

Creating Value Through Performance

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Chairman and CEO

NYSE



Two Year Transformation



Tosco Acquisition

Announced 02/01 — Completed 09/01

ARCO Alaska Acquisition

Announced 03/00 — Completed 04/00

Chevron Phillips Chemical JV

Announced 02/00 — Completed 07/00

Duke Energy Field Services JV

Announced 12/99 — Completed 03/00

Strategy Presented to Investors

September 23, 1999

ARCO Alaska and Tosco

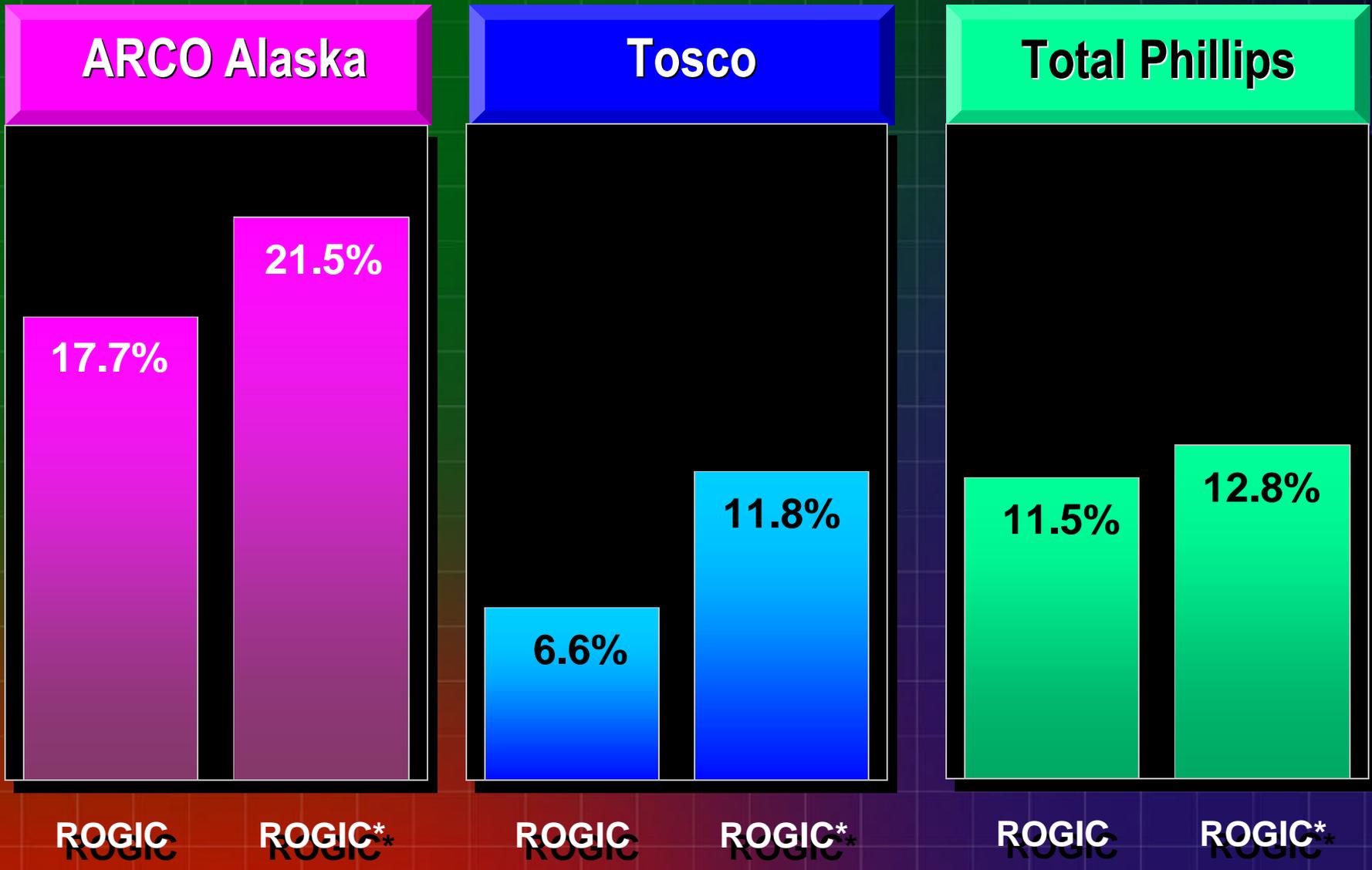


◆ Acquired a virtual domestic integrated oil company

- 2B BOE reserves with 357,000 BOEPD production
- 1.3 MMBOPD refining capacity
- Nationwide marketing presence
- \$7B stock / \$7B cash / \$2B debt

