



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 restricted cash 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 restricted cash 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 the denominator of which is average total equity plus total debt. 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

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.

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 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.

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.

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.



Non-GAAP Reconciliations

Reconciliation of Earnings to Adjusted Earnings

\$ Millions, except as indicated

	For the Quarter Ended							
	3/31/2019				6/30/2019			
	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)			1,833	1.60			1,580	1.40
Adjustments:								
Unrealized (gain) loss on CVE equity	(337)	(1)	(338)	(0.30)	(6)	(5)	(11)	(0.01)
Pending claims and settlements	(130)	(68)	(198)	(0.17)	(135)	15	(120)	(0.11)
Capital loss tax benefit	-	-	-	-	-	(234)	(234)	(0.21)
Recognition of deferred revenue	(248)	52	(196)	(0.17)	-	-	-	-
Impairments	60	(13)	47	0.04	95	(22)	73	0.06
Net (gain) loss on asset sales	-	-	-	-	(61)	(32)	(93)	(0.08)
Deferred tax adjustment	-	-	-	-	-	(27)	(27)	(0.02)
Alberta tax rate change	-	-	-	-	-	(25)	(25)	(0.02)
Adjusted earnings (loss)			1,148	1.00			1,143	1.01

By segment after-tax

	For the Quarter Ended	
	3/31/2019	6/30/2019
Alaska		
Earnings (loss)	384	462
Adjustments:		
Pending claims and settlements	-	(69)
Income tax ¹	-	(12)
Adjusted earnings (loss)	384	381
Lower 48		
Earnings (loss)	193	206
Adjustments:		
Impairments	60	95
Pending claims and settlements	-	67
Income tax ¹	(13)	(37)
Adjusted earnings (loss)	240	331
Canada		
Earnings (loss)	122	100
Adjustments:		
Net (gain)/loss on asset sales	-	(56)
Income tax ²	(68)	(10)
Adjusted earnings (loss)	54	34
Europe and North Africa		
Earnings (loss)	207	407
Adjustments:		
Income tax ³	-	(234)
Adjusted earnings (loss)	207	173
Asia Pacific and Middle East		
Earnings (loss)	525	517
Adjustments:		
Net (gain)/loss on asset sales	-	(5)
Income tax ⁴	-	(47)
Adjusted earnings (loss)	525	465
Other International		
Earnings (loss)	131	81
Adjustments:		
Pending claims and settlements	(147)	(89)
Income tax	-	5
Adjusted earnings (loss)	(16)	(3)
Corporate and Other		
Earnings (loss)	271	(193)
Adjustments:		
Unrealized (gain) loss on CVE equity	(337)	(6)
Recognition of deferred revenue	(248)	-
Pending claims and settlements	17	(44)
Income tax	51	5
Adjusted earnings (loss)	(246)	(238)

¹ Includes deferred tax adjustment 4Q 2018 in Alaska, Lower 48 and Canada, and in 1Q 2019 in Canada.

² Includes deferred tax adjustment in 4Q 2018 and 1Q 2019, and 2Q 2019 Canada tax rate change.

³ Includes tax adjustment in 2Q 2019 related to the announced U.K. disposition.

⁴ Includes tax adjustment in 2Q 2019 related to the Greater Sunrise Fields disposition.

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

	For the Quarter Ended																				
	3/31/2018				6/30/2018				9/30/2018				12/31/2018				For the Year Ended 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	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 12/30/2018
	3/31/2018	6/30/2018	9/30/2018	12/30/2018		
Alaska						
Earnings (loss)	524	418	427	445	1,814	
Adjustments:						
Pending claims and settlements	(101)	-	-	-	(101)	
Income tax ¹	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 ¹	-	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 ³	-	(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.



Non-GAAP Reconciliations

Reconciliation of Earnings to Adjusted Earnings

\$ Millions, except as indicated

	For the Quarter Ended												For the Year Ended							
	3/31/2017				6/30/2017				9/30/2017				12/31/2017							
	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)			586	0.47			(3,440)	(2.78)			420	0.34			1,579	1.32			(855)	(0.70)
Adjustments:																				
Impairments	225	(82)	143	0.12	6,284	(1,398)	4,886	3.95	2	(1)	1	0.00	89	(26)	63	0.05	6,600	(1,507)	5,093	4.17
Restructuring	27	(8)	19	0.02	14	(6)	8	0.01	3	(1)	2	0.00	(1)	-	(1)	0.00	43	(15)	28	0.02
Pension settlement expense	60	(17)	43	0.03	36	(11)	25	0.02	20	(6)	14	0.01	14	(4)	10	0.01	130	(38)	92	0.08
Rig termination	43	(15)	28	0.02	-	-	-	-	-	-	-	-	-	-	-	-	43	(15)	28	0.02
Net gain on asset sales	-	(996)	(996)	(0.80)	(1,855)	477	(1,378)	(1.12)	(231)	78	(153)	(0.12)	-	-	-	-	(2,086)	(441)	(2,527)	(2.07)
Pending claims and settlements	-	-	-	-	(2)	(69)	(71)	(0.06)	9	(21)	(12)	(0.01)	(337)	-	(337)	(0.28)	(330)	(90)	(420)	(0.34)
Premiums on early debt retirement	-	-	-	-	234	(49)	185	0.15	51	(11)	40	0.03	17	(4)	13	0.01	302	(64)	238	0.19
Nova Scotia deepwater exploration exit	-	-	-	-	-	-	-	-	-	(114)	(114)	(0.09)	-	-	-	-	-	(114)	(114)	(0.09)
Deferred tax adjustment	-	-	-	-	-	(37)	(37)	(0.03)	-	-	-	-	-	65	65	0.05	-	28	28	0.02
U.S. Tax Reform	-	-	-	-	-	-	-	-	-	-	-	-	-	(852)	(852)	(0.71)	-	(852)	(852)	(0.70)
Adjusted earnings (loss)			(177)	(0.14)			178	0.14			198	0.16			540	0.45			739	0.60

