ConocoPhillips Announces Preliminary 2022 Capital Expenditures Budget; Initiates Three-Tier Returns of Capital Program and Declares Quarterly Variable Cash Distribution

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ConocoPhillips (NYSE: COP) today announced several updates that highlight the company's differentiated value proposition. This announcement follows the recent closing of the company's acquisition of Shell's Permian Basin properties on Dec. 1 for net cash of $8.6 billion.

Today's announcement reflects the addition of Shell's Permian Basin properties, including the previously announced expected 2022 capital expenditures and production associated with that transaction. Highlights include:

- Planned companywide 2022 capital expenditures of ~$7.2 billion;
- The planned capital includes ~$0.2 billion for Scope 1 and 2 emissions-reduction projects across the company's global operations and investments in several early-stage low carbon technology opportunities to address end-use emissions;
- Expected 2022 annual average production of ~1.8 MMBOED, representing low single-digit percentage underlying growth versus pro forma 2021;
- Expected 2022 return of capital to shareholders of ~$7 billion, representing a ~16% increase versus 2021. The company is initiating a three-tier capital return program that will consist of a compelling ordinary dividend tier, a share repurchase tier, and a newly authorized quarterly variable return of cash (VROC) tier. The first VROC of $0.20 per share will be paid on Jan. 14, 2022, to shareholders of record as of Jan. 3, 2022.
- Supplemental material describing the elements of this announcement can be found at www.conocophillips.com/investor.

ConocoPhillips CEO and Chairman Ryan Lance commented, "At mid-year, we presented a truly differential 10-year plan that embraced our Triple Mandate for how we will play a valued role in the energy transition: safely produce low cost of supply, low-GHG-intensity barrels to the market, deliver compelling financial and capital returns to investors, and meet a net-zero ambition. Today's announcement builds upon each element of the Triple Mandate and supports our belief that ConocoPhillips is the most durable, investable company in the E&P business. With the recent Permian acquisition, we're in an even stronger position to build upon our success in 2021 as we head into next year."

Preliminary 2022 Capital Expenditures Budget

ConocoPhillips' preliminary 2022 capital expenditures budget and operating plan reflect an outlook for next year that is consistent with the company's June 2021 10-year plan, with the inclusion of the Permian acquisition and current estimates for inflation and non-operated activity. This plan honors the company's fundamental principles and capital allocation priorities and is expected to drive improvement in underlying cash from operations (CFO) in support of growing returns of capital to shareholders. Additional details include:

- The planned ~$7.2 billion in 2022 capital expenditures includes $0.7 billion associated with the recent Permian transaction and are consistent on an underlying basis with the market update provided in June 2021. Although inflation and non-operated pressures have accelerated since that update, particularly in the Lower 48, the impacts of those factors have been mitigated by productivity improvements across our global, diverse asset base. This guidance excludes the impacts of potential bolt-on acquisitions or planned dispositions.

- Approximately 60% of total planned capital will be directed to the Lower 48 for short-cycle investment across the company's extensive, high-quality unconventional asset base. Approximately 40% will be allocated toward mid- and longer-cycle projects across the company's diverse Alaska and International regions, including ongoing project and development activity in Alaska, a second Central Processing Facility in the Montney play, bolt-on developments in Asia Pacific, and both project and development activity in Norway.
- Approximately $0.2 billion of the preliminary 2022 capital expenditures budget will be allocated toward energy transition efforts across the company's global operations that are aimed at accelerating the reduction of the company's Scope 1 and 2 emissions and evaluating potential investments in end-use (Scope 3) emissions-reduction investments. The planned expenditures include production efficiency measures, methane and flaring intensity-reduction initiatives, asset electrification projects, and investments in several early-stage low-carbon technology opportunities that leverage the company's adjacencies and competencies, such as CCUS and hydrogen.
- Based on the preliminary capital budget, the company expects to deliver average full-year 2022 production of ~1.8 MMBOED, including expected annual production from the recent Permian transaction of approximately 200 MBOED. Guidance also includes the impact of the previously announced conversion from 2-stream to 3-stream reporting for volumes acquired from Concho Resources and a planned convention change to include production from Libya in the company's guidance beginning in 2022.
- This preliminary production guidance excludes the impact of potential bolt-on acquisitions and planned dispositions.
- On a pro forma underlying basis, the company's 2022 production estimate represents underlying low-single-digit percentage production growth versus 2021. Underlying growth is expected to be driven by Alaska, including the start up of GMT2, and a modest ramp in the Lower 48 to resume a gradual trajectory toward optimized plateau.
- The company expects to provide additional 2022 guidance in conjunction with fourth-quarter 2021 earnings in early February 2022.