◆ Results

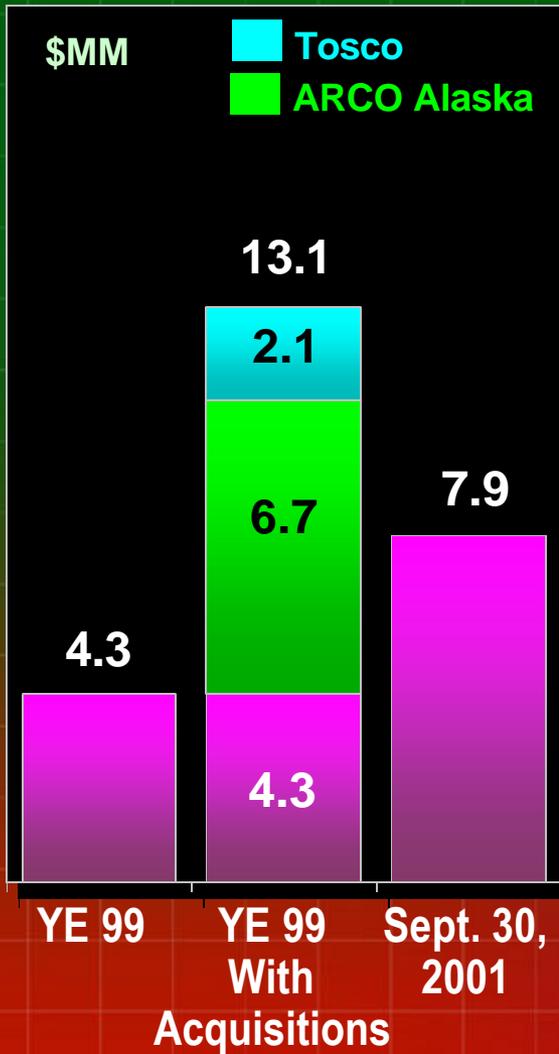
- Accretive to earnings individually and in aggregate
- Over \$3B additional CFOA over last 6 quarters
- More than doubled size of company



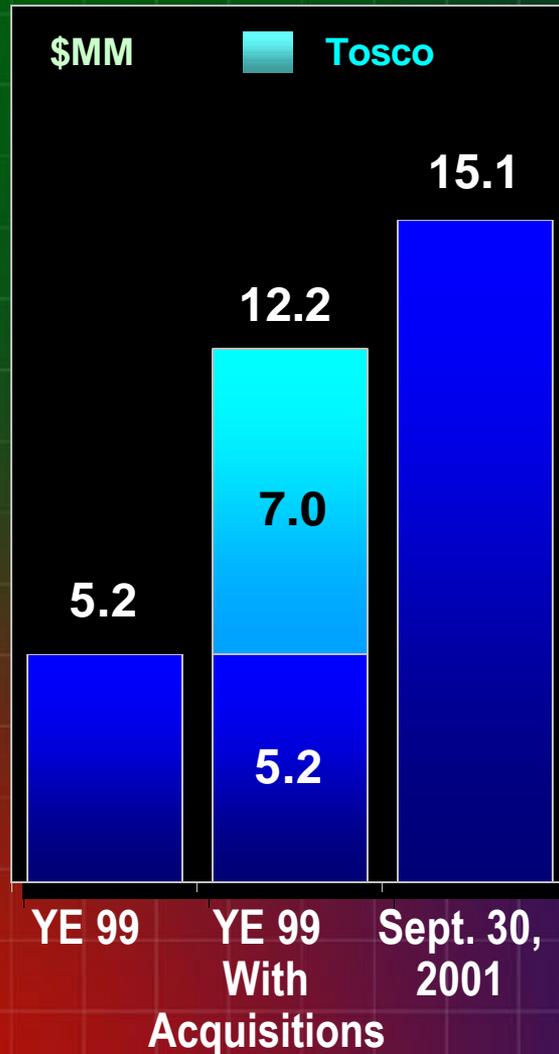
Sept. 2001 YTD Annualized

* Excludes impact of purchase method of accounting for Alaska and Tosco acquisitions

