



Definitions of Non-GAAP Terms and Measures

Use of Non-GAAP Financial Information

ConocoPhillips' financial information includes information prepared in conformity with generally accepted accounting principles (GAAP) as well as non-GAAP information. It is management's intent to provide non-GAAP financial information to enhance understanding of our consolidated financial information as prepared in accordance with GAAP. This non-GAAP information should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. The non-GAAP financial information presented may be determined or calculated differently by other companies.

Adjusted Earnings and Adjusted Earnings Per Share

References to earnings refer to net income (loss) attributable to ConocoPhillips.

Adjusted Earnings and Adjusted Earnings Per Share (EPS) are non-GAAP financial measures that management believes are useful to investors in evaluating our operating results and understanding our operating trends. Adjusted Earnings is calculated by removing the impact of non-operational results and special items. Adjusted EPS is a measure of the company's diluted net earnings per share excluding special items. Special items are included in our Supplemental Disclosures which are reported with our quarterly Earnings Release. For detailed supplemental information, go to www.conocophillips.com/investor/earnings.

Finding and Development (F&D) Costs

Finding and development costs per barrel of oil equivalent (BOE) represent property acquisition, exploration, and development costs incurred per BOE of proved reserves added during the year. The company, industry analysts, and investors use such metrics to measure a company's ability to establish a long-term trend of adding reserves at a reasonable cost.

Adjusted Finding and Development (F&D) Costs

Finding and development costs per barrel of oil equivalent (BOE) represent property acquisition, exploration, and development costs incurred per BOE of proved reserves added during the year, excluding market factors primarily related to price. The company, industry analysts, and investors use such metrics to measure a company's ability to establish a long-term trend of adding reserves at a reasonable cost excluding the impact of price-related reserve revisions.

Adjusted Operating Costs

Operating costs is defined by the Company as the sum of production and operation expenses, selling, general and administrative expenses, and exploration general and administrative expenses, geological and geophysical and lease rental and other expenses. Adjusted operating costs is defined as the Company's operating costs further adjusted to exclude expenses that are included as adjustments to adjusted earnings to the extent those adjustments impact production and operating expenses, selling, general and administrative expenses, and exploration general and administrative expenses, geological and geophysical and lease rental and other expenses. This is a non-GAAP financial measure that management believes is useful to investors to help facilitate comparisons of the Company's controllable cost performance associated with the Company's core business operations across periods on a consistent basis and with the performance and cost structures of peer companies in a manner that, when viewed in combination with the Company's results prepared in accordance with GAAP, provides a more complete understanding of the factors and trends affecting the Company's business and performance. The Company further believes that the non-GAAP measure adjusted operating costs provides a more indicative measure of the Company's underlying, controllable costs of operations by excluding other items that do not directly relate to the Company's core business operations.

Adjusted Dry Hole and Leasehold Impairment

Adjusted dry hole and leasehold impairment represent dry hole cost and leasehold impairment expense excluding special items. This is a non-GAAP financial measure that management believes is useful to investors to help facilitate comparisons of the Company's performance associated with the Company's core business operations across periods on a consistent basis and with the performance and cost structures of peer companies in a manner that, when viewed in combination with the Company's results prepared in accordance with GAAP, provides a more complete understanding of the factors and trends affecting the Company's business and performance.

Adjusted Corporate Segment Net Expense

Adjusted corporate segment net expense represent corporate and other earnings excluding special items. This is a non-GAAP financial measure that management believes is useful to investors to help facilitate comparisons of the Company's operating performance associated with the Company's core business operations across periods on a consistent basis and with the performance and cost structures of peer companies in a manner that, when viewed in combination with the Company's results prepared in accordance with GAAP, provides a more complete understanding of the factors and trends affecting the Company's business and performance.

Cash from Operations (CFO)

Cash from operations (CFO) is calculated by removing the impact from operating working capital from cash provided by operating activities. The company believes that the non-GAAP measure cash from operations is useful to investors to help understand changes in cash provided by operating activities excluding the impact of working capital changes across periods on a consistent basis and with the performance of peer companies in a manner that, when viewed in combination with the Company's results prepared in accordance with GAAP, provides a more complete understanding of the factors and trends affecting the Company's business and performance. Additionally, when the company estimates CFO based on sensitivities, it assumes no operating working capital changes, and therefore CFO equals cash provided by operating activities.

