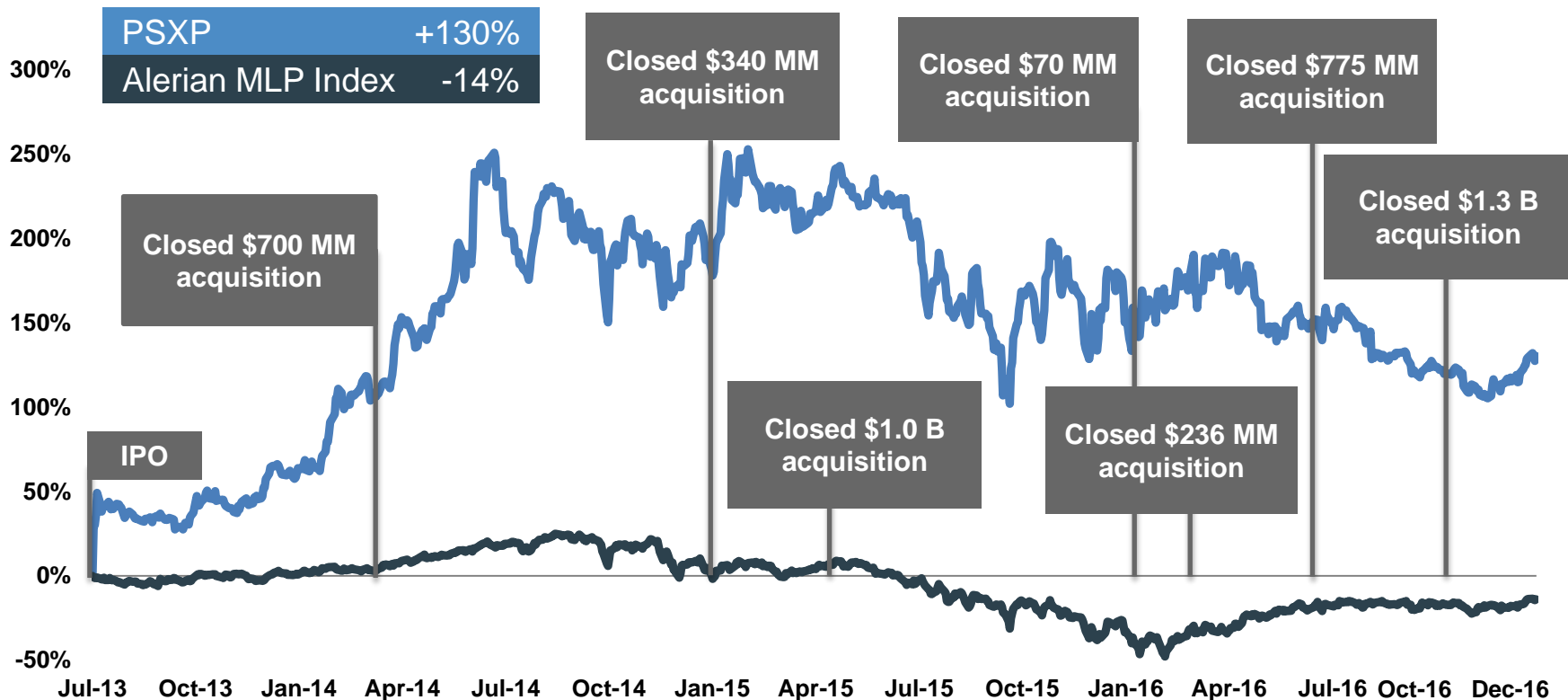


Chart reflects total unitholder return July 22, 2013 to December 31, 2016. Distributions assumed to be reinvested in units. Source: Bloomberg.