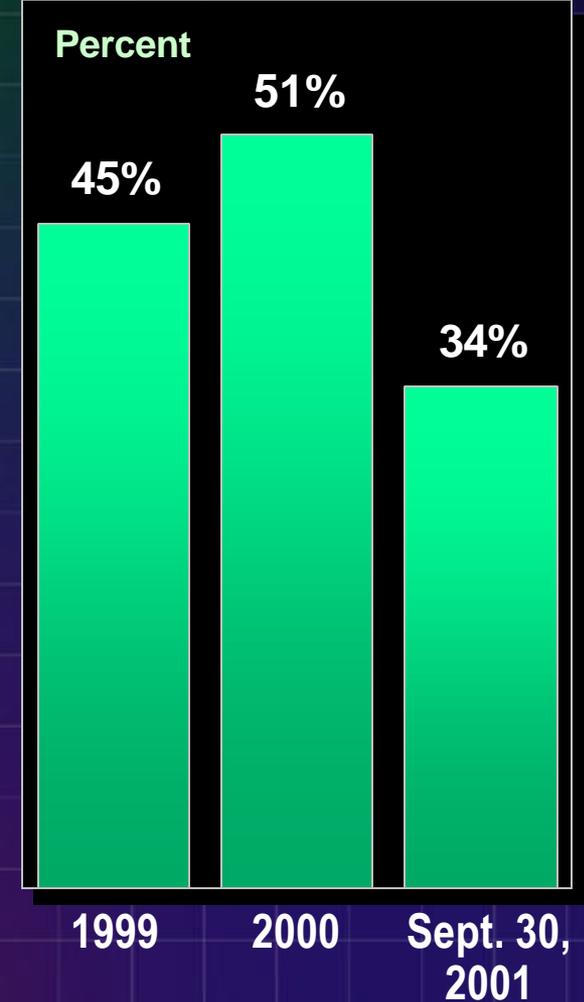
Debt



Equity



Debt Ratio



Company / Strategic Assessment



- ◆ **Remain strong integrated company**
- ◆ **Business lines positioned to compete**
- ◆ **Strong financial position**
- ◆ **Platform for further growth and performance**

