Phillips 66
Annual Meeting of Stockholders
May 8, 2013
10:00 a.m. ET

Greg Garland (*Phillips 66 - Chairman & CEO)*:

Good morning everyone and welcome to our inaugural Shareholders Meeting for Phillips 66 Company. We're really glad that you are here. My name is Greg Garland, I'm Chairman and Chief Executive Officer of Phillips 66. I'm going to serve as the Chairman of the meeting today. And as first thing I would like to do is call the meeting to order.

So each of you received an agenda when you walked in this morning. As indicated on the agenda, we will first conduct the business of the meeting by presenting and voting on the proposals that we have before us. After the business presentation, after the business has been conducted, I'm going to provide a presentation overview of the Company and our results for 2012.

On the reverse side of the agenda we have set out the rules of conduct for this meeting. We ask that you please abide by these rules so that we can conduct this meeting in an orderly fashion.

We found that the best way to ensure that we have plenty of time at the end for comments and questions is to save those for the Q&A portion of the meeting. So we'd ask you to do that. At this point in the time, we will move to the business session of the meeting. Paula.

Paula Johnson (*Phillips 66 – EVP, General Counsel)*:

Board of Directors appointed James D. Gaughan of Carl T. Hagberg and Associates to serve as the Inspector of Elections. Mr. Gaughan reports that stockholders entitled to cast more than 84% of the votes eligible to be cast at this meeting are present in person or represented by proxy, therefore, quorum is present and the meeting is duly convened.

Greg Garland:

Thank you, Paula. Before we proceed it's my pleasure today to introduce to you the members of our Board of Directors of Phillips 66. They are all here today with

us. As I introduce each of our directors, I'd ask that you stand and face our audience this morning.

First, J. Brian Ferguson. Brian is retired Chairman and CEO of Eastman Chemical Company; William R. Loomis Jr., Bill is an Independent Financial Advisor and former General Partner and Managing Director of Lazard and Freres Company ; John E. Lowe, John held a serious of executive positions with ConocoPhillips prior to the spin and he is now a special advisor to Tudor, Pickering, Holt Company; Harold W. McGraw III, Terry is the Chairman and President and Chief Executive Officer of the McGraw-Hill Companies; Glenn F. Tilton, Glenn is currently Chairman of Midwest for JPMorgan Chase & Co. and the former Chairman, President and CEO of United Airlines Corporation; Victoria J. Tschinkel, Vicky serves on the Executive Committee of 1,000 Friends of Florida, previously was its Chairwoman. And Dr. Marna C. Whittington, Marna has recently retired as the CEO of Allianz Global Investors Capital. Please join me in thanking our Board for their service to our company. Thank you.

Now the meeting will move to consider the five proposals that are before us and our stockholders. We will present each of the proposals separately.

Proposal number 1 is election of directors. The first proposal is for the two directors to serve a term expiring at the end of the 2016 annual meeting of stockholders. The two nominees for election are Greg C. Garland and John E. Lowe, as indicated in the proxy statement, the Board of Directors recommends that you vote for.

Our second proposal today is for ratification and appointment of our independent auditor Ernst & Young. They are independent. They are a registered public accounting firm, the audit and finance committee has reviewed and recommends that you approve and appoint EY to be our independent auditor for 2013.

John King who is a representative of EY is here today and I think John will be happy to answer any questions that you might have about EY or their engagement. So John if you would, could you please stand and be recognized. Thank you. The Board of Directors recommends that the shareholders ratify the selection of Ernst & Young.

Proposal number 3 is to adopt the 2013 Omnibus plan of stock performance and incentive plan for Phillips 66 Company. This plan was approved by our Board of Directors on February 10 of 2013 to replace a plan that was put in place in conjunction with the spinoff of Phillips 66 from ConocoPhillips. It allows us to issue common stock for compensation to our employees and to our directors as indicated in the proxy statement. The Board of Directors recommends that the stockholders approve adoption of this plan.