Cash Flow Neutrality

Cash flow neutrality is achieved when cash provided by operating activities covers capital expenditures and investments, working capital changes associated with investing activities, and dividends paid. The company believes this non-GAAP measure is useful to investors as it provides a measure to compare cash provided by operating activities after deduction of capital expenditures and investments, working capital changes associated with investing activities, and dividends paid across periods on a consistent basis.

Breakeven price

Breakeven price is the Brent price at which cash provided by operating activities equals the capital expenditures and investments required to maintain flat production, working capital changes associated with investing activities and dividends paid. The company believes this non-GAAP measure is useful to investors as it provides a measure to compare cash provided by operating activities after deduction of capital expenditures and investments, working capital changes associated with investing activities, and dividends paid across periods on a consistent basis.

Free Cash Flow

Free cash flow is cash provided by operating activities excluding operating working capital in excess of capital expenditures and investments. Free cash flow is not a measure of cash available for discretionary expenditures since the company has certain non-discretionary obligations such as debt service that are not deducted from the measure. The company believes this non-GAAP measure is useful to investors as it provides a measure to compare cash provided by operating activities after deduction of capital expenditures and investments, and working capital changes associated with investing activities across periods on a consistent basis.

Net Debt

Net debt includes total debt less cash, cash equivalents and short-term investments. The company believes this non-GAAP measure is useful to investors as it provides a measure to compare debt less cash, cash equivalents and short-term investments across periods on a consistent basis.

Return on Capital Employed

ConocoPhillips believes Return on Capital Employed (ROCE) is a good indicator of long-term company and management performance, both absolute and relative to ConocoPhillips' primary peer group. ROCE is a measure of the profitability of ConocoPhillips' capital employed in its business compared with that of its peers. ConocoPhillips calculates ROCE as a ratio, the numerator of which is net income plus after-tax interest expense and excluding after-tax interest income, and the denominator of which is average total equity plus total debt adjusted for average cash, cash equivalents, restricted cash and short-term investments. The net income is adjusted for non-operational or special items impacts.

Cash Return on Capital Employed

ConocoPhillips believes Cash Return on Capital Employed (CROCE) is a good indicator of long-term company and management performance, both absolute and relative to ConocoPhillips' primary peer group. CROCE is a measure of the profitability of ConocoPhillips' capital employed in its business compared with that of its peers. ConocoPhillips calculates CROCE as a ratio, the numerator of which is net income plus after-tax interest expense and depreciation, depletion and amortization, and the denominator of which is average of total equity plus total debt. The net income is adjusted for non-operational or special items impacts.



Definitions of Other Commonly Used Terms and Measures

Average Annual Rate of Return (AARR)

The average annual rate of return (AARR) is the nominal return that a decision or investment provides over a period of time expressed as a time-weighted annual percentage and is calculated using the cash flows resulting from such project or investment decision.

Free Cash Flow Yield

Free cash flow yield is a financial ratio calculated by dividing free cash flow (as defined in the Definitions of Non-GAAP Terms and Measures) with the company's ending period market capitalization and presenting on an annualized basis. The company believes free cash flow yield is useful to investors as a measure of the company's ability to generate free cash flow in comparison to its market capitalization and allows for comparisons across peer companies.

Liquidity

Liquidity includes cash, cash equivalents, short-term investments and available borrowing capacity under the company's revolving credit facility. The company believes liquidity is useful to investors to provide insight into the company's ability to fund its business plans and debt obligations.

Organic Reserve Additions

Organic reserve additions comprise net proved reserve additions resulting from extension and discoveries, improved recovery and revisions, and exclude the impact of purchases and sales. The Company believes that the non-GAAP measure organic reserve additions is useful to investors to help understand changes in underlying reserves excluding dispositions.

