**Phillips 66**

**May 8, 2019**

**CORPORATE PARTICIPANTS**

**Greg C. Garland**, *Chairman and Chief Executive Officer*

**Paula Johnson**, *Executive Vice President, Legal and Government Affairs, General Counsel, Corporate Secretary*

**PRESENTATION**

Greg Garland: Good morning.

Audience: Good morning.

Greg Garland: I'm Greg Garland, chairman and chief executive officer of Phillips 66. It's my pleasure to serve as your meeting host and moderator today. As I look out over the group here today, I see shareholders, I see retiree shareholders. It's good to see you again. Welcome back. And I see some of our great employee shareholders. We have a lot of our great union employees from the East Coast, the West Coast, the central region, here today. And so welcome. We're glad that you're here with us, and we thank you for all that you do for our company to make it a great company and a great place to work.

As you walked in this morning, you should've gotten the agenda. It's got an outline to how we'll conduct the, the meeting today. First, we'll present the proposals that are before the shareholders for a vote. We'll take a little vote. And then while the votes are being tabulated, we're going to give you an update on our company's performance in 2018 and some of the things that we're working on also in 2019. Then we'll share the results of the vote. We'll close the meeting, and we'll go into a session where the folks that are here today will have the opportunity to ask questions or make comments.

One of the things we've found, it's most productive if we can hold the questions until the end of that Q and A session, and everyone will have a chance to participate. Also, I think with the agenda, you were given the rules of order for the meeting. Please make yourself aware of those. We'd ask that you abide by those rules, so we can have a productive meeting today.

So with that, I'm going to call the, the meeting to order. Paula, I'll try not to read your part today.

Greg Garland: Do we have a quorum present?

Paula Johnson: We do. The board of directors appointed James D. Gaughan of Carl T. Hagberg and Associates to serve as the inspector of elections. Mr. Gaun reports that shareholders entitled to cast more than 89% of the votes eligible to be cast at this meeting are present in person or represented by proxy. So a quorum is present, and the meeting is duly convened.

Greg Garland: Right. Thank you, Paula. Before we proceed, it's my pleasure to introduce you today to members of our board of directors that are here with us today. as I introduce you, I'd ask you to just stand and, and face the audience.

And Gary, we're going to start with you. Gary Adams, former chief advisor of chemicals for IHS Markit.

Brian Ferguson. Brian was chairman and chief executive officer of Eastman Chemical Company. He's the chair of our audit and finance committee.

John Lowe. John is a non-executive chairman at Apache Corporation. He's a senior executive advisor to Tudor, Pickering, Holt & Company, and John chairs our public policy committee.

Harold W. McGraw III. Harry is chairman emeritus, so, of S&P Global.

Denise Ramos. Denise is a former chief executive officer and president of ITT Inc.

Glenn Tilton. Glenn is former chairman of the Midwest for JPMorgan Chase & Company, and former chairman, president, and chief executive officer, United Airlines Corporation. Glenn's also our lead director.

Vikki Tschinkel. Vikki serves as a vice chairwoman of 1,000 Friends of Florida.

Dr. Marna Whittington. Marna is the former CEO of Allianz Global Investors Capital. Marna chairs our human resources and compensation committee.

Please join me in thanking them for their service for our company.

So, our meeting now will consider four proposals that have been submitted to a vote of the shareholders. Paula, would you please review the voting procedures?

Paula Johnson: Any shareholder may vote by ballot at this meeting. If you've previously submitted a valid proxy by mail, Internet, or phone, your votes will be cast as indicated in your proxy submission. You do not need to vote by ballot unless you wish to change your prior proxy vote. If you've not previously voted and would like to vote now, or if you would like to change your prior proxy vote, please stand or raise your hand, and a meeting host will provide you with a ballot.