By segment after-tax

	For the Quarter Ended				For the Year Ended
	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017
Alaska					
Earnings (loss)	(11)	199	103	1,175	1,466
Adjustments:					
Impairments	174	-	-	-	174
Income tax ¹	(64)	(32)	-	(892)	(988)
Adjusted earnings (loss)	99	167	103	283	652
Lower 48					
Earnings (loss)	(362)	(2,536)	(97)	624	(2,371)
Adjustments:					
Impairments	51	3,882	2	122	4,057
Net (gain)/loss on asset sales	-	-	50	-	50
Restructuring	-	15	3	(1)	17
Income tax ¹	(18)	(1,433)	(15)	(731)	(2,197)
Adjusted earnings (loss)	(329)	(72)	(57)	14	(444)
Canada					
Earnings (loss)	948	1,379	280	(43)	2,564
Adjustments:					
Net (gain)/loss on asset sales	-	(1,855)	(281)	-	(2,136)
Impairments	-	18	-	-	18
Restructuring	27	(1)	-	-	26
Income tax ²	(1,004)	472	(23)	5	(550)
Adjusted earnings (loss)	(29)	13	(24)	(38)	(78)
Europe and North Africa					
Earnings (loss)	171	123	85	174	553
Adjustments:					
Impairments	-	-	-	(33)	(33)
Income tax ³	-	(41)	-	21	(20)
Adjusted earnings (loss)	171	82	85	162	500
Asia Pacific and Middle East					
Earnings (loss)	236	(2,172)	396	442	(1,098)
Adjustments:					
Impairments	-	2,384	-	-	2,384
Income tax ⁴	-	-	(83)	(74)	(157)
Adjusted earnings (loss)	236	212	313	368	1,129
Other International					
Earnings (loss)	(48)	(9)	(20)	244	167
Adjustments:					
Pending claims and settlements	-	-	-	(320)	(320)
Rig termination	43	-	-	-	43
Income tax ⁵	(15)	-	-	45	30
Adjusted earnings (loss)	(20)	(9)	(20)	(31)	(80)
Corporate and Other					
Earnings (loss)	(348)	(424)	(327)	(1,037)	(2,136)
Adjustments:					
Pension settlement expense	60	36	20	14	130
Pending claims and settlements	-	(2)	9	(17)	(10)
Premiums on early debt retirement	-	234	51	17	302
Income tax ⁶	(17)	(59)	45	805	774
Adjusted earnings (loss)	(305)	(215)	(202)	(218)	(940)

¹ Includes deferred tax adjustment in 2Q17 in Lower 48 and Alaska; pending claims and settlements in 2Q17 in Alaska; and 4Q17 U.S. Tax Reform.

² Includes tax adjustment related to Canadian disposition in 1Q17; tax benefit related to our prior decision to exit Nova Scotia deepwater exploration in 3Q17; and 4Q17 U.S. Tax Reform.

³ Includes international tax law change for 3Q16; pending claims and settlements in 2Q17; 4Q17 deferred tax adjustment in U.K.; and 4Q17 U.S. Tax Reform.

⁴ Includes Malaysia deferred tax recognition in 4Q16; pending claims and settlements in 3Q17; and 4Q17 U.S. Tax Reform.

⁵ Includes 4Q17 U.S. Tax Reform.

⁶ Includes pending claims and settlements in 3Q17 and 4Q17 U.S. Tax Reform.

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 June 30, 2019



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		2019 Full Year Guidance
	12/31/2017*	3/31/2018	6/30/2018	9/30/2018	12/31/2018	12/31/2018	3/31/2019	6/30/2019	
Production and operating expenses	5,162	1,171	1,313	1,367	1,362	5,213	1,271	1,418	5,450
Adjustments:									
Selling, general and administrative (G&A) expenses	427	99	118	119	65	401	153	129	450
Exploration G&A, G&G and lease rentals	368	75	53	75	71	274	83	81	300
Operating Costs	5,957	1,345	1,484	1,561	1,498	5,888	1,507	1,628	6,200
Adjustments to exclude special items:									
Pending claims and settlements	-	-	-	41	-	41	-	67	67
Restructuring	43	-	-	34	3	37	-	-	-
Rig termination	43	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Operating costs special items	86	-	-	75	3	78	-	67	67
Adjusted operating costs	5,871	1,345	1,484	1,486	1,495	5,810	1,507	1,561	~6,100

