

Building on Strengths

EXCERPT FROM THE 2009 SUMMARY ANNUAL REPORT



Certain disclosures in this Summary Annual Report may be considered "forward-looking" statements. These are made pursuant to "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The "Cautionary Statement" in Management's Discussion and Analysis in Appendix A of ConocoPhillips' 2010 Proxy Statement should be read in conjunction with such statements.

"ConocoPhillips," "the company," "we," "us" and "our" are used interchangeably in this report to refer to the businesses of ConocoPhillips and its consolidated subsidiaries.

Definition of resources: ConocoPhillips uses the term "resources" in this document. The company estimates its total resources based on a system developed by the Society of Petroleum Engineers that classifies recoverable hydrocarbons into six categories based on their status at the time of reporting. Three (proved, probable and possible reserves) are deemed commercial, and three others are deemed noncommercial or contingent. The company's resource estimate encompasses volumes associated with all six categories.

Building on Strengths

ConocoPhillips is a major international, integrated energy company, with global scale and scope throughout the oil and natural gas value chain. We achieved this leadership position through a decade of building access to hydrocarbon reserves by pursuing organic growth and strategic transactions, all during a time of exceptional volatility in the energy market.

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While there is still uncertainty over how the global economy will recover from the current recession, we are optimistic about the future. Although a broad and deep upturn in the energy market will take time, the world will need ever-increasing supplies of energy in the future, and opportunities to profitably develop affordable energy are limited.

ConocoPhillips is positioned to responsibly deliver energy to the world in this operating environment. Thus, we have sharpened our focus to build on our core strengths:

- **Assets** that include captured resources of 50 billion barrels of oil equivalent,
- **Capabilities** that span the industry's technological spectrum, and a
- **Disciplined Approach** to cost, capital and financial management, with focus on enhancing returns.

With these foundational strengths, we believe ConocoPhillips is well prepared to seize the opportunities ahead.



Letter to Shareholders

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ConocoPhillips had strong operating performance in 2009, and continued building on the strengths represented in our assets, capabilities and disciplined approach to cost, capital and financial management.

Among 2009 performance highlights, earnings totaled \$4.9 billion, we reduced controllable costs by 13 percent, and earned a 7 percent return on capital employed. Shareholders received a 6 percent increase in the quarterly dividend rate. We have increased the dividend every year since our inception in 2002 with the merger of Conoco and

Phillips. Production volumes in our Exploration and Production segment increased 4 percent, a substantial achievement for a company our size. We replaced 141 percent of production with proved reserve additions and made three potentially significant exploratory discoveries. We had the best safety performance in our history and improved our environmental stewardship.

These accomplishments occurred during one of the most challenging years in recent history for our industry. We faced weak energy demand, commodity price volatility, a global

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economic recession and financial turbulence, regulatory uncertainty in the United States, and significant impediments to global resource access.

We addressed these challenges by following our consistent, long-term strategies. We continued investing capital to develop our estimated resource base of 50 billion barrels of oil equivalent – which represents a key competitive advantage. We continued investing in technology, managing costs, improving operational efficiencies, and exercising disciplined capital and financial management. Also, we continued increasing our exposure to high-potential exploratory prospects and acreage, and pursuing international business development opportunities that can potentially yield attractive returns, as opposed to service fees.

In consideration of the economic recession’s financial and price-volatility impacts, late in 2009 we announced plans to divest approximately \$10 billion in non-core assets, decrease annual capital spending and reduce debt. As a result, during the years ahead we expect ConocoPhillips to achieve:

- **Higher capital efficiency**, through a focused \$11 billion capital program in 2010 that will fund only the best of the many opportunities in our portfolio, while deferring others without foregoing the opportunity to invest in them later. We expect to fund our investments from operating cash flow, and to capture greater value through ongoing efforts to further manage industry service and supply costs.
- **Stronger financial performance**, including higher returns on capital employed, a gradual reduction of our debt-to-capital ratio from today’s 31 percent to a target of 20 percent, and enhancement of balance sheet strength and flexibility.
- **Portfolio optimization**, through expected divestments of non-core assets that will create a more efficient asset base that can be effectively developed through our intended smaller capital program. We have identified a number of assets for possible sale and opened discussions with potential purchasers.
- **Reserve replacement in future years**, as we take action on the long-term development opportunities offered by our large resource base and build on the initial successes achieved by our refocused exploration program.
- **Greater focus on upstream**, which could ultimately comprise 80 to 85 percent of our portfolio, compared with approximately two-thirds today. Accordingly, during 2010 we plan to devote 85 to 90 percent of our capital to upstream, with the remainder allocated for downstream and corporate purposes. Our downstream sector will continue its focus on achieving operational excellence and efficient maintenance of its assets.
- **Active exploration**, characterized by participation in high-potential wildcat wells and the building of meaningful acreage positions in promising areas.
- **Disciplined cost management**, through well-developed internal efficiency efforts and procurement initiatives with providers of goods and services.
- **Emphasis on shareholder returns**, exemplified through improved financial performance, clearly delineated strategies and competitive shareholder distributions.