Replacement from Additions

Replacement from additions is defined by the Company as a ratio representing the change in reserves excluding production, sales and market factors divided by production. The Company believes that the non-GAAP measure replacement from additions is useful to investors to help understand how additions to the Company's reserves from all sources other than changes in market factors, such as price, and dispositions compare with the Company's production.

Resources

The company estimates its total resources based on the Petroleum Resources Management System (PRMS), a system developed by industry that classifies recoverable hydrocarbons into commercial and sub-commercial to reflect their status at the time of reporting. Proved, probable and possible reserves are classified as commercial, while remaining resources are categorized as sub-commercial or contingent. The company's resource estimate includes volumes associated with both commercial and contingent categories. The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves. U.S. investors are urged to consider closely the oil and gas disclosures in our Form 10-K and other reports and filings with the SEC.

Cost of Supply

Cost of supply is the WTI equivalent price that generates a 10 percent after-tax return on a point-forward and fully burdened basis. Fully burdened includes capital infrastructure, foreign exchange, price related inflation and G&A.

Sustaining Price

Sustaining price is the WTI price at which cash provided by operating activities covers sustaining capital and growing dividend.

Total Shareholder Yield

Total shareholder yield is calculated as the annual planned share repurchases and dividends divided by the company's ending period market capitalization.

Underlying Production

Underlying production excludes Libya and reflects the impact of closed acquisitions and dispositions (A&D) with an assumed close date of January 1, 2018. The company believes that underlying production is useful to investors to compare production excluding Libya and reflecting the impact of closed acquisitions and dispositions on a consistent go-forward basis across periods and with peer companies.

Underlying Production per-Share

Production per-share is underlying production divided by ending share price plus ending shares outstanding. The company believes that production per-share is useful to investors as it provides a consistent view of production on an equity basis and allows for comparisons across peer companies.

Underlying Production per Debt-Adjusted Share

Production per debt-adjusted share is calculated on an underlying production basis using ending period debt divided by ending share price plus ending shares outstanding. The company believes that production per debt-adjusted share is useful to investors as it provides a consistent view of production on a total equity basis by converting debt to equity and allows for comparisons across peer companies.



Non-GAAP Reconciliations

Reconciliation of Earnings to Adjusted Earnings

\$ Millions, except as indicated

	For the Quarter Ended				For the Quarter Ended			
	3/31/2020		6/30/2020		3/31/2020		6/30/2020	
	Pre-tax	Income tax	After-tax	Per share of common stock (dollars)	Pre-tax	Income tax	After-tax	Per share of common stock (dollars)
Consolidated								
Earnings (loss)			(1,739)	(1.60)			260	0.24
Adjustments:								
Unrealized (gain) loss on CVE shares	1,691	-	1,691	1.56	(551)	-	(551)	(0.51)
Impairments	770	(177)	593	0.54	(214)	55	(159)	(0.15)
Net gain on asset sales	38	(9)	29	0.03	(589)	(5)	(594)	(0.56)
Alberta tax credit	-	-	-	-	-	(48)	(48)	(0.04)
Deferred tax adjustments	-	-	-	-	-	92	92	0.09
Unrealized (gain) loss on FX derivative	(75)	16	(59)	(0.05)	12	(3)	9	0.01
Pending claims and settlements	(29)	-	(29)	(0.03)	(3)	-	(3)	-
Adjusted earnings (loss)			486	0.45			(994)	(0.92)