# Institutional Investors Contact

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C.W. Mallon – Manager, Investor Relations

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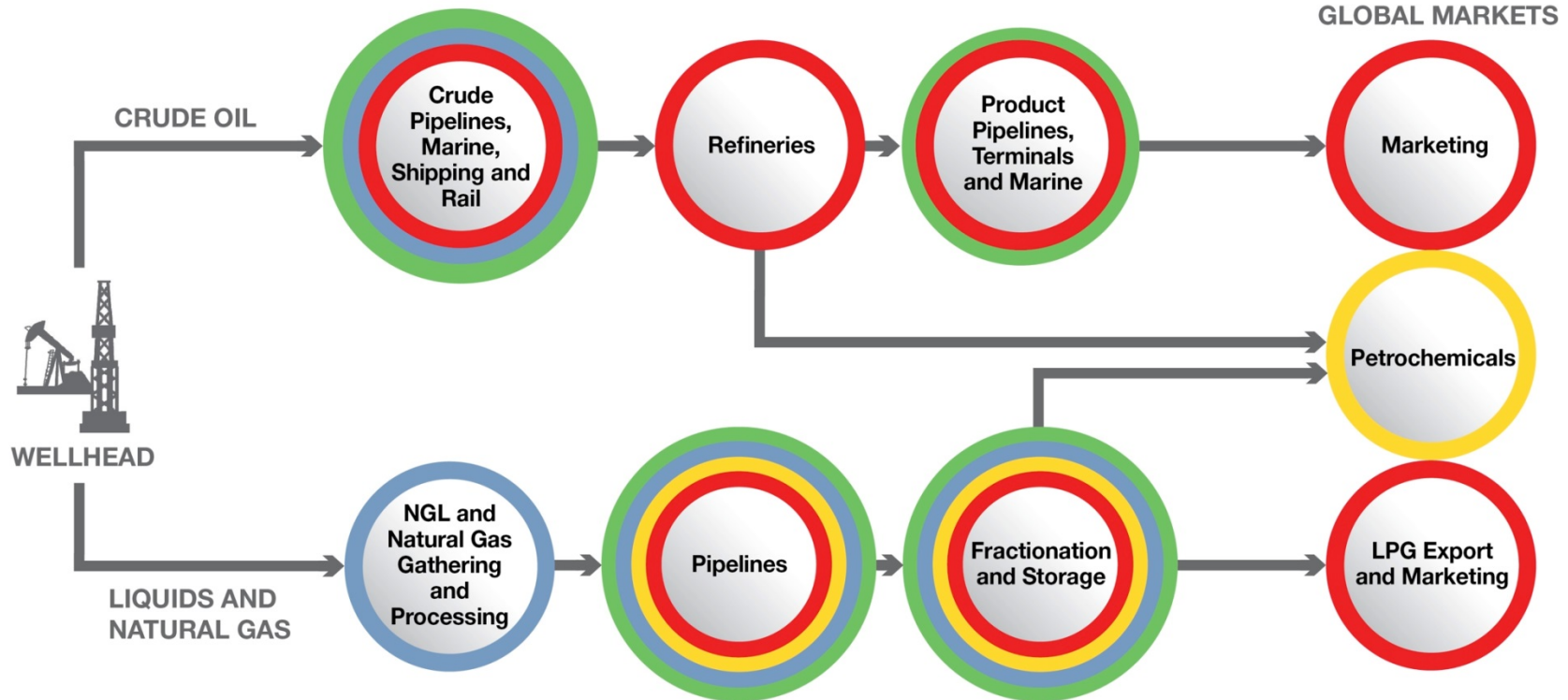