Proposal number 4 is an advisory vote on Say-on-Pay and is approving the compensation of the named executive officers of Phillips 66 Company. As indicated in the proxy statement, the Board of Directors recommends that stockholders vote for this proposal.

The final proposal before us today is an advisory vote on how often the shareholders will be asked to provide an advisory vote on compensation for the named executive officers at Phillips 66. Stockholders can hold this vote annually every other year or abstain from voting on this proposal. As indicated in the proxy statement, the Board recommends the stockholders vote to hold the Say-on-Pay Vote annually.

So with that, I declare that the polls are open. Please note that any stockholder who has not delivered his proxy may vote by ballot at this meeting. And I just went into Paula's part of the presentation, but if it's okay, I'll finish it for you Paula.

Paula Johnson:

Thank you.

Greg Garland:

If you've already submitted a valid proxy, your votes will be cast as indicated on your proxy card. You do not have to vote by ballot unless you wish to change your vote prior to the proxy. If you need a ballot, please raise your hand and we'll get one to you so that you can vote.

Okay. As you're completing your voting, please pass your ballots to the aisle and they can be collected by the meeting host. Okay. It looks like we've collected all the ballots at this point in time. Anyone need another additional minute? So then I declare the polls are closed.

So while the votes are being tabulated, we'd like to provide you with the presentation of the highlights of 2012 for our company and also of what we have planned for the future of Phillips 66.

We got off to a great start. Our employees executed the spin flawlessly. When you think about the Company, we had a strong operating performance. We ran well. We stood up the Company in a very favorable margin environment, so all those

things came together for really strong year of financial performance for our Company.

We delivered $5.4 billion of [adjusted] net income in 2012. Our return on capital employed was 22%. We're so proud of our employees and what they accomplished in standing up the Company, but also for their commitment and their dedication in creating and capturing value for our shareholders.

This is our Safe Harbor statement during this presentation this morning, and during the Q&A session that follows we will be making forward-looking statements. Actual results could differ material from what we say today. The sources of those differences are located here and also in our filings with the SEC. I would encourage you to read those.

In addition, anything that we would say today about our proposed master limited partnership is not an offer for securities. We have made the initial filing of our S1 with SEC for Phillips 66 partners. We are currently in a waiting period and because of that we will not be talking about the MLP today, nor will we be taking any questions about the MLP today.

I would encourage you to read the S1. There is a lot of information in S1 about the assets, about the model, about what we're trying to do with the master limited partnership.

So our company has a strong legacy and a deep commitment to operating excellence. And for us, this is personal safety. It's process safety. It's environmental excellence. It's reliability. It's cost management.

We believe that operational excellence provides the foundation for us to be able to create sustainable value as a company. We are very proud of our accomplishments in operational excellence in 2012. We improved our total recordable incident rate at Phillips 66 by 22%. CPChem improved their recordable rate by over 25%. DCP improved their recordable rate by 21%.

These are impressive numbers and they are step changes in performance. All three of our businesses are among the very best in their respective industries. In addition, at Phillips 66 we improved our lost work day rate by 33%. We improved our process safety event occurrences by 40% and we decreased total hydrocarbon spills by 47%.

And if you look over the last five year period, we reduced emissions from our US refining by 42%. So protecting each other, protecting our environment, protecting the communities where we live and where we operate guides everything we do. It always will.

After operations excellence, our next strategic priority is growth. We continue to aggressively pursue and grow in our midstream businesses, in our chemicals business, transportation logistics businesses. We've begun to implement the plans around growth in our strategies. In 2012, we directly invested over $500 million in two major natural gas liquids pipelines.

Our partnership with DCP grew their volumes both on the NGL side and their gas processing capability. Our chemicals joint venture completed a major expansion in the Middle East. And in total we invested over $2.1 billion in growth and that includes our share of the investments of our equity affiliates.

