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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)



QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period
ended

March 31, 2024

or



TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition
period from

to

Commission file number:

001-35349

Phillips 66

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-3779385

(I.R.S. Employer
Identification No.)

2331 CityWest Blvd., Houston, Texas 77042

(Address of principal executive offices) (Zip Code)

832-765-3010

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	PSX	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>		
Smaller reporting company	<input type="checkbox"/>				

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 423,952,135 shares of common stock, \$0.01 par value, outstanding as of March 31, 2024.

PHILLIPS 66

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Consolidated Statement of Income

Phillips 66

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Revenues and Other Income		
Sales and other operating revenues	\$ 35,811	34,396
Equity in earnings of affiliates	528	611
Net gain on dispositions	—	34
Other income	97	48
Total Revenues and Other Income	36,436	35,089
Costs and Expenses		
Purchased crude oil and products	32,386	29,341
Operating expenses	1,452	1,578
Selling, general and administrative expenses	557	605
Depreciation and amortization	504	476
Impairments	165	8
Taxes other than income taxes	165	207
Accretion on discounted liabilities	9	6
Interest and debt expense	227	192
Foreign currency transaction losses	7	25
Total Costs and Expenses	35,472	32,438
Income before income taxes	964	2,651
Income tax expense	203	574
Net Income	761	2,077
Less: net income attributable to noncontrolling interests	13	116
Net Income Attributable to Phillips 66	\$ 748	1,961
Net Income Attributable to Phillips 66 Per Share of Common Stock (dollars)		
Basic	\$ 1.74	4.21
Diluted	1.73	4.20
Weighted-Average Common Shares Outstanding (thousands)		
Basic	428,959	464,810
Diluted	431,906	467,034

See Notes to Consolidated Financial Statements.

**Consolidated Statement of Comprehensive
Income**
Phillips 66

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Net Income	\$ 761	2,077
Other comprehensive income (loss)		
Defined benefit plans		
Amortization of net actuarial loss and settlements	2	10
Plans sponsored by equity affiliates	1	3
Income taxes on defined benefit plans	(1)	(3)
Defined benefit plans, net of income taxes	2	10
Foreign currency translation adjustments	(34)	76
Income taxes on foreign currency translation adjustments	2	1
Foreign currency translation adjustments, net of income taxes	(32)	77
Other Comprehensive Income (Loss), Net of Income Taxes	(30)	87
Comprehensive Income	731	2,164
Less: comprehensive income attributable to noncontrolling interests	13	116
Comprehensive Income Attributable to Phillips 66	\$ 718	2,048

See Notes to Consolidated Financial Statements.

	Millions of Dollars	
	March 31 2024	December 31 2023
Assets		
Cash and cash equivalents	\$ 1,570	3,323
Accounts and notes receivable (net of allowances of \$75 million in 2024 and \$71 million in 2023)	10,078	10,483
Accounts and notes receivable—related parties	1,454	1,247
Inventories	6,286	3,750
Prepaid expenses and other current assets	1,316	1,138
Total Current Assets	20,704	19,941
Investments and long-term receivables	15,592	15,302
Net properties, plants and equipment	35,549	35,712
Goodwill	1,553	1,550
Intangibles	911	920
Other assets	2,090	2,076
Total Assets	\$ 76,399	75,501
Liabilities		
Accounts payable	\$ 11,745	10,332
Accounts payable—related parties	729	569
Short-term debt	2,325	1,482
Accrued income and other taxes	1,087	1,200
Employee benefit obligations	459	863
Other accruals	1,322	1,410
Total Current Liabilities	17,667	15,856
Long-term debt	17,829	17,877
Asset retirement obligations and accrued environmental costs	919	864
Deferred income taxes	7,368	7,424
Employee benefit obligations	613	630
Other liabilities and deferred credits	1,210	1,200
Total Liabilities	45,606	43,851
Equity		
Common stock (2,500,000,000 shares authorized at \$0.01 par value)		
Issued (2024—656,284,691 shares; 2023—654,842,101 shares)		
Par value	7	7
Capital in excess of par	19,674	19,650
Treasury stock (at cost: 2024—232,332,556 shares; 2023—224,377,439 shares)	(20,489)	(19,342)
Retained earnings	30,846	30,550
Accumulated other comprehensive loss	(312)	(282)
Total Stockholders' Equity	29,726	30,583
Noncontrolling interests	1,067	1,067

See Notes to Consolidated Financial Statements.

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Cash Flows From Operating Activities		
Net income	\$ 761	2,077
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	504	476
Impairments	165	8
Accretion on discounted liabilities	9	6
Deferred income taxes	(55)	146
Undistributed equity earnings	(180)	(242)
Loss on early redemption of debt	2	—
Net gain on dispositions	—	(34)
Unrealized investment (gain) loss	(6)	11
Other	11	14
Working capital adjustments		
Accounts and notes receivable	199	1,663
Inventories	(2,555)	(2,003)
Prepaid expenses and other current assets	(179)	469
Accounts payable	1,678	(739)
Taxes and other accruals	(590)	(653)
Net Cash Provided by (Used in) Operating Activities	(236)	1,199
Cash Flows From Investing Activities		
Capital expenditures and investments	(628)	(378)
Return of investments in equity affiliates	41	60
Proceeds from asset dispositions	2	77
Other	(80)	(24)
Net Cash Used in Investing Activities	(665)	(265)
Cash Flows From Financing Activities		
Issuance of debt	3,815	2,488
Repayment of debt	(3,013)	(1,223)
Issuance of common stock	50	10
Repurchase of common stock	(1,164)	(800)
Dividends paid on common stock	(448)	(486)
Distributions to noncontrolling interests	(13)	(58)
Other	(73)	(48)
Net Cash Used in Financing Activities	(846)	(117)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		
	(6)	15
Net Change in Cash and Cash Equivalents	(1,753)	832
Cash and cash equivalents at beginning of period	3,323	6,133

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Phillips 66

	Millions of Dollars							
	Three Months Ended March 31							
	Attributable to Phillips 66							
	Common Stock							
	Par Value	Capital in Excess of Par	Treasury Stock	Retained Earnings	Accum. Other Comprehensive Loss	Noncontrolling Interests	Total	
December 31, 2023	\$ 7	19,650	(19,342)	30,550	(282)	1,067	31,650	
Net income	—	—	—	748	—	13	761	
Other comprehensive loss	—	—	—	—	(30)	—	(30)	
Dividends paid on common stock (\$1.05 per share)	—	—	—	(448)	—	—	(448)	
Repurchase of common stock	—	—	(1,147)	—	—	—	(1,147)	
Distributions to noncontrolling interests	—	—	—	—	—	(13)	(13)	
Benefit plan activity	—	24	—	(4)	—	—	20	
March 31, 2024	\$ 7	19,674	(20,489)	30,846	(312)	1,067	30,793	
December 31, 2022	\$ 7	19,791	(15,276)	25,432	(460)	4,612	34,106	
Net income	—	—	—	1,961	—	116	2,077	
Other comprehensive income	—	—	—	—	87	—	87	
Dividends paid on common stock (\$1.05 per share)	—	—	—	(486)	—	—	(486)	
Repurchase of common stock	—	—	(807)	—	—	—	(807)	
Distributions to noncontrolling interests	—	—	—	—	—	(58)	(58)	
Benefit plan activity	—	4	—	(4)	—	(3)	(3)	
March 31, 2023	\$ 7	19,795	(16,083)	26,903	(373)	4,667	34,916	

	Shares	
	Three Months Ended March 31	
	Common Stock	Issued Treasury Stock
December 31, 2023	654,842,101	224,377,439
Repurchase of common stock	—	7,955,117
Shares issued—share-based compensation	1,442,590	—
March 31, 2024	656,284,691	232,332,556
December 31, 2022	652,373,645	186,529,667
Repurchase of common stock	—	7,874,201
Shares issued—share-based compensation	892,539	—
March 31, 2023	653,266,184	194,403,868

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements**Phillips 66****Note 1—Interim Financial Information**

The unaudited interim financial information presented in the financial statements included in this report is prepared in accordance with generally accepted accounting principles in the United States (GAAP) and includes all known accruals and adjustments necessary, in the opinion of management, for a fair presentation of the consolidated financial position of Phillips 66 and its results of operations and cash flows for the periods presented. Unless otherwise specified, all such adjustments are of a normal and recurring nature. Certain notes and other information have been condensed or omitted from the interim financial statements included in this report. Therefore, these interim financial statements should be read in conjunction with the consolidated financial statements and notes included in our 2023 Annual Report on Form 10-K. The results of operations for the three months ended March 31, 2024, are not necessarily indicative of the results expected for the full year.

Note 2—DCP Midstream, LP Merger (DCP LP Merger)

On June 15, 2023, we completed the acquisition of all publicly held common units of DCP Midstream, LP (DCP LP) pursuant to the terms of the Agreement and Plan of Merger, dated as of January 5, 2023 (DCP LP Merger Agreement). The DCP LP Merger Agreement was entered into with DCP LP, its subsidiaries and its general partner entities, pursuant to which one of our wholly owned subsidiaries merged with and into DCP LP, with DCP LP surviving as a Delaware limited partnership. Under the terms of the DCP LP Merger Agreement, at the effective time of the DCP LP Merger, each publicly held common unit representing a limited partner interest in DCP LP (other than the common units owned by DCP Midstream and its subsidiaries) issued and outstanding as of immediately prior to the effective time was converted into the right to receive \$41.75 per common unit in cash. We accounted for the DCP LP Merger as an equity transaction. The DCP LP Merger increased our aggregate direct and indirect economic interest in DCP LP from 43.3% to 86.8% and our aggregate direct and indirect economic interests in DCP Sand Hills Pipeline, LLC (DCP Sand Hills) and DCP Southern Hills Pipeline, LLC (DCP Southern Hills) increased from 62.2% to 91.2%.

See Note 20—DCP Midstream Class A Segment, for additional information regarding the equity transaction.

Note 3—Business Combination

On August 1, 2023, our Marketing and Specialties (M&S) segment acquired a marketing business on the U.S. West Coast for total consideration of \$272 million. These operations were acquired to support the placement of renewable diesel produced by our Rodeo facility, now referred to as the Rodeo Renewable Energy Complex. At March 31, 2024, we provisionally recorded \$146 million of amortizable intangible assets, primarily customer

relationships; \$82 million of properties, plants and equipment (PP&E), including finance lease right of use assets; \$40 million of net working capital; \$67 million of goodwill; and \$63 million of finance lease liabilities for this acquisition. The fair values of the assets acquired and liabilities assumed are preliminary and subject to change until we finalize our accounting for this acquisition. We will complete a final determination of the fair values of assets acquired and liabilities assumed within the one-year measurement period from the date of the acquisition.

Note 4—Sales and Other Operating Revenues

Disaggregated Revenues

The following tables present our disaggregated sales and other operating revenues:

	Millions of Dollars	
	Three Months Ended	
	March 31	
	2024	2023
Product Line and Services		
Refined petroleum products	\$ 25,739	24,718
Crude oil resales	5,578	4,565
Natural gas liquids (NGL) and natural gas	3,334	4,421
Services and other*	1,160	692
Consolidated sales and other operating revenues	\$ 35,811	34,396

Geographic Location**

United States	\$ 28,377	27,065
United Kingdom	3,890	3,930
Germany	1,303	1,306
Other countries	2,241	2,095
Consolidated sales and other operating revenues	\$ 35,811	34,396

* Includes derivatives-related activities. See Note 13—Derivatives and Financial Instruments, for additional information.

** Sales and other operating revenues are attributable to countries based on the location of the operations generating the revenues.

Contract-Related Assets and Liabilities

At March 31, 2024, and December 31, 2023, receivables from contracts with customers were \$9,592 million and \$9,638 million, respectively. Significant noncustomer balances, such as buy/sell receivables and excise tax receivables, were excluded from these amounts.

Our contract-related assets also include payments we make to our marketing customers related to incentive programs. An incentive payment is initially recognized as an asset and subsequently amortized as a reduction to revenue over the contract term, which generally ranges from 5 to 15 years. At March 31, 2024, and December 31, 2023, our asset balances related to such payments were \$546 million and \$537 million, respectively.

Our contract liabilities represent advances from our customers prior to product or service delivery. At March 31, 2024, and December 31, 2023, contract liabilities were \$162 million and \$187 million, respectively.

Remaining Performance Obligations

Most of our contracts with customers are spot contracts or term contracts with only variable consideration. We do not disclose remaining performance obligations for these contracts as the expected duration is one year or less or because the variable consideration has been allocated entirely to an unsatisfied performance obligation. We also have certain contracts in our Midstream segment that include minimum volume commitments with fixed pricing. At March 31, 2024, the remaining performance obligations related to these minimum volume commitment contracts amounted to \$326 million. This amount excludes variable consideration and estimates of variable rate escalation clauses in our contracts with customers, and is expected to be recognized through 2031 with a weighted average remaining life of two years as of March 31, 2024.

Note 5—Credit Losses

We are exposed to credit losses primarily through our sales of refined petroleum products, crude oil, NGL and natural gas. We assess each counterparty's ability to pay for the products we sell by conducting a credit review. The credit review considers our expected billing exposure and timing for payment and the counterparty's established credit rating or our assessment of the counterparty's creditworthiness based on our analysis of their financial statements when a credit rating is not available. We also consider contract terms and conditions, country and political risk, and business strategy in our evaluation. A credit limit is established for each counterparty based on the outcome of this review. We may require collateralized asset support or a prepayment to mitigate credit risk.

We monitor our ongoing credit exposure through active review of counterparty balances against contract terms and due dates. Our activities include timely account reconciliations, dispute resolution and payment confirmations. We may employ collection agencies and legal counsel to pursue recovery of defaulted receivables. In addition, when events and circumstances arise that may affect certain counterparties' abilities to fulfill their obligations, we enhance our credit monitoring, and we may seek collateral to support some transactions or require prepayments from higher-risk counterparties.