	For the Quarter Ended	
	3/31/2020	6/30/2020
By segment after-tax		
Alaska		
Earnings (loss)	81	(141)
Adjustments:		
Impairments	154	(109)
Income tax ¹	(34)	28
Adjusted earnings (loss)	201	(222)
Lower 48		
Earnings (loss)	(437)	(365)
Adjustments:		
Impairments	561	(50)
Net (gain)/loss on asset sales	38	(2)
Income tax	(132)	12
Adjusted earnings (loss)	30	(405)
Canada		
Earnings (loss)	(109)	(86)
Adjustments:		
Impairments	39	(39)
Income tax ²	(10)	(38)
Adjusted earnings (loss)	(80)	(163)
Europe and North Africa		
Earnings (loss)	75	11
Adjustments:		
Impairments	11	(11)
Income tax	(9)	9
Adjusted earnings (loss)	77	9
Asia Pacific and Middle East		
Earnings (loss)	398	662
Adjustments:		
Net (gain)/loss on asset sales	-	(587)
Impairments	5	(5)
Income tax ³	(1)	(9)
Adjusted earnings (loss)	402	61
Other International		
Earnings (loss)	28	(6)
Adjustments:		
Pending claims and settlements	(29)	-
Income tax	-	-
Adjusted earnings (loss)	(1)	(6)
Corporate and Other		
Earnings (loss)	(1,775)	185
Adjustments:		
Unrealized (gain) loss on CVE shares	1,691	(551)
Unrealized (gain) loss on FX derivative	(75)	12
Pending claims and settlements	-	(3)
Income tax ⁴	16	89
Adjusted earnings (loss)	(143)	(268)

¹ Includes deferred tax adjustment in 2Q 2020 in Alaska.

² Includes recognition of a tax refund in 2Q 2020 in Canada.

³ Includes tax adjustment in 2Q 2020 for the Australia-West disposition.

⁴ Includes deferred tax adjustment related to foreign tax credits in 2Q 2020.

The income tax effects of the special items are calculated primarily based on the statutory rate of the jurisdiction in which the discrete item resides.



Non-GAAP Reconciliations

Reconciliation of Earnings to Adjusted Earnings

\$ Millions, except as indicated

	3/31/2018				6/30/2018				9/30/2018				12/31/2018				12/31/2018				
	Pre-tax	Income tax	After-tax	Per share of common stock (dollars)	Pre-tax	Income tax	After-tax	Per share of common stock (dollars)	Pre-tax	Income tax	After-tax	Per share of common stock (dollars)	Pre-tax	Income tax	After-tax	Per share of common stock (dollars)	Pre-tax	Income tax	After-tax	Per share of common stock (dollars)	
Consolidated																					
Earnings (loss)			888	0.75			1,640	1.39			1,861	1.59			1,868	1.61			6,257	5.32	
Adjustments:																					
Premiums on early debt retirement	206	(13)	193	0.16	2	-	2	-	-	-	-	-	-	-	-	-	208	(13)	195	0.17	
Unrealized (gain) loss on CVE equity	116	1	117	0.10	(387)	43	(344)	(0.29)	76	(16)	60	0.05	618	(26)	592	0.51	423	2	425	0.36	
Pending claims and settlements	(135)	65	(70)	(0.06)	-	-	-	-	(286)	7	(279)	(0.24)	(85)	(8)	(93)	(0.08)	(506)	64	(442)	(0.38)	
Impairments	10	(2)	8	0.01	(53)	21	(32)	(0.03)	43	(10)	33	0.03	(52)	21	(31)	(0.03)	(52)	30	(22)	(0.02)	
Net (gain) loss on asset sales	-	-	-	-	(50)	14	(36)	(0.03)	(101)	25	(76)	(0.06)	(851)	(29)	(880)	(0.75)	(1,002)	10	(992)	(0.84)	
Pension settlement expense	-	-	-	-	147	(26)	121	0.10	14	(3)	11	0.01	35	(7)	28	0.02	196	(36)	160	0.14	
Recognition of deferred licensing revenue ¹	-	-	-	-	(60)	-	(60)	(0.05)	(44)	-	(44)	(0.04)	-	-	-	-	(104)	-	(104)	(0.09)	
Restructuring	-	-	-	-	-	-	-	-	37	(8)	29	0.02	3	(1)	2	-	40	(9)	31	0.03	
Deferred tax adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	177	(0.15)	-	(177)	(177)	(0.15)		
Adjusted earnings (loss)			1,136	0.96			1,291	1.09			1,595	1.36			1,663	1.13			5,331	4.54	

