



YEAR IN REVIEW

2020 REPORT

e n e r g y



PROVIDING ENERGY.
IMPROVING LIVES.

Phillips 66 is a diversified energy manufacturing and logistics company headquartered in Houston, Texas, with 14,300 employees around the world.

On the cover/p. 23

We announced our largest capital project to reconfigure our San Francisco Refinery in Rodeo, California, to meet the growing demand for renewable fuels.

San Francisco Refinery RODEO, CA



p. 17

The Bayway, Borger, Ferndale, Lake Charles and Santa Maria refineries received Distinguished Safety Awards.

Bayway Refinery LINDEN, NJ

p. 21

CPChem is advancing optimization and growth opportunities.

CPChem Sweeny/Old Ocean Facilities OLD OCEAN, TX

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Employees volunteered in on-the-ground COVID-19 and hurricane relief.

CARSON, CA



p. 20

We expanded our integrated infrastructure system during 2020 by completing construction on Gray Oak Pipeline and Sweeny Hub Phase 2 expansion, and reaching key milestones for the South Texas Gateway Terminal.

Gray Oak Pipeline Wink Facility WINK, TX

PROVIDING ENERGY.
IMPROVING LIVES.

Our 2020 financial performance reflects the challenging market conditions caused by the COVID-19 pandemic. We had a loss of \$4 billion, or \$9.06 per share. On an adjusted basis, this was a loss of \$382 million, or \$0.89 per share.

In 2020, we generated \$2.1 billion of operating cash flow, demonstrating the strength of our diversified portfolio despite the unprecedented demand destruction for refined products. We reinvested \$2.9 billion back into the business and returned \$2 billion to shareholders through dividends and share repurchases.

We took early, decisive steps to support our liquidity and position us to navigate the uncertain environment. We exceeded \$500 million in cost reductions and cut capital spending by more than \$700 million. We secured additional liquidity in the debt markets and suspended our share repurchases.

These actions, combined with our cash flow generation, provided us with financial flexibility to maintain our strong investment grade credit ratings and sustain the dividend. Since the formation of the company in 2012, we have returned approximately \$28 billion to shareholders through dividends, share repurchases and exchanges.

Operating excellence is the first pillar of our strategy, and it is essential to everything we do. Our goal is zero incidents, zero accidents and zero injuries. We believe this is attainable, and we strive for it every day.

- In 2020, our combined workforce total recordable rate of 0.11 was 30% better than our industry-leading rate in 2019
- Our lost workday case rate was 0.02, approximately 75% better than the U.S. refining industry average
- For the fourth year in a row, at least one of our refineries received the AFPM's Distinguished Safety Award, the highest annual safety recognition in the industry
- Our process safety event rate improved by 60%, and our environmental performance was our best ever

We also give back to the communities where we live and work through direct financial support and volunteerism by our employees. In 2020, we contributed \$32 million to charitable organizations, including almost \$6 million toward COVID-19 and disaster relief. Since we formed as a company in 2012, our employees have donated approximately 522,000 hours of their time to charitable and service organizations.



Greg Garland

**“2020 was the safest
year in the history of
Phillips 66.”**

2020 brought many unforeseen challenges to our business. Our employees remained focused and committed to executing our strategy and delivering on our vision to provide energy and improve lives.

Looking forward, we are optimistic about the positive impact the vaccines will have on economic recovery in the months ahead. As we come out of the pandemic, our strategy remains focused on growth, returns and distributions supported by a strong foundation of operating excellence and our high-performing organization. We will continue to deliver on our vision to provide energy and improve lives while also playing a key role in developing solutions for the climate challenge. We remain committed to disciplined capital allocation with an emphasis on long-term value creation for our shareholders.

Greg Garland
Chairman and CEO



San Francisco Refinery
RODEO, CA



Air Research at Phillips 66
Research Center
BARTLESVILLE, OK

2020 HIGHLIGHTS

Midstream

We finished major growth projects, including the 900,000 barrels per day (BPD) Gray Oak Pipeline, our largest pipeline project to date. Also, we completed the Sweeny Hub Phase 2 expansion, adding 300,000 BPD of fractionation capacity and 7.5 million barrels of natural gas liquids (NGL) storage capacity at Phillips 66 Partners' (PSXP) Clemens Caverns. Phillips 66 Partners continued to advance the C2G Pipeline, and South Texas Gateway Terminal loaded its first commercial vessel.

Chemicals

Chevron Phillips Chemical Company LLC (CPCChem) set a record for polyethylene sales volumes, meeting increased global consumer demand, including food packaging and medical supplies. CPCChem is advancing optimization and growth opportunities to increase capacity of ethylene and polyethylene and continues to develop two new world-scale petrochemical facilities in the United States and Middle East.

Refining

We operated safely and reliably, providing critical energy products to our customers. We announced the Rodeo Renewed project at the San Francisco Refinery to meet the growing demand for renewable fuels. The project is expected to reduce the facility's greenhouse gas emissions by 50%.

Marketing and Specialties

We reported one of our strongest financial performances since the spin-off in 2012. In addition, we acquired 95 retail sites through our U.S. West Coast retail joint venture. This further enables long-term placement of Phillips 66 refinery production including renewable fuels and extends our participation in the retail value chain.

Digital Transformation

We advanced our digital transformation efforts, fostered innovation across our company and implemented new technologies, including digital systems for work processes and artificial intelligence to predict maintenance requirements and optimize processing unit performance.

Financial Highlights

In 2020, we generated \$2.1 billion of cash from operations. Capital spending was \$2.9 billion. We paid \$1.6 billion in dividends and \$443 million in share repurchases. Our ending cash balance was \$2.5 billion.

We reported a loss of \$4 billion, or \$9.06 per share. We had an adjusted loss of \$382 million, or \$0.89 per share.

Total debt at year-end was \$15.9 billion, with a net debt-to-capital ratio of 38%. In 2020, we added approximately \$4 billion of debt. We plan to prioritize debt repayment to reduce debt to pre-COVID-19 levels as cash generation improves.

Within our capital allocation framework, we target a long-term 60/40 ratio, reinvesting 60% back into our business and returning 40% to shareholders. It can vary from year to year, and we will continue to adjust depending on the opportunities available.

\$7.8 billion total liquidity
as of Dec. 31, 2020

Disciplined capital allocation and achieving strong returns on our investments are fundamental to our strategy.

For 2021, we are funding a \$1.7 billion adjusted capital budget, which is lower than recent years. The budget includes sustaining capital for reliability, safety and environmental projects. Growth capital is directed toward in-flight projects and investments in renewable fuels.

The adjusted budget includes \$315 million for Midstream growth and \$306 million to support high-return Refining and Marketing projects. Our proportionate share of capital spending by our major joint ventures is \$707 million, most of which is by CPChem and DCP Midstream, LLC (DCP Midstream) and is expected to be self-funded.

Phillips 66 (PSX) is committed to maintaining a strong balance sheet and investment grade credit ratings.