# Appendix



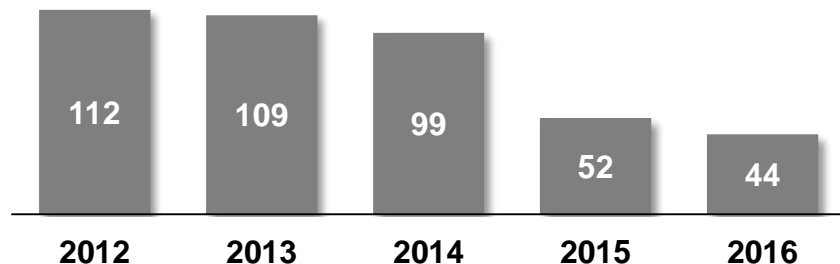
# Value Chains



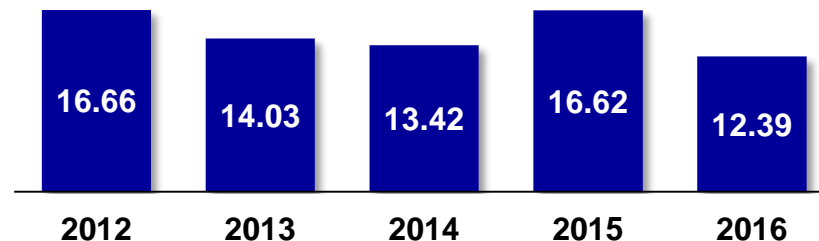
# Energy Prices and Margins



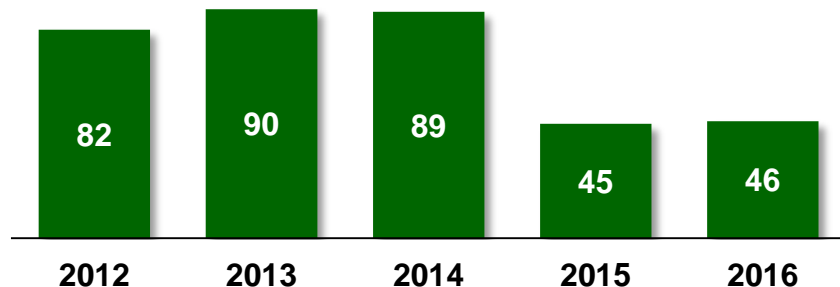
**Brent (\$/bbl)**



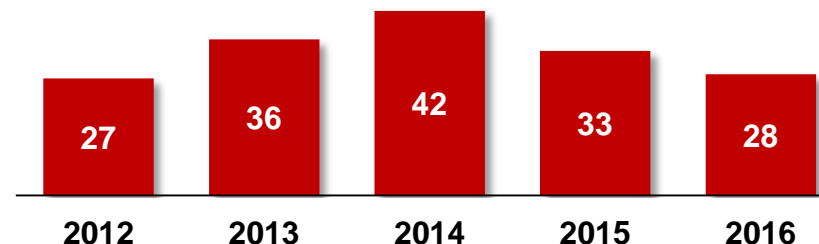