At March 31, 2024, and December 31, 2023, we reported \$11,532 million and \$11,730 million of accounts and notes receivable, respectively, net of allowances of \$75 million and \$71 million, respectively. Based on an aging analysis at March 31, 2024, more than 95% of our accounts receivable were outstanding less than 60 days.

We are also exposed to credit losses from off-balance sheet exposures, such as guarantees of joint venture debt and standby letters of credit. See Note 11—Guarantees, and Note 12—Contingencies and Commitments, for more information regarding these off-balance sheet exposures.

Note 6—Inventories

Inventories consisted of the following:

	Millions of Dollars	
	March 31 2024	December 31 2023
Crude oil and petroleum products	\$ 5,871	3,330
Materials and supplies	415	420
	\$ 6,286	3,750

Inventories valued on the last-in, first-out (LIFO) basis totaled \$5,698 million and \$3,050 million at March 31, 2024, and December 31, 2023, respectively. The estimated excess of current replacement cost over LIFO cost of inventories amounted to approximately \$6.3 billion and \$5.3 billion at March 31, 2024, and December 31, 2023, respectively.

Certain planned reductions in inventory that are not expected to be replaced by the end of the year cause liquidations of LIFO inventory values. LIFO inventory liquidations did not have a material impact on net income for the three months ended March 31, 2024, and 2023.

Note 7—Investments, Loans and Long-Term Receivables

Equity Investments

Dakota Access, LLC (Dakota Access) and Energy Transfer Crude Oil Company, LLC (ETCO)
In 2020, the trial court presiding over litigation brought by the Standing Rock Sioux Tribe (the Tribe) ordered the U.S. Army Corps of Engineers (USACE) to prepare an Environmental Impact Statement (EIS) addressing an easement under Lake Oahe in North Dakota. The trial court later vacated the easement. Although the easement is vacated, the USACE has no plans to stop pipeline operations while it proceeds with the EIS, and the Tribe's request for a shutdown was denied in May 2021. In June 2021, the trial court dismissed the litigation entirely. Once the EIS is completed, new litigation or challenges may be filed.

In February 2022, the U.S. Supreme Court (the Court) denied Dakota Access' writ of certiorari requesting the Court to review the trial court's decision to order the EIS and vacate the easement. Therefore, the requirement to prepare the EIS stood. Also in February 2022, the Tribe withdrew as a cooperating agency, causing the USACE to halt the EIS process while the USACE engaged with the Tribe on their reasons for withdrawing.

The draft EIS process resumed in August 2022, and in September 2023, the USACE published its draft EIS for public comment. The USACE identified five potential outcomes, but did not indicate which one it preferred. The options comprise two "no action" alternatives where the USACE would deny an easement to Dakota Access and require it to shut down the pipeline and either remove the pipe from under Lake Oahe, or allow the pipeline to be abandoned-in-place under the lake. The USACE also identified three "action" alternatives; two of them contemplate that the USACE would reissue the easement to Dakota Access under essentially the same terms as 2017 with either the same or a larger volume of oil allowed through the pipeline, while the third alternative would require decommissioning of the current pipeline and construction of a new line 39 miles upstream from the current location. The public comment period concluded on December 13, 2023. The USACE plans to review the comments and issue its final EIS in the fall of 2024. The Record of Decision will follow within 30 to 60 days after the issuance of the final EIS.

Dakota Access and ETCO have guaranteed repayment of senior unsecured notes issued by a wholly owned subsidiary of Dakota Access with an aggregate principal amount outstanding of \$1.85 billion at March 31, 2024. In addition, Phillips 66 Partners LP (Phillips 66 Partners), a wholly owned subsidiary of Phillips 66, and its co-venturers in Dakota Access also provided a Contingent Equity Contribution Undertaking (CECU) in conjunction with the notes offering. Under the CECU, the co-venturers may be severally required to make proportionate equity contributions to Dakota Access if there is an unfavorable final judgment in the above-mentioned ongoing litigation. At March 31, 2024, our 25% share of the maximum potential equity contributions under the CECU was approximately \$467 million.

If the pipeline is required to cease operations, it may have a material adverse effect on our results of operations and cash flows. Should operations cease and Dakota Access

and ETCO not have sufficient funds to pay its expenses, we also could be required to support our 25% share of the ongoing expenses, including scheduled interest payments on the notes of approximately \$20 million annually, in addition to the potential obligations under the CECU at March 31, 2024.

At March 31, 2024, the aggregate book value of our investments in Dakota Access and ETCO was \$887 million.

On April 1, 2024, Dakota Access' wholly owned subsidiary repaid \$1 billion aggregate principal amount of its outstanding senior notes upon maturity. We funded our 25% share of the repayment, or \$250 million, with a capital contribution of \$171 million in March 2024 and \$79 million of distributions we elected not to receive from Dakota Access in the first quarter of 2024. As a result of the debt repayment, on April 1, 2024, our share of the maximum potential equity contributions under the CECU decreased to approximately \$215 million, and our share of scheduled interest payments on the notes that we could be required to support decreased to approximately \$10 million annually.

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CF United LLC (CF United)

On January 1, 2024, CF United, a retail marketing joint venture with operations primarily on the U.S. West Coast, completed the acquisition of another joint venture in which we had an ownership interest. In connection with this acquisition, the governing agreement for CF United was amended and restated. The amended and restated agreement included removal of a put option that required us to purchase our co-venturer's interest based on a fixed multiple that was considered a variable interest. As a result of the removal of this put option, CF United ceased to be a variable interest entity (VIE) effective January 1, 2024. At March 31, 2024, we held a 50% voting interest and a 47% economic interest in CF United and the book value of our investment was \$340 million.

OnCue Holdings, LLC (OnCue)

We hold a 50% interest in OnCue, a joint venture that owns and operates retail convenience stores. We fully guaranteed various debt agreements of OnCue and our co-venturer did not participate in the guarantees. This entity is considered a VIE because our debt guarantees resulted in OnCue not being exposed to all potential losses. We have determined we are not the primary beneficiary because we do not have the power to direct the activities that most significantly impact economic performance. At March 31, 2024, our maximum exposure to loss was \$231 million, which represented the book value of our investment in OnCue of \$168 million and guaranteed debt obligations of \$63 million.

Note 8—Properties, Plants and Equipment

Our gross investment in PP&E and the associated accumulated depreciation and amortization (Accum. D&A) balances were as follows:

	Millions of Dollars					
	March 31, 2024			December 31, 2023		
	Gross PP&E	Accum. D&A	Net PP&E	Gross PP&E	Accum. D&A	Net PP&E
Midstream	\$26,207	4,665	21,542	26,124	4,382	21,742
Chemicals	—	—	—	—	—	—
Refining	25,199	12,801	12,398	25,421	13,103	12,318
Marketing and Specialties	2,000	1,185	815	1,997	1,166	831
Corporate and Other	1,646	852	794	1,650	829	821
	\$55,052	19,503	35,549	55,192	19,480	35,712

In the first quarter of 2024, we recorded before-tax asset impairments totaling \$163 million related to certain crude processing and logistics assets in California, of which \$104 million was reported in our Refining segment and \$59 million was reported in our Midstream segment.

Note 9—Earnings Per Share

The numerator of basic earnings per share (EPS) is net income attributable to Phillips 66, adjusted for noncancelable dividends paid on unvested share-based employee awards during the vesting period (participating securities). The denominator of basic EPS is the sum of the daily weighted-average number of common shares outstanding during the periods presented and fully vested stock and unit awards that have not yet been issued as common stock. The numerator of diluted EPS is also based on net income attributable to Phillips 66, which is reduced by dividend equivalents paid on participating securities for which the dividends are more dilutive than the participation of the awards in the earnings of the periods presented. To the extent unvested stock, unit or option awards and vested unexercised stock options are dilutive, they are included with the weighted-average common shares outstanding in the denominator. Treasury stock is excluded from the denominator in both basic and diluted EPS.

	Three Months Ended March 31			
	2024		2023	
	Basic	Diluted	Basic	Diluted
Amounts Attributed to Phillips 66 Common Stockholders (millions):				
Net Income Attributable to Phillips 66	\$ 748	748	1,961	1,961
Income allocated to participating securities	(2)	(1)	(3)	(1)
Net income available to common stockholders	\$ 746	747	1,958	1,960
Weighted-average common shares outstanding (thousands):	427,165	428,959	462,870	464,810
Effect of share-based compensation	1,794	2,947	1,940	2,224
Weighted-average common shares outstanding—EPS	428,959	431,906	464,810	467,034
Earnings Per Share of Common Stock (dollars)	\$ 1.74	1.73	4.21	4.20

Note 10—Debt

Senior Notes and Term Loan Issuances and Repayments

Issuances

On February 28, 2024, Phillips 66 Company, a wholly owned subsidiary of Phillips 66, issued \$1.5 billion aggregate principal amount of senior unsecured notes that are fully and unconditionally guaranteed by Phillips 66. The senior unsecured notes issuance consisted of:

- \$600 million aggregate principal amount of 5.250% Senior Notes due 2031 (2031 Notes).
- \$400 million aggregate principal amount of 5.300% Senior Notes due 2033 (Additional 2033 Notes).
- \$500 million aggregate principal amount of 5.650% Senior Notes due 2054 (2054 Notes).

Interest on the 2031 Notes and 2054 Notes is payable semi-annually on June 15 and December 15 of each year, commencing on June 15, 2024. Interest on the Additional 2033 Notes is payable semi-annually on June 30 and December 30 of each year, commencing on June 30, 2024.

On March 29, 2023, Phillips 66 Company, a wholly owned subsidiary of Phillips 66, issued \$1.25 billion aggregate principal amount of senior unsecured notes that are fully and unconditionally guaranteed by Phillips 66. The senior unsecured notes issuance consisted of:

- \$750 million aggregate principal amount of 4.950% Senior Notes due December 2027 (2027 Notes).
- \$500 million aggregate principal amount of 5.300% Senior Notes due June 2033 (2033 Notes).

Repayments

On March 29, 2024, DCP LP early redeemed \$300 million of its 5.375% Senior Notes due July 2025 at par with an aggregate principal amount of \$825 million.

On March 4, 2024, Phillips 66 Company repaid \$700 million of the \$1.25 billion borrowed under its delayed draw term loan that matures in June 2026.

On February 15, 2024, upon maturity, Phillips 66 repaid its 0.900% senior notes due February 2024 with an aggregate principal amount of \$800 million.

On March 15, 2023, DCP LP repaid its 3.875% senior unsecured notes due March 2023 with an aggregate principal amount of \$500 million.

Credit Facilities and Commercial Paper

Phillips 66 and Phillips 66 Company

On February 28, 2024, we entered into a new \$5 billion revolving credit agreement (the Facility) with Phillips 66 Company as the borrower and Phillips 66 as the guarantor and a scheduled maturity date of February 28, 2029. The Facility replaced our previous \$5 billion revolving credit facility dated as of June 23, 2022, with Phillips 66 Company as the borrower and Phillips 66 as guarantor, and the previous revolving credit facility was terminated. The Facility contains customary covenants similar to the previous revolving credit facility, including a maximum consolidated net debt-to-capitalization ratio of 65% as of the last day of each fiscal quarter. The Facility has customary events of default, such as nonpayment of principal when due; nonpayment of interest, fees or other amounts after grace periods; and violation of covenants. We may at any time prepay outstanding borrowings under the Facility, in whole or in part, without premium or penalty. We have the option to increase the overall capacity to \$6 billion, subject to certain conditions. We also have the option to extend the scheduled maturity of the Facility for up to two additional one-year terms, subject to, among other things, the consent of the lenders holding the majority of the commitments and of each lender extending its commitment. Outstanding borrowings under the Facility bear interest at either: (a) the adjusted term Secured Overnight Financing Rate (as described in the Facility) in effect from time to time plus the applicable margin; or (b) the reference rate (as described in the Facility) plus the applicable margin. The pricing levels for the commitment fee and interest-rate margins are determined based on the ratings in effect for our senior unsecured long-term debt from time to time. At March 31, 2024, and December 31, 2023, no amount had been drawn under our revolving credit facilities.

Phillips 66 also has a \$5 billion uncommitted commercial paper program for short-term working capital needs that is supported by the Facility. Commercial paper maturities are contractually limited to less than one year. At March 31, 2024, \$1.5 billion of commercial paper had been issued under this program. At December 31, 2023, no borrowings were outstanding under this program.

DCP Midstream Class A Segment

On March 15, 2024, DCP LP terminated its \$1.4 billion credit facility and its accounts receivable securitization facility that previously provided for up to \$350 million of borrowing capacity. At December 31, 2023, DCP LP had \$25 million in borrowings outstanding under its \$1.4 billion credit facility and \$350 million of borrowings outstanding under its accounts receivable securitization facility, which were repaid during the three months ended March 31, 2024.

Note 11—Guarantees

At March 31, 2024, we were liable for certain contingent obligations under various contractual arrangements as described below. We recognize a liability for the fair value of our obligation as a guarantor for newly issued or modified guarantees. Unless the carrying amount of the liability is noted below, we have not recognized a liability either because the guarantees were issued prior to December 31, 2002, or because the fair value of the obligation is immaterial. In addition, unless otherwise stated, we are not currently performing with any significance under the guarantees and expect future performance to be either immaterial or have only a remote chance of occurrence.

Lease Residual Value Guarantees

Under the operating lease agreement for our headquarters facility in Houston, Texas, we have the option, at the end of the lease term in September 2025, to request to renew the lease, purchase the facility or assist the lessor in marketing it for resale. We have a residual value guarantee associated with the operating lease agreement with a maximum potential future exposure of \$514 million at March 31, 2024. We also have residual value guarantees associated with railcar, airplane and truck leases with maximum potential future exposures totaling \$171 million. These leases have remaining terms of one to ten years.

Guarantees of Joint Venture Obligations

In March 2019, Phillips 66 Partners and its co-venturers in Dakota Access provided a CECU in conjunction with a senior unsecured notes offering. See Note 7—Investments, Loans and Long-Term Receivables, for additional information regarding Dakota Access and the CECU.

