

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

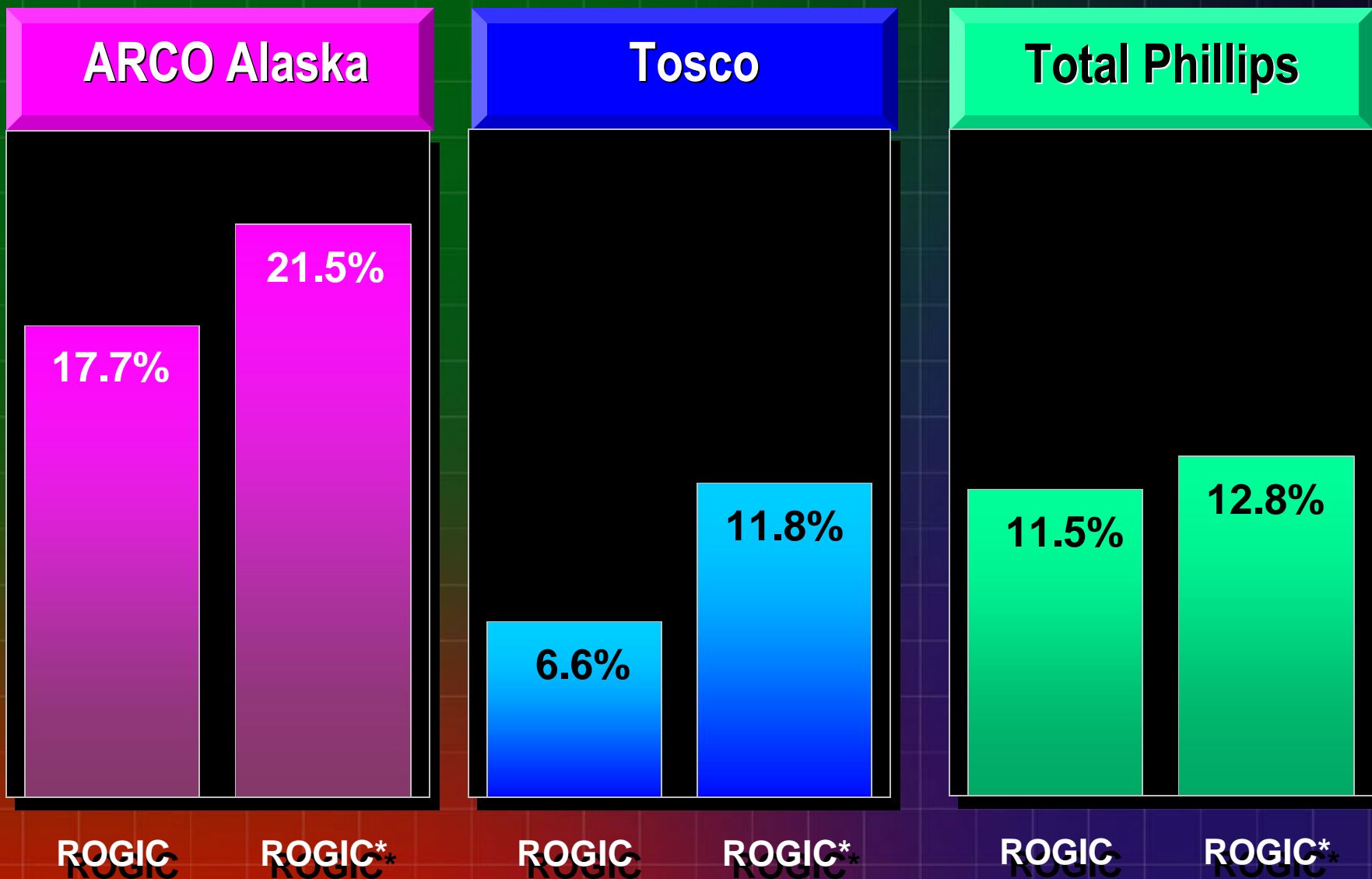


◆ Acquired a virtual domestic integrated oil company

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