**Global Market Crack (\$/bbl)**



**NGL Weighted Average (cpg)**

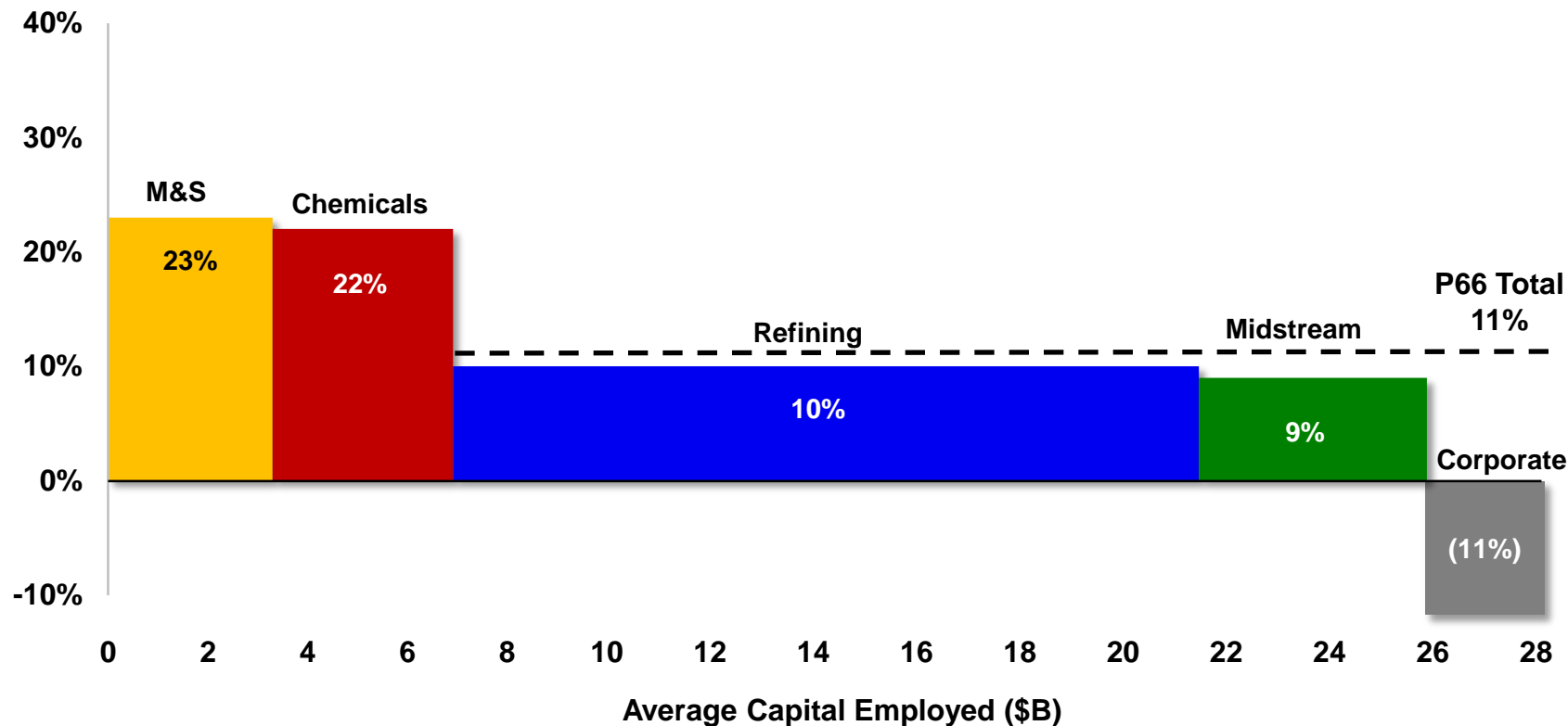


**PE Cash Chain Margin (cpp)**



See appendix for footnotes.

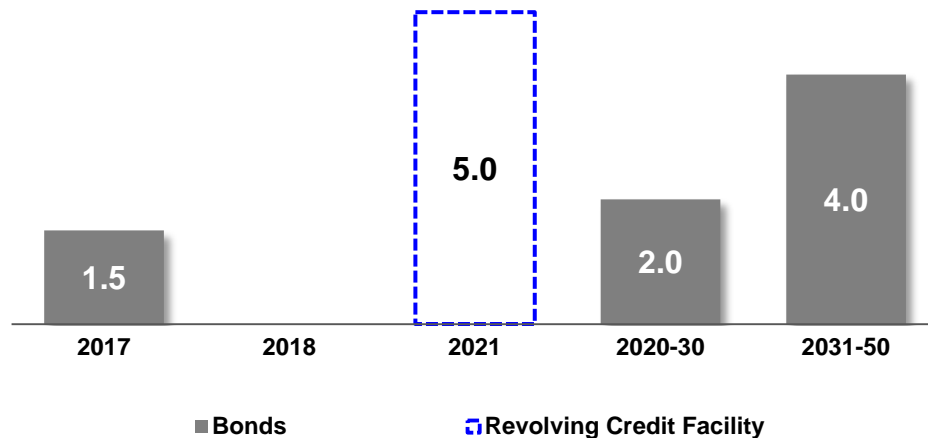
# 2009–2016 Average Adjusted Annualized ROCE