At March 31, 2024, we also had other guarantees outstanding primarily for our portion of certain joint venture debt, which have remaining terms of up to two years. The maximum potential future exposures under these guarantees were approximately \$78 million. Payment would be required if a joint venture defaults on its obligations.

Indemnifications

Over the years, we have entered into various agreements to sell ownership interests in certain corporations, joint ventures and assets that gave rise to indemnifications. Agreements associated with these sales include indemnifications for taxes, litigation, environmental liabilities, permits and licenses, employee claims, and real estate tenant defaults. The provisions of these indemnifications vary greatly. The majority of these indemnifications are related to environmental issues, which generally have indefinite terms and potentially unlimited exposure. At March 31, 2024, and December 31, 2023, the carrying amount of recorded indemnifications was \$155 million and \$159 million, respectively.

We amortize the indemnification liability over the relevant time period, if one exists, based on the facts and circumstances surrounding each type of indemnity. In cases where the indemnification term is indefinite, we will reverse the liability when we have information to support the reversal. Although it is reasonably possible future payments may exceed amounts recorded, due to the nature of the indemnifications, it is not possible to make a reasonable estimate of the maximum potential amount of future

payments. At March 31, 2024, and December 31, 2023, environmental accruals for known contamination of \$110 million and \$114 million, respectively, were included in the carrying amount of the recorded indemnifications noted above. These environmental accruals were primarily included in the “Asset retirement obligations and accrued environmental costs” line item on our consolidated balance sheet. For additional information about environmental liabilities, see Note 12—Contingencies and Commitments.

Indemnification and Release Agreement

In 2012, in connection with our separation from ConocoPhillips, we entered into an Indemnification and Release Agreement. This agreement governs the treatment between ConocoPhillips and us of matters relating to indemnification, insurance, litigation responsibility and management, and litigation document sharing and cooperation arising in connection with the separation. Generally, the agreement provides for cross indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of ConocoPhillips’ business with ConocoPhillips. The agreement also establishes procedures for handling claims subject to indemnification and related matters.

Note 12—Contingencies and Commitments

A number of lawsuits involving a variety of claims that arose in the ordinary course of business have been filed against us or are subject to indemnifications provided by us. We also may be required to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical, mineral and petroleum substances at various active and inactive sites. We regularly assess the need for financial recognition or disclosure of these contingencies. In the case of all known contingencies (other than those related to income taxes), we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. We do not reduce these liabilities for potential insurance or third-party recoveries. If applicable, we accrue receivables for probable insurance or other third-party recoveries. In the case of income tax-related contingencies, we use a cumulative probability-weighted loss accrual in cases where sustaining a tax position is uncertain.

Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures will exceed current accruals by an amount that would have a material adverse impact on our consolidated financial statements. As we learn new facts concerning contingencies, we reassess our position both with respect to accrued liabilities and other potential exposures. Estimates particularly sensitive to future changes include contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other potentially responsible parties. Estimated future costs related to tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation processes.

Environmental

We are subject to international, federal, state and local environmental laws and regulations. When we prepare our consolidated financial statements, we record accruals for environmental liabilities based on management's best estimates, using information available at the time. We measure estimates and base contingent liabilities on currently available facts, existing technology and presently enacted laws and regulations, taking into account stakeholder and business considerations. When measuring contingent environmental liabilities, we also consider our prior experience in remediation of contaminated sites, other companies' cleanup experience, and data released by the Environmental Protection Agency (EPA) or other organizations. We consider unasserted claims in our determination of environmental liabilities, and we accrue them in the period they are both probable and reasonably estimable.

Although liability for environmental remediation costs is generally joint and several for federal sites and frequently so for state sites, we are usually only one of many companies alleged to have liability at a particular site. Due to such joint and several liabilities, we could be responsible for all cleanup costs related to any site at which we have been designated as a potentially responsible party. We have been successful to

date in sharing cleanup costs with other financially sound companies. Many of the sites for which we are potentially responsible are still under investigation by the EPA or the state agencies concerned. Prior to actual cleanup, those potentially responsible normally assess the site conditions, apportion responsibility and determine the appropriate remediation. In some instances, we may have no liability or may attain a settlement of liability. Where it appears that other potentially responsible parties may be financially unable to bear their proportional share, we consider this inability in estimating our potential liability, and we adjust our accruals accordingly. As a result of various acquisitions in the past, we assumed certain environmental obligations. Some of these environmental obligations are mitigated by indemnifications made by others for our benefit, although some of the indemnifications are subject to dollar and time limits.

We are currently participating in environmental assessments and cleanups at numerous federal Superfund and comparable state sites. After an assessment of environmental exposures for cleanup and other costs, we make accruals on an undiscounted basis (except those pertaining to sites acquired in a business combination, which we record on a discounted basis) for planned investigation and remediation activities for sites where it is probable future costs will be incurred and these costs can be reasonably estimated. At March 31, 2024, our total environmental accruals were \$442 million, compared with \$446 million at December 31, 2023. We expect to incur a substantial amount of these expenditures within the next 30 years. We have not reduced these accruals for possible insurance recoveries. In the future, we may be involved in additional environmental assessments, cleanups and proceedings.

Legal Proceedings

Our legal organization applies its knowledge, experience and professional judgment to the specific characteristics of our cases, employing a litigation management process to manage and monitor the legal proceedings against us. Our process facilitates the early evaluation and quantification of potential exposures in individual cases and enables the tracking of those cases that have been scheduled for trial and/or mediation. Based on professional judgment and experience in using these litigation management tools and available information about current developments in all our cases, our legal organization regularly assesses the adequacy of current accruals and determines if adjustment of existing accruals, or establishment of new accruals, is required.

Other Contingencies

We have contingent liabilities resulting from throughput agreements with pipeline and processing companies not associated with financing arrangements. Under these agreements, we may be required to provide any such company with additional funds through advances and penalties for fees related to throughput capacity not utilized.

At March 31, 2024, we had performance obligations secured by letters of credit and bank guarantees of \$847 million related to various purchase and other commitments incident to the ordinary conduct of business.

Note 13—Derivatives and Financial Instruments

Derivative Instruments

We use financial and commodity-based derivative contracts to manage exposures to fluctuations in commodity prices, interest rates and foreign currency exchange rates, or to capture market opportunities. Because we do not apply hedge accounting for commodity derivative contracts, all realized and unrealized gains and losses from commodity derivative contracts are recognized in our consolidated statement of income. Gains and losses from derivative contracts held for trading not directly related to our physical business are reported net in the “Other income” line item on our consolidated statement of income. Cash flows from all our derivative activity for the periods presented appear in the operating section on our consolidated statement of cash flows.

Purchase and sales contracts with firm minimum notional volumes for commodities that are readily convertible to cash are recorded on our consolidated balance sheet as derivatives unless the contracts are eligible for, and we elect, the normal purchases and normal sales exception, whereby the contracts are recorded on an accrual basis. We generally apply the normal purchases and normal sales exception to eligible crude oil, refined petroleum product, NGL, natural gas, renewable feedstock, and power commodity contracts to purchase or sell quantities we expect to use or sell in the normal course of business. All other derivative instruments are recorded at fair value on our consolidated balance sheet. For further information regarding the fair value of derivatives, see Note 14—Fair Value Measurements.

Commodity Derivative Contracts—We sell into or receive supply from the worldwide crude oil, refined petroleum product, NGL, natural gas, renewable feedstock, and electric power markets, exposing our revenues, purchases, cost of operating activities and cash

flows to fluctuations in the prices for these commodities. Generally, our policy is to remain exposed to the market prices of commodities; however, we use futures, forwards, swaps and options in various markets to balance physical systems, meet customer needs, manage price exposures on specific transactions, and do a limited amount of trading not directly related to our physical business, all of which may reduce our exposure to fluctuations in market prices. We also use the market knowledge gained from these activities to capture market opportunities such as moving physical commodities to more profitable locations, storing commodities to capture seasonal or time premiums, and blending commodities to capture quality upgrades.

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The following table indicates the consolidated balance sheet line items that include the fair values of commodity derivative assets and liabilities. The balances in the following table are presented on a gross basis, before the effects of counterparty and collateral netting. However, we have elected to present our commodity derivative assets and liabilities with the same counterparty on a net basis on our consolidated balance sheet when the legal right of offset exists.

Millions of Dollars								
March 31, 2024					December 31, 2023			
Commodity Derivatives					Commodity Derivatives			
				Net Carrying Value Presented				Net Carrying Value Presented
	Assets	Liabilities	Effect of Collateral Netting	on the Balance Sheet	Assets	Liabilities	Effect of Collateral Netting	on the Balance Sheet
Assets								
Prepaid expenses and other current assets	\$ 190	(26)	—	164	2,148	(2,005)	—	143
Other assets	26	(13)	—	13	19	(2)	—	17
Liabilities								
Other accruals	4,515	(4,818)	171	(132)	1,034	(1,127)	18	(75)
Other liabilities and deferred credits	3	(11)	—	(8)	—	(14)	—	(14)
Total	\$ 4,734	(4,868)	171	37	3,201	(3,148)	18	71

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Sales and other operating revenues	\$ (202)	50
Other income (loss)	38	(14)
Purchased crude oil and products	(256)	137
Net gain (loss) from commodity derivative activity	\$ (420)	173

The following table summarizes our material net exposures resulting from outstanding commodity derivative contracts. These financial and physical derivative contracts are primarily used to manage price exposure on our underlying operations. The underlying exposures may be from nonderivative positions such as inventory volumes. Financial derivative contracts may also offset physical derivative contracts, such as forward purchase and sales contracts. The percentage of our derivative contract volumes expiring within the next 12 months was more than 90% at March 31, 2024, and December 31, 2023.

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	Open Position Long / (Short)	
	March 31 2024	December 31 2023
Commodity		
Crude oil, refined petroleum products, NGL and renewable feedstocks (millions of barrels)	(47)	(22)
Natural gas (billions of cubic feet)	(13)	(25)

Credit Risk from Derivative and Financial Instruments

Financial instruments potentially exposed to concentrations of credit risk consist primarily of trade receivables and derivative contracts.

Our trade receivables result primarily from the sale of products from, or related to, our refinery operations and reflect a broad national and international customer base, which limits our exposure to concentrations of credit risk. The majority of these receivables have payment terms of 30 days or less. We continually monitor this exposure and the creditworthiness of the counterparties and recognize bad debt expense based on a probability assessment of credit loss. Generally, we do not require collateral to limit the exposure to loss; however, we will sometimes use letters of credit, prepayments or master netting arrangements to mitigate credit risk with counterparties that both buy from and sell to us, as these agreements permit the amounts owed by us to others to be offset against amounts owed to us.

The credit risk from our derivative contracts, such as forwards and swaps, derives from the counterparty to the transaction. Individual counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant nonperformance. We also use futures, swaps and option contracts that have a negligible credit risk because these trades are cleared with an exchange clearinghouse and subject to mandatory margin requirements, typically on a daily basis, until settled.

Certain of our derivative instruments contain provisions that require us to post collateral if the derivative exposure exceeds a threshold amount. We have contracts with fixed threshold amounts and other contracts with variable threshold amounts that are contingent on our credit ratings. The variable threshold amounts typically decline for lower credit ratings, while both the variable and fixed threshold amounts typically revert to zero if our credit ratings fall below investment grade. Cash is the primary collateral in all contracts; however, many contracts also permit us to post letters of credit as collateral.

The aggregate fair values of all derivative instruments with such credit-risk-related contingent features that were in a liability position were immaterial at March 31, 2024, and December 31, 2023.

Note 14—Fair Value Measurements

Recurring Fair Value Measurements

We carry certain assets and liabilities at fair value, which we measure at the reporting date using the price that would be received to sell an asset or paid to transfer a liability (i.e., an exit price), and disclose the quality of these fair values based on the valuation inputs used in these measurements under the following hierarchy:

- Level 1: Fair value measured with unadjusted quoted prices from an active market for identical assets or liabilities.
- Level 2: Fair value measured either with: (1) adjusted quoted prices from an active market for similar assets or liabilities; or (2) other valuation inputs that are directly or indirectly observable.
- Level 3: Fair value measured with unobservable inputs that are significant to the measurement.

We classify the fair value of an asset or liability based on the significance of its observable or unobservable inputs to the measurement. However, the fair value of an asset or liability initially reported as Level 3 will be subsequently reported as Level 2 if the unobservable inputs become inconsequential to its measurement or corroborating market data becomes available. Conversely, an asset or liability initially reported as Level 2 will be subsequently reported as Level 3 if corroborating market data becomes unavailable.

We used the following methods and assumptions to estimate the fair value of financial instruments:

- Cash and cash equivalents—The carrying amount reported on our consolidated balance sheet approximates fair value.
- Accounts and notes receivable—The carrying amount reported on our consolidated balance sheet approximates fair value.
- Derivative instruments—The fair value of our exchange-traded contracts is based on quoted market prices obtained from the New York Mercantile Exchange, the Intercontinental Exchange or other exchanges, and is reported as Level 1 in the fair value hierarchy. When exchange-cleared contracts lack sufficient liquidity, or are valued using either adjusted exchange-provided prices or nonexchange quotes, we classify those contracts as Level 2 or Level 3 based on the degree to which inputs are observable.

Physical commodity forward purchase and sales contracts and over-the-counter (OTC) financial swaps are generally valued using forward quotes provided by brokers and price index developers, such as Platts and Oil Price Information Service. We corroborate these quotes with market data and classify the resulting fair values as Level 2. When forward market prices are not available, we estimate fair value using the forward price of a similar commodity, adjusted for the difference in quality or location. In certain less liquid markets or for longer-term contracts, forward prices are not as readily available. In these circumstances, physical commodity purchase and sales contracts and OTC swaps are valued

using internally developed methodologies that consider historical relationships among various commodities that result in management's best estimate of fair value. We classify these contracts as Level 3. Physical and OTC commodity options are valued using industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors and contractual prices for the underlying instruments, as well as other relevant economic measures. The degree to which these inputs are observable in the forward markets determines whether the options are classified as Level 2 or 3. We use a midmarket pricing convention (the midpoint between bid and ask prices). When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

When applicable, we determine the fair value of interest rate swaps based on observable market valuations for interest rate swaps that have notional amounts, terms and pay and reset frequencies similar to ours.