Quarterly Dividend Rate*

(Cents per Share)

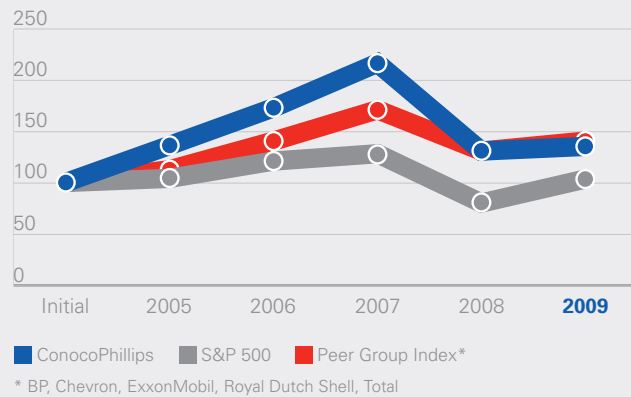


* Fourth Quarter



Five-Year Cumulative Total Stockholder Returns

(Dollars; Comparison Assumes \$100 Was Invested on Dec. 31, 2004)



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If market conditions improve or sale proceeds exceed expectations, we expect to consider a balanced approach that could include limited expansion of our capital program, additional debt reduction and share repurchases. These measures would not change our expectation of continued annual dividend increases.

“During 2009, we took steps to continue ensuring our ability to attract, retain and develop outstanding personnel and provide them challenging opportunities with positive work environments.”

We sincerely appreciate the successes achieved by our 30,000 employees worldwide despite the difficult economic environment. During 2009, we took steps to continue ensuring our ability to attract, retain and develop outstanding personnel and provide them with challenging opportunities and positive work environments.

Additionally, ConocoPhillips fulfilled our corporate citizenship commitments through such steps as publishing the third edition of our Sustainable Development Report, making meaningful charitable contributions, primarily in the

communities where our employees live and work, and encouraging the personal generosity and community involvement of employees and their families.

Looking beyond the current economic situation, we expect future world energy demand to increase, driven by population growth and rising prosperity in developing nations. Indeed, energy is fundamental to human progress and quality of life. For these reasons, we believe that the long-term outlook remains favorable for our industry.

ConocoPhillips has persevered through the deepest economic recession since World War II by consistently applying our strategic principles, while making timely adaptations to the market. Through the strengths conveyed by our assets, capabilities and disciplined approach, we look forward to the coming years with determination and confidence.

James J. Mulva
Chairman and Chief Executive Officer

John A. Carrig
President and Chief Operating Officer

Financial Highlights

Millions of Dollars Except as Indicated

	2009	2008	% Change
Financial			
Total revenues and other income	\$ 152,840	246,182	(38)%
Earnings (loss)*	\$ 4,858	(16,998)	—
Earnings (loss) per share of common stock – diluted	\$ 3.24	(11.16)	—
Net cash provided by operating activities	\$ 12,479	22,658	(45)
Capital expenditures and investments	\$ 10,861	19,099	(43)
Total assets	\$ 152,588	142,865	7
Total debt	\$ 28,653	27,455	4
Total equity	\$ 63,057	56,265	12
Percent of total debt to capital	31%	33	(6)
Common stockholders' equity	\$ 62,467	55,165	13
Common stockholders' equity per share (book value)	\$ 42.03	37.27	13
Cash dividends per common share	\$ 1.91	1.88	2
Closing stock price per common share	\$ 51.07	51.80	(1)
Common shares outstanding at year end (in thousands)	1,486,256	1,480,179	0
Average common shares outstanding (in thousands)			
Basic	1,487,650	1,523,432	(2)
Diluted	1,497,608	1,523,432	(2)
Employees at year end (in thousands)	30.0	33.8	(11)

*Net income (loss) attributable to ConocoPhillips.

	2009	2008	% Change
Operating			
E&P			
U.S. crude oil and natural gas liquids production (MBD)	418	426	(2)%
Worldwide crude oil and natural gas liquids production (MBD)	968	923	5
U.S. natural gas production (MMCFD)	2,021	2,091	(3)
Worldwide natural gas production (MMCFD)	4,877	4,847	1
Worldwide bitumen production (MBD)	50	36	39
Worldwide synthetic oil production (MBD)	23	22	5
LUKOIL Investment net production (MBOED)	434	445	(2)
Worldwide production, including LUKOIL Investment (MBOED)	2,288	2,234	2
Midstream natural gas liquids extracted (MBD)	187	188	(1)
Refinery crude oil throughput (MBD)	2,226	2,416	(8)
Refinery crude oil utilization rate (%)	84%	90	(7)
U.S. gasoline sales (MBD)	1,130	1,128	0
U.S. distillates sales (MBD)	858	893	(4)
Worldwide petroleum product sales (MBD)	2,974	3,040	(2)
LUKOIL Investment refinery crude oil throughput (MBD)	245	229	7

Use of Non-GAAP Financial Information – This Summary Annual Report includes the terms “adjusted earnings” and “adjusted earnings per share.” These are Non-GAAP financial measures and are included to help facilitate comparisons of company operating performance across periods. A reconciliation of adjusted earnings to earnings determined in accordance with U.S. generally accepted accounting principles (GAAP) is shown on page 36.



www.conocophillips.com

ConocoPhillips is an international, integrated energy company with interests around the world. Headquartered in Houston, the company had operations in more than 30 countries, approximately 30,000 employees, \$153 billion of assets and \$149 billion of revenues as of Dec. 31, 2009.