So as we think about growth, one of the things we want to do is prioritize our returns to the higher returning businesses. We are exceeding the financial and operational goals that we set for ourselves when we put the company together. You can see our adjusted return on capital employed increased from 14% to 22%.

And some of the things that we did to drive that increase was we increased our exposure to advantaged crudes, so from 52% to 62% in 2012. We increased our capability to export products out of our US refineries by 25,000 barrels a day. And then our midstream businesses and our chemicals businesses sustained industry leading returns in 2012.

Our base improvements in the refining business were made largely through what we would say is low cost capital investments and also strategic commercial arrangements. But we move very quickly and we move very deliberately to capture these opportunities.

Our next strategic priority is distributions to our shareholders. This is important to us as growth in returns. I think we've demonstrated our commitment to distributions since we become a public company a year ago last week actually we've grown our dividend by 56%. We've announced a $2 billion share repurchase program. Our total shareholder return was 64%. We view our dividend as secure and as something that we intend to increase annually.

People are the foundation that make all the other strategic priorities possible. So building a high performing team is about attracting and about maintaining a team of people who are excited about having an impact on the future of energy. It's about valuing the talented employees that we have at Phillips 66, people that are part of the Phillips 66 family.

So in our family we protect each other, we protect the environment and we protect our communities and we are inspired to achieve the very highest levels of

performance and we do it by honoring our core values of safety, honor and commitment. We think these values are what make us great as a company.

So this amazing organization of people, as I said, executed the spin flawlessly. We've launched our vision and values. We are now working hard in building the organization for the future. We are working on the systems, the incentives. We are working on the development programs that promote a culture of collaboration, diversity, inclusion, empowerment and accountability. We are a very good organization and we have the heart to be a great one.

Let's turn now and I want to cover the macro environment. As you think about the US, we are enjoying a competitive advantage today due to increased production of crude oil, natural gas liquids and natural gas. These are feedstocks that we use for our refineries in our midstream businesses and for our chemicals facilities.

And these are more advantaged in the US today than they are in many other parts of the world. And also due to the surplus of natural gas that we have in the US, US refiners now enjoy a comparative advantage on energy cost versus refiners in Europe and in Asia.

So in many ways, the US is unlike any other market in the world. It has a strong legacy infrastructure position. We have scale. We have complexity in our manufacturing base. The talent of the US employees as a whole are really unsurpassed. So this really positions US industry ideally to really capture the value from this changing American energy landscape that we have and translate that into value for our shareholders.

As we think about the macro-environment and jobs, we're proud of the 13,500 great jobs that we have at Phillips 66 Company. We're also equally proud of the positive impact that we have from the contractors and the vendors and the suppliers that touch our businesses. As you think about the direct employment at Phillips 66 and our equity Phillips CPChem and DCP, and all those vendors that we touch, we help supply or provide over a 100,000 jobs in our company.

PricewaterhouseCoopers did a study for the API and they calculated that the energy business provides about 2.6 million direct jobs. And when you think about the multiplier effect from the suppliers and vendors that help us conduct our business, its 9.6 million good jobs that are supported by the energy business.

And you think about the revolution that's going on in energy in the US and through 2030 we are going to add another 1 million to 1.5 million new jobs in the energy space and then you can multiply that by four to see another 6 million to 8 million new jobs supported by energy over the next few years.

As we turn to the refining macro environment, I want to help set the context for our strategy today. Here's some of the external factors that we think about and are really expected to drive the refining business over the next decade. So growing crude oil, natural gas, natural gas liquids is reshaping the upstream business in the US, but also the downstream business. These are translating into advantages for North American producers.

This gives us the economics to be able to compete competitively and supply international markets. It allows our refineries to run at higher utilization rates and export products. We have a $1 to $2 barrel advantage just on the energy cost over a European refiner or an Asian refiner.