- Rabbi trust assets—These deferred compensation investments are measured at fair value using unadjusted quoted prices available from national securities exchanges and are therefore categorized as Level 1 in the fair value hierarchy.
- Investment in NOVONIX—Our investment in NOVONIX is measured at fair value using unadjusted quoted prices available from the Australian Securities Exchange and is therefore categorized as Level 1 in the fair value hierarchy.

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- Other investments—Includes other marketable securities with observable market prices.
- Debt—The carrying amount of our floating-rate debt approximates fair value. The fair value of our fixed-rate debt is estimated primarily based on observable market prices.

The following tables display the fair value hierarchy for our financial assets and liabilities either accounted for or disclosed at fair value on a recurring basis. These values are determined by treating each contract as the fundamental unit of account; therefore, derivative assets and liabilities with the same counterparty are shown on a gross basis in the hierarchy sections of these tables, before the effects of counterparty and collateral netting. The following tables also reflect the effect of netting derivative assets and liabilities with the same counterparty for which we have the legal right of offset and collateral netting.

The carrying values and fair values by hierarchy of our financial assets and liabilities, either carried or disclosed at fair value, including any effects of counterparty and collateral netting, were:

Millions of Dollars

March 31, 2024

Fair Value Hierarchy

	Level 1	Level 2	Level 3	Total Fair Value of Gross Assets & Liabilities	Effect of Counterparty Netting	Effect of Collateral Netting	Difference Carrying Value and Fair Value	Net Carrying Value Presented on the Balance Sheet
Commodity Derivative Assets								
Exchange-cleared instruments	\$4,565	41	—	4,606	(4,553)	—	—	53
Physical forward contracts	—	125	3	128	(4)	—	—	124
Rabbi trust assets	159	—	—	159	N/A	N/A	—	159
Investment in NOVONIX	44	—	—	44	N/A	N/A	—	44
	\$4,768	166	3	4,937	(4,557)	—	—	380
Commodity Derivative Liabilities								
Exchange-cleared instruments	\$4,724	45	—	4,769	(4,553)	(171)	—	45
Physical forward contracts	—	98	1	99	(4)	—	—	95
Floating-rate debt	—	840	—	840	N/A	N/A	—	840
Fixed-rate debt, excluding finance leases and software obligations	—	18,423	—	18,423	N/A	N/A	584	19,007
	\$4,724	19,406	1	24,131	(4,557)	(171)	584	19,987

Millions of Dollars

December 31, 2023

Fair Value Hierarchy

				Total Fair Value of Gross Assets & Counterparty Liabilities	Effect of Netting	Effect of Collateral Netting	Difference Carrying Value and Fair Value	Net Carrying Value in Presented on the Balance Sheet
	Level 1	Level 2	Level 3					
Commodity Derivative Assets								
Exchange-cleared instruments	\$ 3,075	54	—	3,129	(3,039)	—	—	90
OTC instruments	—	1	—	1	—	—	—	1
Physical forward contracts	—	70	1	71	(2)	—	—	69
Rabbi trust assets	155	—	—	155	N/A	N/A	—	155
Investment in NOVONIX	39	—	—	39	N/A	N/A	—	39
	\$ 3,269	125	1	3,395	(3,041)	—	—	354
Commodity Derivative Liabilities								
Exchange-cleared instruments	\$ 3,057	41	—	3,098	(3,039)	(18)	—	41
Physical forward contracts	—	50	—	50	(2)	—	—	48
Floating-rate debt	—	1,915	—	1,915	N/A	N/A	—	1,915
Fixed-rate debt, excluding finance leases and software obligations	—	16,718	—	16,718	N/A	N/A	408	17,126
	\$ 3,057	18,724	—	21,781	(3,041)	(18)	408	19,130

The rabbi trust assets and investment in NOVONIX are recorded in the “Investments and long-term receivables” line item, and floating-rate and fixed-rate debt are recorded in the “Short-term debt” and “Long-term debt” line items on our consolidated balance sheet. See Note 13—Derivatives and Financial Instruments, for information regarding where the assets and liabilities related to our commodity derivatives are recorded on our consolidated balance sheet.

Note 15—Pension and Postretirement Plans

The components of net periodic benefit cost for the three months ended March 31, 2024 and 2023, were as follows:

Millions of Dollars						
Pension Benefits					Other Benefits	
2024		2023			2024	2023
U.S.	Int’l.	U.S.	Int’l.			
Components of Net Periodic Benefit Cost						
Three Months Ended March 31						
Service cost	\$ 29	3	27	3	1	1
Interest cost	28	8	29	8	2	2
Expected return on plan assets	(38)	(11)	(31)	(10)	—	—
Amortization of net actuarial loss (gain)	3	—	3	(1)	(1)	(2)
Settlements	1	—	10	—	—	—
Net periodic benefit cost*	\$ 23	—	38	—	2	1

* Included in the “Operating expenses” and “Selling, general and administrative expenses” line items on our consolidated statement of income.

During the three months ended March 31, 2024, we contributed \$5 million to our U.S. pension and other postretirement benefit plans and \$1 million to our international pension plans. We currently expect to make additional contributions of approximately \$70 million to our U.S. pension and other postretirement benefit plans and approximately \$4 million to our international pension plans during the remainder of 2024. Cash contributions are included in the “Other” line item of the “Cash Flows From Operating Activities” section of our consolidated statement of cash flows.

Note 16—Accumulated Other Comprehensive Loss

Changes in the balances of each component of accumulated other comprehensive loss were as follows:

	Millions of Dollars			
	Defined Benefit Plans	Foreign Currency Translation	Hedging	Accumulated Other Comprehensive Loss
December 31, 2023	\$ (120)	(157)	(5)	(282)
Other comprehensive income (loss) before reclassifications	1	(32)	—	(31)
Amounts reclassified from accumulated other comprehensive loss				
Defined benefit plans*				
Amortization of net actuarial loss and settlements	1	—	—	1
Foreign currency translation	—	—	—	—
Hedging	—	—	—	—
Net current period other comprehensive income (loss)	2	(32)	—	(30)
March 31, 2024	\$ (118)	(189)	(5)	(312)
December 31, 2022	\$ (122)	(336)	(2)	(460)
Other comprehensive income before reclassifications	2	77	—	79
Amounts reclassified from accumulated other comprehensive loss				
Defined benefit plans*				
Amortization of net actuarial loss and settlements	8	—	—	8
Foreign currency translation	—	—	—	—
Hedging	—	—	—	—
Net current period other comprehensive income	10	77	—	87
March 31, 2023	\$ (112)	(259)	(2)	(373)

* Included in the computation of net periodic benefit cost. See Note 15—Pension and Postretirement Plans, for additional information.

Note 17—Related Party Transactions

Significant transactions with related parties were:

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Operating revenues and other income (a)	\$ 1,133	1,304
Purchases (b)	5,231	3,699
Operating expenses and selling, general and administrative expenses (c)	69	72

- (a) We sold NGL, other petrochemical feedstocks and solvents to Chevron Phillips Chemical Company LLC (CPChem), gas oil and hydrogen feedstocks to Excel Paralubes LLC (Excel Paralubes), and refined petroleum products to several of our equity affiliates in the M&S segment, including OnCue and CF United. We also sold certain feedstocks and intermediate products to WRB and acted as an agent for WRB in supplying crude oil and other feedstocks for a fee. In addition, we charged several of our equity affiliates, including CPChem, for the use of common facilities, such as steam generators, waste and water treaters and warehouse facilities.
- (b) We purchased crude oil, refined petroleum products, NGL and solvents from WRB. We also purchased natural gas and NGL from CPChem, as well as other feedstocks from various equity affiliates, for use in our refinery and fractionation processes. In addition, we purchased base oils and fuel products from Excel Paralubes for use in our specialty and refining businesses. We paid NGL fractionation fees to CPChem. We also paid fees to various pipeline equity affiliates for transporting crude oil, refined petroleum products and NGL.
- (c) We paid consignment fees to CF United, and utility and processing fees to various equity affiliates.

Note 18—Segment Disclosures and Related Information

Our operating segments are:

- 1) **Midstream**—Provides crude oil and refined petroleum product transportation, terminaling and processing services, as well as natural gas and NGL transportation, storage, fractionation, gathering, processing and marketing services, mainly in the United States. This segment also includes our 16% investment in NOVONIX.
- 2) **Chemicals**—Consists of our 50% equity investment in CPChem, which manufactures and markets petrochemicals and plastics on a worldwide basis.
- 3) **Refining**—Refines crude oil and other feedstocks into petroleum products, such as gasoline, distillates and aviation fuels, as well as renewable fuels. This segment includes 12 refineries in the United States and Europe.
- 4) **Marketing and Specialties**—Purchases for resale and markets refined petroleum products and renewable fuels, mainly in the United States and Europe. In addition, this segment includes the manufacturing and marketing of base oils and lubricants.

Corporate and Other includes general corporate overhead, interest income, interest expense, our investment in research of new technologies, business transformation restructuring costs, and various other corporate activities. Corporate assets include all cash, cash equivalents and income tax-related assets. See Note 21—Restructuring for additional information regarding restructuring costs.

Intersegment sales are at prices that we believe approximate market.

Analysis of Results by Operating Segment

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Sales and Other Operating Revenues*		
Midstream		
Total sales	\$ 4,841	5,292
Intersegment eliminations	(717)	(695)
Total Midstream	4,124	4,597
Chemicals	—	—
Refining		
Total sales	22,130	22,341
Intersegment eliminations	(13,001)	(14,095)
Total Refining	9,129	8,246
Marketing and Specialties		
Total sales	23,176	22,399
Intersegment eliminations	(628)	(855)
Total Marketing and Specialties	22,548	21,544
Corporate and Other	10	9
Consolidated sales and other operating revenues	\$ 35,811	34,396

* See Note 4—Sales and Other Operating Revenues, for further details on our disaggregated sales and other operating revenues.

Income (Loss) Before Income Taxes

Midstream	\$ 554	702
Chemicals	205	198
Refining	131	1,608
Marketing and Specialties	404	426
Corporate and Other	(330)	(283)
Consolidated income before income taxes	\$ 964	2,651

	Millions of Dollars	
	March 31	December 31
	2024	2023
Total Assets		
Midstream	\$ 28,948	29,107
Chemicals	7,512	7,357
Refining	25,123	22,432
Marketing and Specialties	11,560	11,411
Corporate and Other	3,256	5,194
Consolidated total assets	\$ 76,399	75,501

Note 19—Income Taxes

Our effective income tax rate for the three months ended March 31, 2024, was 21%, compared to 22% for the corresponding period of 2023. The decrease in our effective rate for the three months ended March 31, 2024, was primarily attributable to a decrease related to tax benefits from share-based compensation plans, partially offset by an increase in our foreign tax rate.

Note 20—DCP Midstream Class A Segment

DCP Midstream Class A Segment is comprised of the businesses, activities, assets and liabilities of DCP LP and its subsidiaries and its general partner entities. DCP LP is a master limited partnership whose operations currently include producing and fractionating NGL, gathering, compressing, treating and processing natural gas; recovering condensate; and transporting, trading, marketing and storing natural gas and NGL. DCP Midstream Class A Segment is a consolidated VIE as we are the primary beneficiary.

The most significant assets of DCP Midstream Class A Segment that are available to settle only its obligations, along with its most significant liabilities for which its creditors do not have recourse to Phillips 66's general credit, were:

	Millions of Dollars	
	March 31 2024	December 31 2023
Accounts receivable, trade*	\$ 459	601
Net properties, plants and equipment	9,240	9,319
Investments in unconsolidated affiliates**	1,872	1,901
Accounts payable	630	815
Short-term debt	8	357
Long-term debt	3,433	3,759

* Included in the "Accounts and notes receivable" line item on the Phillips 66 consolidated balance sheet.

** Included in the "Investments and long-term receivables" line item on the Phillips 66 consolidated balance sheet.

DCP LP Merger

On June 15, 2023, we completed the acquisition of approximately 91 million publicly held common units of DCP LP pursuant to the terms of the DCP LP Merger Agreement, which increased our aggregate direct and indirect economic interest in DCP LP from 43.3% to 86.8%. The DCP LP Merger Agreement was entered into with DCP LP, its subsidiaries and its general partner entities, pursuant to which one of our wholly owned subsidiaries merged with and into DCP LP, with DCP LP surviving as a Delaware limited partnership. Under the terms of the DCP LP Merger Agreement, at the effective time of the DCP LP Merger, each publicly held common unit representing a limited partner interest in DCP LP

(other than the common units owned by DCP Midstream and its subsidiaries) issued and outstanding as of immediately prior to the effective time was converted into the right to receive \$41.75 per common unit in cash. We paid \$3,796 million in cash consideration to common unitholders, funded with a combination of available cash and debt proceeds.

The DCP LP Merger was accounted for as an equity transaction and resulted in decreases to “Cash and cash equivalents” of \$3,814 million, which included cash consideration paid to common unitholders of \$3,796 million plus fees paid of \$18 million, “Noncontrolling interests” of \$3,343 million, “Capital in excess of par” of \$361 million and “Deferred income taxes” of \$110 million on our consolidated balance sheet.

Distributions

During the three months ended March 31, 2024 and 2023, DCP LP made cash distributions of \$12 million and \$51 million to common unit holders other than Phillips 66 and its subsidiaries.