PSX

A3 (Moody's), BBB+ (S&P)

PSXP

Baa3 (Moody's), BBB (S&P)

(Millions of Dollars, Except Per Share Amounts)	2020	2019	2018
Sales and other operating revenues	\$64,129	\$107,293	\$111,461
Income (loss) before income taxes	(4,964)	4,178	7,445
Net income (loss)	(3,714)	3,377	5,873
Net income (loss) attributable to Phillips 66	(3,975)	3,076	5,595
Per share of common stock			
Basic	(9.06)	6.80	11.87
Diluted	(9.06)	6.77	11.80
Cash and cash equivalents	2,514	1,614	3,019
Total assets	54,721	58,720	54,302
Total debt	15,893	11,763	11,160
Total equity	21,523	27,169	27,153
Cash from operating activities	2,111	4,808	7,573
Cash dividends declared per common share	3.60	3.50	3.10
Adjusted earnings (loss)	(382)	3,657	5,550
Adjusted earnings (loss) per share	(0.89)	8.05	11.71



TOTAL SHAREHOLDER RETURN



Chart reflects total shareholder return May 1, 2012, to March 1, 2021. Dividends assumed to be reinvested in stock. Source: Bloomberg.

*Delek US Holdings, Inc.; Dow Inc.; HollyFrontier Corporation; LyondellBasell Industries N.V.; Magellan Midstream Partners, L.P.; Marathon Petroleum Corporation; MPLX LP; Oneok, Inc.; PBF Energy Inc.; Targa Resources Corp.; Valero Energy Corporation; Westlake Chemical Corporation; and The Williams Companies, Inc.

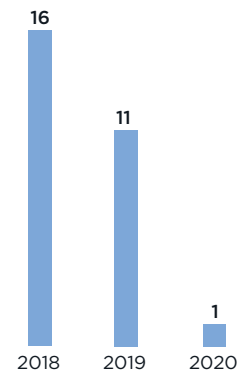
2021 CONSOLIDATED ADJUSTED CAPITAL BUDGET

- Sustaining
- Growth



ADJUSTED ROCE

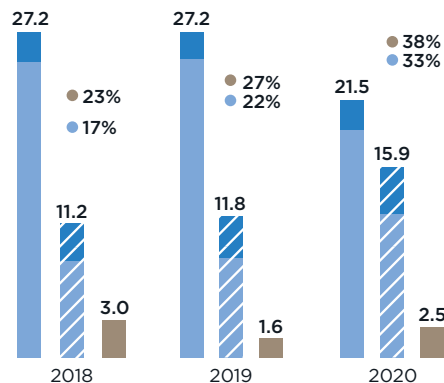
Adjusted Return on Capital Employed (%)



CAPITAL STRUCTURE

(\$ in billions)

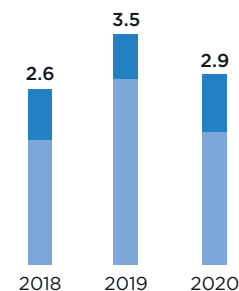
- PSX equity
- PSX noncontrolling interest attributable to PSXP
- PSX debt
- PSXP third-party debt
- Consolidated cash and cash equivalents
- PSX net debt-to-capital excluding PSXP
- PSX net debt-to-capital



ADJUSTED CAPITAL SPENDING

(\$ in billions)

- PSX
- PSXP





Integrated Portfolio



Sweeny Frac 3
OLD OCEAN, TX



**Our integrated portfolio processes,
transports, stores and markets fuels and
products globally.**

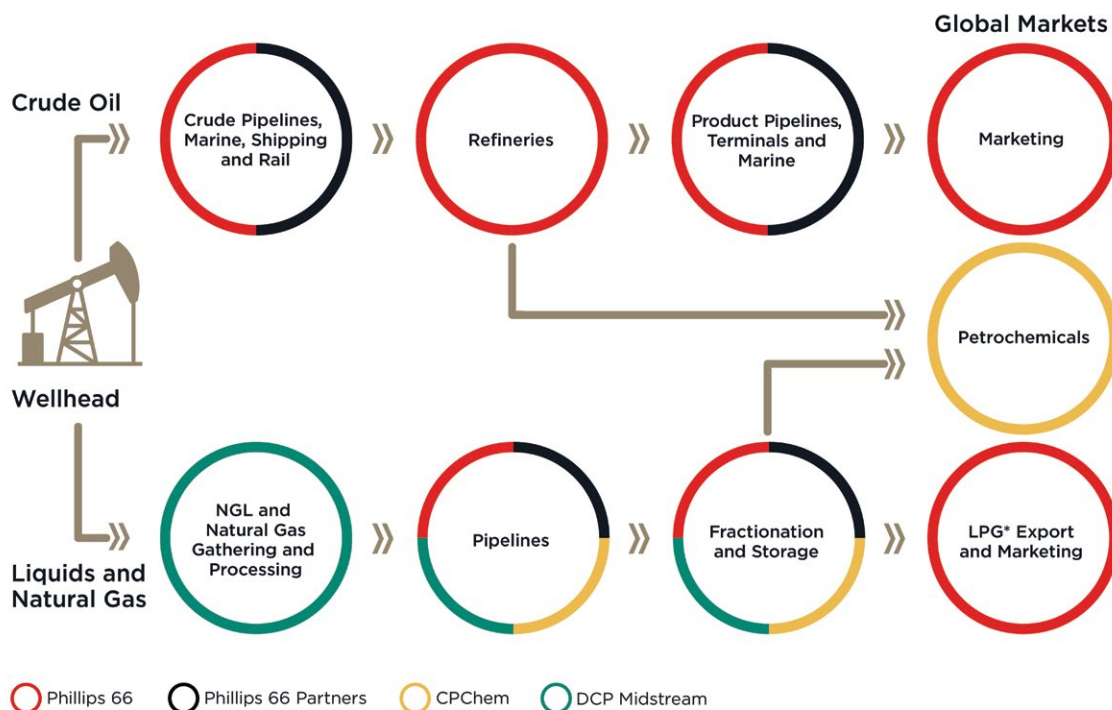




Value Chain and Businesses

We have an integrated network of businesses and assets across the midstream and downstream value chain. Our diverse portfolio positions us well to create value through the market cycles.

VALUE CHAIN



Taft Storage Facility at Gray Oak Pipeline
TAFT, TX



*Liquefied petroleum gas

BUSINESSES



Midstream

22,000 miles of U.S. pipeline systems

Provides crude oil and refined product transportation, terminaling, processing and export services, as well as NGL and LPG transportation, storage, processing and export services, mainly in the United States. This segment includes our MLP, Phillips 66 Partners LP and our 50% equity investment in DCP Midstream.



Chemicals

28 global manufacturing facilities **2** research and development centers in the U.S.

Consists of our 50% joint venture interest in CPChem, which manufactures and markets petrochemicals and plastics worldwide. CPChem has cost-advantaged assets concentrated in North America and the Middle East.



Refining

2.2 million BPD of crude throughput capacity**

Refines crude oil and other feedstocks into petroleum products such as gasoline, distillates and aviation fuels at 13 refineries in the United States and Europe. Our Refining business focuses on operating excellence and margin enhancement.