Greg Garland: Okay. Thank you. So while any ballots are being distributed, I'm going to describe each of the proposals that we're going to vote on today. The first proposal on the agenda is election of four directors to serve a term expiring at our 2022 annual meeting of the shareholders. The four director nominees for election are Greg C. Garland, Gary K. Adams, John E. Lowe, and Denise L. Ramos. As indicated in the proxy statement, the board of directors recommends that shareholders elect these four director nominees.

The second proposal on the agenda today is ratification of the appointment of Ernst & Young to be the company's independent registered public accounting firm for 2019. The audit and finance committee has appointed Ernst & Young to serve as Phillips 66 independent registered public accounting firm for 2019 and seeks ratification of that appointment by the shareholders.

As indicated in the proxy statement, Scott Miracle, who is a representative of Ernst & Young, is here with us today. He's available to answer questions that you have during the question and answer session. Scott, would you please stand up and be recognized? Thank you, Scott. The board of directors recommends that the shareholders ratify the selection of Ernst & Young.

The third proposal on the agenda today is an advisory vote approving the compensation of our named executive officers. This is commonly referred to as a say on pay vote. As indicated in the proxy statement, the board of directors recommends that shareholders vote for this proposal.

Fourth proposal on the agenda today is an advisory vote on how often the shareholders will be asked to provide an advisory vote to approve executive compensation. Shareholders can vote to hold this advisory vote every year, every two years, or every three years. As indicated in the proxy statement, the board of directors recommends that the shareholders vote to hold the say on pay vote annually.

There was a fifth proposal that was on the proxy. That proposal has been withdrawn by the proponent and is not going to be presented at the meeting today.

So now that all the proposals have been duly presented, I declare the polls are now open. If you haven't completed your ballots, please do so at this time, and then pass your ballots to the aisle so they can be collected by our meeting host. Anyone need more time? You're very efficient this morning. It appears that all the ballots have been collected, so we declare that the polls are now closed.

So, while the votes are being tabulated, we'd like to provide you an update on our company highlighting some of our 2018 accomplishments and some of the things that are going on in 2019. I'll start by saying that 2018 was a record year of performance for our company. Record operational excellence performance in terms of personal safety, process safety, environmental excellence. And we achieved record earnings and record cash flow at our company and made very strong distributions back to the shareholders of our company.

Before I go any further and stay out of trouble with Paula, this is our safe harbor statement. During our conversation today and during the Q and A, we could make forward looking statements. Actual results could differ materially. The sources of those differences are found here on this slide in our filings with the SEC.

Providing energy. Improving lives. This is our vision. This is what we do. Our employees of Phillip 66 wholeheartedly embrace this vision. We believe that the products of energy that we make do make people's lives better, safer, more productive lives. We believe that what the people of Phillips 66 do in terms of the products they make and that their individual commitment and actions in our communities where we live and work are a force for the greater good and benefit society.

In 2018, our employees volunteered more than 78,000 hours back into local communities. They did activities such as mentoring, teaching children to read better in the classrooms, teaching STEM, science technology, engineering, and math classes. And being advocates for literacy. Helped build houses for Habitat for Humanity. Hosted waste disposal recycling days. Cleaned up beaches and roadways and so many other things that our employees choose to participate in to give back into the local communities.

Last year, our company contributed $27 million to outstanding organizations promoting education, safety, and the environment. At our company, we match employee contributions dollar for dollar. In 2018, over 2,000 organizations received support from our company and from our employees.

Our strategy has been consistent. It's growth. It's returns. It's distributions back to the owners of our company, built on an unwavering commitment to operating in excellence and being a high performing organization. Our operational excellence statistics have been industry leading and best in class. We worked hard to grow our returns and our base businesses, but also to invest in capital projects that provide for a better future for our shareholders and for the employees of Phillips 66 and generate outstanding returns in the process. And we remain committed to giving back to our owners of our company through a strong, secure, growing dividend and share repurchases when our shares trade below intrinsic value.