In 2012, the largest US export wasn't airplanes, wasn't automobiles, wasn't computers, it was refined products. We exported over $120 billion worth of refined products. I think the other thing that's influenced our business and our thinking, we've seen US demand for refined products, particularly gasoline decline from the peak in 2007. And we think that going forward, that US gasoline demand at best is going to be flat.

It's probably going to be declining driven by convergence of factors which includes the CAFE standards for automobiles going up. It includes driving habits changing, generational driving habits as miles driven go down and then the biofuels that come into the mix. So you have this combination of events that are really driving gasoline demand down in the US longer term.

But there are growing areas in the international markets and places like Latin America, South America, Africa, Asia. These are growing markets. And so the US industry, particularly the coastal refineries are well-positioned to be able to participate in those export markets being fueled and driven by the energy cost advantage that we have in the US.

As we think about the macro environment in the US midstream business, drilling technology has reduced the cost. It's opened up previously unthinkable supplies to us in our country and we're seeing a rapid increase in crude and natural gas and natural gas liquids. You can see from the chart NGL productions going to grow 200,000 barrels to 400,000 barrels a day every year through 2015.

Crude production 500,000 barrels to 600,000 barrels a day every year through 2015 and natural gas 150 billion cubic feet to 200 billion cubic feet every year. So this increased production is creating a demand for infrastructure. About an estimated $100 billion is going to have to be invested to get these products to market and this is fundamental to our strategy and for our opportunity for our company at Phillips 66.

As we look at the chemicals macro environment, you can see the chart on the left shows a growing demand for production of chemicals in the US. The shale revolution is creating opportunity for us in the US as NGL production is growing rapidly. That's ethane. That's feedstock for our petrochemicals business. You can see the cost curve on the right side. You can see the production costs. The lower left hand quadrant is where you want to be. That's the Middle East. That's North America.

The last decade we've built a lot of capacity, the industry has, and has CPChem in the Middle East, because it was low cost attractively price feedstock. We're coming to the end of that. That growth is slowing down and people are starting to use heavier feeds like propane, butane and condensate in those areas. And so what's happening is, with the advent of the revolution here in the US, we're seeing expanding supply and opportunity to invest in petrochemicals and light crackers and so there's as many as five to seven new Gulf Coast petrochemical facilities that have been announced and our CPChem is one of those that has been announced.

So this is our strategy, we're successfully implementing this strategy. Our focus is on growth returns and distributions. It's underpinned or the foundational part of our strategy is operational excellence in having a high performing organization. We articulated the strategy early. We've been consistent. We don't see this strategy changing. We move quickly. We move deliberately to capture this and we're looking now and say how do we accelerate these opportunities and capture this value for our shareholders.

So we think about our segments. Each of our segments is a significant business in its own space. In refining, we're going to focus on enhancing our returns. We're going to look at capturing more advantaged crude, improving our yields, optimizing our portfolio. We're going to organically grow our midstream business and our chemicals business and we're going to selectively grow our specialties business. So you should look for us to grow our high returning lubricants business. You look for us to grow our European marketing operations.

So let me talk about refining for just a minute. The first and most significant lever that we have in creating value in refining is to capture advantaged crudes and put those crudes to the front of our refineries. We're well positioned. When you look at where the legacy assets are, where our refineries are, they're right around the emerging areas of production. Across our system $1 a barrel translates to $450 million of net income, so just $1 move and a $1 value capture is very significant for us.

We increased our advantaged crude runs from 52% in 2011 to 62% in 2012. In the first quarter we announced that we are at 68% advantaged crude. Our plan is to

get our refineries on a 100% advantaged crude. And we're going to do that by using trucks and rail and barges and ocean going vessels and pipelines. We're going to use every means available to us to put these advantaged crudes to the front of the refineries.

A meaningful portion of our earnings is generated in our Marketing and Specialties businesses. We plan selective growth in these businesses. They are strong, stable cash flows for us as we think about. Over the next five years, we're going to add 170 new retail sites to our European marketing operations. As I've said, look for us to grow over very high returning lubricants business in the future as well.

