ConocoPhillips (NYSE: COP) will hold an Analyst and Investor Meeting today to outline the company’s strategy and discuss several planned actions for accelerating the company’s value proposition of a strong balance sheet, growing dividend and disciplined growth. These actions include an initial $3 billion share repurchase program and the initiation of a $5 to $8 billion divestiture program, which will focus primarily on North American natural gas. The company will also provide details on its 2017 operating plan, which further reduces capital expenditures and adjusted operating costs compared with 2016, while delivering modest production growth.

“During the past two years, we have significantly transformed ConocoPhillips to succeed in a lower, more volatile price environment. We’ve lowered the capital intensity and breakeven price of the company, lowered the cost of supply of our investment portfolio, and created strategic flexibility for future price cycles,” said Ryan Lance, chairman and chief executive officer. “We believe our plan offers a differentiated strategy within the E&P sector that is focused on free cash flow generation and improving returns to shareholders. We have positioned ConocoPhillips to deliver double-digit shareholder returns across a range of commodity prices through a combination of peer-leading shareholder distributions and high-return investments.

“The acceleration actions we’ve announced today will allow us to achieve our value proposition priorities at Brent prices of about $50 per barrel,” added Lance. “These priorities include a debt target of $20 billion, a 20 to 30 percent payout of operating cash flows to shareholders, and modest production growth to drive margin and cash flow expansion. In setting out these priorities, our goal is to have strong resilience to low commodity prices with the ability to capture upside during periods of higher prices.”

The company’s 2017 operating plan includes capital expenditures guidance of $5 billion, a decrease of 4 percent compared with 2016 guidance of $5.2 billion and more than 50 percent lower than 2015 capital expenditures and investments of $10.1 billion. Spending in 2017 will focus primarily on flexible unconventional development programs in the Lower 48, conventional projects in Europe, Asia Pacific and Alaska, and base asset maintenance. Approximately $0.6 billion is included for exploration, which is primarily focused on unconventionals, appraisal of the Barossa discovery, and the closeout of deepwater Gulf of Mexico and Nova Scotia drilling obligations.

Full-year 2017 production is expected to be 1,540 to 1,570 thousand barrels of oil equivalent per day (MBOED), which results in flat to 2 percent growth compared with expected full-year 2016 production of approximately 1,540 MBOED when adjusted for 2016 expected dispositions. Growth is expected to come primarily from ramp up at APLNG in Australia, Surmont 2 in Canada and Kebabangan in Malaysia, as well as increased activity in the Lower 48 unconventionals, partly offset by normal field decline. The company’s production outlook excludes Libya.

The company continues to achieve cost reductions across the business. Guidance for 2017 production and operating expenses is approximately $5.2 billion, which results in adjusted operating cost guidance of $6 billion, a 9 percent improvement compared with 2016 adjusted operating cost guidance.

“We believe our company offers one of the most unique value propositions in the E&P sector,” said Lance. “We’ve reset virtually every aspect of the business – our capital program, our cost structure and our portfolio – during the recent industry downturn. Now, we’re in a differential position to generate free cash flow as prices recover and we implement our clear priorities for allocating available cash. In a future of volatile prices, we can demonstrate that our disciplined, returns-focused approach will deliver strong performance for all our stakeholders.”

ConocoPhillips’ Analyst and Investor Meeting will begin at 9 a.m. EST in New York City. A live webcast of the meeting will be made available on the ConocoPhillips Investor Relations site, www.conocophillips.com/investor.

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About ConocoPhillips

ConocoPhillips is the world’s largest independent E&P company based on production and proved reserves. Headquartered in Houston, Texas, ConocoPhillips had operations and activities in 20 countries, $94 billion of total assets, and approximately 14,900 employees as of Sept. 30, 2016. Production averaged 1,560 MBOED for the nine months ended Sept. 30, 2016, and proved reserves were 8.2 billion BOE as of Dec. 31, 2015. For more information, go to www.conocophillips.com.