Just starting with operational excellence, we think that operational excellence is, is fundamental to our strategy. We believe it's fundamental to value creation, and we believe that if we get this part of our jobs right, we create value for the owners of Phillips 66 company. At our company, our priority is to send every employee, every contractor home safe to their families every day. Nothing

else is acceptable to us. Indeed, we have the energy to lead our industry in operational excellence.

2018 across our enterprise and our refining business, our joint ventures at DCP and CPChem achieved outstanding safety. We ran well across refining in 2018, and you can see for five years, we've ran at or above industry operating rates. 2018 was also a heavy turnaround year for us, and the people of Phillips 66 executed those turnarounds in remarkable fashion.

I'll tell you that we're honored that many of our refineries were called out in their industry for exception safety performance. Every year, the AFPM recognizes a top decile of refiners, and this year they recognized 15 refiners. And of the 15, six were Phillips 66 refineries. Our Ponca City Refinery won the distinguished safety award. The top award given by our industry, and it's given by our peers in our industry. And this is the third year in a row that a Phillips 66 refinery has won the distinguished safety award. Ferndale and Los Angeles were recognized in the top 5%, and Billings, Borger, and Santa Maria were recognized in the top 10%. Also honored that the AFPM recognized five CPChem facilities for outstanding safety performance.

And then Phillips 66 Midstream and DCP Midstream were recognized by the Gas Processors Association for best in class in their respective divisions in safety. I'll tell you we're very proud of the people at Phillips 66 and the people with Chevron Phillips Chemical Company and DCP Midstream for their commitment to sending everyone home safe every day, for living our values of safety, honor, and commitment, and being an example to the rest of the industry of what great operations look like every day.

Talk about environmental, social, governance. We also believe that, in terms of our mission and providing energy and improving lives, that ESG is at the heart of how we deliver our vision. We recognize that strong corporate governance is essential in terms of environmental, social, governance, and it starts at the top of our company with our board of directors. Their commitment, their oversight of strategy, their understanding of risk, both the physical risk, policy risk, and the understanding of how technology can move this forward starts with the very top of our company.

As we pointed out, we have a very robust health, safety, and environmental program at Phillips 66. We continue to seek a zero instance, zero accident workplace. Indeed, if

you work at Phillips 66 or in refining you're 25 times more safe than working in the average industry in the United States. And if you work at Phillips 66, you're among one of the safest places to work.

We improved our environmental compliance for the 14th year in a row at Phillips 66. We reduced our emissions 25% since 2012 and 60% over the last 10 years. We're one of the few energy companies that has a state-of-the-art research program. Our research and development program; we use it to help understand our existing businesses better, to invest in new businesses in the future, and help us run our refineries and midstream facilities more efficiently, use less water, use less energy, and understand the impact that the manufacture of our products have on the air, the land, and the water.

So we stated, it's part of our mission to give back to communities. We've invested more than $150 million back into our local communities since 2012. Then finally, we've outlined our environmental, social, and governance processes, our guidelines, and our metrics in our sustainability report. There's also an energy policy and risk disclosure report for last year. These are on our website. Encourage you to check those out as you get time to do that.

We're a growing company. Part of our strategy is to grow our midstream and our chemicals business. Our chemicals segment consists of our 50% ownership in Chevron Phillips Chemical Company. CP Chem has invested over $6 billion in new assets on the U.S. Gulf Coast. Those came up in 2018. In fact, the ethylene cracker came up. It was originally designed at 1.5 million tons, and it's run so well that we've upped the capacity to 1.7 million tons, so that's 15% above design capacity. In 2018, we receive $1 billion in cash distributions back from Chevron Phillips Chemical Company.

Our midstream company moves the products of energy from the production centers to the market centers and then from the production centers that we have either to export markets or to consumers across the globe. We move crude oil. We move natural gas liquids and the products of jet fuel or gasoline or distillate from our refineries. Our midstream ownership also includes our ownership in Phillips 66 Partners as well as DCP Midstream.