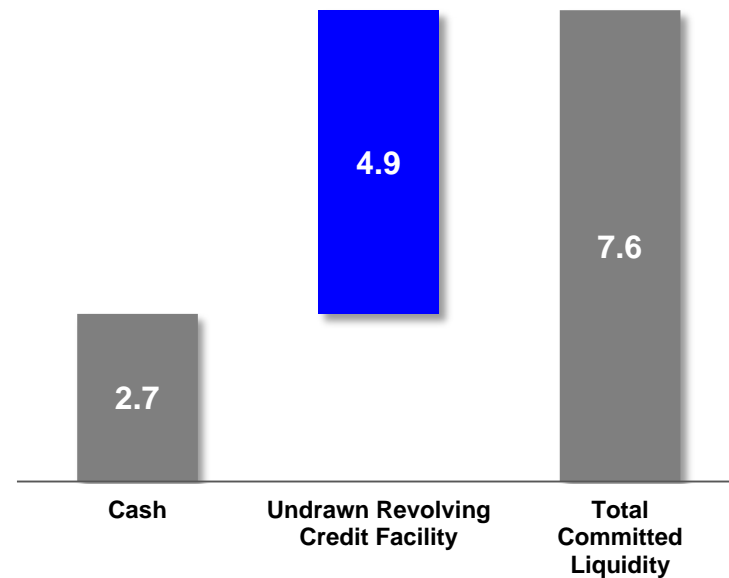
# Debt and Liquidity



## Debt Maturity Profile (\$B)



## Liquidity (\$B)



As of December 31, 2016. Excludes PSXP.  
Debt maturity profile excludes capital leases.

# 2017 Sensitivities



	Annual Net Income \$MM
<b>Midstream - DCP (net to Phillips 66)</b>	
10¢/Gal Increase in NGL price	5
10¢/MMBtu Increase in Natural Gas price	1
\$1/BBL Increase in WTI price	1
<b>Chemicals - CPChem (net to Phillips 66)</b>	
1¢/Lb Increase in Chain Margin (Ethylene, Polyethylene, NAO)	35
<b>Worldwide Refining</b>	
\$1/BBL Increase in Gasoline Margin	215
\$1/BBL Increase in Distillate Margin	190
Impacts due to Actual Crude Feedstock Differing from Feedstock Assumed in Market Indicators:	
\$1/BBL Widening WTI / WCS Differential (WTI less WCS)	40
\$1/BBL Widening LLS / Maya Differential (LLS less Maya)	35
\$1/BBL Widening LLS / Medium Sour Differential (LLS less Medium Sour)	20
\$1/BBL Widening WTI / WTS Differential (WTI less WTS)	10
\$1/BBL Widening LLS / WTI Differential (LLS less WTI)	10
\$1/BBL Widening ANS / Medium Sour Differential (ANS less Medium Sour)	10
\$1/BBL Widening ANS / WCS Differential (ANS less WCS)	5
10¢/MMBtu Increase in Natural Gas price	(10)

Sensitivities shown above are independent and are only valid within a limited price range.



## 1Q 2017

Global Olefins & Polyolefins utilization	High-80%
Refining crude utilization	Low-80%
Refining turnaround expenses (pre-tax)	\$300 MM - \$350 MM
Corporate & other costs (after-tax)	\$125 MM - \$140 MM

## 2017

Refining turnaround expenses (pre-tax)	\$625 MM - \$675 MM
Corporate & Other costs (after-tax)	\$490 MM - \$510 MM
Depreciation and amortization	\$1.3 B
Effective income tax rate	Mid-30%