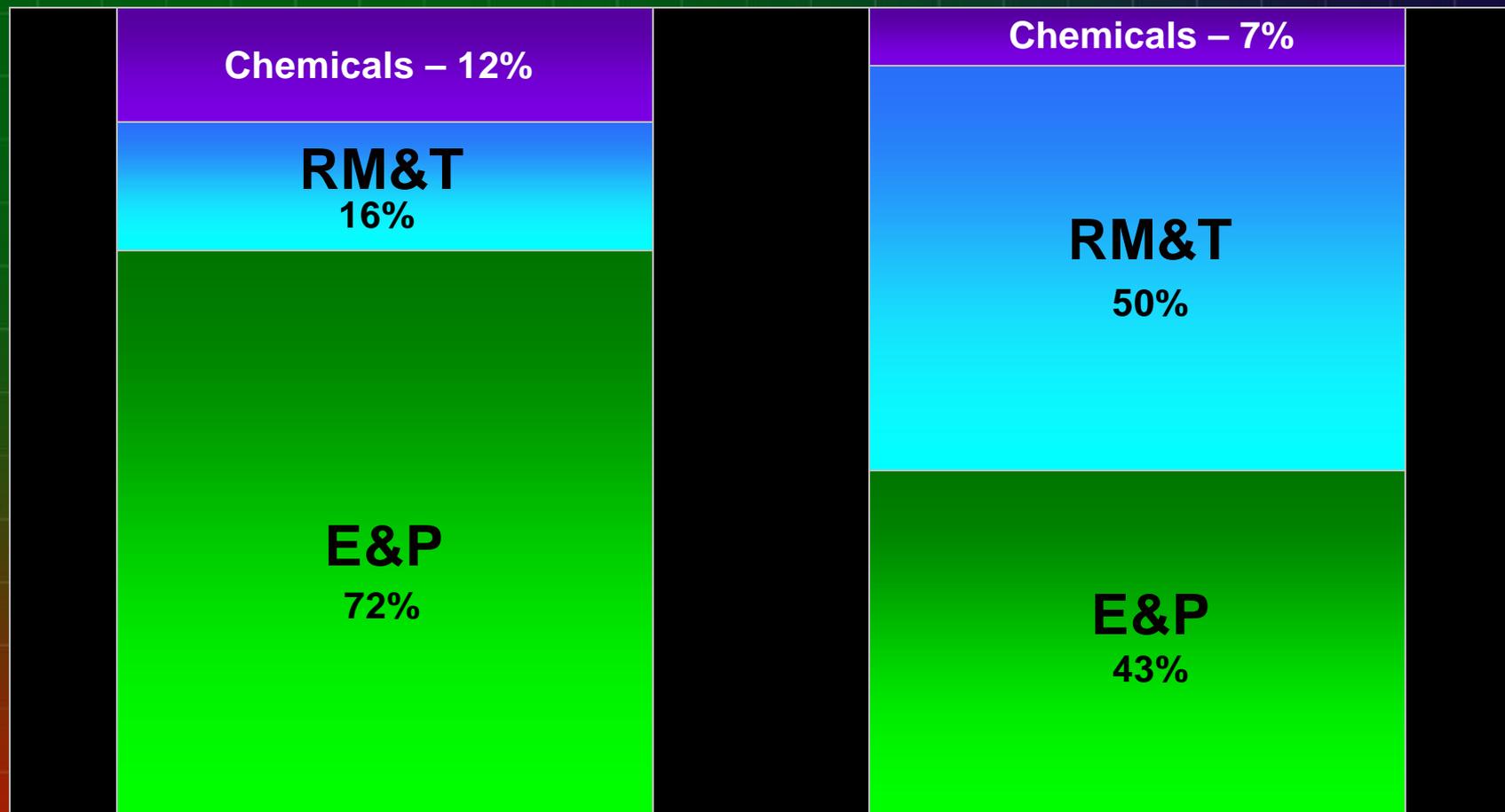
Business Environment



2002 / 03 compared to 2001

- ◆ **Weakened economy**
- ◆ **Increased volatility in oil and gas prices**
- ◆ **Higher normalized downstream returns**
- ◆ **Weak chemicals demand**
- ◆ **Continuing consolidation**

Capital Employed



1999

2001

Tactical Plan



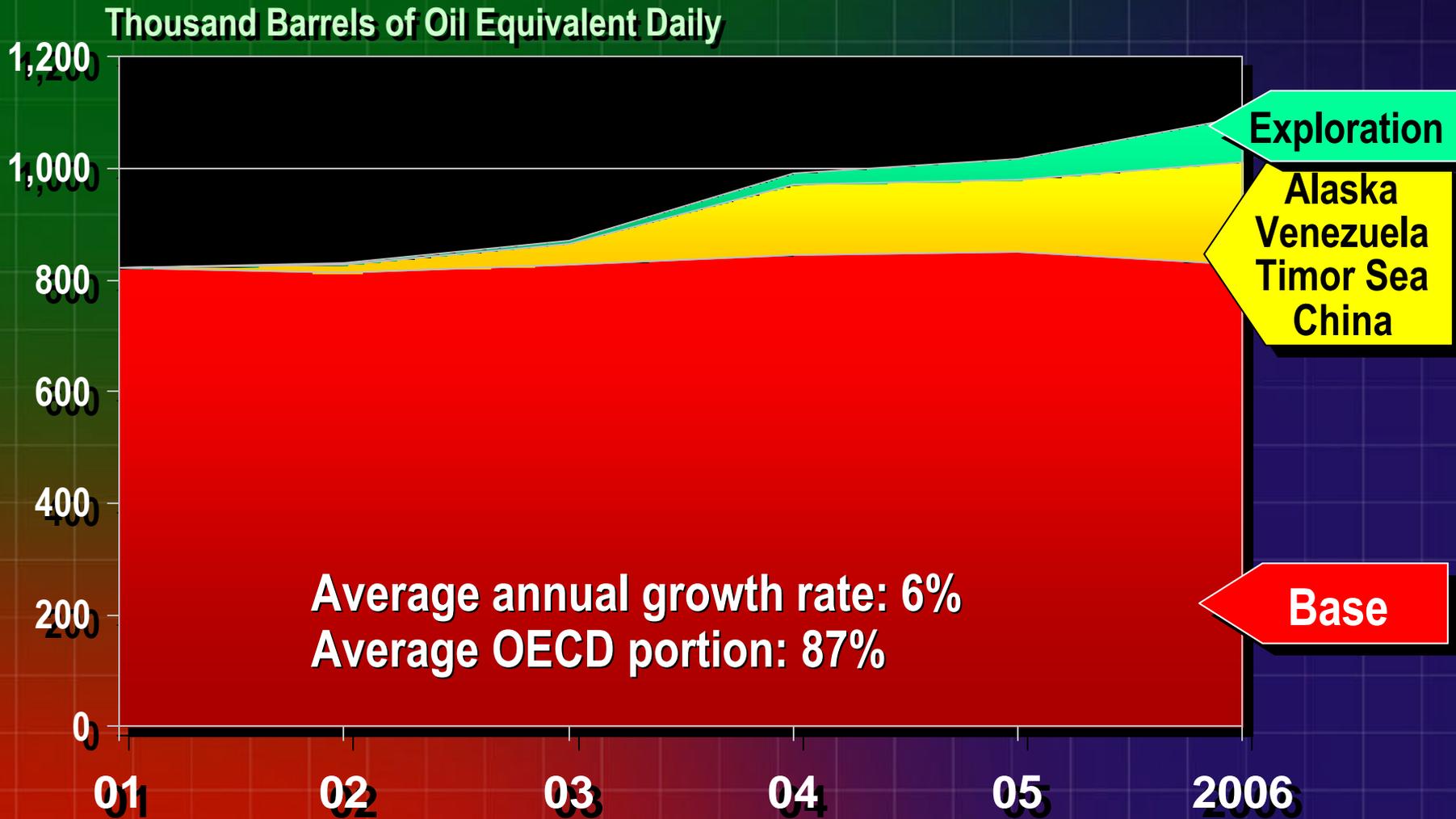
- ✦ **Where we are** → **43% E&P, 50% RM&T**
- ✦ **Where we are headed** → **65% E&P, 30% RM&T**
- ✦ **How to accomplish** → **Organic and M&A**
- ✦ **Result** → **Integration / balance**