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



As of June 30, 2019

Non-GAAP Reconciliations

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

\$ Millions, Except as Indicated

	For the Quarter Ended				For the Quarter Ended	For the Quarter Ended				For the Year Ended	For the Quarter Ended	
	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	12/31/2018	3/31/2019	6/30/2019
Net Cash Provided by Operating Activities	1,790	1,751	1,055	2,481	7,077	2,399	3,342	3,410	3,783	12,934	2,894	2,891
Adjustments:												
Net operating working capital changes	(38)	110	(9)	(48)	15	(86)	177	(51)	595	635	(54)	(531)
Cash from operations	1,828	1,641	1,064	2,529	7,062	2,485	3,165	3,461	3,188	12,299	2,948	3,422
Capital expenditures and investments	(966)	(1,020)	(1,088)	(1,517)	(4,591)	(1,535)	(1,999)	(1,599)	(1,617)	(6,750)	(1,637)	(1,729)
Free Cash Flow	862	621	(24)	1,012	2,471	950	1,166	1,862	1,571	5,549	1,311	1,693

Non-GAAP Reconciliations

As of June 30, 2019

ConocoPhillips

Reconciliation of dry hole and leasehold impairment

\$ Millions, Except as Indicated

	2019 YTD	FY 2019 Guidance
Dry holes	26	150
Leasehold impairment	42	50
Dry hole and leasehold impairment	68	200
Adjustment to exclude special items		
Less impairments	-	-
<u>Adjusted dry hole and leasehold impairment</u>	<u>68</u>	<u>~200</u>

Non-GAAP Reconciliations

As of June 30, 2019

ConocoPhillips

Reconciliation of adjusted corporate segment net expense

\$ Millions, Except as Indicated

	YTD 2019	FY 2019 Guidance
Corporate and Other earnings	78	(440)
Adjustments to exclude special items		
Less unrealized gain on CVE equity	(343)	(343)
Less deferred revenue	(248)	(248)
Less pending claims and settlements	(27)	(27)
Less tax on special items	56	56
Adjusted corporate segment net expense	(484)	~(1,000)



As of June 30, 2019

Adjusted Effective Income Tax Rates

	For the Year Ended	For the Quarter Ended				For the Year Ended	For the Quarter Ended	
	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	12/31/2018	3/31/2019	6/30/2019
Alaska	31.5%	19.5%	21.4%	20.1%	26.2%	21.7%	23.9%	25.6%
Lower 48	36.6%	22.5%	21.7%	22.3%	19.1%	21.4%	25.3%	23.0%
Canada	46.0%	38.4%	-1.5%	61.1%	20.3%	33.6%	26.7%	20.8%
Europe and North Africa	70.3%	68.3%	68.1%	70.3%	69.0%	68.9%	70.8%	71.3%
Asia Pacific and Middle East	29.9%	27.6%	23.5%	27.8%	22.4%	25.4%	26.2%	24.6%
Other International	9.9%	0.7%	-102.3%	17.2%	130.6%	44.9%	9.3%	-32.9%
Corporate and Other	28.5%	13.8%	5.8%	11.3%	-8.2%	5.7%	14.8%	12.7%
Consolidated	61.6%	41.8%	41.2%	39.2%	43.6%	41.4%	42.9%	41.2%

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



Non-GAAP Reconciliations

Reconciliation of Return on capital employed (ROCE)

\$ Millions, Except as Indicated

	For the Rolling-12 Months Ended 12/31/2018	For the Rolling-12 Months Ended 3/31/2019	For the Rolling-12 Months Ended 6/30/2019
Numerator			
Net Income Attributable to ConocoPhillips	6,257	7,202	7,142
Adjustment to exclude special items	(926)	(1,859)	(1,947)
Net income attributable to noncontrolling interests	48	49	52
After-tax interest expense	594	590	615
ROCE Earnings	5,973	5,982	5,862
Denominator			
Average total equity ¹	31,363	31,803	32,318
Average total debt ²	16,088	15,234	14,965
Average capital employed	47,451	47,037	47,283
ROCE (percent)	12.6%	12.7%	12.4%

¹ Average total equity is the average of beginning total equity and ending total equity by quarter

² Average total debt is the average of beginning long-term debt and short-term debt and ending long-term debt and short-term debt by quarter

As of January 31, 2019

Preliminary Year-End Reserves Reconciliation

MMBOE, except as indicated

End of 2017	5,038
End of 2018	5,263
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Change in reserves	225
Production ¹	483
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Change in reserves excluding production ¹	708
Total reserve replacement ratio	147%
Production ¹	483
Purchases ²	290
Sales ²	(108)
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Changes in reserves excluding production ¹ , purchases ² and sales ²	526
Organic reserve replacement ratio	109%

¹ 2018 production includes fuel gas and Libya

² 2018 purchases refers to acquisitions and sales refers to dispositions