◆ Results

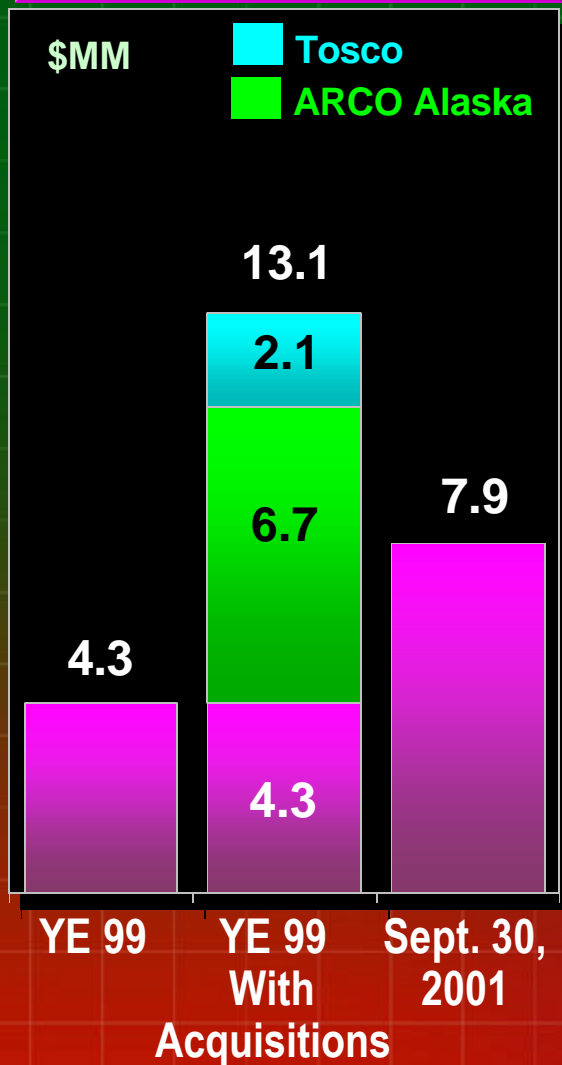
- Accretive to earnings individually and in aggregate
- Over \$3B additional CFOA over last 6 quarters
- More than doubled size of company