Profitable Growth in E&P

- ◆ Deliver legacy assets
 - On time
 - At or under budget
- ◆ Enhance exploration program
- ◆ Maintain competitive F&D costs
- ◆ Increase North America gas position
- ◆ Be patient and opportunistic

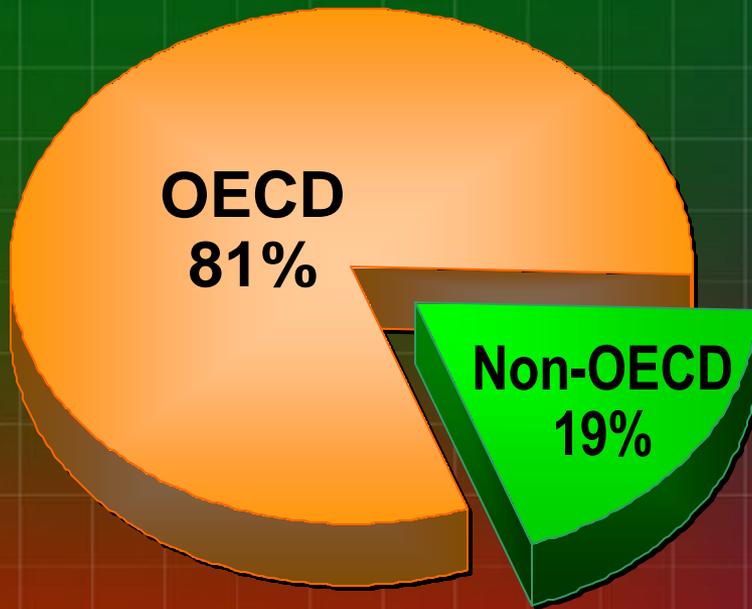
6-Year Production Profile



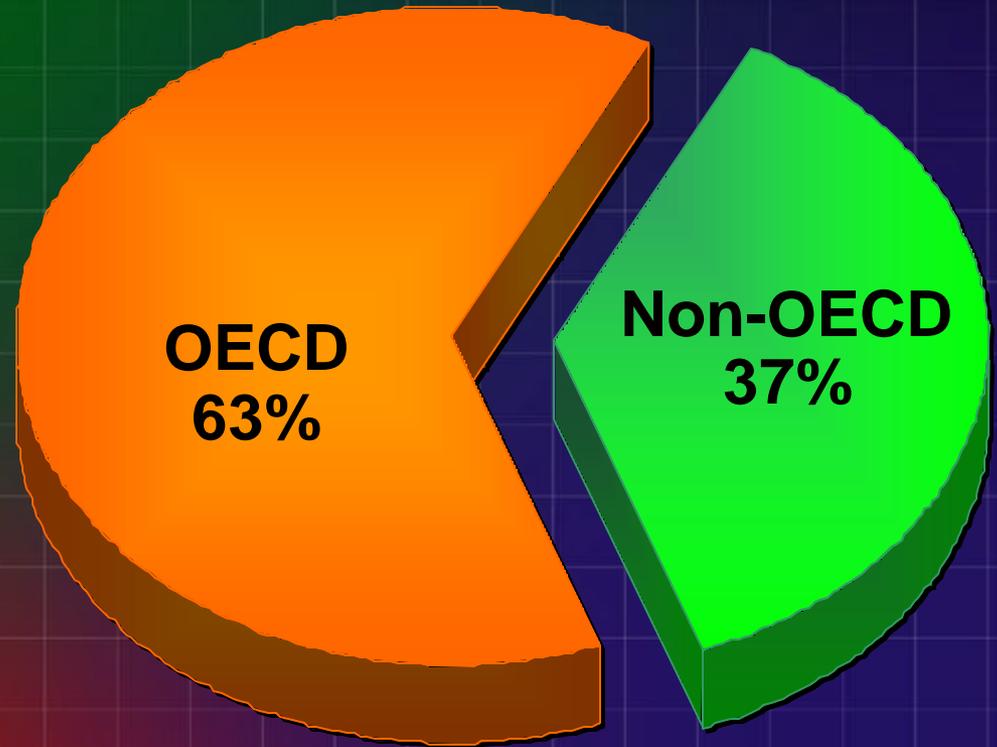


Reserves

2001
5 BBOE



2010
9 BBOE

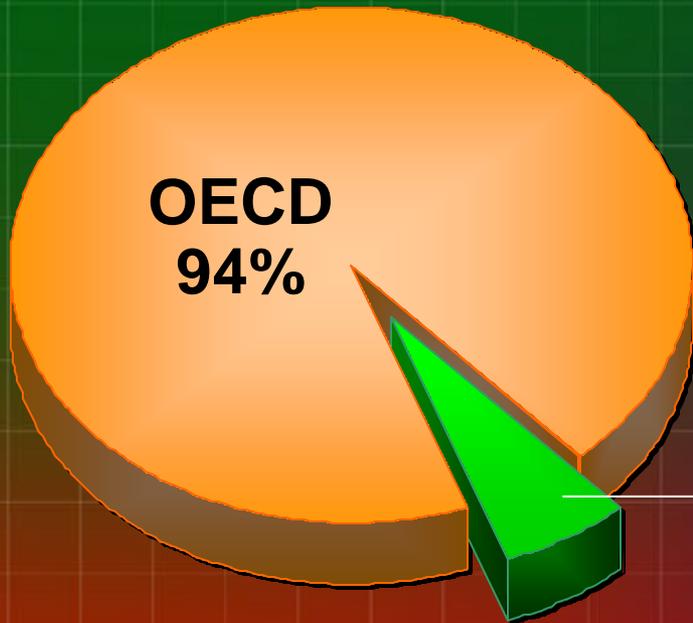


Company estimates

Production

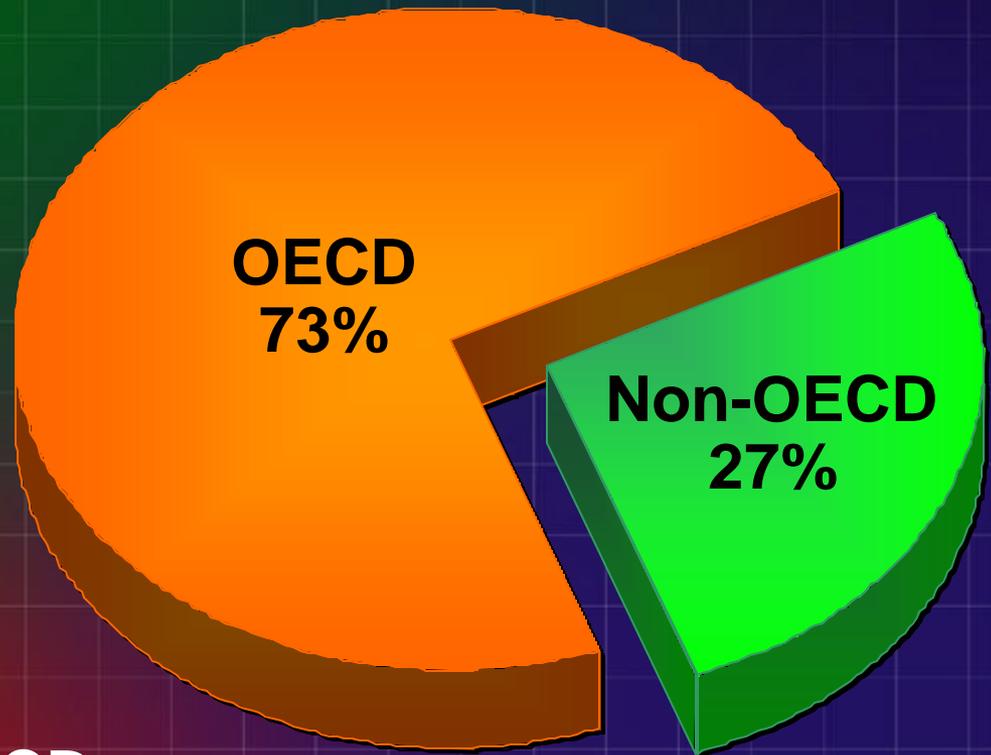


2001
820 MBOED



Non-OECD
6%

2010
1,650 MBOED



Company estimates

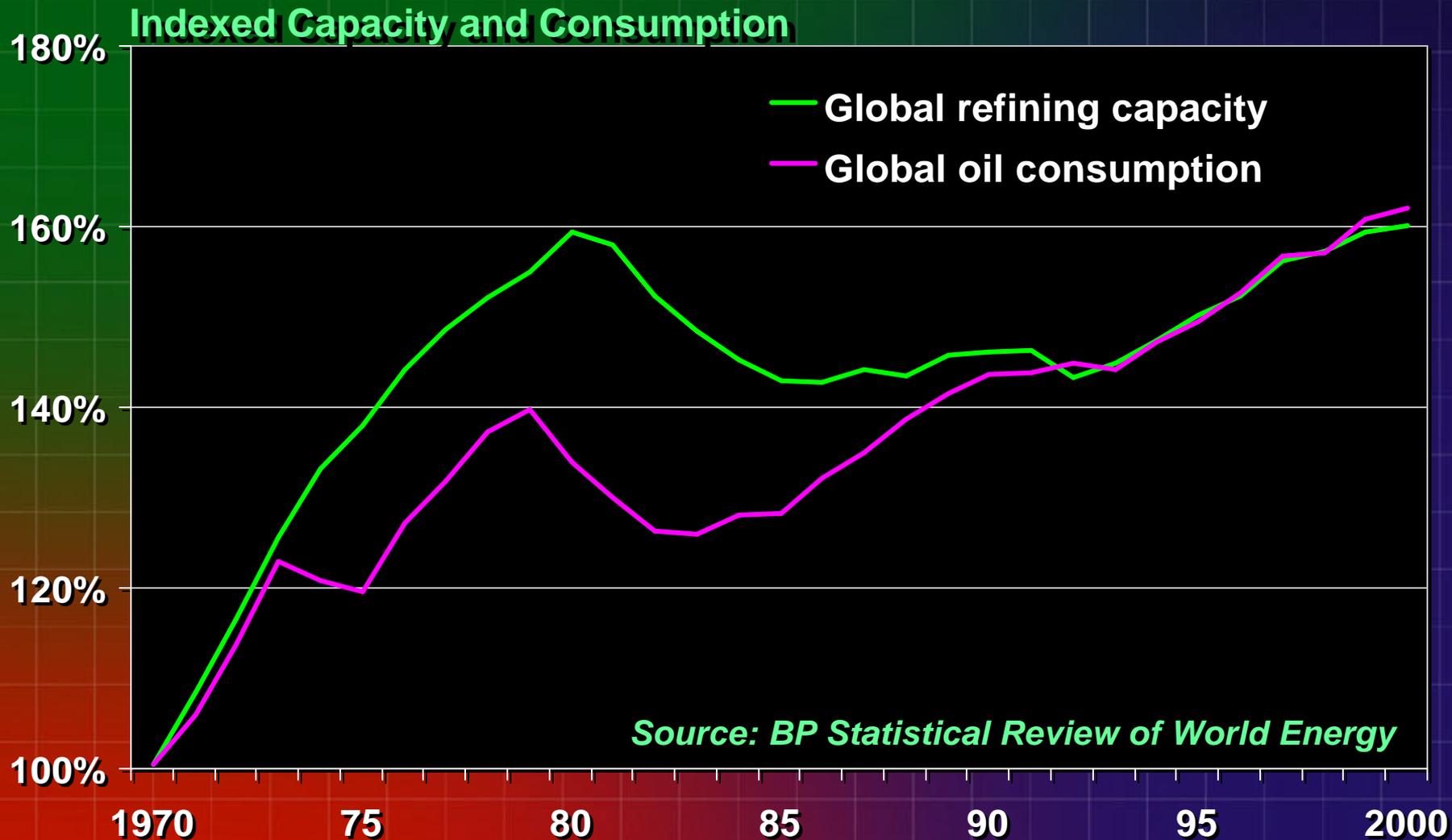


Capturing Value in Refining & Marketing