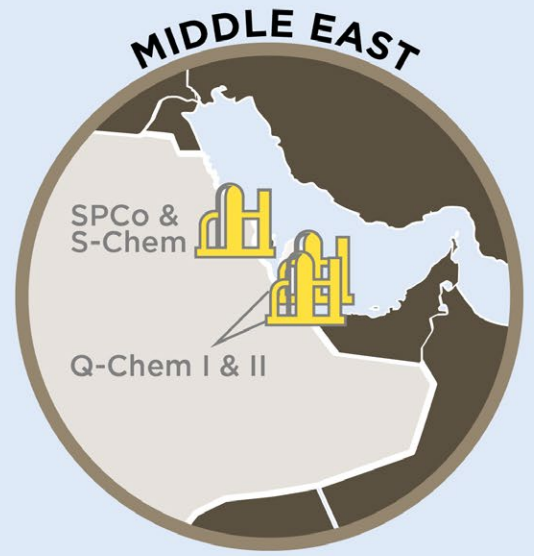
Marketing and Specialties

7,590 branded U.S. outlets **1,700** branded international outlets

Markets refined petroleum products such as gasoline, distillates and aviation fuels, mainly in the United States and Europe. The segment also includes the manufacturing and marketing of specialty products such as base oils and lubricants.

**As of Jan. 1, 2021







Strategy



South Texas Gateway Terminal
INGLESIDE, TX

***Our strategy has a proven track record of
delivering long-term value.***





Our strategic priorities of growth, returns and distributions are supported by a strong foundation of operating excellence and our high-performing organization.

Humber Refinery
NORTH LINCOLNSHIRE, UK

S601



Operating Excellence

Committed to safety, environmental stewardship, reliability and cost efficiency while protecting shareholder value



Growth

Enhancing our portfolio by capturing growth opportunities in Midstream and Chemicals, as well as low-carbon opportunities in Emerging Energy



Returns

Improving returns by maximizing earnings through investments in existing assets



Distributions

Committed to financial strength, disciplined capital allocation, dividend growth and share repurchases



High-Performing Organization

Building capability, pursuing excellence and doing the right thing



Operating Excellence

Committed to safety, environmental stewardship, reliability and cost efficiency while protecting shareholder value

Phillips 66 is committed to operating excellence. We have a culture that values safety, and this is demonstrated by our industry-leading safety performance. We strive for zero incidents, zero accidents and zero injuries. It is our goal that everyone at our facilities goes home safely every day.

Our combined workforce total recordable rate of 0.11 was 30% better than our industry-leading rate in 2019 and 30 times lower than the 2019 U.S. manufacturing average. Our process safety event rate of 0.02 was improved by 60% compared with 2019, and our environmental performance was our best ever.

We are deploying digital technology to improve and optimize our operations. We are applying data analytics, using machine learning and artificial intelligence to elevate our operational performance and further enhance asset reliability.

In Refining, we operated at 76% capacity utilization, responding to market conditions, which was comparable with the industry average. We are committed to cost discipline and maintaining our competitive cost structure. Industry benchmarking by Solomon Associates ranks Phillips 66 in the top quartile for non-energy operating costs.

In Midstream, we are focused on reliability and integrity of our pipelines, terminals and fractionators. We completed the Sweeny Hub Phase 2 expansion ahead of schedule and under budget. The project was executed safely, achieving a total recordable rate of 0.09, which is over 30 times better than the construction industry average.

In 2020, the Freeport LPG Export Terminal loaded a record 143 cargoes. The Sweeny Hub fractionation complex averaged 181,000 BPD, reaching a new high as Fracs 2 and 3 began operations during the year.

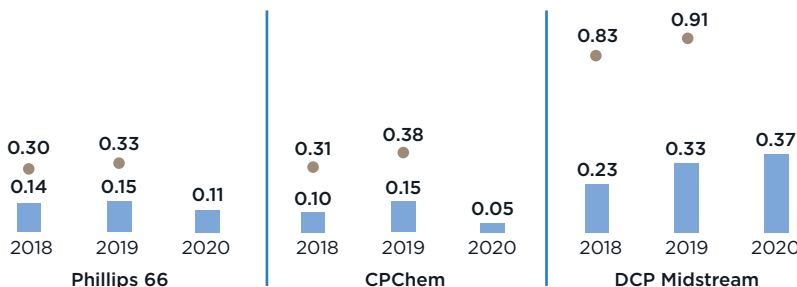
CPChem's operating excellence is a key differentiator for our Chemicals business. The employees at CPChem are committed to the highest standards in safety. CPChem delivered another record year for safety performance in 2020, with a total recordable rate of 0.05, an improvement of 67% from 2019.

Reliability also sets CPChem apart, with operating rates consistently better than the industry average. CPChem's global Olefins and Polyolefins (O&P) capacity utilization rate was 99% in 2020.

TOTAL RECORDABLE RATES

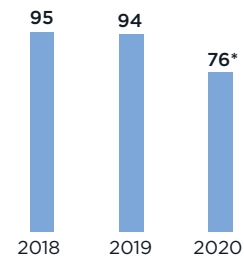
(Incidents per 200,000 hours worked)

● Industry Average



REFINING CRUDE CAPACITY UTILIZATION

(%)



*2020 utilization impacted by significant loss of product demand due to COVID-19 pandemic.

Bayway Refinery
LINDEN, NJ



SAFETY RECOGNITION

In 2020, the American Fuel and Petrochemical Manufacturers (AFPM) recognized five Phillips 66 refineries for exemplary 2019 safety performance.

The Bayway, Borger, Ferndale, Lake Charles and Santa Maria refineries received five of the nine Distinguished Safety Awards. This is the highest annual safety award the U.S. refining and chemical industry recognizes for safety excellence and the fourth year in a row that the company's refineries have received this recognition.

One-third of our U.S. refineries have earned the Environmental Protection Agency ENERGY STAR® Award, which recognizes top-quartile energy efficiency performance.

Phillips 66 has 29 facilities across our refining, midstream and lubricants operations that have received OSHA Voluntary Protection Program (VPP) certification. VPP recognizes strong safety records and comprehensive safety and health management systems.

In Chemicals, the AFPM recognized the CPChem Borger, Conroe, Orange and Port Arthur facilities for exemplary 2019 safety performance.



Ferndale Refinery Incident Management
Assistance Team (IMAT) Drill
FERNDALE, WA



Environmental. Social. Governance.

For us, sustainability means the people of Phillips 66 providing affordable, clean products in a safe and environmentally sound manner, and working for the greater good every day, serving our company, families and communities.

Our sustainability pillars are operating excellence, environmental stewardship, social responsibility and financial performance. The products that we make provide the fuel, power and consumer goods that make our everyday lives safer, healthier and more comfortable.

We recognize that strong corporate governance is fundamental to safe, reliable and environmentally responsible operations and is core to everything we do. The Public Policy and Sustainability Committee of our board of directors reviews our sustainability activities and provides strong leadership. Their commitment,

oversight of strategy, understanding of risk, and appreciation of how technology and innovation will shape our future provides long-term value for our shareholders.