Note 21—Restructuring

In April 2022, we began a multi-year business transformation focused on enterprise-wide opportunities to improve our cost structure. For the three months ended March 31, 2023, we recorded restructuring costs totaling \$35 million, primarily related to consulting fees. These costs were primarily recorded in the “Selling, general and administrative expenses” line item on our consolidated statement of income and were reported in our Corporate segment. In addition, in the first quarter of 2023, we recorded restructuring costs of \$12 million associated with the integration of DCP Midstream Class A Segment primarily related to severance. These costs were primarily recorded in the “Selling, general and administrative expenses” line item on our consolidated statement of income and were reported in our Midstream segment.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, the “company,” “we,” “our,” “us” and “Phillips 66” are used in this report to refer to the businesses of Phillips 66 and its consolidated subsidiaries.

Management’s Discussion and Analysis is the company’s analysis of its financial performance, financial condition, and significant trends that may affect future performance. It should be read in conjunction with the consolidated financial statements and notes included elsewhere in this report. It contains forward-looking statements including, without limitation, statements relating to the company’s plans, strategies, objectives, expectations and intentions that are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “estimate,” “believe,” “budget,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “seek,” “should,” “will,” “would,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target” and similar expressions often identify forward-looking statements, but the absence of these words does not mean a statement is not forward-looking. The forward-looking statements made in this Quarterly Report on Form 10-Q are based on events or circumstances as of the date on which the statements are made. The company does not undertake to update, revise or correct any of the forward-looking information included in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events unless required to do so pursuant to applicable law. Readers are cautioned that such forward-looking statements should be read in conjunction with the company’s disclosures under the heading: “CAUTIONARY STATEMENT FOR THE PURPOSES OF THE ‘SAFE HARBOR’ PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.”

The term “earnings” as used in Management’s Discussion and Analysis refers to net income attributable to Phillips 66. The terms “results,” “before-tax income” or “before-tax loss” as used in Management’s Discussion and Analysis refer to income (loss) before income taxes.

EXECUTIVE OVERVIEW AND BUSINESS ENVIRONMENT

Phillips 66 is uniquely positioned as a diversified and integrated downstream energy company operating with Midstream, Chemicals, Refining, and Marketing and Specialties (M&S) segments. At March 31, 2024, we had total assets of \$76.4 billion. Our common stock trades on the New York Stock Exchange under the symbol PSX.

Executive Overview

In the first quarter of 2024, we reported earnings of \$748 million and cash used in operating activities of \$236 million, both of which were unfavorably impacted by lower realized refining margins and, in the case of operating cash flow, discretionary inventory builds. Additionally, we received proceeds from debt issuances, net of debt repayments, of \$802 million, funded capital expenditures and investments of \$628 million, repurchased \$1.2 billion of common stock, and paid dividends on our common stock of

\$448 million. We ended the first quarter of 2024 with \$1.6 billion of cash and cash equivalents and \$3.5 billion of total committed capacity available under our revolving credit facility.

Rodeo Renewable Energy Complex

As part of the Rodeo Renewed project, we are converting the San Francisco Refinery into the Rodeo Renewable Energy Complex, expanding commercial scale production of renewable diesel and positioning Phillips 66 as a leader in renewable fuels production. The Rodeo Renewed project has progressed during the first quarter of 2024 with the facility now processing only renewable feedstocks and having 30,000 barrels per day of renewable fuels production capacity. The Rodeo Renewable Energy Complex is on track to increase production capacity to 50,000 barrels per day (800 million gallons per year) of renewable fuels by the end of the second quarter of 2024. The Rodeo Renewed project design also provides the capability of producing renewable jet fuel, a key component of sustainable aviation fuel. The project advances our strategy to expand our renewable fuels production, lower our carbon footprint, and provide reliable, affordable energy that we expect to create long-term value for our shareholders.

Business Environment

The Midstream segment includes our Transportation and natural gas liquids (NGL) businesses. Our Transportation business contains fee-based operations not directly exposed to commodity price risk. Our NGL business, including DCP Midstream Class A Segment, DCP Sand Hills Pipeline, LLC (DCP Sand Hills) and DCP Southern Hills, LLC (DCP Southern Hills), contains both fee-based operations and operations directly impacted by NGL and natural gas prices. During the first quarter of 2024, NGL and natural gas prices decreased, compared with the first quarter of 2023, as the result of increased production and limited growth in export infrastructure.

The Chemicals segment consists of our 50% equity investment in Chevron Phillips Chemical Company LLC (CPCChem). The chemicals and plastics industry is mainly a commodity-based industry where the margins for key products are based on supply and demand, as well as cost factors. The benchmark high-density polyethylene chain margin slightly decreased in the first quarter of 2024, compared with the first quarter of 2023, mainly due to lower polyethylene sales prices as a result of industry oversupply driven by recent capacity additions.

Our Refining segment results are driven by several factors, including market crack spreads, refinery throughput, feedstock costs, product yields, turnaround activity, and other operating costs. Market crack spreads are used as indicators of refining margins and measure the difference between market prices for refined petroleum products and crude oil. The composite 3:2:1 market crack spread for our business decreased to an average of \$19.45 per barrel during the first quarter of 2024, from an average of \$30.59 per barrel during the first quarter of 2023. The decrease in the composite market crack spread was primarily driven by lower global prices for gasoline and higher crude oil prices. The price of U.S. benchmark crude oil, West Texas Intermediate (WTI) at Cushing, Oklahoma, increased to an average of \$77.07 per barrel during the first quarter of 2024, from an average of \$76.11 per barrel during the first quarter of 2023. The increase in crude production in the United States limited significant escalation in crude prices.

Results for our M&S segment depend largely on marketing fuel and lubricant margins and sales volumes of our refined petroleum products. While marketing fuel and lubricant margins are primarily driven by market factors, largely determined by the relationship between supply and demand, marketing fuel margins, in particular, are influenced by trends in spot prices, and where applicable, retail prices for refined petroleum products in the regions and countries where we operate.

RESULTS OF OPERATIONS

Unless otherwise indicated, discussion of results for the three months ended March 31, 2024, is based on a comparison with the corresponding periods of 2023.

Consolidated Results

A summary of income before income taxes by business segment with a reconciliation to net income attributable to Phillips 66 follows:

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Midstream	\$ 554	702
Chemicals	205	198
Refining	131	1,608
Marketing and Specialties	404	426
Corporate and Other	(330)	(283)
Income before income taxes	964	2,651
Income tax expense	203	574
Net income	761	2,077
Less: net income attributable to noncontrolling interests	13	116
Net income attributable to Phillips 66	\$ 748	1,961

Our net income attributable to Phillips 66 in the first quarter of 2024 was \$748 million, compared with \$2 billion in the first quarter of 2023. The decrease in net income attributable to Phillips 66 was primarily due to a decline in realized refining margins, partially offset by lower income tax expense.

See the “Segment Results” section for additional information on our segment results and Note 19—Income Taxes, in the Notes to Consolidated Financial Statements, for additional information on income taxes.

Statement of Income Analysis

Sales and other operating revenues for the first quarter of 2024 increased 4%, and purchased crude oil and products increased 10%. The increases were mainly due to higher prices for crude oil, while the increase in sales was also attributable to higher refined petroleum product sales volumes, partially offset by lower prices for NGL, natural gas and refined petroleum products.

Equity in earnings of affiliates decreased 14% in the first quarter of 2024. The decrease reflects lower equity earnings from WRB Refining LP (WRB), primarily due to lower realized refining margins.

Other income increased \$49 million in the first quarter of 2024, primarily due to higher results from trading activities.

Impairments increased \$157 million in the first quarter of 2024, primarily due to the recognition of before-tax impairment charges reported in our Refining and Midstream segments. Refer to Note 8—Properties, Plants and Equipment, in the Notes to Consolidated Financial Statements, for additional information.

Taxes other than income taxes decreased 20% in the first quarter of 2024. The decrease was primarily driven by tax credits received from renewable diesel blending activity, as well as lower property taxes.

Interest and debt expense increased 18% in the first quarter of 2024. The increase was primarily driven by higher average debt principal balances. See Note 10—Debt, in the Notes to Consolidated Financial Statements, for additional information regarding debt.

Income tax expense decreased 65% in the first quarter of 2024, primarily due to lower income before income taxes. See Note 19—Income Taxes, in the Notes to Consolidated Financial Statements, for information regarding our effective income tax rates.

Net income attributable to noncontrolling interests decreased 89% in the first quarter of 2024. The decrease reflects the impacts of the DCP Midstream, LP Merger (DCP LP Merger) in June 2023. See Note 2—DCP Midstream, LP Merger (DCP LP Merger), in the Notes to Consolidated Financial Statements for additional information.

Segment Results

Midstream

	Three Months Ended March 31	
	2024	2023
	Millions of Dollars	
Income (Loss) Before Income Taxes		
Transportation	\$ 243	306
NGL and Other	306	408
NOVONIX	5	(12)
Total Midstream	\$ 554	702

	Thousands of Barrels Daily	
Transportation Volumes		
Pipelines*	2,979	3,039
Terminals	3,109	3,203
Operating Statistics		
NGL fractionated**	679	660
NGL production**	417	421
Wellhead Volume (Bcf/D)**	4.4	4.5

* Pipelines represent the sum of volumes transported through each separately tariffed consolidated pipeline segment, excluding NGL pipelines.

** Includes 100% of DCP Midstream Class A Segment's volumes.

	Dollars Per Gallon	
Market Indicator		
Weighted-Average NGL Price*	\$ 0.70	0.74

* Based on index prices from the Mont Belvieu market hub, which are weighted by NGL component mix.

The Midstream segment provides crude oil and refined petroleum product transportation, terminaling and processing services; NGL production, transportation, storage, fractionation, processing and marketing services; natural gas gathering, compressing, treating, processing, storage, transportation and marketing services; and condensate recovery. These activities are mainly in the United States. This segment also includes our investment in NOVONIX.

Results from our Midstream segment decreased \$148 million in the first quarter of 2024.

Results from our Transportation business decreased \$63 million in the first quarter of 2024, primarily due to a before-tax impairment charge of \$59 million recognized in the first quarter of 2024 associated with certain crude processing and logistics assets in California, as well as a before-tax gain of \$36 million recognized in the first quarter of 2023 associated with the sale of a terminal in Louisiana. These decreases were partially offset by higher pipeline tariffs and improved earnings from our equity affiliates primarily driven by increased volumes.

Results from our NGL and Other business decreased \$102 million in the first quarter of 2024, primarily due to unfavorable pricing driven by falling natural gas prices and winter weather impacts.

The fair value of our investment in NOVONIX increased by \$5 million in the first quarter of 2024, compared with a decline of \$12 million in the first quarter of 2023.

See the “Executive Overview and Business Environment” section for information on market factors impacting this quarter’s results.

Chemicals

	Three Months Ended March 31	
	2024	2023
	Millions of Dollars	
Income Before Income Taxes	\$ 205	198

	Millions of Pounds	
CPChem Externally Marketed Sales Volumes*	5,918	5,706

* Represents 100% of CPChem's outside sales of produced petrochemical products, as well as commission sales from equity affiliates.

Olefins and Polyolefins Capacity Utilization (percent)	96 %	94
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The Chemicals segment consists of our 50% interest in CPChem, which we account for under the equity method. CPChem uses NGL and other feedstocks to produce petrochemicals. These products are then marketed and sold or used as feedstocks to produce plastics and other chemicals. CPChem produces and markets ethylene and other olefin products. Ethylene produced is primarily consumed within CPChem for the production of polyethylene, normal alpha olefins and polyethylene pipe. CPChem manufactures and markets aromatics and styrenics products, such as benzene, cyclohexane, styrene and polystyrene, as well as manufactures and/or markets a variety of specialty chemical products. Unless otherwise noted, amounts referenced below reflect our net 50% interest in CPChem.

Results from the Chemicals segment increased \$7 million in the first quarter of 2024, primarily due to higher volumes and lower utility costs, partially offset by lower margins driven by decreased sales prices.

See the "Executive Overview and Business Environment" section for information on market factors impacting CPChem's results.

Refining

	Three Months Ended March 31	
	2024	2023
	Millions of Dollars	
Income (Loss) Before Income Taxes		
Atlantic Basin/Europe	\$ 80	142
Gulf Coast	118	705
Central Corridor	210	739
West Coast	(277)	22
Worldwide	\$ 131	1,608

	Dollars Per Barrel	
Income (Loss) Before Income Taxes		
Atlantic Basin/Europe	\$ 1.70	3.60
Gulf Coast	2.49	13.73
Central Corridor	8.20	28.42
West Coast	(11.24)	0.77
Worldwide	0.91	11.07

Realized Refining Margins*		
Atlantic Basin/Europe	\$ 9.55	16.13
Gulf Coast	10.91	21.28
Central Corridor	13.27	26.86
West Coast	8.89	16.53
Worldwide	10.91	20.72

* See the "Non-GAAP Reconciliations" section for a reconciliation of this non-GAAP measure to the most directly comparable measure under generally accepted accounting principles in the United States (GAAP), income (loss) before income taxes per barrel.

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Operating Statistics	Thousands of Barrels Daily	
	Three Months Ended	
	March 31	
	2024	2023
Refining operations*		
Atlantic Basin/Europe		
Crude oil capacity	537	537
Crude oil processed	472	443
Capacity utilization (percent)	88 %	82
Refinery production	522	438
Gulf Coast		
Crude oil capacity	529	529
Crude oil processed	475	519
Capacity utilization (percent)	90 %	98
Refinery production	526	580
Central Corridor		
Crude oil capacity	531	531
Crude oil processed	509	475
Capacity utilization (percent)	96 %	89
Refinery production	527	494
West Coast**		
Crude oil capacity	244	319
Crude oil processed	244	281
Capacity utilization (percent)	100 %	88
Refinery production	266	314
Worldwide		
Crude oil capacity	1,841	1,916
Crude oil processed	1,700	1,718
Capacity utilization (percent)	92 %	90
Refinery production	1,841	1,826

* Includes our share of equity affiliates.

** As part of our plans to convert the San Francisco Refinery into a renewable fuels facility, in the first quarter of 2023, we ceased operations at the Santa Maria facility in Arroyo Grande, California, which reduced net crude throughput capacity from 120 MBD to 75 MBD. In October 2023, we further reduced net crude throughput capacity from 75 MBD to 52 MBD as we shut down one of the two crude units at the Rodeo facility. Effective January 1, 2024, net crude throughput capacity was 52 MBD. The remaining net crude throughput capacity came offline upon the shutdown of the Rodeo facility's second crude unit in February 2024. Accordingly, effective January 1, 2024, we have excluded the Rodeo facility from the operating statistics above.