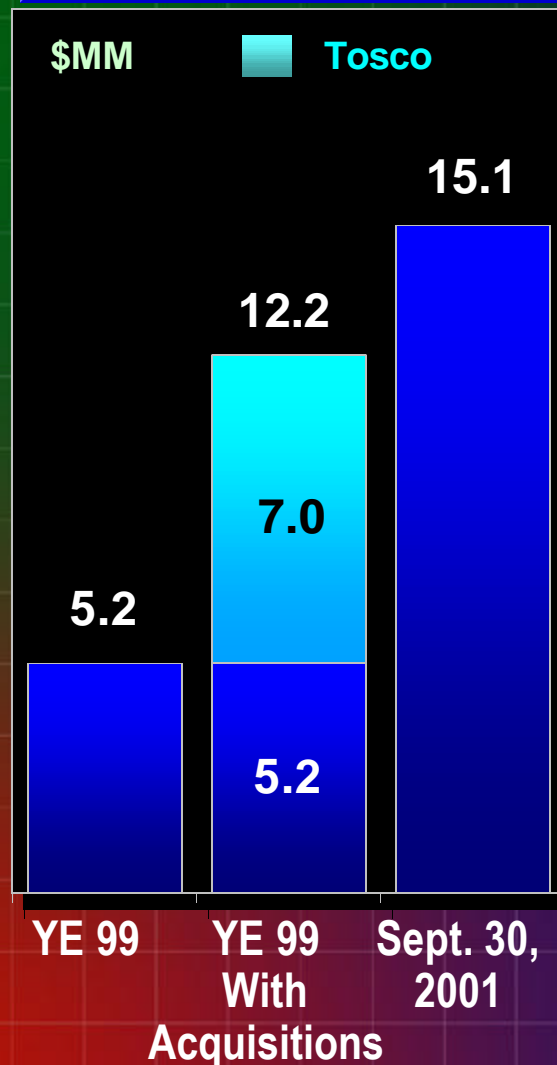
Sept. 2001 YTD Annualized

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

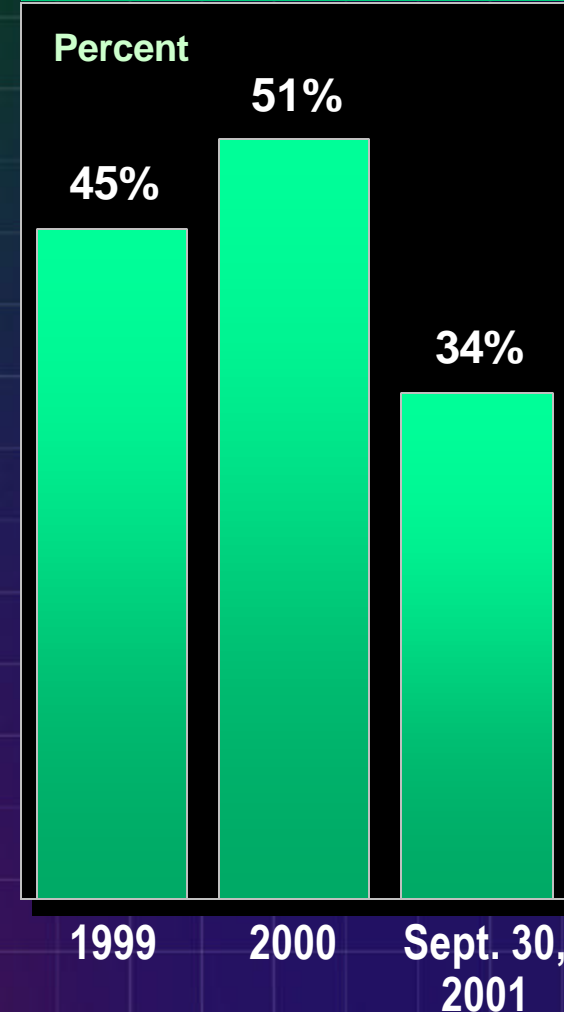
Debt



Equity



Debt Ratio



Company / Strategic Assessment