# 2017 Capital Program



	Millions of Dollars		
	Sustaining Capital	Growth Capital	Capital Program
Midstream			
Phillips 66	\$ 170	942	1,112
Phillips 66 Partners	56	381	437
	226	1,323	1,549
Chemicals	-	-	-
Refining <sup>(1)</sup>	588	317	905
Marketing and Specialties	57	75	132
Corporate and Other	110	2	112
<b>Phillips 66 Consolidated</b>	<b>981</b>	<b>1,717</b>	<b>2,698</b>
DCP	68	175	243
CPCChem	225	450	675
WRB	107	28	135
<b>Selected Equity Affiliates</b>	<b>400</b>	<b>653</b>	<b>1,053</b>
<b>Total Capital Program</b>	<b>\$ 1,381</b>	<b>2,370</b>	<b>3,751</b>

(1) Includes non-cash capitalized leases of \$14 million in Refining.

## **Slide 4**

Industry Averages are from: Phillips 66 – American Fuel & Petrochemical Manufacturers (AFPM) refining data, Chevron Phillips Chemical Company LLC (CPCChem) – American Chemistry Council (ACC), DCP Midstream, LLC (DCP Midstream) – Gas Processors Association (GPA).

## **Slide 6**

EIA Short Term Energy Outlook, as of January 2017.

## **Slide 7**

Cumulative dropdown proceeds represent the cash proceeds paid by Phillips 66 Partners for assets acquired from Phillips 66, including the subsequent repayment of sponsor notes assumed by Phillips 66 Partners in the transaction.

## **Slide 8**

On January 1, 2017, DCP Midstream, LLC contributed its assets and existing debt to DCP Midstream Partners, LP, which has been renamed DCP Midstream, LP (NYSE: DCP).

## **Slide 9**

2017E Average Ethylene Production Cost Curve, Source: PIC Wood Mackenzie, as of January 2017

## **Slide 13**

Adjusted EBITDA is adjusted for special items, income taxes, net interest and depreciation and amortization.

## **Slide 15**

2012–2016 PSXP Contributions represent cash received by Phillips 66 in the form of distributions and dropdown proceeds from Phillips 66 Partners, including the subsequent repayment of sponsor notes assumed by Phillips 66 Partners.

2012–2016 PSX Adjusted Capital Expenditures include sustaining and growth capital expenditures for Phillips 66 but exclude capital leases and Phillips 66 Partners capital expenditures.

## Slide 17

Annual dividend reflects sum of declared quarterly dividends. There were only two quarterly dividends in 2012 following May 1<sup>st</sup> spinoff. 2016 reflects one quarterly dividend of \$0.56 and three quarterly dividends of \$0.63. 2014 share repurchases and exchanges include the PSPI share exchange.

## Slide 18

Chart reflects total shareholder return May 1, 2012 to December 31, 2016. Dividends assumed to be reinvested in stock. Source: Bloomberg.

Peer average includes Delek US Holdings, Inc., HollyFrontier Corporation, Marathon Petroleum Corporation, PBF Energy Inc., Tesoro Corporation, Valero Energy Corporation, Western Refining, Energy Transfer Equity, L.P., Enterprise Products Partners L.P., ONEOK, Inc., Targa Resources Corp., Celanese Corporation, The Dow Chemical Company, Eastman Chemical Company, Huntsman Corporation and Westlake Chemical Corporation.



## Slide 35

Global Market Crack refers to worldwide market crack spread based on Phillips 66 global crude capacity.

NGL weighted average prices are based on index prices from the Mont Belvieu and Conway market hubs that are weighted by DCP Midstream's NGL component and location mix.

PE cash chain margins are ethylene to high-density polyethylene cash chain margins. Source: IHS Energy.

### **Forecasted and Estimated EBITDA**

We are unable to present reconciliations of various forecasted and estimated EBITDA included in this presentation, because certain elements of net income, including interest, depreciation and income taxes, are not reasonably available. Together, these items generally result in EBITDA being significantly greater than net income.