CPChem is increasing its focus on proactively helping the world find sustainable solutions. In the fourth quarter of 2020, CPChem demonstrated its first U.S. commercial-scale production of circular polyethylene from recycled mixed-waste plastics at its Cedar Bayou facility and received International Sustainability and Carbon Certification PLUS (ISCC PLUS) certification for this location.

Also, CPChem is a founding member of the Alliance to End Plastic Waste and a member of Operation Clean Sweep Blue, a campaign dedicated to keeping pellets out of the environment.

INVESTMENTS THAT ADVANCE A LOWER-CARBON FUTURE

We continue to develop and deploy solutions that leverage our existing infrastructure, supply network and capabilities.

- Converting the San Francisco Refinery to produce over 50,000 BPD of renewable fuels by early 2024
- Producing renewable diesel from used cooking oil at the Humber Refinery
- Providing supply and offtake for two third-party renewable diesel facilities under construction in Nevada
- Supplying the feedstock to make anodes and lithium ion batteries for electric vehicles and electronic devices
- Increasing the marketing of low-carbon fuels on the U.S. West Coast
- Operating three hydrogen fueling sites in Switzerland through a joint venture with plans to add two to three more per year
- Manufacturing the next generation of low viscosity heavy duty engine oil to improve fuel economy by up to 2%
- Evaluating solar and wind energy to power our pipelines and refineries
- Progressing an industrial scale renewable hydrogen project at the Humber Refinery

*Includes refinery process catalyst captured for metals reclamation, oils and solids captured for reuse, and recyclable materials such as metal, glass and paper.



Fuel cell laboratory at the
Phillips 66 Research Center
BARTLESVILLE, OK

Energy Research & Innovation

We are capitalizing on industry-leading work by our Energy Research & Innovation organization.

We have a dedicated technology organization to advance our sustainability efforts. Our research and development investments help us understand our impacts on land, air and water, and how we can use natural resources more sustainably. We focus on running our refineries, midstream assets and chemicals facilities efficiently, using less water and energy.

- Advancing fuel cell research through a field demonstration of a proprietary Phillips 66 solid oxide fuel cell technology, and with a DOE grant in collaboration with Georgia Institute of Technology, through development of a commercially feasible electrolysis technology with the potential to convert carbon dioxide to clean fuels
- Developing next generation battery technologies including new materials for lithium ion batteries as well as collaborating with Faradion to develop lower-cost and higher-performing anode materials for sodium-ion batteries

SUSTAINABILITY BY THE NUMBERS

- 45% of the board of directors are women
- \$942 million invested in safety, environmental and reliability in 2020
- 28% decline in SO_x, NO_x and PM emissions from 2012 to 2019
- 30 times lower combined workforce total recordable rate in 2020 than the U.S. manufacturing average
- 1 billion gallons per year of renewable diesel projects under development
- 75% lower lost workday case rate in 2020 than the U.S. refining industry average
- 1 million tonnes recycled from 2014 to 2019*
- \$32 million contributed by Phillips 66 to organizations promoting education, environmental sustainability, and community safety and preparedness in 2020

Growth

Enhancing our portfolio by capturing growth opportunities in Midstream and Chemicals, as well as low-carbon opportunities in Emerging Energy

Midstream

Our Midstream assets are highly integrated with our Refining, Marketing and Specialties, and Chemicals segments. Our investments are focused on three primary areas: crude oil pipelines and exports, products pipelines and terminals, and the NGL value chain. We expanded our integrated infrastructure system during 2020 by completing construction on most of our major growth projects that were underway.

Our 2021 capital budget for Midstream growth is less than it has been in recent years, reflecting fewer near-term investment opportunities. Growth capital in 2021 will be directed toward completion of projects underway as well as optimization of our value chain across our system.

SWEENEY HUB

Our Sweeny Hub provides world-class fractionation, cavern storage and export capability.

The Sweeny Hub is integrated with our Sweeny Refinery and is strategically located to access key markets, including petrochemicals, fuels and global LPG markets. We completed the Sweeny Hub Phase 2 expansion in the fourth quarter of 2020, including the addition of two new 150,000 BPD fractionators, bringing the site's total fractionation capacity to 400,000 BPD. Frac 2 commenced commercial operations in September 2020, and Frac 3 started operations in October 2020.

We plan to resume construction of Frac 4 in the second half of 2021. Upon completion, the Sweeny Hub will have 550,000 BPD of fractionation capacity. The fractionators are supported by long-term customer commitments.

Also at the Sweeny Hub, Phillips 66 Partners completed its expansion of NGL storage at Clemens Caverns during the year, increasing capacity from 9 million barrels to 16.5 million barrels.

Phillips 66 Partners continues construction of the C2G Pipeline, a 16 inch ethane pipeline that will connect Clemens Caverns to petrochemical facilities in Gregory, Texas. The project is backed by long-term commitments and is expected to be completed in mid-2021.

BEAUMONT TERMINAL

Our Beaumont Terminal in Nederland, Texas, is the largest terminal in the Phillips 66 portfolio. It is strategically located on the U.S. Gulf Coast with connections to 11 crude oil pipelines and access to six refineries. In the fourth quarter of 2020, we completed construction of a new 200,000 BPD dock bringing the terminal's total dock capacity to 800,000 BPD. The terminal has total crude and product storage capacity of 16.8 million barrels.

GRAY OAK PIPELINE

The Gray Oak Pipeline is an 845 mile pipeline capable of shipping 900,000 BPD of crude oil from the Permian and Eagle Ford to Texas Gulf Coast destinations including our Sweeny Refinery, as well as access to the Corpus Christi and Houston markets. The pipeline made its first commercial delivery in November 2019 and commenced full operations in the second quarter of 2020. Phillips 66 Partners has a 42.25% effective ownership interest in the pipeline.

SOUTH TEXAS GATEWAY TERMINAL

Phillips 66 Partners owns a 25% interest in the South Texas Gateway Terminal, which connects to the Gray Oak Pipeline in Ingleside, Texas. The first dock at the terminal began crude oil export operations in July 2020. The second dock commenced crude oil export operations in the fourth quarter of 2020. Upon completion in the first quarter of 2021, the marine export terminal will have storage capacity of 8.6 million barrels and up to 800,000 BPD of dock throughput capacity.





PHILLIPS 66 PARTNERS

Phillips 66 Partners is a growth-oriented master limited partnership formed by Phillips 66, with a strong balance sheet and commitment to safe, reliable operations.

In 2020, Phillips 66 Partners delivered adjusted EBITDA of \$1.2 billion, demonstrating the strength of its fee-based portfolio during a period of challenged market conditions.

Phillips 66 Partners remains focused on executing its portfolio of high-quality organic projects. During the year, the Partnership reached milestones on several major growth projects, including completion of Gray Oak Pipeline, its largest project to date, as well as the Clemens Caverns expansion. Construction continued on the South Texas Gateway Terminal and the C2G Pipeline.