Moving on to midstream, Phillips 66 owns or leases assets that provide both strategic, timely and environmentally safe delivery of crude and the products that we make. We have over 18,000 miles of pipelines, 55 terminals, 45 million barrels of storage throughout our system. It is significant. It's large in scale. It's a very sophisticated system. In addition, we have an extensive fleet of railcars and trucks that help us move products and to get crude to our facilities.

This maps shows that our assets are extremely well positioned, they sit at the heart of the key shale plays. We plan to capitalize on this position. We're going to transport more advantaged crude then we can consume. Our plans are to grow aggressively in this space. We'll grow through our joint venture with Spectra DCP and we will also grow our own transportation infrastructure and NGL operations.

Over the past decade, CPChem has had a very aggressive growth program in the Middle East. And in fact they've established a leading position in the Middle East and now we are looking at US Gulf Coast. And when you look at CPChem's capacity today, what they have in North America, what they have in the Middle East, it represents about 97% of their capacity. And if you remember from the cost curve I showed you earlier that bottom quadrant, the Middle East and North America is where you want to be and that's where CPChem is.

Today we think that the US Gulf Coast represents the best investment opportunity in petrochemicals globally. CPChem has several projects underway, as you can see, an expansion of their fractionation capacity at Sweeney, construction of the world's largest 1-hexane polyolefins plant. It will be on in 2014. They are developing a new world scale cracker complex, a 1.5 million metric ton per year ethane cracker and 1 million ton per year polyethylene facility.

And most recently, CPChem has announced that they are going to expand their normal alpha olefins capacity by about 20% at Cedar Bayou, Texas. This should be completed in the fourth quarter of 2015.

I would say that CPChem has a proven track record and experience in developing large complex mega projects. And as we think about their growth profile over the next few years, you should expect to continue to see large complexes developed globally, but focusing in the US. We have $6 billion to $8 billion in new projects identified at CPChem and we are continuing to work to develop new projects.

Thinking about our financial strategy for just a moment, being disciplined and being prudent is fundamental to our financial strength. We think we have a very balanced approach to capital allocation. It supports our objectives around growth for earnings around improving returns, but also returning cash to our shareholders.

The first thing we do is commit funds to maintain our assets aligned with our operating philosophies. We will invest to maintain our assets for the long-term. We remain committed to distributions for shareholders. We're going to invest in growth projects.

Other thing I'd say is by continuing to build financial flexibility and having a strong balance sheet. We view that we're going to be well-position to weather the volatility that we know is inherent in this business and that we continue our growth profile, we continue our growth and distributions at all points of the business cycle.

Talk a little bit more about capital allocation. You can see from the chart on the left, this is a first call estimate for this year 2013, $6 billion of cash from operations. The stacked bar on the right shows the estimated spending, sustaining capital about $1 billion a year. We've got $800 million roughly for growth and we've got $800 million roughly for our dividend at $1.25 a share. So, this is going to result in a free cash flow, if you will, of about $4 billion.

So, how we're going to do that? What are we going to spend that $4 billion on? So we're going to spend it on growing our higher returning, faster growing businesses and the strategic projects that we have in the portfolio, and as I said, we have the $800 million dedicated for that.

We previously announced in December at the analyst meeting, we're going to pay down $1 billion of debt this year. We paid down $1 billion in the fourth quarter of 2012, so our debt will be about $6 billion; it's about a 20% debt-to-cap. That's the low end of the range that we target for our business. And as we've said, we have a $2 billion share repurchase program underway.

We've said that we expect to finish the first $1 billion-dollar tranche this year and get started on the second billion-dollar tranche this year. So, we think that this capital allocation strategy of having a strong balance sheet enables us to grow

value throughout all points of the cycle and continue growing our distributions to our shareholders.