# Non-GAAP Reconciliations (Slide 13)



## Millions of Dollars

	2012	2013	2014	2015	2016
<b>Marketing and Specialties</b>					
Marketing and Specialties net income attributable to Phillips 66	\$ 544	894	1,034	1,187	891
Plus:					
Provision for income taxes	319	433	441	465	370
Net interest expense	-	-	-	(2)	-
Depreciation and amortization	147	103	95	97	107
<b>Marketing and Specialties EBITDA</b>	<b>1,010</b>	<b>1,430</b>	<b>1,570</b>	<b>1,747</b>	<b>1,368</b>
Adjustments (pretax):					
Asset dispositions	(4)	(40)	(125)	(242)	-
Impairments	-	-	-	-	-
Pending claims and settlements	62	(25)	(44)	-	-
Exit of a business line	-	54	-	-	-
Tax law impacts	-	(6)	-	-	-
Pension settlement expenses	-	-	-	11	-
<b>Marketing and Specialties Adjusted EBITDA</b>	<b>\$ 1,068</b>	<b>1,413</b>	<b>1,401</b>	<b>1,516</b>	<b>1,368</b>

# Non-GAAP Reconciliations (Slide 13)



Millions of Dollars					
	2012	2013	2014	2015	2016
<b>M&amp;S ROCE</b>					
Numerator					
Net Income	\$ 544	894	1,034	1,187	891
After-tax interest expense	-	-	-	-	-
GAAP ROCE earnings	544	894	1,034	1,187	891
Special Items	99	(9)	(152)	(240)	(50)
Adjusted ROCE earnings	\$ 643	885	882	947	841
Denominator					
GAAP average capital employed*	\$ 3,547	3,160	2,743	2,735	2,846
Discontinued Operations	-	-	-	-	-
Adjusted average capital employed*	\$ 3,547	3,160	2,743	2,735	2,846
<i>*Total equity plus debt.</i>					
GAAP M&S ROCE (percent)	15%	28%	38%	43%	31%
Adjusted M&S ROCE (percent)	18%	28%	32%	35%	30%



# Non-GAAP Reconciliations (Slide 15)



	Millions of Dollars				
	2012	2013	2014	2015	2016
<b>Phillips 66 Adjusted Cash from Operations Reconciliation</b>					
Cash From Continuing Operations GAAP	\$ 4,259	5,942	3,527	5,713	2,963
Less: PSXP's portion of CFO <sup>(1)</sup>	-	24	100	176	302
<b>PSX Adjusted CFO</b>	<b>\$ 4,259</b>	<b>5,918</b>	<b>3,427</b>	<b>5,537</b>	<b>2,661</b>

<sup>(1)</sup> PSXP's portion of CFO excludes changes in working capital

	Millions of Dollars				
	2012	2013	2014	2015	2016
<b>Capital Spending</b>					
PSX Consolidated Capital Expenditures	\$ 1,701	1,779	3,773	5,764	2,844
Less: PSXP Capital Expenditures	-	4	67	205	461
Less: Equity Contribution to DCP Midstream	-	-	-	1,500	-
<b>PSX Adjusted Capital Expenditures</b>	<b>\$ 1,701</b>	<b>1,775</b>	<b>3,706</b>	<b>4,059</b>	<b>2,383</b>