The Refining segment refines crude oil and other feedstocks into petroleum products, such as gasoline, distillates and aviation fuels, as well as renewable fuels, at 12 refineries in the United States and Europe.

Results from our Refining segment decreased \$1,477 million in the first quarter of 2024, primarily due to lower realized margins, partially offset by higher volumes. The decrease in realized margins in the first quarter of 2024 was primarily driven by lower market crack spreads, feedstock advantage and secondary product margins.

Our worldwide refining crude oil capacity utilization rate was 92% in the first quarter of 2024, compared with 90% in the first quarter of 2023. See the “Executive Overview and Business Environment” section for information on market factors impacting this quarter’s results.

Marketing and Specialties

	Three Months Ended March 31	
	2024	2023
	Millions of Dollars	
Income Before Income Taxes	404	426

	Dollars Per Barrel	
Income Before Income Taxes		
U.S.	\$ 1.38	1.79
International	5.08	4.93
Realized Marketing Fuel Margins*		
U.S.	\$ 1.60	2.30
International	6.92	6.45

* See the "Non-GAAP Reconciliations" section for a reconciliation of this non-GAAP measure to the most directly comparable GAAP measure, income before income taxes per barrel.

	Dollars Per Gallon	
U.S. Average Wholesale Prices*		
Gasoline	\$ 2.61	2.81
Distillates	2.83	3.23

* On third-party branded petroleum product sales, excluding excise taxes.

	Thousands of Barrels Daily	
Marketing Refined Petroleum Product Sales		
Gasoline	1,196	1,111
Distillates	970	848
Other	43	19
	2,209	1,978

The M&S segment purchases for resale and markets refined petroleum products, such as gasoline, distillates and aviation fuels, as well as renewable fuels, mainly in the United States and Europe. In addition, this segment includes the manufacturing and marketing of base oils and lubricants.

Before-tax income from the M&S segment decreased \$22 million in the first quarter of 2024. The decrease was primarily driven by lower U.S. marketing margins, partially offset by higher U.S. marketing volumes.

See the “Executive Overview and Business Environment” section for information on marketing fuel margins and other market factors impacting this quarter’s results.

Corporate and Other

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Loss Before Income Taxes		
Net interest expense	\$ (185)	(124)
Corporate overhead and other	(145)	(159)
Total Corporate and Other	\$ (330)	(283)

Net interest expense consists of interest and financing expense, net of interest income and capitalized interest. Corporate overhead and other includes general and administrative expenses, technology costs, environmental costs associated with sites no longer in operation, business transformation restructuring costs, foreign currency transaction gains and losses, and other costs not directly associated with an operating segment.

Net interest expense increased \$61 million in the first quarter of 2024. The increase was primarily driven by higher interest expense as a result of higher average debt principal balances, as well as lower interest income. See Note 10—Debt, in the Notes to Consolidated Financial Statements, for additional information regarding debt.

Corporate overhead and other costs decreased \$14 million in the first quarter of 2024 primarily due to a decrease in consulting fees associated with our business transformation.

CAPITAL RESOURCES AND LIQUIDITY

Financial Indicators

	Millions of Dollars, Except as Indicated	
	March 31 2024	December 31 2023
Cash and cash equivalents	\$ 1,570	3,323
Short-term debt	2,325	1,482
Total debt	20,154	19,359
Total equity	30,793	31,650
Percent of total debt to capital*	40%	38
Percent of floating-rate debt to total debt	4%	10

* Capital includes total debt and total equity.

To meet our short- and long-term liquidity requirements, we use a variety of funding sources but rely primarily on cash generated from operating activities and debt financing. During the first three months of 2024, we used \$236 million of cash in our operations and we received proceeds from debt issuances, net of debt repayments, of \$802 million. We used available cash primarily to repurchase shares of our common stock for \$1.2 billion, fund capital expenditures and investments of \$628 million, and pay dividends on our common stock of \$448 million. During the first three months of 2024, cash and cash equivalents decreased to \$1.6 billion.

Significant Sources of Capital

Operating Activities

During the first three months of 2024, cash used in our operations was \$236 million, compared with cash provided by operations of \$1.2 billion for the first three months of 2023. The decrease was primarily due to lower realized refining margins, as well as larger net unfavorable working capital impacts. The unfavorable working capital impacts were primarily driven by the effects of changes in commodity prices, the timing of payments and collections, and discretionary inventory builds.

Our short- and long-term operating cash flows are highly dependent upon refining and marketing margins, NGL prices and chemicals margins. Prices and margins in our industry are typically volatile, and are driven by market conditions over which we have little or no control. Absent other mitigating factors, as these prices and margins fluctuate, we would expect a corresponding change in our operating cash flows.

The level and quality of output from our refineries also impacts our cash flows. Factors such as operating efficiency, maintenance turnarounds, market conditions, feedstock

availability, and weather conditions can affect output. We actively manage the operations of our refineries, and any variability in their operations typically has not been as significant to cash flows as that caused by margins and prices.

Equity Affiliate Operating Distributions

Our operating cash flows are also impacted by distribution decisions made by our equity affiliates. During the first three months of 2024, cash used in operations included aggregate distributions of \$348 million from our equity affiliates, while cash from operations during the first three months of 2023 included aggregate distributions of \$369 million from our equity affiliates. We cannot control the amount of future dividends from equity affiliates; therefore, future dividend payments by these equity affiliates are not assured.

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Senior Notes Issuances

On February 28, 2024, Phillips 66 Company, a wholly owned subsidiary of Phillips 66, issued \$1.5 billion aggregate principal amount of senior unsecured notes that are fully and unconditionally guaranteed by Phillips 66. The senior unsecured notes issuance consisted of:

- \$600 million aggregate principal amount of 5.250% Senior Notes due 2031 (2031 Notes).
- \$400 million aggregate principal amount of 5.300% Senior Notes due 2033 (Additional 2033 Notes).
- \$500 million aggregate principal amount of 5.650% Senior Notes due 2054 (2054 Notes).

Interest on the 2031 Notes and 2054 Notes is payable semi-annually on June 15 and December 15 of each year, commencing on June 15, 2024. Interest on the Additional 2033 Notes is payable semi-annually on June 30 and December 30 of each year, commencing on June 30, 2024.

On March 29, 2023, Phillips 66 Company, a wholly owned subsidiary of Phillips 66, issued \$1.25 billion aggregate principal amount of senior unsecured notes that are fully and unconditionally guaranteed by Phillips 66. The senior unsecured notes issuance consisted of:

- \$750 million aggregate principal amount of 4.950% Senior Notes due December 2027 (2027 Notes).
- \$500 million aggregate principal amount of 5.300% Senior Notes due June 2033 (2033 Notes).

Credit Facilities and Commercial Paper

Phillips 66 and Phillips 66 Company

On February 28, 2024, we entered into a new \$5 billion revolving credit agreement (the Facility) with Phillips 66 Company as the borrower and Phillips 66 as the guarantor and a scheduled maturity date of February 28, 2029. The Facility replaced our previous \$5 billion revolving credit facility dated as of June 23, 2022, with Phillips 66 Company as the borrower and Phillips 66 as guarantor, and the previous revolving credit facility was terminated. The Facility contains customary covenants similar to the previous revolving credit facility, including a maximum consolidated net debt-to-capitalization ratio of 65% as of the last day of each fiscal quarter. The Facility has customary events of default, such as nonpayment of principal when due; nonpayment of interest, fees or other amounts after grace periods; and violation of covenants. We may at any time prepay outstanding borrowings under the Facility, in whole or in part, without premium or penalty. We have the option to increase the overall capacity to \$6 billion, subject to certain conditions. We also have the option to extend the scheduled maturity of the Facility for up to two additional one-year terms, subject to, among other things, the consent of the lenders holding the majority of the commitments and of each lender extending its commitment. Outstanding borrowings under the Facility bear interest at either: (a) the adjusted term Secured Overnight Financing Rate (as described in the Facility) in effect from time to time plus the applicable margin; or (b) the reference rate

(as described in the Facility) plus the applicable margin. The pricing levels for the commitment fee and interest-rate margins are determined based on the ratings in effect for our senior unsecured long-term debt from time to time. At March 31, 2024, and December 31, 2023, no amount had been drawn under our revolving credit facilities.

Phillips 66 also has a \$5 billion uncommitted commercial paper program for short-term working capital needs that is supported by the Facility. Commercial paper maturities are contractually limited to less than one year. At March 31, 2024, \$1.5 billion of commercial paper had been issued under this program. At December 31, 2023, no borrowings were outstanding under this program.

DCP Midstream Class A Segment

On March 15, 2024, DCP LP terminated its \$1.4 billion credit facility and its accounts receivable securitization facility that previously provided for up to \$350 million of borrowing capacity. At December 31, 2023, DCP LP had \$25 million in borrowings outstanding under its \$1.4 billion credit facility and \$350 million of borrowings outstanding under its accounts receivable securitization facility, which were repaid during the three months ended March 31, 2024.

Total Committed Capacity Available

At March 31, 2024, and December 31, 2023, we had approximately \$3.5 billion and \$6.4 billion, respectively, of total committed capacity available under the credit facilities described above.

Off-Balance Sheet Arrangements

Lease Residual Value Guarantees

Under the operating lease agreement for our headquarters facility in Houston, Texas, we have the option, at the end of the lease term in September 2025, to request to renew the lease, purchase the facility or assist the lessor in marketing it for resale. We have a residual value guarantee associated with the operating lease agreement with a maximum potential future exposure of \$514 million at March 31, 2024. We also have residual value guarantees associated with railcar, airplane and truck leases with maximum potential future exposures totaling \$171 million. These leases have remaining terms of one to ten years.

Dakota Access, LLC (Dakota Access) and Energy Transfer Crude Oil Company, LLC (ETCO)

In 2020, the trial court presiding over litigation brought by the Standing Rock Sioux Tribe (the Tribe) ordered the U.S. Army Corps of Engineers (USACE) to prepare an Environmental Impact Statement (EIS) addressing an easement under Lake Oahe in North Dakota. The trial court later vacated the easement. Although the easement is vacated, the USACE has no plans to stop pipeline operations while it proceeds with the EIS, and the Tribe's request for a shutdown was denied in May 2021. In June 2021, the trial court dismissed the litigation entirely. Once the EIS is completed, new litigation or challenges may be filed.

In February 2022, the U.S. Supreme Court (the Court) denied Dakota Access' writ of certiorari requesting the Court to review the trial court's decision to order the EIS and vacate the easement. Therefore, the requirement to prepare the EIS stood. Also in February 2022, the Tribe withdrew as a cooperating agency, causing the USACE to halt the EIS process while the USACE engaged with the Tribe on their reasons for withdrawing.

The draft EIS process resumed in August 2022, and in September 2023, the USACE published its draft EIS for public comment. The USACE identified five potential outcomes, but did not indicate which one it preferred. The options comprise two "no action" alternatives where the USACE would deny an easement to Dakota Access and require it to shut down the pipeline and either remove the pipe from under Lake Oahe, or allow the pipeline to be abandoned-in-place under the lake. The USACE also identified three "action" alternatives; two of them contemplate that the USACE would reissue the easement to Dakota Access under essentially the same terms as 2017 with either the same or a larger volume of oil allowed through the pipeline, while the third alternative would require decommissioning of the current pipeline and construction of a new line 39 miles upstream from the current location. The public comment period concluded on December 13, 2023. The USACE plans to review the comments and issue its final EIS in the fall of 2024. The Record of Decision will follow within 30 to 60 days after the issuance of the final EIS.

Dakota Access and ETCO have guaranteed repayment of senior unsecured notes issued by a wholly owned subsidiary of Dakota Access with an aggregate principal amount outstanding of \$1.85 billion at March 31, 2024. In addition, Phillips 66 Partners LP (Phillips 66 Partners), a wholly owned subsidiary of Phillips 66, and its co-venturers in Dakota Access also provided a Contingent Equity Contribution Undertaking (CECU) in

conjunction with the notes offering. Under the CECU, the co-venturers may be severally required to make proportionate equity contributions to Dakota Access if there is an unfavorable final judgment in the above-mentioned ongoing litigation. At March 31, 2024, our 25% share of the maximum potential equity contributions under the CECU was approximately \$467 million.

If the pipeline is required to cease operations, it may have a material adverse effect on our results of operations and cash flows. Should operations cease and Dakota Access and ETCO not have sufficient funds to pay its expenses, we also could be required to support our 25% share of the ongoing expenses, including scheduled interest payments on the notes of approximately \$20 million annually, in addition to the potential obligations under the CECU at March 31, 2024.

On April 1, 2024, Dakota Access' wholly owned subsidiary repaid \$1 billion aggregate principal amount of its outstanding senior notes upon maturity. We funded our 25% share of the repayment, or \$250 million, with a capital contribution of \$171 million in March 2024 and \$79 million of distributions we elected not to receive from Dakota Access in the first quarter of 2024. As a result of the debt repayment on April 1, 2024, our share of the maximum potential equity contributions under the CECU decreased to approximately \$215 million, and our share of scheduled interest payments on the notes that we could be required to support decreased to approximately \$10 million annually.

See Note 11—Guarantees, in the Notes to Consolidated Financial Statements, for additional information regarding our guarantees.

Capital Requirements

Capital Expenditures and Investments

For information about our capital expenditures and investments, see the “Capital Spending” section below.

Debt Financing

Our debt balance at March 31, 2024, and December 31, 2023, was \$20.2 billion and \$19.4 billion, respectively. Our total debt-to-capital ratio was 40% and 38% at March 31, 2024, and December 31, 2023, respectively.

On March 29, 2024, DCP LP early redeemed \$300 million of its 5.375% Senior Notes due July 2025 at par with an aggregate principal amount of \$825 million.