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

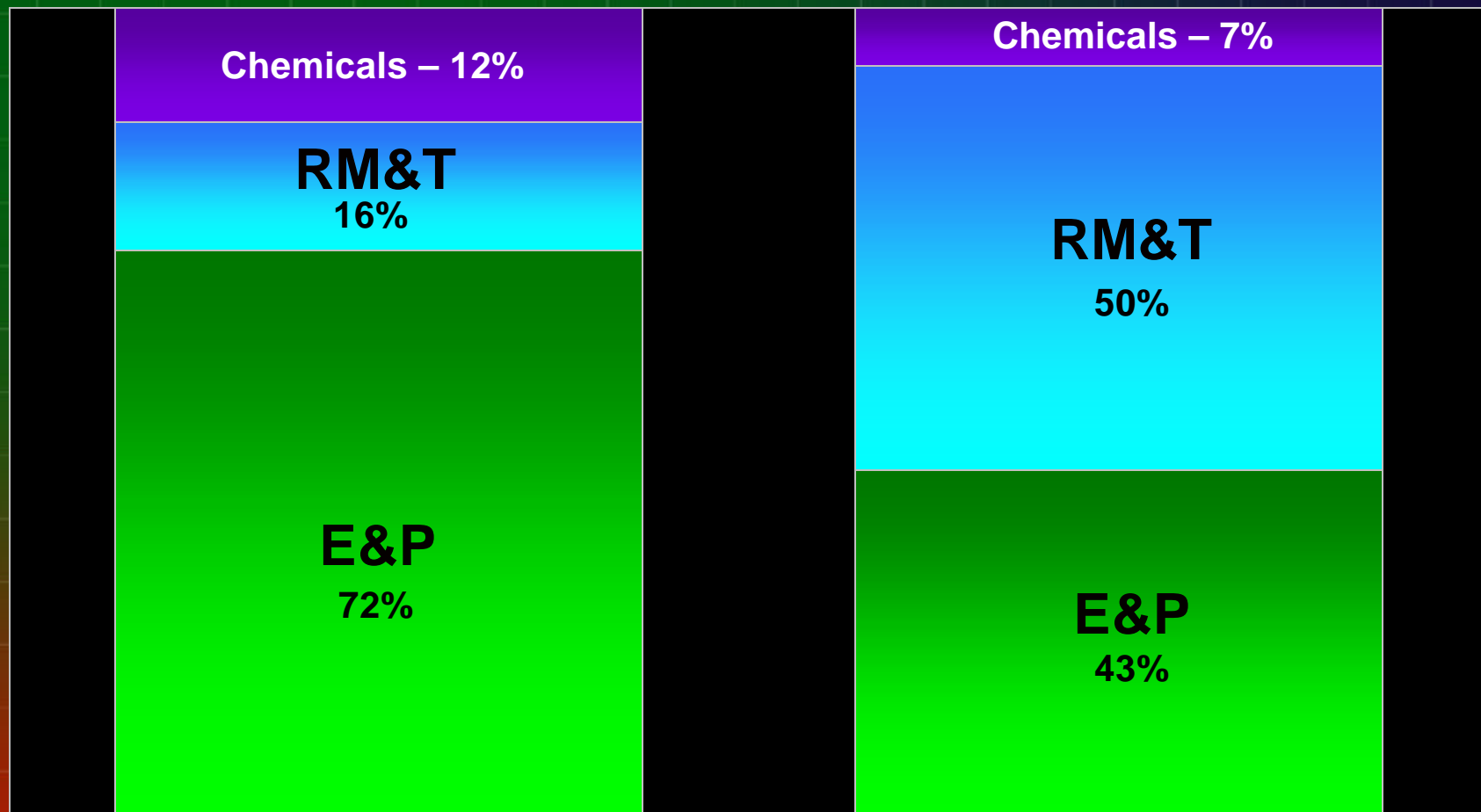
Business Environment



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



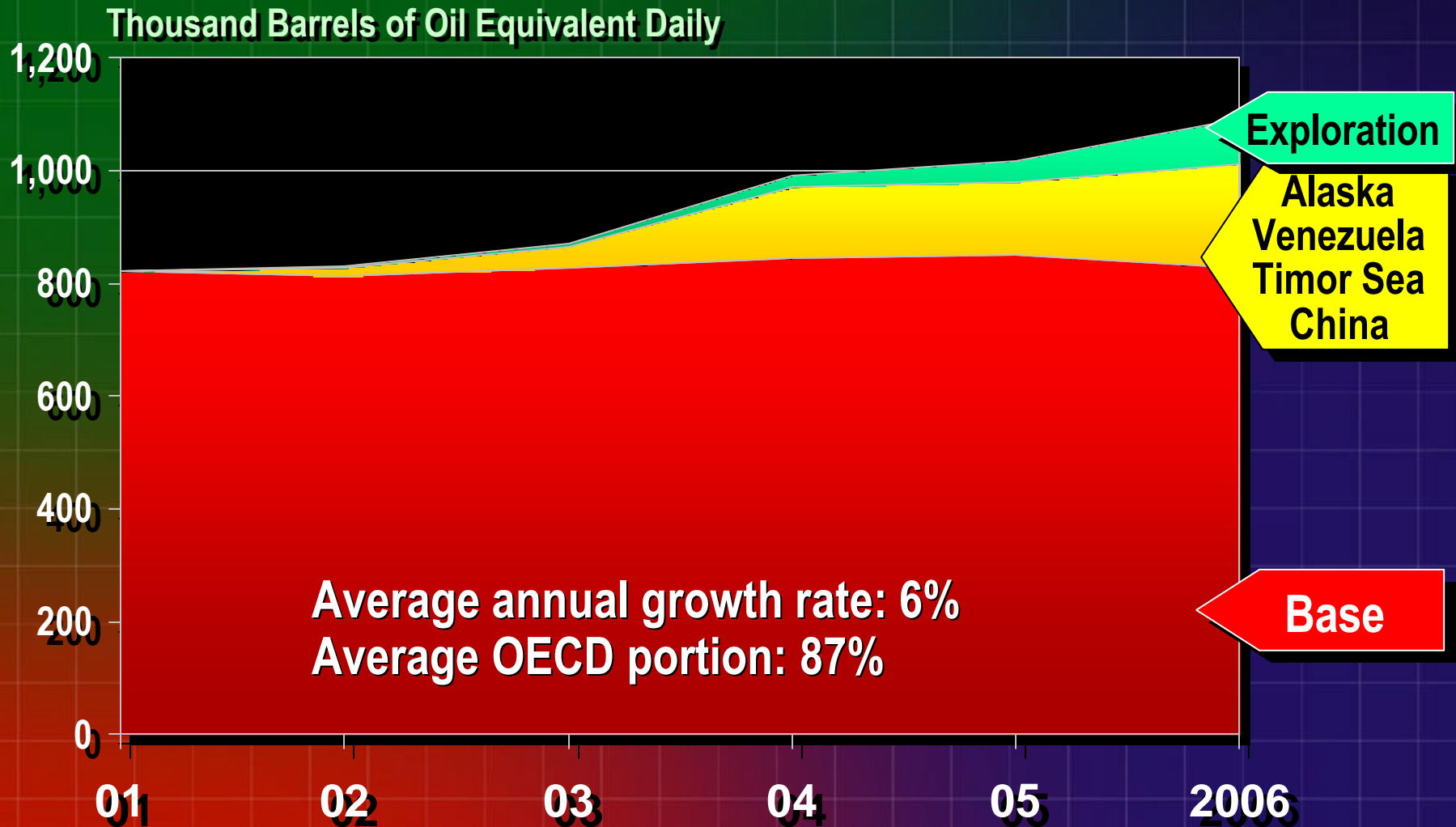
- ✦ **Where we are** → **43% E&P, 50% RM&T**