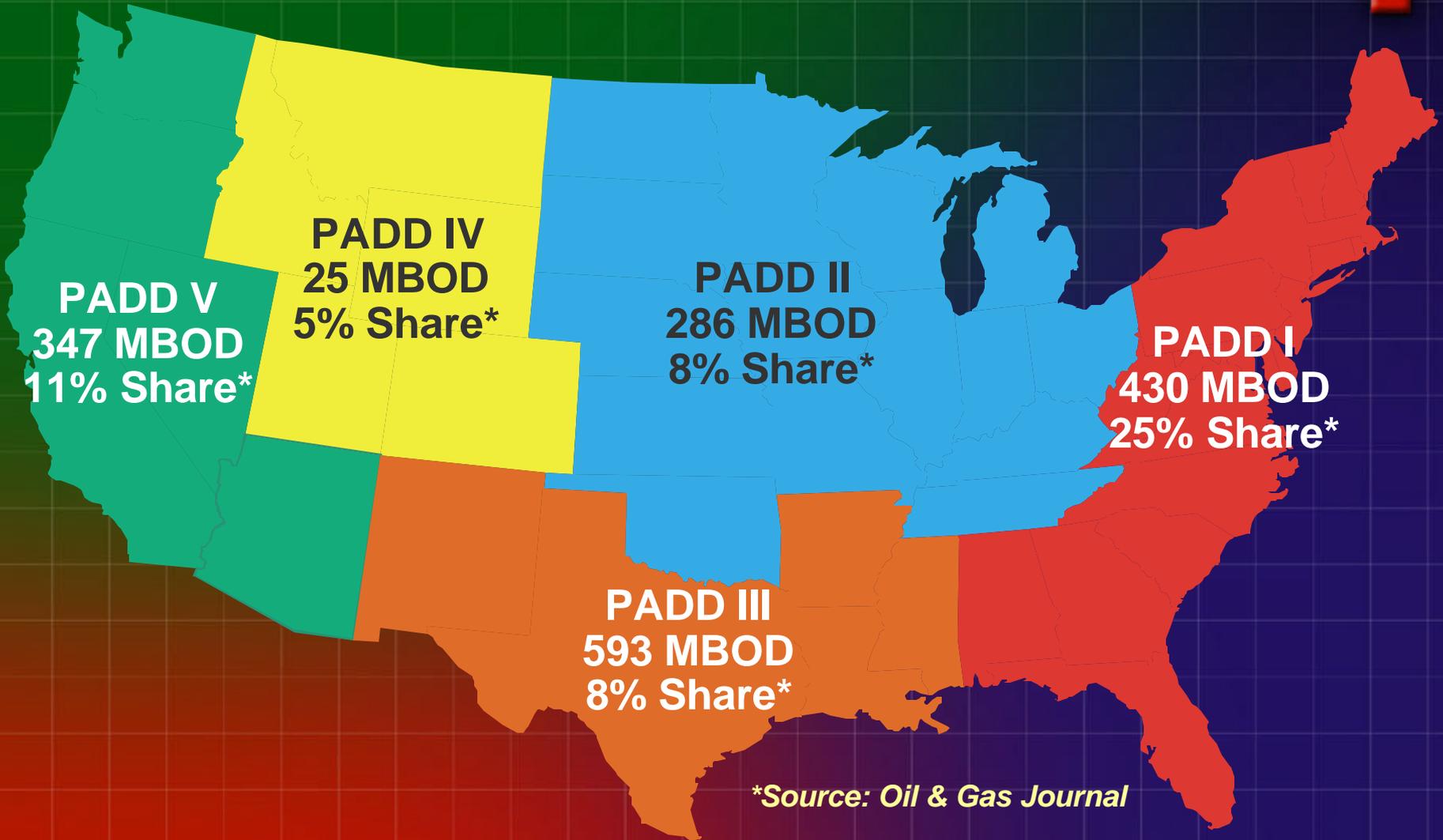
- ◆ **Become low cost efficient refiner**
- ◆ **Rationalize marketing**
- ◆ **Optimize supply chain**
- ◆ **Leverage refining for global E&P projects**
- ◆ **Develop clean fuels technology**

Moved from niche to national refiner

Refining Supply and Demand



Balanced Refining Capacity



10% of U.S. refining capacity



JV Portfolio

Maintain 30% of DEFS

- **Remain top NGL producer**
- **Continue consolidation effort**
- **Maintain high ROCE**

Maintain 50% of CPChem

- **Capture \$200MM in synergies**
- **Maintain capital discipline**
- **Upside potential**



Financial Plan