So, here is our capital investment, we think we have a very disciplined approach to investing in our business. If you look at 2013, our budget is $3.7 billion. This includes our share of the equity affiliates. We have a $1 billion in sustaining capital, $800 million in growth at the PSX level. We have $1.1 billion as our share of DCP capital investment, and $550 million is our share of CPChem capital investment. The remaining is around our investment in our WRB joint venture and in corporate.

So this capital program is designed to fund capacity expansion in chemicals and midstream, drive improvement and returns in our refining business. And consistent with our plans to really grow and shift earnings to higher returning business, we believe our capital program supports this.

One of my favorite slides is total shareholder return and this marks from day one as we launch the company to the end of December, 64% well ahead of the S&P 100 and then higher than most of our peers.

So at Phillips 66 we are an energy manufacturing and logistics company, we're helping to shape the changing landscape of American energy. Our 13,500 employees improve lives each day by doing their jobs well through the products that we manufacture. You think about the fuels that power our transportation to the products that heat our homes and help us cook our food, to help develop the abundant food resources that we have and are blessed within this country to the products that drive the marvels of modern technology, to the life saving devices that you find in operating rooms and clinics around the world. We are providing energy and improving lives.

We stand on a legacy of 130 years of pioneering industry experience, innovation, and excellence. Our employees lead our success, always have and they always will. And when I consider the possibilities and the opportunities of this changing American landscape with confidence and conviction, I can tell you today we have a very bright and promising future.

So that's our update. We're back to the business of the meeting. And so I think the elections inspectors had time to certify the results, so Paula, could you read those for us.

Paula Johnson:

Sure. Mr. Chairman, the preliminary results based on the voting of shares represented by valid proxies on file and tabulated at the meeting this morning

show that both of the nominees for election have been reelected as directors to serve until the 2016 annual meeting. Each director nominee received at least 95% of the votes cast at today's meeting.

The appointment of Ernst & Young as the independent registered public accounting firm for Phillips 66 for 2013 has been ratified, having received the favorable vote of more than 93%, of the votes cast at today's meeting.

Adoption of the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66 has been approved, having received the favorable votes of more than 95% of the votes cast 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 87% of the votes cast 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 89% of votes cast at today's meeting is an annual vote.

Mr. Chairman this concludes the report of preliminary voting. Details of the preliminary results will be available for all stockholders within four business days in our filings with the SEC. Stockholders may also obtain the voting results by calling or writing the office of the corporate secretary.

Greg Garland:

Thank you, Paula. So that completes the business that was scheduled for today, we'll now move to a question and answer session. We're happy to take questions or comments from shareholders. If you do have a question or you have a comment, please raise your hand. A mic will be brought to you.

Please state your name and if you're a shareholder, if you are a representative of a shareholder, please state the shareholders name, your name as we do. I would ask that you be recognized before you start speaking. And please abide by the rules of order that are on the back of your agenda. So, with that, we'll take the first question.

QUESTIONS & ANSWERS

John Pajak *(Shareholder):*

How are you doing? John Pajack. I work at the Bayway Refinery. I've only got one question. I have a letter from the leadership that I kind of want to give you. Would you take it?

Greg Garland:

Yes, well actually Miles will take that on my behalf this morning.

John Pajak *(Shareholder):*

All right. Thank you. Start off easy.

Greg Garland:

Well, you have a question, but I am going to respond to you anyway. First of all, you've come a long way. Thank you for coming. We appreciate that. This is really an opportunity for me to acknowledge the great work of the employees of the Bayway Refineries, as you know, Sandy went through there. It cost considerable damage in the Northeast and in particular to our facility.

Our employees at Bayway exemplified, providing energy, improving lives, actually saving lives. We had employees that left their families and homes in distress that went to the refinery first. They went and they made fuel available. Without power they got fuel out of tanks and we got it to first responders, to police, to fire, to ambulances. We got fuel to hospitals to power the generators. What they did was absolutely amazing. I think they exemplify the values of safety honor commitment. So if you would take that message back as a thank you from us and from our shareholders of really a job well done.