By segment after-tax

	For the Quarter Ended				For the Year Ended
	3/31/2018	6/30/2018	9/30/2018	12/30/2018	12/30/2018
Alaska					
Earnings (loss)	524	418	427	445	1,814
Adjustments:					
Pending claims and settlements	(101)	-	-	-	(101)
Income tax ²	22	-	-	(98)	(76)
Adjusted earnings (loss)	445	418	427	347	1,637
Lower 48					
Earnings (loss)	308	410	513	516	1,747
Adjustments:					
Impairments	10	-	43	-	53
Pending claims and settlements	-	-	41	-	41
Net (gain) loss on asset sales	-	-	(56)	(136)	(192)
Restructuring	-	-	20	3	23
Income tax	(2)	-	(11)	27	14
Adjusted earnings (loss)	316	410	550	410	1,686
Canada					
Earnings (loss)	(65)	33	34	61	63
Adjustments:					
Net (gain)/loss on asset sales	-	(50)	(45)	-	(95)
Income tax ²	-	14	13	(80)	(53)
Adjusted earnings (loss)	(65)	(3)	2	(19)	(85)
Europe and North Africa					
Earnings (loss)	245	290	241	1090	1,866
Adjustments:					
Impairments	-	(53)	-	(52)	(105)
Net (gain)/loss on asset sales	-	-	-	(715)	(715)
Income tax	-	21	-	(38)	(17)
Adjusted earnings (loss)	245	258	241	285	1,029
Asia Pacific and Middle East					
Earnings (loss)	461	466	577	566	2,070
Adjustments:					
Adjusted earnings (loss)	461	466	577	566	2,070
Other International					
Earnings (loss)	(44)	(5)	316	97	364
Adjustments:					
Pending claims and settlements	-	-	(345)	(85)	(430)
Income tax ²	34	-	20	(8)	46
Adjusted earnings (loss)	(10)	(5)	(9)	4	(20)
Corporate and Other					
Earnings (loss)	(541)	28	(247)	(907)	(1,667)
Adjustments:					
Pending claims and settlements	(34)	-	18	-	(16)
Premiums on early debt retirement	206	2	-	-	208
Unrealized (gain) loss on CVE equity	116	(387)	76	618	423
Pension settlement expense	-	147	14	35	196
Recognition of deferred licensing revenue ¹	-	(60)	(44)	-	(104)
Restructuring	-	-	17	-	17
Income tax	(3)	17	(27)	(30)	(43)
Adjusted earnings (loss)	(256)	(253)	(193)	(284)	(986)

¹ Includes deferred tax adjustment in 4Q18 in Alaska, Canada and Corporate.

² Includes pending claims and settlements in 1Q18 in Nigeria.

³ Pursuant to adoption of ASC Topic 606 in 2018.

The income tax effects of the special items are calculated primarily based on the statutory rate of the jurisdiction in which the discrete item resides.

As of July 30, 2020



Non-GAAP Reconciliations

Reconciliation of Liquidity Position

\$ Millions, Except as Indicated

	For the Quarter Ended 12/31/2019	For the Quarter Ended 6/30/2020
Cash and cash equivalents	5,088	2,907
Short-Term Investments	3,028	3,985
Revolver	6,000	6,000
Total Liquidity	14,116	12,892



Non-GAAP Reconciliations

Reconciliation of Net Cash Provided by Operating Activities to Cash from Operations

\$ Millions, Except as Indicated

	For the Quarter Ended				For the Year Ended	For the Quarter Ended	
	3/31/2019	6/30/2019	9/30/2019	12/31/2019	12/31/2019	3/31/2020	6/30/2020
Net Cash Provided by Operating Activities	2,894	2,891	2,337	2,982	11,104	2,105	157
Adjustments:							
Net operating working capital changes	(54)	(531)	(307)	313	(579)	497	(519)
Cash from operations	2,948	3,422	2,644	2,669	11,683	1,608	676



As of July 30, 2020

Reconciliation of reported production to underlying production

MBOED, except as indicated

	For the Quarter Ended				For the Year Ended 12/31/2019	For the Quarter Ended	
	3/31/2019	6/30/2019	9/30/2019	12/31/2019		3/31/2020	6/30/2020
Total Reported Production	1,361	1,332	1,366	1,334	1,348	1,289	981
Adjustments:							
Libya	(43)	(42)	(44)	(45)	(43)	(11)	-
Total Production excluding Libya	1,318	1,290	1,322	1,289	1,305	1,278	981
Closed Dispositions ¹	(149)	(121)	(121)	(64)	(114)	(57)	(24)
Total Underlying Production	1,169	1,169	1,201	1,225	1,191	1,221	957

¹ Includes production from the completed U.K., various Lower 48 dispositions and Australia-West disposition.