Phillips 66 Partners' 2021 adjusted capital budget is \$300 million, including \$165 million for growth projects and \$135 million for sustaining capital.

The Partnership's integrated portfolio creates opportunities for capital efficient, high-return projects that optimize its existing asset base.



Gray Oak Pipeline
Wink Facility
WINK, TX

Chemicals

In 2020, CPChem had record polyethylene sales volumes supported by global consumer demand, including food packaging and medical supplies.

CPChem has a global asset base with a feedstock-advantaged portfolio. CPChem is one of the largest producers worldwide of high-density polyethylene and normal alpha olefins.

CPChem is advancing optimization and growth opportunities. This includes recently approved projects at its Cedar Bayou facility in Baytown, Texas, that will increase capacity of ethylene and polyethylene. In addition, CPChem is pursuing expansion of its normal alpha olefins production.

CPChem is jointly developing two world-scale petrochemical facilities with Qatar Petroleum in the United States and Middle East, where there is access to abundant and competitively priced feedstock. CPChem and its partner are closely monitoring economic developments and have deferred final investment decision for the U.S. project until 2022.



CPChem Sweeny/Old Ocean Facilities
OLD OCEAN, TX



Fuel cell laboratory at the
Phillips 66 Research Center
BARTLESVILLE, OK



Control laboratory at
Sweeny Refinery
OLD OCEAN, TX

EMERGING ENERGY

We have created a new organization called Emerging Energy dedicated to lower-carbon opportunities while maintaining an emphasis on returns.

The group is charged with establishing a sustainable business platform:

- Focusing on core competencies and asset integration
- Leveraging existing businesses for emerging energy growth
- Capitalizing on technology and innovation resources
- Utilizing global commercial and marketing expertise
- Building upon our strong industry reputation

We are focused on commercializing and implementing emerging energy technology into our operations and portfolio of assets to help advance a lower-carbon future.



San Francisco Refinery
RODEO, CA

Rodeo Renewed

In the third quarter of 2020, we announced a project to reconfigure our San Francisco Refinery in Rodeo, California, to meet the growing demand for renewable fuels.

We expect to complete the diesel hydrotreater conversion in mid-2021, which will produce 8,000 BPD (120 million gallons per year) of renewable diesel.

Upon expected completion of the full conversion in early 2024, the facility will have over 50,000 BPD (800 million gallons per year) of renewable fuel production capacity.

This capital efficient investment is expected to deliver strong returns, reduce the facility's greenhouse gas emissions by 50% and help California meet its low-carbon objectives.

Returns

Improving returns by maximizing earnings from existing assets and investing capital efficiently

Refining

Our Refining business focuses on the highest standards in operating excellence, as well as margin enhancement across the cycles. In 2020, Refining results were severely affected by demand destruction associated with COVID-19. Even with the challenges of the pandemic, our employees remained focused on safe, reliable operations.

We enhance Refining returns by increasing throughput of advantaged feedstocks and improving yields of higher-value products across our portfolio. We maintain cost discipline and rank in the top quartile for the Solomon non-energy operating cost benchmark.

Phillips 66 has industry-leading global coking capacity to process heavy crudes to produce higher-value products. Our commercial crude supply network with integration from our Midstream assets provides the capability to maximize cost-advantaged crude feedstocks throughout our refining system.

We run a diversified crude slate with flexibility to optimize feedstock at each refinery and across our system. We process approximately equal amounts of heavy, medium and light crudes. We are the industry's largest purchaser of heavy Canadian crude oil, and we also process a large proportion of advantaged crude oil from the key shale basins.

84% clean product yield

37% industry-leading distillate yield

In 2020, Refining had a clean product yield of 84%, including an industry-leading distillate yield of 37%.

We are advancing our digital transformation efforts, positioning us to stay competitive long-term. During the year, we implemented new technologies, including digital systems for work processes and artificial intelligence to predict maintenance requirements and optimize processing unit performance at our refineries.

We are disciplined in our approach to capital investments. For 2021, the Refining capital budget will be primarily directed toward sustaining our assets. In addition, it will fund high-return, quick-payout projects, as well as investments to competitively position the company for a lower-carbon future.

We maintain cost discipline and rank in the top quartile for the Solomon non-energy operating cost benchmark.



Wood River Refinery
ROXANA, IL



Marketing and Specialties

Our Marketing business is a high-return, low-capital business, generating strong, stable cash flow.

In 2020, Marketing and Specialties reported one of its strongest financial performances. The segment generated adjusted ROCE of 35% for the year. Within Marketing and Specialties, our marketing business delivered full-year adjusted pre-tax income of \$1.2 billion, which was the highest in our company's history.

We have a strong portfolio of brands that provide us with a competitive advantage in the markets where we participate. Our branded network of sites provides integration with our Refining assets, ensuring ratable placement, particularly in the U.S. Central and West Coast regions.

UNITED STATES MARKETING

7,590 branded outlets

5,440 outlets utilized by our wholesale operations' network of marketers

730 joint venture outlets

In the United States, we had approximately 7,590 branded outlets in 48 states and Puerto Rico at the end of 2020. Our wholesale operations utilize a network of marketers operating approximately 5,440 outlets. We place a strong emphasis on the wholesale channel of trade because of its low capital requirements and ability to provide secure, ratable off-take from our refineries.

We also hold brand-licensing agreements covering approximately 1,370 sites, demonstrating the strength of our brands.

In addition, we participate in retail joint ventures in the United States. This aligns with our strategy to secure long-term placement of our refinery production and extend participation in the retail value chain. At the end of 2020, our joint ventures had approximately 730 outlets.

In 2020, 95 sites were acquired by our West Coast retail joint venture. Additionally, 106 retail sites in the Central region were acquired through a joint venture in January 2021.



76 Branded Marketing Site
ONTARIO, CALIFORNIA



Conoco Branded Marketing Site
WEATHERFORD, OK





Phillips 66 Branded Marketing Site
HOUSTON, TX



INTERNATIONAL MARKETING

1,280 marketing outlets in Europe

330 COOP joint venture sites in Switzerland

In Europe, we are an industry leader with a proven low-cost, high-volume approach, which is demonstrated by our strong market share in Germany, Austria and Switzerland of our branded JET and COOP retail businesses.

At the end of 2020, we had 1,280 marketing outlets in Europe and 330 sites through our COOP joint venture in Switzerland, and we held brand-licensing agreements covering approximately 90 sites in Mexico.

SPECIALTIES

In the Specialties business, finished lubricants are marketed under our premium Phillips 66, Kendall and Red Line brands. We also produce private label lubricants for many original equipment manufacturers. Our strategy is to grow volumes through the marketer business, focusing on stronger brands, premium products, and commercial and industrial segments. We are a leading lubricants manufacturer in the United States and receive high industry rankings for supplier satisfaction.

COOP Branded Marketing Site
KAISERAUGST, SWITZERLAND



The Excel Paralubes joint venture is an integrated manufacturing and marketing business, providing high-quality base oil solutions to our customers.