Jimmie Dunn *(Shareholder):*

Good morning I'm Jimmie Dunn, I'm a stockholder. Congratulations on your really good job for the last year. I wanted to ask you about the stock buybacks, first with the dividends. I think the dividends are much better for the Company and the stockholders because that's something solid that we get. And I think it also attracts more investors to buy the stock when you see a higher dividend.

When you buy back stock, what happens to that stock? Is that what you give out to your officers and directors? Is that the stock you give out to them when you're buy back stock? Why do you buy back stock rather than give dividends? Thank you.

Greg Garland:

Thank you for your question. So we have a balanced approach returning cash to our shareholders. Without question the dividend is very important to us. We've raised it 56% since we've had our first dividend and we've consistently said that we're going to pay a dividend. We think that dividend should be viewed as very secure. We want to look back in ten years and say we increased the dividend every year. That's important to our shareholders as well.

I think buying back shares is another way of returning cash to the shareholders. They don't get issued in executive compensation. Just doesn't work that way. We don't plan on reissuing those shares. There may be a point time in the future where the Company might issue shares to do something strategic. But the intention isn't really just to hold those shares to be reissued. It really is to reduce the shares outstanding in the market place. That's good. It should drive value. It should drive share price value in addition to the dividend.

And as we've talked to the big owners across our company and the shareholders across our company, there is a desire for a very balanced approach in terms of how we distribute cash back to our shareholders. Thank you for your question and for your comments, sir.

Governor Clements *(Shareholder):*

My name is Governor Clements. I've been a shareholder of Phillips 66 since 1965. And I went through the merger into Conoco and I'm still a shareholder now with Phillips 66. And I just want to say I don't represent anybody, but myself. And I'm very happy with the company. I'm really hopeful that everything is going to continue as we projected on the screen up here. But I really do love those dividends. Thank you.

Greg Garland:

Thank you for your comments.

Jim White *(Shareholder):*

Good morning, Mr. Garland. My name is Jim White, a shareholder and also a supplier to Phillips 66. Back to the days of Archie Dunham, I guess is where my share ownership legacy goes back to and my company, JJ White, has been in the oil patch for 93 years.

And I've worked for probably 30% of the different refineries in our country. Speaking of Bayway, just to pay a special tribute, not only for the response post superstorm Sandy, but we as a VPP contractor see firsthand a variety of initiatives and training programs that not only are implemented at Bayway, but are implemented at Phillips 66 as a company.

And Jeff Riley just extended to the suppliers of Phillips 66 the invitation for a fall safety summit and to me it's a testimony to the ongoing commitment that Phillips 66 has with, as you say the family values, and I can speak to that because we work for pretty much all the downstream refiners and we see that Phillips 66 Bayway, in particular, Wood River we've worked in and we visited Billings. Great people, great facilities, but a real human passion around the training, the commitment.

It's uncommon to me to see the head of a refining organization like Larry Ziemba get up in front of the suppliers and say - - you have the ability to stop work. And that's a great empowerment that we don't hear everywhere that we work. So I just want to applaud the commitment that Phillips 66 has. Thank you for your business and 64% is a very nice return. So God bless you, keep going. Thank you.

Greg Garland:

Wish it could have been 66. There's just a nice ring in that number, but thank you for all that you do and we value and appreciate the relationship that we have with your company Jim.

Michael Mulvany *(Steamfitter)*:

Thank you, Chairman. My name is Michael Mulvany, I'm a steamfitter out of Linden, New Jersey. I'm the business manager for a local union headquartered out of North New Jersey. We represent the steamfitters that work in Bayway. There is about 1,500 of us that work there.