Three-Tiered Returns of Capital Framework

The company also announced its expected 2022 returns of capital program and the initiation of a three-tier returns of capital framework. The three-tier framework is structured to continue delivering a compelling, growing ordinary dividend and through-cycle share repurchases, now with the addition of a variable return of cash (VROC) tier. The VROC tier will provide another flexible tool for meeting the company's commitment of returning greater than 30% of CFO during periods when commodity prices are meaningfully higher than the company's planning price range.

The VROC will be determined and approved each quarter by the board of directors at the same time the ordinary dividend is reviewed. The factors considered in determining the VROC will include the anticipated level of distributions required to meet the company's capital returns commitment, forward prices, balance sheet cash and total yield. The VROC will be announced at the same time as the ordinary dividend, but the quarterly payout will be staggered from the ordinary dividend payout, resulting in up to eight cash distributions to shareholders throughout the year.

As the company considers the business outlook, including forward commodity prices, it has set its expected 2022 capital returns to shareholders at ~$7 billion. This would represent a ~16% increase in returns of capital versus 2021 and is expected to be allocated roughly equally between cash and share repurchases across the three distribution tiers as follows:

- The annualized current ordinary dividend, estimated at ~$2.4 billion subject to board review and approval;
- Expected share repurchases of approximately $3.5 billion, including approximately $1 billion funded through remaining Cenovus share sales, and;
- A VROC of approximately $1 billion subject to board review and approval, anticipated to be distributed ratably on a quarterly basis.
- The first VROC payment of $0.20 per share is payable on Jan. 14, 2022, to shareholders of record as of Jan. 3, 2022.

"Over the past five years we have consistently delivered on our commitment to return greater than 30% of CFO to shareholders through our attractive ordinary dividend and almost $13 billion of share repurchases," added Lance. "We have been recognized for our through-cycle returns of capital and remain fully committed to this priority. We believe the greatest sustained value from a capital returns program comes from consistent execution and a compelling level of payout, but we also recognize that meeting our returns commitment in the current favorable commodity price environment creates a need for a variable cash tier. The basis of our capital returns approach is CFO-driven, and our new three-tier framework can more easily flex distributions with commodity prices, while retaining some discretion in allocation across the tiers. We are excited to initiate the three-tier program with an immediate cash distribution."

Lance concluded, "We are exiting 2021 after a truly exceptional year with a differential long-term plan built around our Triple Mandate. We expect to play an essential role in the energy transition by executing sound investment plans, delivering superior and consistent returns through cycles and meeting our net-zero ambition, while retaining the flexibility to successfully adapt as the future unfolds."