Our Specialties business also markets high-quality graphite and anode-grade petroleum cokes in the United States, Europe and Asia for use in a variety of industries, including steel, battery manufacturing, aluminum and titanium oxide. We also market polypropylene in North America under the COPYLENE brand name for use in consumer products.

JET Branded Marketing Site
GOERZALLEE, BERLIN





Distributions

Committed to financial strength, disciplined capital allocation, dividend growth and share repurchases

Shareholder returns are fundamental to our strategy. Phillips 66 returned \$2 billion to shareholders in 2020, and since the company formed in 2012, it has returned approximately \$28 billion in the form of dividends, share repurchases and exchanges.

During 2020, we paid \$1.6 billion in dividends. Share repurchases during the year were \$443 million. In March 2020, we suspended our share repurchase program to preserve liquidity. Phillips 66 remains committed to delivering value for our shareholders, including through a secure, competitive and growing dividend.

Beaumont Dock 4
NEDERLAND, TX

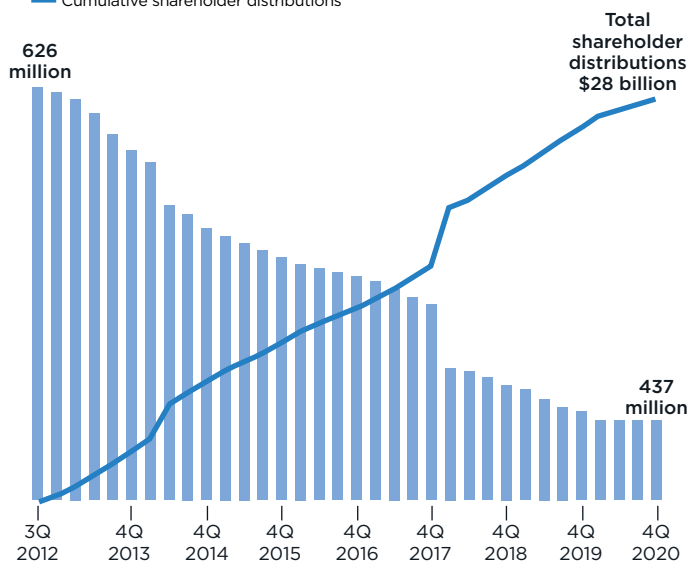


20% compound annual growth rate (CAGR) with nine increases since May 2012

34% Repurchased or exchanged of our original shares outstanding

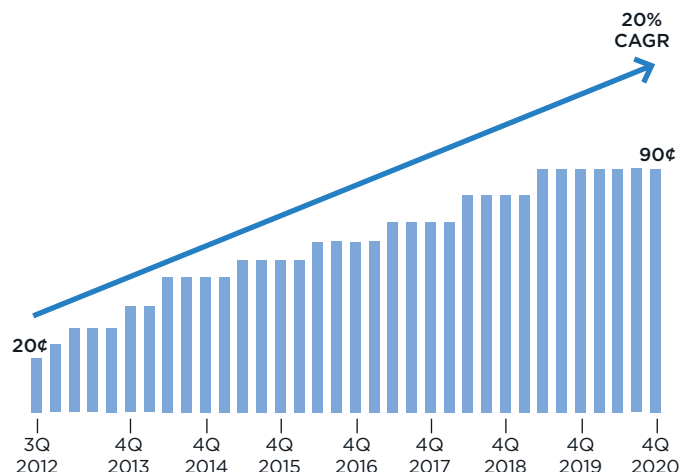
SHARE COUNT AND DISTRIBUTIONS

- Number of shares outstanding
- Cumulative shareholder distributions*



DIVIDEND GROWTH

(Quarterly ¢/share)



*Through share repurchases, share exchanges and dividends



Subterranean Glacier Pipeline
CUT BANK, MT



High-Performing Organization

Building capability, pursuing excellence and doing the right thing

Our high-performing organization is defined by culture, capability and performance. The 14,300 people of Phillips 66 are bonded by our vision of providing energy and improving lives, our core values of safety, honor and commitment, and Our Energy in Action. These principles guide who we are and what we stand for.

We value our people. They are our greatest resource and competitive advantage. We recognize the importance in equipping, engaging and empowering all employees to innovate and work in ways that deliver industry-leading performance.

In March 2021, we published our inaugural Human Capital Management Report, a comprehensive look at our approach to building a high-performing organization, with workforce metrics, details on the employee experience, and insight on the culture that makes Phillips 66 a premier workplace.

Our Energy In Action

Our workforce is evolving, and our business is transforming and growing, requiring that we purposefully shape our culture to enable strategic change. Our Energy in Action is a set of behaviors that preserve the best of who we are and challenge us to get better...every employee, every day, always.

We embrace our values as a common bond.

We depend on each other to do our jobs.

We create space for possibilities.

We challenge ourselves and never settle.

Work for the greater good.

Create an environment of trust.

Seek different perspectives.

Achieve excellence.

Living our values earns us the confidence of our business partners, communities and co-workers.

Trusting each other makes us more productive and agile.

Championing inclusion enables us to innovate and thrive.

Continuing to improve ensures we deliver extraordinary performance.

Inclusion and Diversity

At Phillips 66, we lead with inclusion because in its absence, diversity cannot thrive. Building an inclusive and diverse culture is a key component of who we are and where we are accelerating our focus. A diverse workforce, powered by an environment of inclusion, expands our ability to collaborate, innovate and differentiate performance. Inclusion and diversity are critical to driving a high-performing organization and living Our Energy in Action. This results in advancing better solutions for today and creativity to solve what is coming next.

Fireside chat with Chairman and CEO Greg Garland, Black Employee Network HOUSTON, TX



Social Impact

The people of Phillips 66 are committed to giving back to the community. In 2020, Phillips 66 partnered with Points of Light, a national nonprofit focused on volunteerism, to promote Global Volunteer Month and encourage virtual volunteering efforts.

Even with the global pandemic reducing the ability for employees to volunteer, the people of Phillips 66 continued to give financially and give generously. We saw an increase in matching gifts this year and great success in our United Way campaigns across many of our locations.