2018 was a record year for our midstream businesses. We generated $1.9 billion of EBITDA mostly coming from

investments we've made over the past five years. At Beaumont, we have a crude and products terminal that's also an export facility. We ended the year with record volumes across the docks and through the terminal. In 2018, we added 3.5 million barrels of crude storage. We have another 2.2 million barrels of crude storage under construction today, and in early 2020, we'll have increased the capacity essentially from 5.7 million barrels where we started to 16.8 million barrels.

Beaumont's connected to 11 different crude pipelines, including the Bakken Pipeline, the Bayou Bridge Pipeline, in which PSXP has ownership interest. At the Bakken Pipeline, we've recently increased the capacity to 570,000 barrels a day during the first quarter of 2019. The second phase of the Bayou Bridge Pipeline was completed during the first quarter, and that line now runs from our Beaumont Terminal to St. James, Louisiana. We're also developing a pipeline that would, we call it the ACE Pipeline, that would move from St. James down to the refineries in Southeast Louisiana, including our Alliance Refinery.

Phillips 66 Partners is constructing the Gray Oak Pipeline, 900,000 barrel a day line that runs from the Permian to Texas Gulf Coast locations, Corpus Christi, and really terminates at our Sweeny Refinery near Freeport, Texas. Project is on schedule for completion by the end of this year. And Partners owns a 42.25% interest in this pipeline. Gray Oak will connect with multiple export terminals in the Corpus Christi area, including the South Texas Gateway Terminal. It's under development by Buckeye Partners. PSXP owns a 25% interest in this terminal. It's going to have 7 million barrels of storage, two deep water docks, and ultimately, we can move 800,000 barrels a day of crude through that export facility.

At our Sweeny complex, we're investing in two 150,000 barrel a day NGL fractionators. We're adding capabilities to have 15 million barrels of storage capacity at our Phillips 66 Partners' Clemens Caverns by Sweeny. And ultimately, we're going to have 400,000 barrels a day of NGL fractionation capacity, 16 million barrels a day of storage, and access to 200,000 barrels a day of LPG exports.

And then finally, the Sand Hills Pipeline, owned two thirds by DCP and one third by Phillips 66 Partners, supplies feedstock to the fractionators at Sweeny. That line originally constructed had a capacity of 280,000 barrels a day, and today we've expanded that to 500,000 barrels a day of natural gas liquids.

In terms of improving our returns, we look to our base businesses in refining and marketing. Today, we have 13 refineries in the U.S. and Europe. Total crude throughput of 2.2 million barrels a day. 2018 was a great year for our refining business. We ran extremely well. We had the ability to capture terrific market margins during the year. Had strong free cash flow from our refining business. And our strategy is to be an efficient low cost, high return business in refining. We have maintained capital discipline around the investments we choose to make. Generally, they're margin enhancing, increasing yields or increasing access to advantage feedstocks.

In 2018, both at Wood River and at Bayway, we completed upgrades of the FCC units, so this increases our clean product yield across those units. At Lake Charles, we invested to run more light sweet domestic crudes, and we run 20,000 barrels a day of light sweet at Lake Charles.

Today, we have a project underway at our Sweeny Refinery to modernize FCC at Sweeny. We'll make more higher-valued petrochemical products but also make higher-valued octane at our Sweeny Refinery. And this project is expected to be complete in the second quarter of 2020.

Our marketing and specialties business is a great business. It's a high return business, generates stable cash flows, and it's a relatively low capital intensive business. In U.S. Marketing, we have over 7,500 branded sites. These help ensure a ratable refinery pull through, so we can get our products to our customers. We continue to roll out our signature image update. So we're updating the 76 and the Conoco and the 66 brands. And these new sites are beautiful. As you see them coming up, I think you'll be very impressed with these sites. We did 1,300 re-images during 2018. We've done since 2015 about 2,900. We expect by the end of 2020, we'll have them all done.