My career started at Bayway back in 1981. At the time Exxon owned the facility. I worked for a small company by the name of Moser Brothers. I left the field in 1996 where I was general foreman working on your de-asphalting unit at the refinery. Left the

field, came into the union office, was a business agent for many years. I'm now the business manager of our local union.

I'm here today to tell everybody here, and it showed me today too, with the first slide that you put up on your presentation was about safety. And my men work in over 225 facilities throughout the state of New Jersey. We also work in Pennsylvania and New York and there is no owner that shows the steadfast commitment to safety that you guys do at Phillips 66.

And this started - - I saw the culture change begin under the leadership of Mike Kenney, who was there few years back. It continued through Brian Coffman and now David Erfert, I think he stepped it up to another level of safety. Our tripartite meetings are very productive talking about safety at each and every turn.

And I'm here to say thank you, because not - - like Jim said prior to me - - not many facilities show that commitment to safety, but again Phillips 66 is second to none. My union's relationship with that refinery goes back 103 years when Mr. John D. Rockefeller opened up Standard Oil. We've been there when it was Exxon, Tosco, ConocoPhillips and now Phillips 66. And we're hoping to be there another 103 years with all you fellows, and your good team of leadership. Thank you for your time.

Greg Garland:

Thank you. Thank you for all you do for our company. Question down here.

Caroline Hockley *(Shareholder):*

Good morning. I'm Caroline Hockley, stockholder. I have kind of a two-prong question. One is could you speak to the general pipelines in the United States and also to the Phillips controlled pipelines? And the second, if you could speak to the new headquarters here in Houston and progress, where and when and so forth? Thank you.

Greg Garland:

So pipeline safety and security is something that we take very seriously. We've ramped up our spending and maintenance over last 10 years on pipelines. We do quite a bit. We have a state-of-the-art controlled facility, one of the newest and, I think, best in the industry in Bartlesville, Oklahoma. We monitor pipelines.

We overfly pipelines regularly to digitally inspect from the air. We test pipelines with smart tools to make sure that they are within specification and standards. So we do a lot around pipeline safety and ensuring the integrity of our assets.

So the work we do in refineries is important. We are committed to it, but we are also just as committed to the products that move by rail, by truck, by barge, by pipe. We have extensive programs around maintenance of those facilities, and invest so every railcar that's loaded, we inspect the car before it's loaded.

Once it gets to its destination it's reinspected and so we're continually having safety at the forefront of our mind. We think about our core values, safety, honor, commitment. There's a reason we put safety as number one in that.

Speaking to the new headquarters, so we have about 2,000 employees here in Houston. We are scattered in four different facilities today. We still have about 800 employees over at the legacy ConocoPhillips headquarters and I'm sure ConocoPhillips is anxious to get rid of us and we're just as anxious to be altogether in one spot. We have acquired about 14 acres of land, actually just right across Beltway 8 from us.

And we are looking at conceptual designs of what we might do in that facility. I would be anxious to get all of our employees in one place. I think it helps us build the identity of Phillips 66, I think it improves workflow, builds pride in the organization, but we want to create an opportunity to have a learning development center where we bring people from around the globe into the headquarters and train them and mentor them and develop them.

So I would hope that towards the end of this year that we might be able to start moving forward with that project. It's probably a two to three year process, but we have to take that to our Board for approval. We've given them some ideas about what the concepts could be and they've encouraged us to go back and work that and then bring the project forward. So I would say I'm optimistic and excited about the new headquarters. Sir, you get a second turn.

Jimmie Dunn *(Shareholder):*

I see where ConocoPhillips owns a beautiful hot air balloon. Riding in a hot air balloon has been on my bucket list. I wonder if I can get a ride on one?

Greg Garland:

Yes, I think we provide you the names of some people that might help you out there. So if we have no other questions, let me personally thank each and every one of you for

being here today with us. We had a great first year. Thank you for your support of the Company and all that we do. We wish you safe travels back to where you came from. Thank you very much.

END