On March 4, 2024, Phillips 66 Company repaid \$700 million of the \$1.25 billion borrowed under its delayed draw term loan that matures in June 2026.

On February 15, 2024, upon maturity, Phillips 66 repaid its 0.900% senior notes due February 2024 with an aggregate principal amount of \$800 million.

During the three months ended March 31, 2024, we repaid \$375 million of borrowings that were outstanding under DCP LP’s credit and accounts receivable securitization facilities at December 31, 2023.

On March 15, 2023, DCP LP repaid its 3.875% senior unsecured notes due March 2023 with an aggregate principal amount of \$500 million.

Dividends

On February 7, 2024, our Board of Directors declared a quarterly cash dividend of \$1.05 per common share. This dividend was paid on March 1, 2024, to shareholders of record as of the close of business on February 20, 2024. On April 3, 2024, our Board of Directors declared a quarterly cash dividend of \$1.15 per common share. This dividend is payable on June 3, 2024, to shareholders of record as of the close of business on May 20, 2024.

Share Repurchases

Since July 2012, our Board of Directors has authorized an aggregate of \$25 billion of repurchases of our outstanding common stock under our share repurchase program. Our share repurchase authorizations do not expire. Any future share repurchases will be made at the discretion of management and will depend on various factors including our share price, results of operations, financial condition and cash required for future business plans. For the three months ended March 31, 2024, we repurchased 8 million shares at an aggregate cost of approximately \$1.2 billion. Since July 2012, we have repurchased 222 million shares under our share repurchase program at an aggregate cost of \$19.2 billion. Shares of stock repurchased are held as treasury shares.

Employee Benefit Plan Contributions

During the three months ended March 31, 2024, we contributed \$5 million to our U.S. pension and other postretirement benefit plans and \$1 million to our international pension plans. We currently expect to make additional contributions of approximately

\$70 million to our U.S. pension and other postretirement benefit plans and approximately \$4 million to our international pension plans during the remainder of 2024.

Capital Spending

	Millions of Dollars	
	Three Months Ended March 31	
	2024	2023
Capital Expenditures and Investments		
Midstream	\$ 255	124
Chemicals	—	—
Refining	351	227
Marketing and Specialties	15	11
Corporate and Other	7	16
Total Capital Expenditures and Investments	\$ 628	378
Selected Equity Affiliates*		
CPChem	201	142
WRB	24	45
	\$ 225	187

* Our share of joint ventures' capital spending.

Midstream

During the first three months of 2024, capital spending in our Midstream segment included:

- A contribution to Dakota Access to fund our 25% share of Dakota Access' debt repayment in April 2024.
- Expansion of gathering systems in the DJ Basin and Permian Basin.
- Spending associated with other return projects, well connections, reliability and maintenance projects.

Chemicals

During the first three months of 2024, on a 100% basis, CPChem's capital expenditures and investments were \$401 million. The capital spending was primarily for the development of petrochemical projects on the U.S. Gulf Coast and in the Middle East, as well as sustaining, debottlenecking and optimization projects on existing assets. CPChem's capital program was self-funded, and we expect CPChem to continue self-funding its capital program for the remainder of 2024.

Refining

Capital spending for the Refining segment during the first three months of 2024 was primarily for projects to produce renewable fuels, enhance the yield of higher-value products, and sustain the reliability and safety of our facilities.

Major capital activities included:

- Construction of facilities to produce renewable fuels at the Rodeo Renewable Energy Complex.
- Installation of facilities to improve market capture at the Lake Charles and Sweeny refineries, as well as the jointly owned Wood River Refinery.
- Capital spend to improve reliability at the Ponca City, Lake Charles and Sweeny refineries, as well as the jointly owned Wood River Refinery.

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Marketing and Specialties

Capital spending for the M&S segment during the first three months of 2024 was primarily for the continued acquisition, development and enhancement of retail sites in Europe, spend associated with marketing and commercial fleet fueling businesses on the U.S. West Coast, and marketing-related information technology enhancements.

Corporate and Other

Capital spending for Corporate and Other during the first three months of 2024 was primarily related to information technology.

Contingencies

A number of lawsuits involving a variety of claims that arose in the ordinary course of business have been filed against us or are subject to indemnifications provided by us. We also may be required to remove or mitigate the effects on the environment of the placement, storage, disposal, or release of certain chemical, mineral and petroleum substances at various active and inactive sites. We regularly assess the need for financial recognition or disclosure of these contingencies. In the case of all known contingencies (other than those related to income taxes), we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. We do not reduce these liabilities for potential insurance or third-party recoveries. If applicable, we accrue receivables for probable insurance or other third-party recoveries. In the case of income tax-related contingencies, we use a cumulative probability-weighted loss accrual in cases where sustaining a tax position is uncertain.

Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures will exceed current accruals by an amount that would have a material adverse impact on our consolidated financial statements. As we learn new facts concerning contingencies, we reassess our position both with respect to accrued liabilities and other potential exposures. Estimates particularly sensitive to future changes include contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other potentially responsible parties. Estimated future costs related to tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation processes.

Legal and Tax Matters

Our legal and tax matters are handled by our legal and tax organizations. These organizations apply their knowledge, experience and professional judgment to the specific characteristics of our cases and uncertain tax positions. We employ a litigation management process to manage and monitor the legal proceedings. Our process facilitates the early evaluation and quantification of potential exposures in individual cases and enables the tracking of those cases that have been scheduled for trial and/or mediation. Based on professional judgment and experience in using these litigation management tools and available information about current developments in all our cases, our legal organization regularly assesses the adequacy of current accruals and determines if adjustment of existing accruals, or establishment of new accruals, is required. In the case of income tax-related contingencies, we monitor tax legislation and court decisions, the status of tax audits and the statute of limitations within which a taxing authority can assert a liability.

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Environmental

Like other companies in our industry, we are subject to numerous international, federal, state and local environmental laws and regulations. For a discussion of the most significant international and federal environmental laws and regulations to which we are subject, see the “Environmental” section in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2023 Annual Report on Form 10-K.

We are required to purchase renewable identification numbers (RINs) in the open market to satisfy the portion of our obligation under the Renewable Fuel Standard (RFS) that is not fulfilled by blending renewable fuels into the motor fuels we produce. For the three months ended March 31, 2024 and 2023, we incurred expenses of \$93 million and \$238 million, respectively, associated with our obligation to purchase RINs in the open market to comply with the RFS for our wholly owned refineries. These expenses are included in the “Purchased crude oil and products” line item on our consolidated statement of income. Our jointly owned refineries also incurred expenses associated with the purchase of RINs in the open market, of which our share was \$59 million and \$114 million for the three months ended March 31, 2024 and 2023, respectively. These expenses are included in the “Equity in earnings of affiliates” line item on our consolidated statement of income. The amount of these expenses and fluctuations between periods is primarily driven by the market price of RINs, refinery production, blending activities and renewable volume obligation requirements.

We occasionally receive requests for information or notices of potential liability from the Environmental Protection Agency (EPA) and state environmental agencies alleging that we are a potentially responsible party under the Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or an equivalent state statute. On occasion, we also have been made a party to cost recovery litigation by those agencies or by private parties. These requests, notices and lawsuits assert potential liability for remediation costs at various sites that typically are not owned by us, but allegedly contain wastes attributable to our past operations. At March 31, 2024, and December 31, 2023, we had been notified of potential liability under CERCLA and comparable state laws at 21 sites within the United States.

Notwithstanding any of the foregoing, and as with other companies engaged in similar businesses, environmental costs and liabilities are inherent concerns in certain of our operations and products, and there can be no assurance that those costs and liabilities will not be material. However, we currently do not expect any material adverse effect on our results of operations or financial position as a result of compliance with current environmental laws and regulations.

Climate Change

There has been a broad range of proposed or promulgated state, national and international laws focusing on greenhouse gas (GHG) emissions reduction, including various regulations proposed or issued by the EPA. These proposed or promulgated laws apply or could apply in states and/or countries where we have interests or may have interests in the future. Laws regulating GHG emissions continue to evolve, and while it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation, such laws potentially could have a material impact on our results of operations and financial condition as a result of increasing costs of compliance, lengthening project implementation and agency reviews, or reducing demand for certain hydrocarbon products.

For examples of legislation and regulation or precursors for possible regulation that do or could affect our operations, see the “Climate Change” section in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2023 Annual Report on Form 10-K.

We consider and take into account anticipated future GHG emissions in designing and developing major facilities and projects, and implement energy efficiency initiatives to reduce GHG emissions. Data on our GHG emissions, legal requirements regulating such emissions, and the possible physical effects of climate change on our coastal assets are incorporated into our planning, investment, and risk management decision-making. We are working to continuously improve operational and energy efficiency through resource and energy conservation efforts throughout our operations.

In February 2022, we announced a target to reduce our Scope 1 and Scope 2 GHG emissions intensity related to our operations by 50% of 2019 levels by the year 2050. The 2050 target builds upon our 2030 GHG emissions intensity targets to reduce Scope 1 and Scope 2 emissions from our operations by 30% and Scope 3 emissions from our energy products by 15% compared to 2019 levels.

GUARANTOR FINANCIAL INFORMATION

We have various cross guarantees between Phillips 66 and its wholly owned subsidiary Phillips 66 Company (together, the Obligor Group) with respect to publicly held debt securities. Phillips 66 conducts substantially all of its operations through subsidiaries, including Phillips 66 Company, and those subsidiaries generate substantially all of its operating income and cash flow. Phillips 66 has fully and unconditionally guaranteed the payment obligations of Phillips 66 Company with respect to its publicly held debt securities. In addition, Phillips 66 Company has fully and unconditionally guaranteed the payment obligations of Phillips 66 with respect to its publicly held debt securities. All guarantees are full and unconditional. At March 31, 2024, \$14 billion of senior unsecured notes outstanding has been guaranteed by the Obligor Group.

Summarized financial information of the Obligor Group is presented on a combined basis. Intercompany transactions among the members of the Obligor Group have been eliminated. The financial information of non-guarantor subsidiaries has been excluded from the summarized financial information. Significant intercompany transactions and receivable/payable balances between the Obligor Group and non-guarantor subsidiaries are presented separately in the summarized financial information.

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The summarized results of operations for the three months ended March 31, 2024, and the summarized financial position at March 31, 2024, and December 31, 2023, for the Obligor Group on a combined basis were:

Summarized Combined Statement of Income	Millions of Dollars	
	Three Months Ended March 31, 2024	
Sales and other operating revenues	\$	26,834
Revenues and other income—non-guarantor subsidiaries		2,561
Purchased crude oil and products—third parties		15,508
Purchased crude oil and products—related parties		5,212
Purchased crude oil and products—non-guarantor subsidiaries		6,745
Income before income taxes		198
Net income		176

Summarized Combined Balance Sheet

Millions of Dollars

	March 31 2024	December 31 2023
Accounts and notes receivable—third parties	\$ 6,216	6,716
Accounts and notes receivable—related parties	1,362	1,152
Due from non-guarantor subsidiaries, current	1,387	1,827
Total current assets	14,989	14,260
Investments and long-term receivables	11,442	11,242
Net properties, plants and equipment	12,314	12,242
Goodwill	1,047	1,047
Due from non-guarantor subsidiaries, noncurrent	3,510	2,995
Other assets associated with non-guarantor subsidiaries	1,574	1,666
Total noncurrent assets	31,727	31,010
Total assets	46,716	45,270
Due to non-guarantor subsidiaries, current	\$ 3,668	3,153
Total current liabilities	14,587	13,162
Long-term debt	13,799	13,459
Due to non-guarantor subsidiaries, noncurrent	10,535	10,061
Total noncurrent liabilities	30,162	29,234
Total liabilities	44,749	42,396
Total equity	1,967	2,874
Total liabilities and equity	46,716	45,270

NON-GAAP RECONCILIATIONS

Refining

Our realized refining margins measure the difference between (a) sales and other operating revenues derived from the sale of petroleum products manufactured at our refineries and (b) costs of feedstocks, primarily crude oil, used to produce the petroleum products. The realized refining margins are adjusted to include our proportional share of our joint venture refineries' realized margins, as well as to exclude those items that are not representative of the underlying operating performance of a period, which we call "special items." The realized refining margins are converted to a per-barrel basis by dividing them by total refinery processed inputs (primarily crude oil) measured on a barrel basis, including our share of inputs processed by our joint venture refineries. Our realized refining margin per barrel is intended to be comparable with industry refining margins, which are known as "crack spreads." As discussed in "Executive Overview and Business Environment—Business Environment," industry crack spreads measure the difference between market prices for refined petroleum products and crude oil. We believe realized refining margin per barrel calculated on a similar basis as industry crack spreads provides a useful measure of how well we performed relative to benchmark industry refining margins.