Non-GAAP Reconciliations

Reconciliation of Production and Operating Expenses to Adjusted Operating Costs

\$ Millions, Except as Indicated

	For the Year Ended	For the Quarter Ended				For the Year Ended	For the Quarter Ended	
	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	12/31/2019	3/31/2020	6/30/2020
Production and operating expenses	5,213	1,271	1,418	1,331	1,302	5,322	1,173	1,047
Adjustments:								
Selling, general and administrative (G&A) expenses	401	153	129	87	187	556	(3)	156
Exploration G&A, G&G and lease rentals	274	83	81	67	91	322	121	94
Operating Costs	5,888	1,507	1,628	1,485	1,580	6,200	1,291	1,297
Adjustments to exclude special items:								
Pending claims and settlements	41	-	67	-	(7)	60	-	-
Restructuring	37	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	31	14
Operating costs special items	78	-	67	-	(7)	60	31	14
Adjusted operating costs	5,810	1,507	1,561	1,485	1,587	6,140	1,260	1,283

*Restated to conform to the current presentation in accordance with ASU 2017-07.

Non-GAAP Reconciliations

As of July 30, 2020

ConocoPhillips**Reconciliation of dry hole and leasehold impairment**

\$ Millions, Except as Indicated

	<u>YTD 2020</u>
Dry holes	39
Leasehold impairment	31
Dry hole and leasehold impairment	70
Adjustment to exclude special items	
Adjusted dry hole and leasehold impairment	<u>70</u>



As of July 30, 2020

Adjusted Effective Income Tax Rates

	For the Year Ended	For the Quarter Ended				For the Year Ended	For the Quarter Ended	
	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	12/31/2019	3/31/2020	6/30/2020
Alaska	21.7%	23.9%	25.6%	25.2%	25.4%	25.0%	23.0%	26.6%
Lower 48	21.4%	25.3%	23.0%	23.1%	20.5%	23.0%	18.0%	22.5%
Canada	33.6%	26.7%	20.8%	26.1%	196.6%	19.5%	27.2%	25.0%
Europe and North Africa	68.9%	70.8%	71.3%	73.4%	77.7%	73.0%	61.0%	110.7%
Asia Pacific and Middle East	25.4%	26.2%	24.6%	23.3%	28.9%	25.8%	25.1%	35.6%
Other International	44.9%	9.3%	-32.9%	-2.7%	-0.8%	0.7%	28.6%	-2.6%
Corporate and Other	5.7%	14.8%	12.7%	23.3%	4.8%	13.2%	-13.9%	15.0%
Consolidated	41.4%	42.9%	40.5%	42.5%	46.6%	43.0%	38.2%	26.3%

The income tax effects of the special items are calculated based on the statutory rate of the jurisdiction in which the discrete item resides.



2019 Reserves Replacement

MMBOE, except as indicated

End of 2018	5,263
End of 2019	5,262
Change in reserves	(1)
Production ¹	512
Change in reserves excluding production ¹	511
2019 total reserve replacement ratio	100%
Production ¹	512
Purchases ²	(2)
Sales ²	88
Changes in reserves excluding production ¹ , purchases ² and sales ²	597
2019 organic reserve replacement ratio	117%

¹ Production includes fuel gas and Libya

² Purchases refers to acquisitions and sales refers to dispositions

Three-Year Reserves Replacement

MMBOE, except as indicated

End of 2018	6,424
End of 2019	5,262
Change in reserves	(1,162)
Production ¹	1,513
Change in reserves excluding production ¹	351
Three-Year total reserve replacement ratio	23%
Production ¹	1,513
Purchases ²	(292)
Sales ²	2,100
Changes in reserves excluding production ¹ , purchases ² and sales ²	2,159
Three-Year organic reserve replacement ratio	143%