Hurricane Laura response at
Lake Charles Refinery
WESTLAKE, LA



COVID-19 food
distribution at YMCA
CARSON, CA



EMPLOYEE VOLUNTEERISM

While 2020 was a very different year, our employees continued to volunteer for the causes that matter to them, doing so in new ways through virtual volunteerism. Our employees responded to challenges that arose during the year, including those impacted by the pandemic and natural disasters. Our employees invested their time in on-the-ground volunteerism. Some examples:

- Hosted virtual read-alouds for elementary students
- Hosted read-alouds in English and Spanish for literacy camps
- Worked with local food bank to redesign the food service model to meet COVID-19 safety standards
- Coordinated with local food banks to provide personal necessities
- Sewed masks and made face shields for community distribution
- Sent notes of encouragement to COVID-19 frontline responders
- Assembled and distributed food to those impacted by COVID-19
- Served on-site meals to hurricane relief workers



Employee Resource Group (ERG)
Kids' Meals volunteer event
HOUSTON, TX



Leadership



Global Town Hall at Sweeny Refinery
OLD OCEAN, TX

**“To be an agile, efficient and smart company,
we must empower and prepare our people
to accomplish great things.”**

Greg Garland
CHAIRMAN AND CEO





Board of Directors

GREG C. GARLAND

Chairman and CEO of Phillips 66 (5)

GARY K. ADAMS

Former Chief Advisor — Chemicals of IHS Markit (2,4)

JULIE L. BUSHMAN

Former Executive Vice President — International Operations of 3M (1,4)

LISA A. DAVIS

Former Member of the Managing Board of Siemens AG and
CEO of Siemens Gas and Power (2,4)

CHARLES M. HOLLEY

Former Executive Vice President and CFO of Walmart Inc. (1,4)

JOHN E. LOWE

Senior Executive Advisor to Tudor, Pickering, Holt & Co. (1,4,5)

HAROLD W. MCGRAW III

Former Chairman, President and CEO of S&P Global (2,4)

DENISE L. RAMOS

Former CEO and President of ITT Inc. (1,3,4,5)

GLENN F. TILTON

Former Chairman, President and CEO of UAL Corporation, and
Chairman and CEO of United Air Lines, Inc. (2,3,4,5)

VICTORIA J. TSCHINKEL

Former Vice-Chair of 1000 Friends of Florida (1,4)

MARNA C. WHITTINGTON

Former CEO of Allianz Global Investors Capital (2,3,4,5)

As of March 1, 2021

- (1) Member of the Audit and Finance Committee
- (2) Member of the Human Resources and Compensation Committee
- (3) Member of the Nominating and Governance Committee
- (4) Member of the Public Policy and Sustainability Committee
- (5) Member of the Executive Committee



Left to Right: John Lowe, Gary Adams, Charles Holley, Victoria Tschinkel, Marna Whittington, Greg Garland, Glenn Tilton, Lisa Davis, Julie Bushman, Denise Ramos, Harold McGraw



Executive Leadership Team

GREG C. GARLAND

Chairman and CEO

JEFF A. DIETERT

Vice President, Investor Relations

DAVID ERFERT

Senior Vice President, Health, Safety and Environment, and Projects

ZHANNA GOLODRYGA

Senior Vice President, Chief Digital and Administrative Officer

ROBERT A. HERMAN

Executive Vice President, Refining

PAULA A. JOHNSON

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

BRIAN M. MANDELL

Executive Vice President, Marketing and Commercial

KEVIN J. MITCHELL

Executive Vice President, Finance and CFO

ANN M. OGLESBY

Vice President, Energy Research & Innovation

SONYA M. REED

Senior Vice President, Human Resources and Corporate Communications

TIMOTHY D. ROBERTS

Executive Vice President, Midstream



Left to Right: Sonya Reed, Jeff Dietert, Zhanna Golodryga, Tim Roberts, Bob Herman, Greg Garland, Kevin Mitchell, Paula Johnson, Brian Mandell, David Erfert, Ann Oglesby

RECONCILIATION OF EARNINGS (LOSS) TO ADJUSTED EARNINGS (LOSS)

(Millions of Dollars Except as Indicated)	2020	2019	2018
Net income (loss) attributable to Phillips 66	\$(3,975)	\$3,076	\$5,595
Pre-tax adjustments:			
Pending claims and settlements	(37)	(21)	21
Pension settlement expense	81	—	67
Impairments	4,241	853	—
Impairments by equity affiliates	15	47	28
Lower-of-cost-or-market inventory adjustments	(55)	65	—
Certain tax impacts	(14)	(90)	(119)
Asset dispositions	(93)	(17)	—
Hurricane-related costs	43	—	—
Tax impact of adjustments*	(568)	(214)	(1)
U.S. tax reform	—	—	23
Other tax impacts	(15)	(42)	(70)
Noncontrolling interests	(5)	—	6
Adjusted earnings (loss)	(382)	3,657	5,550
Earnings (loss) per share of common stock (dollars)	(9.06)	6.77	11.80
Adjusted earnings (loss) per share of common stock (dollars)†	(0.89)	8.05	11.71

* We generally tax effect taxable U.S.-based special items using a combined federal and state annual statutory income tax rate of approximately 25%. Taxable special items attributable to foreign locations likewise use a local statutory income tax rate. Nontaxable events reflect zero income tax. These events include, but are not limited to, most goodwill impairments, transactions legislatively exempt from income tax, transactions related to entities for which we have made an assertion that the undistributed earnings are permanently reinvested, or transactions occurring in jurisdictions with a valuation allowance.

† Weighted-average diluted shares outstanding and income allocated to participating securities, if applicable, in the adjusted earnings per share calculation are the same as those used in the GAAP diluted earnings per share calculation.

RECONCILIATION OF NET DEBT-TO-CAPITAL RATIO TO NET DEBT-TO-CAPITAL RATIO EXCLUDING PSXP

(Millions of Dollars Except as Indicated)	Total Debt	Total Equity	Cash	Net Debt-to-Capital Ratio
Dec. 31, 2020				
Phillips 66 Consolidated	\$15,893	\$21,523	\$2,514	38%
PSXP*	3,909	2,512	7	
Phillips 66 Excluding PSXP	11,984	19,011	2,507	33%
Dec. 31, 2019				
Phillips 66 Consolidated	11,763	27,169	1,614	27%
PSXP*	3,516	2,229	286	
Phillips 66 Excluding PSXP	8,247	24,940	1,328	22%
Dec. 31, 2018				
Phillips 66 Consolidated	11,160	27,153	3,019	23%
PSXP*	3,048	2,469	1	
Phillips 66 Excluding PSXP	8,112	24,684	3,018	17%

* PSXP's third-party debt and Phillips 66's noncontrolling interests attributable to PSXP.

RECONCILIATION OF PHILLIPS 66 ROCE TO ADJUSTED ROCE

(Millions of Dollars) Numerator	2020	2019	2018
Net income (loss)	\$(3,714)	\$3,377	\$5,873
After-tax interest expense	394	362	398
GAAP ROCE earnings (loss)	(3,320)	3,739	6,271
Special items	3,598	581	(51)
Adjusted ROCE earnings	278	4,320	6,220
(Millions of Dollars) Denominator			
GAAP average capital employed*	\$38,174	\$38,622	\$37,925
*Total equity plus debt			
GAAP ROCE (percent)	(9)%	10%	17%
Adjusted ROCE (percent)	1%	11%	16%

PHILLIPS 66 RECONCILIATION OF CAPITAL EXPENDITURES AND INVESTMENTS TO ADJUSTED CAPITAL SPENDING

(Millions of Dollars)	2021 Budget	2020	2019	2018
Phillips 66 capital expenditures and investments	\$1,673	\$2,920	\$3,873	\$2,639
Less: capital spending funded by certain joint venture partners	5	61	423	—
Adjusted capital spending	1,668	2,859	3,450	2,639
Midstream capital expenditures and investments				
Phillips 66	310	832	1,210	772
Phillips 66 Partners*	305	915	1,082	776
	615	1,747	2,292	1,548
Less: capital spending funded by certain joint venture partners	5	61	423	—
Adjusted capital spending	610	1,686	1,869	1,548

Growth	\$315	1,470	1,605	1,360
Sustaining	295	216	264	188

* Includes growth capital to be cash funded by joint venture partners.