# PSXP Adjusted EBITDA and Distributable Cash Flow Reconciliation to Operating Cash Flow (Slide 24)

	Millions of Dollars				
	Q4 2015*	Q1 2016*	Q2 2016*	Q3 2016*	Q4 2016
<b>PSXP Reconciliation to Net Cash Provided by Operating Activities</b>					
Net Cash Provided by Operating Activities	134	111	132	128	121
Plus:					
Net interest expense	9	10	11	10	21
Provision for (benefit from) income taxes	—	—	1	—	1
Changes in working capital	(10)	13	(5)	8	12
Undistributed equity earnings	(3)	(1)	2	3	(5)
Accrued environmental costs	—	—	—	—	(1)
Other	(7)	(6)	(6)	(2)	—
<b>PSXP EBITDA</b>	<b>123</b>	<b>127</b>	<b>135</b>	<b>147</b>	<b>149</b>
Distributions in excess of equity earnings	7	4	2	1	10
Expenses indemnified or prefunded by Phillips 66	1	—	4	—	2
Transaction costs associated with acquisitions	—	1	1	2	—
EBITDA attributable to Predecessors	(44)	(58)	(45)	(39)	—
<b>PSXP Adjusted EBITDA</b>	<b>87</b>	<b>74</b>	<b>97</b>	<b>111</b>	<b>161</b>
Plus:					
Deferred revenue impacts**	(2)	1	2	4	4
Less:					
Net interest	9	10	11	10	21
Maintenance capital expenditures	2	1	4	3	14
<b>PSXP Distributable Cash Flow</b>	<b>74</b>	<b>64</b>	<b>84</b>	<b>102</b>	<b>130</b>

\*Prior-period financial information has been retrospectively adjusted for acquisitions of businesses under common control.

\*\*Difference between cash receipts and revenue recognition.

# PSXP Adjusted EBITDA and Distributable Cash Flow Reconciliation to Net Income (Slide 24)

	Millions of Dollars				
	Q4 2015*	Q1 2016*	Q2 2016*	Q3 2016*	Q4 2017
<b>PSXP Reconciliation to Net Income</b>					
Net Income	95	94	100	112	102
Plus:					
Depreciation	19	23	23	25	25
Net interest expense	9	10	11	10	21
Provision for (benefit from) income taxes	—	—	1	—	1
<b>PSXP EBITDA</b>	<b>123</b>	<b>127</b>	<b>135</b>	<b>147</b>	<b>149</b>
Distributions in excess of equity earnings	7	4	2	1	10
Expenses indemnified or prefunded by Phillips 66	1	—	4	—	2
Transaction costs associated with acquisitions	—	1	1	2	—
EBITDA attributable to Predecessors	(44)	(58)	(45)	(39)	—
<b>PSXP Adjusted EBITDA</b>	<b>87</b>	<b>74</b>	<b>97</b>	<b>111</b>	<b>161</b>
Plus:					
Deferred revenue impacts**	(2)	1	2	4	4
Less:					
Net interest	9	10	11	10	21
Maintenance capital expenditures	2	1	4	3	14
<b>PSXP Distributable Cash Flow</b>	<b>74</b>	<b>64</b>	<b>84</b>	<b>102</b>	<b>130</b>

\*Prior-period financial information has been retrospectively adjusted for acquisitions of businesses under common control.

\*\*Difference between cash receipts and revenue recognition.

# Non-GAAP Reconciliations (Slide 36)



Millions of Dollars						
Average 2009- 2016						
	Phillips 66**	Midstream	Chemicals	Refining	M&S	Corporate
<b>Phillips 66 ROCE</b>						
Numerator						
Net Income	\$ 3,074	546	740	1,211	805	(341)
After-tax interest expense	118	-	-	-	-	118
GAAP ROCE earnings	3,192	546	740	1,211	805	(223)
Special Items	(21)	(136)	37	242	(62)	11
Adjusted ROCE earnings	\$ 3,171	410	777	1,454	743	(213)
Denominator						
GAAP average capital employed*	28,365	4,488	3,555	14,687	3,234	1,923
Discontinued Operations	(114)	-	-	-	-	-
Adjusted average capital employed*	\$ 28,251	4,488	3,555	14,687	3,234	1,923
*Total equity plus debt.						
GAAP ROCE (percent)	11%	12%	21%	8%	25%	-12%
Adjusted ROCE (percent)	11%	9%	22%	10%	23%	-11%

\*\* Phillips 66 consolidated includes discontinued operations.



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