- ✦ **Maintain A credit rating short term**
- ✦ **Move debt ratio to ~30% / AA credit rating**
- ✦ **Fund capital program – legacy assets**
- ✦ **Pay competitive dividend**
- ✦ **Balance with share repurchases**

The New Phillips



- ◆ People
- ◆ Technology
- ◆ Relationships
- ◆ Investment decisions

Creating Shareholder Value

NYSE



Cash Generation



<i>\$Billion</i>	<i>Description</i>
+7.4	1Q00-3Q01 CFOA
+2.1	Proceeds from contribution of assets to JVs (2000)
+1.1	Asset dispositions
<u>+10.6</u>	Cash raised (non financing)
-4.2	1Q00-3Q01 capital expenditures
<u>+6.4</u>	Cash after capex
-6.4	ARCO Alaska acquisition
<u>0</u>	Cash after ARCO
-1.0	1Q00-3Q01 net issuance of debt
-2.4	Assumed debt (Tosco and ARCO)
-0.2	MSLP incurred debt, other
<u>-3.6</u>	Total change in debt (12/31/99-9/30/01)

12/31/99 debt
\$4.3 B

12/31/00 debt
\$6.9 B

9/30/01 debt
\$7.9B



Managing the Business

◆ Management team

- Entrepreneurial spirit
- Balance of commercial and technical skills
- Financial/cost discipline
- Ability to operate large, complex facilities
- Ability to execute and integrate large transactions
- Blended cultures — best of the best

◆ Accountability

- Shareholder return
- Capital efficiency
- Compensation/promotion tied to performance