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About ConocoPhillips

Headquartered in Houston, Texas, ConocoPhillips had operations and activities in 14 countries, $87 billion of total assets, and approximately 9,900 employees at Sept. 30, 2021. Production excluding Libya averaged 1,514 MBOED for the nine months ended Sept. 30, 2021, and proved reserves were 4.5 BBOE as of Dec. 31, 2020. 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 as defined under the federal securities laws. Forward-looking statements relate to future events, plans and anticipated results of operations, business strategies, and other aspects of our operations or operating results. Words and phrases such as "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 other similar words can be used to identify forward-looking statements. 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 be reasonable at the time such forward-looking statement is made. However, these statements are not guarantees of future performance and involve certain risks, uncertainties and other factors beyond our control. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in the forward-looking statements. Factors that could cause actual results or events to differ materially from what is presented include the impact of public health crises, including pandemics (such as COVID-19) and epidemics and any related company or government policies or actions; global and regional changes in the demand, supply, prices, differentials or other market conditions affecting oil and gas, including changes resulting from a public health crisis or from the imposition or lifting of crude oil production quotas or other actions that might be imposed by OPEC and other producing countries and the resulting company or third-party actions in response to such changes; changes in commodity prices, including a prolonged decline in these prices relative to historical or future expected levels; insufficient liquidity or other factors, such as those listed herein, that could impact our ability to repurchase shares and declare and pay dividends such that we suspend our share repurchase program and reduce, suspend, or totally eliminate dividend payments in the future, whether variable or fixed; changes in expected levels of oil and gas reserves or production; potential failures or delays in achieving expected reserve or production levels from existing and future oil and gas developments, including due to operating hazards, drilling risks or unsuccessful exploratory activities; unexpected cost increases or technical difficulties in constructing, maintaining or modifying company facilities; legislative and regulatory initiatives addressing global climate change or other environmental concerns; investment in and development of competing or alternative energy sources; disruptions or interruptions impacting the transportation for our oil and gas production; international monetary conditions and exchange rate fluctuations; changes in international trade relationships, including the imposition of trade restrictions or tariffs on any materials or products (such as aluminum and steel) used in the operation of our business; our ability to collect payments when due under our settlement agreement with PDVSA; our ability to collect payments from the government of Venezuela as ordered by the ICSID; our ability to liquidate the common stock issued to us by Cenovus Energy Inc. at prices we deem acceptable, or at all; our ability to complete any announced or any future dispositions or acquisitions on time, if at all; the possibility that regulatory approvals for any announced or any future dispositions or acquisitions will not be received on a timely basis, if at all, or that such approvals may require modification to the terms of the transactions or our remaining business; business disruptions during or following the acquisition of assets from Shell (the "Shell Acquisition") or any other announced or any future dispositions or acquisitions, including the diversion of management time and attention; the ability to deploy net proceeds from our announced or any future dispositions in the manner and timeframe we anticipate, if at all; potential liability for remedial actions under existing or future environmental regulations; potential liability resulting from pending or future litigation, including litigation related to our transaction with Concho Resources Inc. (Concho); the impact of competition and consolidation in the oil and gas industry; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; general domestic and international economic and political conditions; the ability to successfully integrate the assets from the Shell Acquisition or achieve the anticipated benefits from the transaction; the ability to successfully integrate the operations of Concho with our operations and achieve the anticipated benefits from the transaction; unanticipated difficulties or expenditures relating to the Shell Acquisition or the Concho transaction; changes in fiscal regime or tax, environmental and other laws applicable to our business; and disruptions resulting from extraordinary weather events, civil unrest, war, terrorism or a cyber attack; and 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 expressly disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Information and Other Terms- This news release contains certain financial measures that are not prepared in accordance with GAAP, including cash from operations (CFO). The company believes that the non-GAAP measure CFO is useful to investors to help understand changes in cash provided by operating activities excluding the timing effects associated with operating working capital changes across periods on a consistent basis and with the performance of peer companies. CFO is defined as cash provided by operating activities, excluding the impact of changes in operating working capital. This news release also contains the terms pro forma underlying growth, return of capital and total yield. Pro forma underlying growth represents the percentage change in production year over year after adjusting total company reported production for the impact of closed acquisitions and dispositions as if they had closed January 1, 2021. Also included is the impact of converting Concho volumes from a two stream to three stream reporting basis with an assumed effective date of January 1, 2021. Returns of capital (also referred to as distributions) is defined as the total of the ordinary dividend, share repurchases and VROC. Total yield is calculated as the Company's distributions relative to the Company's market capitalization.

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