The GAAP performance measure most directly comparable to realized refining margin per barrel is the Refining segment's "income (loss) before income taxes per barrel." Realized refining margin per barrel excludes items that are typically included in a manufacturer's gross margin, such as depreciation and operating expenses, and other items used to determine income (loss) before income taxes, such as general and administrative expenses. It also includes our proportional share of joint venture refineries' realized refining margins and excludes special items. Because realized refining margin per barrel is calculated in this manner, and because realized refining margin per barrel may be defined differently by other companies in our industry, it has limitations as an analytical tool. Following are reconciliations of income (loss) before income taxes to realized refining margins:

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Realized Refining Margins	Millions of Dollars, Except as Indicated				
	Atlantic Basin/ Europe	Gulf Coast	Central Corridor	West Coast	Worldwide

Three Months Ended March 31, 2024

Income (loss) before income taxes	\$	80	118	210	(277)	131
Plus:						
Taxes other than income taxes		23	38	28	(3)	86
Depreciation, amortization and impairments		52	62	44	163	321
Selling, general and administrative expenses		7	6	24	10	47
Operating expenses		250	301	143	327	1,021
Equity in (earnings) losses of affiliates		1	(1)	(108)	—	(108)
Other segment (income) expense, net		2	1	(2)	—	1
Proportional share of refining gross margins contributed by equity affiliates		33	—	298	—	331
Special items:						
Legal settlement		—	(7)	—	—	(7)
Realized refining margins	\$	448	518	637	220	1,823
Total processed inputs (thousands of barrels)		46,911	47,492	25,658	24,669	144,730
Adjusted total processed inputs (thousands of barrels)*		46,911	47,492	47,912	24,669	166,984
Income (loss) before income taxes per barrel (dollars per barrel)**	\$	1.70	2.49	8.20	(11.24)	0.91
Realized refining margins (dollars per barrel)***		9.55	10.91	13.27	8.89	10.91

Three Months Ended March 31, 2023

Income before income taxes	\$	142	705	739	22	1,608
Plus:						
Taxes other than income taxes		22	33	25	33	113
Depreciation, amortization and impairments		50	60	38	54	202
Selling, general and administrative expenses		10	4	21	10	45
Operating expenses		365	286	166	350	1,167
Equity in (earnings) losses of affiliates		2	(1)	(200)	—	(199)
Other segment (income) expense, net		20	5	(1)	1	25
Proportional share of refining gross margins contributed by equity affiliates		26	—	402	—	428
Realized refining margins	\$	637	1,092	1,190	470	3,389
Total processed inputs (thousands of barrels)		39,472	51,349	26,004	28,416	145,241
Adjusted total processed inputs (thousands of barrels)*		39,472	51,349	44,215	28,416	163,552

Marketing

Our realized marketing fuel margins measure the difference between (a) sales and other operating revenues derived from the sale of fuels in our M&S segment and (b) costs of those fuels. The realized marketing fuel margins are adjusted to exclude those items that are not representative of the underlying operating performance of a period, which we call “special items.” The realized marketing fuel margins are converted to a per-barrel basis by dividing them by sales volumes measured on a barrel basis. We believe realized marketing fuel margin per barrel demonstrates the value uplift our marketing operations provide by optimizing the placement and ultimate sale of our refineries’ fuel production.

Within the M&S segment, the GAAP performance measure most directly comparable to realized marketing fuel margin per barrel is the marketing business’ “income before income taxes per barrel.” Realized marketing fuel margin per barrel excludes items that are typically included in gross margin, such as depreciation and operating expenses, and other items used to determine income before income taxes, such as general and administrative expenses. Because realized marketing fuel margin per barrel excludes these items, and because realized marketing fuel margin per barrel may be defined differently by other companies in our industry, it has limitations as an analytical tool. Following are reconciliations of income before income taxes to realized marketing fuel margins:

	Millions of Dollars, Except as Indicated				
	Three Months Ended				
	March 31, 2024		Three Months Ended March 31, 2023		
	U.S. International		U.S. International		
Realized Marketing Fuel Margins					
Income before income taxes	\$	241	131	273	125
Plus:					
Depreciation and amortization		10	18	3	18
Selling, general and administrative expenses		186	64	181	62
Equity in earnings of affiliates		(2)	(25)	(3)	(22)
Other operating revenues*		(108)	(9)	(108)	(13)
Other expense, net		12	12	5	6
Special items:					
Legal settlement		(59)	—	—	—
Marketing margins		280	191	351	176
Less: margin for nonfuel related sales		—	13	—	12
Realized marketing fuel margins	\$	280	178	351	164
Total fuel sales volumes (thousands of barrels)		175,269	25,781	152,662	25,380
Income before income taxes per barrel (dollars per barrel)	\$	1.38	5.08	1.79	4.93
Realized marketing fuel margins (dollars per barrel)**		1.60	6.92	2.30	6.45

* Includes other nonfuel revenues.

** Realized marketing fuel margins per barrel, as presented, are calculated using the underlying realized marketing fuel margin amounts, in dollars, divided by sales volumes, in barrels. As such, recalculated per barrel amounts using the rounded margins and barrels presented may differ from the presented per barrel amounts.

**CAUTIONARY STATEMENT FOR THE PURPOSES OF THE “SAFE HARBOR”
PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can normally identify our forward-looking statements by the words “anticipate,” “estimate,” “believe,” “budget,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “seek,” “should,” “will,” “would,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target” and similar expressions that convey the prospective nature of events or outcomes, but the absence of such words does not mean a statement is not forward-looking.

We based these forward-looking statements on our current expectations, estimates and projections about us, our operations, our joint ventures and entities in which we have equity interests, as well as the industries in which we and they operate, and our sustainability-related plans and goals. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report, as they are not guarantees of future performance and involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecasted in any forward-looking statement. Our sustainability-related goals are not guarantees or promises and may change. Statements regarding our goals are not guarantees or promises that they will be met. The information included in, and any issues identified as material for purposes of, our sustainability reports shall not be considered material for U.S. Securities and Exchange Commission (SEC) reporting purposes. Factors that could cause actual results to differ materially from those in our forward-looking statements include:

- Fluctuations in market conditions, including NGL, crude oil, refined petroleum product and natural gas prices and refining, marketing and petrochemical margins and demand.
- Changes in governmental policies relating to NGL, crude oil, natural gas or refined petroleum products pricing, regulation or taxation, including exports.
- Capacity constraints in, or other limitations on, the pipelines, storage and fractionation facilities to which we deliver natural gas or NGL and the availability of alternative markets and arrangements for our natural gas and NGL.
- Actions taken by OPEC and non-OPEC oil producing countries impacting supply and demand and correspondingly, commodity prices.
- Our ability to achieve the expected benefits of the DCP LP integration, including the realization of expected synergies.
- Unexpected changes in costs or technical requirements for constructing, modifying or operating our facilities or transporting our products.
- Unexpected technological or commercial difficulties in manufacturing, refining or transporting our products, including chemical products.

- Lack of, or disruptions in, adequate and reliable transportation for our NGL, crude oil, natural gas and refined petroleum products.
- The level and success of drilling and quality of production volumes around our midstream assets.
- Our ability to timely obtain or maintain permits, including those necessary for capital projects.
- Our ability to comply with government regulations or make capital expenditures required to maintain compliance.
- Our ability to realize sustained savings and cost reductions from the company's business transformation initiatives.
- Changes to worldwide government policies relating to renewable fuels, climate change and greenhouse gas emissions that adversely affect programs like the renewable fuel standards program, low carbon fuel standards and tax credits for biofuels.

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- Domestic and international economic and political developments including armed hostilities, such as the Russia-Ukraine war, instability in the financial services and banking sector, excess inflation, rising interest rates, expropriation of assets and changes in fiscal policy.
- The impact on commercial activity and demand for refined petroleum products from any widespread public health crisis, as well as the extent and duration of recovery of economies and demand for our products following any such crisis.
- Failure to complete definitive agreements and feasibility studies for, and to complete construction of, announced and future capital projects on time and within budget.
- Our ability to successfully complete, or any material delay in the completion of, asset dispositions or acquisitions that we pursue.
- Potential disruption or interruption of our operations or those of our joint ventures due to litigation or other governmental or regulatory action.
- Damage to our facilities due to accidents, weather and climate events, civil unrest, insurrections, political events, terrorism or cyberattacks.
- Our ability to meet our sustainability goals, including reducing our GHG emissions intensity, developing and protecting new technologies, and commercializing lower-carbon opportunities.
- Failure of new products and services to achieve market acceptance.
- International monetary conditions and exchange controls.
- Substantial investments required, or reduced demand for products, as a result of existing or future environmental rules and regulations, including GHG emissions reductions and reduced consumer demand for refined petroleum products.
- Liability resulting from litigation or for remedial actions, including removal and reclamation obligations under environmental regulations.
- Changes in tax, environmental and other laws and regulations (including alternative energy mandates) applicable to our business.
- Political and societal concerns about climate change that could result in changes to our business or operations or increase expenditures, including litigation-related expenses.
- Changes in estimates or projections used to assess fair value of intangible assets, goodwill, and properties, plants and equipment and/or strategic decisions or other developments with respect to our asset portfolio that cause impairment charges.
- Limited access to capital or significantly higher cost of capital related to changes to our credit profile or illiquidity or uncertainty in the domestic or international financial markets.
- The creditworthiness of our customers and the counterparties to our transactions, including the impact of bankruptcies.
- Cybersecurity incidents or other disruptions that compromise our information and expose us to liability.

- The operation, financing and distribution decisions of our joint ventures that we do not control.
- The factors generally described in Item 1A.—Risk Factors in our 2023 Annual Report on Form 10-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our commodity price risk and interest rate risk at March 31, 2024, did not differ materially from the risks disclosed under Item 7A of our 2023 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported within the time periods specified in U.S. Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. As of March 31, 2024, with the participation of management, our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer carried out an evaluation, pursuant to Rule 13a-15(b) of the Act, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were operating effectively as of March 31, 2024.

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) of the Act, in the quarterly period ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation and claims arising out of our operations in the normal course of business. Additionally, we have elected a \$300,000 threshold to disclose certain proceedings arising under federal, state or local environmental laws when a governmental authority is a party to the proceedings. During the first quarter of 2024, no such new matters arose and there was one material development with respect to matters previously reported but still unresolved, which is described below. We do not currently believe that the eventual outcome of any matters previously reported but still unresolved, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Further, our U.S. refineries are implementing two separate consent decrees, regarding alleged violations of the Federal Clean Air Act, with the EPA, five states and one local air pollution agency. Some of the requirements and limitations contained in the decrees provide for stipulated penalties for violations. Stipulated penalties under the decrees are not automatic, but must be requested by one of the agency signatories. As part of periodic reports under the decrees or other reports required by permits or regulations, we occasionally report matters that could be subject to a request for stipulated penalties. If a specific request for stipulated penalties meeting the reporting threshold set forth in U.S. Securities and Exchange Commission (SEC) rules is made pursuant to these decrees based on a given reported exceedance, we will separately report that matter and the amount of the proposed penalty.

Material Development to Matter Previously Reported

In 2018, the Colorado Department of Public Health and Environment (CDPHE) issued a Compliance Advisory in relation to an improperly permitted facility flare and related air emissions from flare operations at one of DCP Operating Company LP's (DCP Operating LP) gas processing plants, which DCP Operating LP self-disclosed to CDPHE in December 2017. Following information exchanges and discussions with CDPHE, a resolution was proposed pursuant to which the plant's air permit would be revised, and DCP Operating LP would be assessed an administrative penalty and economic benefit payment. A revised air permit was issued in May 2019, but the parties had not yet entered into a final settlement agreement to complete the matter. Subsequently, in July 2020, CDPHE issued a Notice of Violation (NOV) in relation to amine treater emissions at this plant, which DCP Operating LP self-disclosed to CDPHE in April 2020. Two additional and related NOVs were then issued in 2021 and 2023. DCP Operating LP and the CDPHE have reached a tentative agreement to resolve these matters for aggregate monetary civil penalties of approximately \$4 million. As part of the settlement, DCP Operating LP will install emissions management equipment that will address the alleged violations. A final order to resolve these matters is expected to be issued during the second quarter of 2024.

See "Dakota Access, LLC (Dakota Access) and Energy Transfer Crude Oil Company, LLC (ETCO)" section of Note 7—Investments, Loans and Long-Term Receivables and Note 12

—Contingencies and Commitments, in the Notes to Consolidated Financial Statements, for additional information regarding Legal Proceedings and other regulatory actions.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A of our 2023 Annual Report on Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased*	Average Price Paid per Share**	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs***	Millions of Dollars	
				Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs	
January 1-31, 2024	3,086,765	\$ 134.86	3,086,765	\$	6,491
February 1-29, 2024	2,558,768	146.86	2,558,768		6,115
March 1-31, 2024	2,309,584	154.59	2,309,584		5,758
Total	7,955,117	\$ 144.45	7,955,117		

* Includes repurchase of shares of common stock from company employees in connection with the company's broad-based employee incentive plans, when applicable.

** Average price paid per share includes excise taxes.

*** Since the inception of our share repurchase program in 2012, our Board of Directors has authorized an aggregate of \$25 billion of repurchases of our outstanding common stock. Our share repurchase authorizations do not expire. Any future share repurchases will be made at the discretion of management and will depend on various factors including our share price, results of operations, financial condition and cash required for future business plans. Shares of stock repurchased are held as treasury shares.

Item 5. OTHER INFORMATION

During the quarter ended March 31, 2024, no director or Section 16 officer adopted, modified or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (in each case, as defined in Item 408(a) of Regulation S-K).

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Item 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit Number	Filing Date SEC File No.
3.1	Amended and Restated Certificate of Incorporation of Phillips 66.	8-K	3.1	05/01/2012 001-35349
3.2	Amended and Restated By-Laws of Phillips 66.	8-K	3.1	12/09/2022 001-35349
4.1	Indenture, dated as of May 5, 2022, among Phillips 66 Company, as issuer, Phillips 66, as guarantor, and U.S. Bank Trust Company, National Association, as trustee, in respect of senior debt securities of Phillips 66 Company.	8-K	4.1	05/05/2022 001-35349
4.2	Form of the terms of the 2031 Notes, including the form of the 2031 Note.	8-K	4.2	02/28/2024 001-35349
4.3	Form of the terms of the 2033 Notes, including the form of the 2033 Note.	8-K	4.3	03/29/2023 001-35349
4.4	Form of the terms of the 2054 Notes, including the form of the 2054 Note.	8-K	4.4	02/28/2024 001-35349
10.1	Credit Agreement dated as of February 28, 2024, among Phillips 66 Company, Phillips 66, as guarantor, the lenders party thereto, and Mizuho Bank, Ltd., as administrative agent.	8-K	10.1	02/28/2024 001-35349
22*	List of Guarantor Subsidiaries.			
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.			
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.			
32**	Certifications pursuant to 18 U.S.C. Section 1350.			
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH*	Inline XBRL Schema Document.			
101.CAL*	Inline XBRL Calculation Linkbase Document.			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILLIPS 66

/s/ J. Scott Pruitt

J. Scott Pruitt
Vice President and Controller
(Chief Accounting and Duly
Authorized Officer)

Date: April 29, 2024