RECONCILIATION OF MARKETING AND OTHER PRE-TAX INCOME TO ADJUSTED PRE-TAX INCOME

(Millions of Dollars)	2020
Marketing and Other pre-tax income	\$1,271
Pre-tax adjustments:	
Pending claims and settlements	(37)
Pension settlement expense	6
Adjusted pre-tax income	1,240



RECONCILIATION OF MARKETING AND SPECIALTIES PRE-TAX ROCE TO ADJUSTED PRE-TAX ROCE

<i>(Millions of Dollars) Numerator</i>	2020
Pre-tax income	\$1,446
Pre-tax interest expense	—
GAAP ROCE pre-tax income	1,446
Pre-tax special items	(27)
Adjusted ROCE pre-tax income	1,419

(Millions of Dollars) Denominator

GAAP average capital employed*	\$4,039
*Total equity plus debt	

GAAP pre-tax ROCE (percent)	36%
Adjusted pre-tax ROCE (percent)	35%

PHILLIPS 66 PARTNERS RECONCILIATION OF ADJUSTED EBITDA AND DISTRIBUTABLE CASH FLOW TO NET INCOME

<i>(Millions of Dollars Except as Indicated)</i>	2020
Net income attributable to Phillips 66 Partners	\$791
Plus:	
Net income attributable to noncontrolling interest	17
Net income	808
Plus:	
Depreciation	135
Net interest expense	120
Income tax expense	3
EBITDA	1,066
Plus:	
Proportional share of equity affiliates' net interest, taxes, depreciation and amortization, and impairments	172
Expenses indemnified or prefunded by Phillips 66	2
Transaction costs associated with acquisitions	1
Impairments	96
Less:	
Gain from equity interest transfer	84
Adjusted EBITDA attributable to noncontrolling interest	32
Adjusted EBITDA	1,221
Plus:	
Deferred revenue impacts*	8
Less:	
Equity affiliate distributions less than proportional adjusted EBITDA	—
Maintenance capital expenditures	97
Net interest expense	120
Preferred unit distributions	41
Income taxes paid	1
Distributable cash flow	970

* Difference between cash receipts and revenue recognition

PHILLIPS 66 PARTNERS RECONCILIATION OF ADJUSTED EBITDA AND DISTRIBUTABLE CASH FLOW TO NET CASH PROVIDED BY OPERATING ACTIVITIES

<i>(Millions of Dollars Except as Indicated)</i>	2020
Net cash provided by operating activities	\$955
Plus:	
Net interest expense	120
Income tax expense	3
Changes in working capital	15
Undistributed equity earnings	(7)
Impairments	(96)
Gain from equity interest transfer	84
Deferred revenues and other liabilities	4
Other	(12)
EBITDA	1,066
Plus:	
Proportional share of equity affiliates' net interest, taxes, depreciation and amortization, and impairments	172
Expenses indemnified or prefunded by Phillips 66	2
Transaction costs associated with acquisitions	1
Impairments	96
Less:	
Gain from equity interest transfer	84
Adjusted EBITDA attributable to noncontrolling interest	32
Adjusted EBITDA	1,221
Plus:	
Deferred revenue impacts*	8
Less:	
Equity affiliate distributions less than proportional adjusted EBITDA	—
Maintenance capital expenditures	97
Net interest expense	120
Preferred unit distributions	41
Income taxes paid	1
Distributable cash flow	970

* Difference between cash receipts and revenue recognition

Use of Non-GAAP Financial Information—This report includes the terms “adjusted earnings,” “adjusted earnings per share” and “adjusted return on capital employed.” These are non-GAAP financial measures that are included to help facilitate comparisons of operating performance across periods and to help facilitate comparisons with other companies in our industry, by excluding items that do not reflect the core operating results of our businesses in the current period. This report also includes a “debt-to-capital ratio excluding PSXP.” This non-GAAP measure is provided to differentiate the capital structure of Phillips 66 compared with that of Phillips 66 Partners. Additionally, this report includes “adjusted capital spending,” a non-GAAP financial measure that demonstrates the portion of total consolidated capital expenditures and investments funded by Phillips 66 and Phillips 66 Partners.



Shareholder Information

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

Phillips 66's Investor Services Program is a direct stock purchase and dividend reinvestment plan that offers shareholders a convenient way to buy additional shares and reinvest their common stock dividends. Purchases of company stock through direct cash payment are commission-free.

Please call Computershare to request an enrollment package:
Toll-free number: 866-437-0009
Or enroll online at www.computershare.com/investor

Registered shareholders can access important investor communications online and sign up to receive future shareholder materials electronically by going to www.computershare.com/investor and following the enrollment instructions.

PRINCIPAL AND REGISTERED OFFICES

Phillips 66
P.O. Box 421959
Houston, TX 77242-1959

251 Little Falls Drive
Wilmington, DE 19808

STOCK TRANSFER AGENT AND REGISTRAR

Computershare
462 South 4th Street, Suite 1600
Louisville, KY 40202
www.computershare.com/investor

Information Requests

For information about dividends and certificates or to request a change of address form, shareholders may contact:

Computershare
P.O. Box 505000
Louisville, KY 40233
Toll-free number: 866-437-0009
Outside the U.S.: 201-680-6578
TDD for hearing impaired: 800-231-5469
TDD outside the U.S.: 201-680-6610
www.computershare.com/investor

Personnel in the following offices also can answer investors' questions about the company:

Institutional Investors
800-624-6440
investorrelations@p66.com

Individual Investors
866-437-0009
web.queries@computershare.com

COMPLIANCE AND ETHICS

For guidance, to express concerns or to ask questions about compliance and ethics issues, contact the Phillips 66 Global Ethics Office:

Attn: Global Ethics Office
Phillips 66
2331 CityWest Blvd.
Houston, TX 77042
Toll-free number available 24/7: 855-318-5390
ethics@p66.com
www.phillips66.ethicspoint.com

INTERNET

www.phillips66.com
The website includes resources of interest to investors, including news releases and presentations to securities analysts; copies of the Phillips 66 Proxy Statement; reports to the U.S. Securities and Exchange Commission; and data on health, safety and environmental performance. Other websites with information on topics included in this report:

www.cpchem.com
www.dcpmidstream.com
www.phillips66partners.com

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DISCLOSURE STATEMENTS

Certain disclosures in this document may be considered "forward-looking" statements. These are made pursuant to "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Refer to the "Cautionary Statement" in Management's Discussion and Analysis within the Phillips 66 2020 Form 10-K, which should be read in conjunction with such statements. "Phillips 66," "the company," "we," "us" and "our" are used interchangeably in this report to refer to the businesses of Phillips 66 and its consolidated subsidiaries.

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Phillips 66 Headquarters
HOUSTON, TX





PHILLIPS66.COM