CAUTIONARY STATEMENT FOR THE PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This news release contains forward-looking statements. Forward-looking statements relate to future events and anticipated results of operations, business strategies, and other aspects of our operations or operating results. In many cases you can identify forward-looking statements by terminology such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and other similar words. However, the absence of these words does not mean that the statements are not forward-looking. Where, in any forward-looking statement, the company expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that such expectation or belief will result or be achieved. The actual results of operations can and will be affected by a variety of risks and other matters including, but not limited to, changes in commodity prices; changes in expected levels of oil and gas reserves or production; operating hazards, drilling risks, unsuccessful exploratory activities; difficulties in developing new products and manufacturing processes; unexpected cost increases; international monetary conditions; potential liability for remedial actions under existing or future environmental regulations; potential liability resulting from pending or future litigation; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; and general domestic and international economic and political conditions; as well as changes in tax, environmental and other laws applicable to our business. Other factors that could cause actual results to differ materially from those described in the forward-looking statements include other economic, business, competitive and/or regulatory factors affecting our business generally as set forth in our filings with the Securities and Exchange Commission. Unless legally required, ConocoPhillips undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Information – To supplement the presentation of the Company’s financial results prepared in accordance with U.S. generally accepted accounting principles (GAAP), this news release contains certain financial measures that are not prepared in accordance with GAAP, including operating costs, adjusted operating costs, breakeven price and free cash flow. 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. Breakeven price is the Brent price at which cash from operations equals the capital expenditures and investments required to maintain flat production, working capital changes associated with investing activities and dividends paid. Free cash flow is cash from operations in excess of capital expenditures and investments required to maintain flat production, working capital changes associated with investing activities, and dividends paid. 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 that the non-GAAP measures breakeven price and free cash flow are useful to investors as they provide measures to compare cash from operations after deduction of capital expenditures and investments, working capital changes associated with investing activities, and dividends paid across periods on a consistent basis.

The Company believes that the non-GAAP measures operating costs and adjusted operating costs are useful to investors to help facilitate comparisons of the Company’s operating performance and controllable costs 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. The Company’s Board of Directors and management also use these non-GAAP measures to analyze the Company’s operating performance across periods when overseeing and managing the Company’s business.

Each of the non-GAAP measures included in this news release has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of the Company’s results calculated in accordance with GAAP. In addition, because not all companies use identical calculations, the Company’s presentation of non-GAAP measures in this news release and the accompanying supplemental financial information may not be comparable to similarly titled measures disclosed by other companies, including companies in our industry. The Company may also change the calculation of any of the non-GAAP measures included in this news release from time to time in light of its then existing operations to include other adjustments that may impact its operations.

Reconciliations of each non-GAAP measure presented in this news release to the most directly comparable financial measure calculated in accordance with GAAP are included below.

Cautionary Note to U.S. Investors – The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves. We use the term "resource" in this presentation that the SEC’s guidelines prohibit us from including in filings with the SEC. 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. Copies are available from the SEC and from the ConocoPhillips website.

ConocoPhillips
Reconciliation of Production and Operating Expenses to Adjusted Operating Costs
$ Millions, Except as Indicated

	FY 2016 Guidance	FY 2017 Guidance	
Production and operating expenses	5,700	5,200	
Production and operating expenses - percent reduction		9	%

Adjustments:		
Selling, general and administrative (G&A) expenses	700	550
Exploration G&A, G&G, lease rentals and other expenses	700	350
Operating costs	7,100	6,100
Adjustments to exclude special items		
Less restructuring	(145)	
Less pension settlement expense	(151)	
Less impairments	(36)	
Less rig termination	(134)	
Less pending claims and settlements	(43)	
Less other costs	-	(150)
Adjusted operating costs	~6,600	~6,000
Adjusted operating costs - percent reduction		9 %

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