So why did we do this? The customers have a better experience. We're seeing uplifts both inside the store and outside the store of 1-2% increases. And so our customers love what's going on with the re-image.

In Europe, we have over 1,600 Jet sites and Co-op branded sites. We continue to add more. We added 20 unbranded last year. But we'll continue to work on that portfolio in Europe as we move forward.

We've done a lot of work over the past couple of years around renewable fuels. When you look at the ability to leverage our human capital and our ability to leverage the assets that we have existing at PSX, and then to partner with other people that are working in the renewable space, we see an opportunity somewhere between 30-40,000 barrels a day, a new renewable diesel that we'll put into the market. So, we're taking waste fats and we're taking recycled cooking oil and other renewable feedstocks, and we're taking those and converting those into diesel. And so, it's a big opportunity for our company, and certainly as we think about our West Coast assets where we have over 300,000 barrels a day, most of these projects are pointed towards those West Coast opportunities.

Disciplined capital allocation is fundamental to creating shareholder value. We believe that we need to execute our strategy well. We need to generate cash. And with that cash, we want to take 60% of it and reinvest it in Phillips 66. We want to take 40% of that cash and give it back to the owners of our company through a strong, secure, competitive growing dividend and buying our shares back when they trade below intrinsic value.

In 2018, we generated a highest operating cash flow in our history of $7.6 billion. It allowed us to fund our sustaining capital. It allowed us to fund our dividend, our growth capital, and our share buyback programs in 2018. Last year we increased the quarterly dividend by 14%. We purchased about 10% of the shares outstanding for our company. So a resulting $6.1 billion returned back to shareholders in 2018. Since 2012, we returned nearly $23 billion back to our shareholders through dividend share repurchases and exchange. We reduced the share count by about 30%.

The people of Phillips 66 are our greatest asset, and they're key to accomplishing our vision of providing energy and improving lives. We tell you that the people of Phillips 66 are committed to our values of safety, honor and commitment, and indeed, they exemplify those every day. The way we conduct our business. The way we make decisions at Phillips 66. And the way we engage with each other and people outside of Phillips 66.

We are a company that's committed to being an inclusive workplace, and we value diversity. It's embraced by everyone in our company. We believe that diversity brings value through different perspectives and that we ultimately get to a better answer when we embrace diversity. Our

employees are our competitive advantage. We'll continue to mentor, train, and invest in the people of Phillips 66 to prepare them not only for what we need today, but what they need to be successful in the future.

We are results oriented. We hold ourselves accountable to high standards at our company, and in doing this and doing it right, we're building capability. We're pursuing excellence, and we're always doing the right thing.

We think about the opportunity to provide energy and improve lives. We think about a strategy well executed, and that translates into great value for the owners of Phillips 66. We believe that we'll continue to be a very compelling investment opportunity into the future.

So, with that, hopefully we've had time to count the votes, and you can give us the preliminary results.

Paula Johnson: Happy to do that. Based on the voting of shares represented by valid proxies on file and tabulated at the meeting this morning, all of the nominees for election have been reelected as directors to serve until the 2022 annual meeting. Each director nominee received at least 92% of the votes cast at today's meeting.

The appointment of Ernst & Young as the independent registered public accounting firm for Phillips 66 for 2019 has been ratified having received the favorable vote of more than 98% of the votes present at today's meeting.

The compensation of the named executive officers of Phillips 66 has been approved, having received the favorable vote of more than 91% of the votes present at today's meeting.

And the stockholder preference for the frequency of the say on pay vote, as indicated by the vote of more than 96% of the votes present at today's meeting, is an annual vote.

Mr. Chairman, this concludes the report of preliminary voting. Details of the voting results will be available for all shareholders within four business days in a filing with the SEC. Shareholders may also obtain the voting results by calling or writing the office of the corporate secretary.

Greg Garland: Thank you, Paula. That concludes the business of the meeting today.