- ✦ **Where we are headed** → **65% E&P, 30% RM&T**
- ✦ **How to accomplish** → **Organic and M&A**
- ✦ **Result** → **Integration / balance**



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**

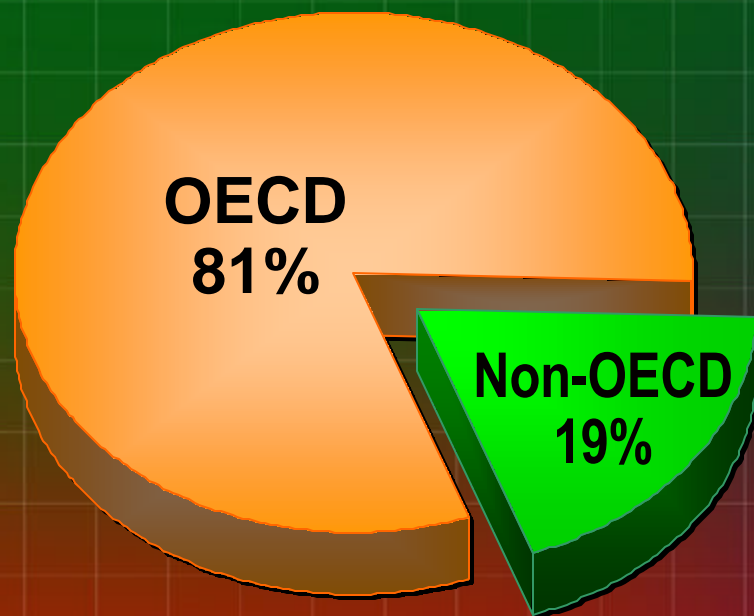
6-Year Production Profile



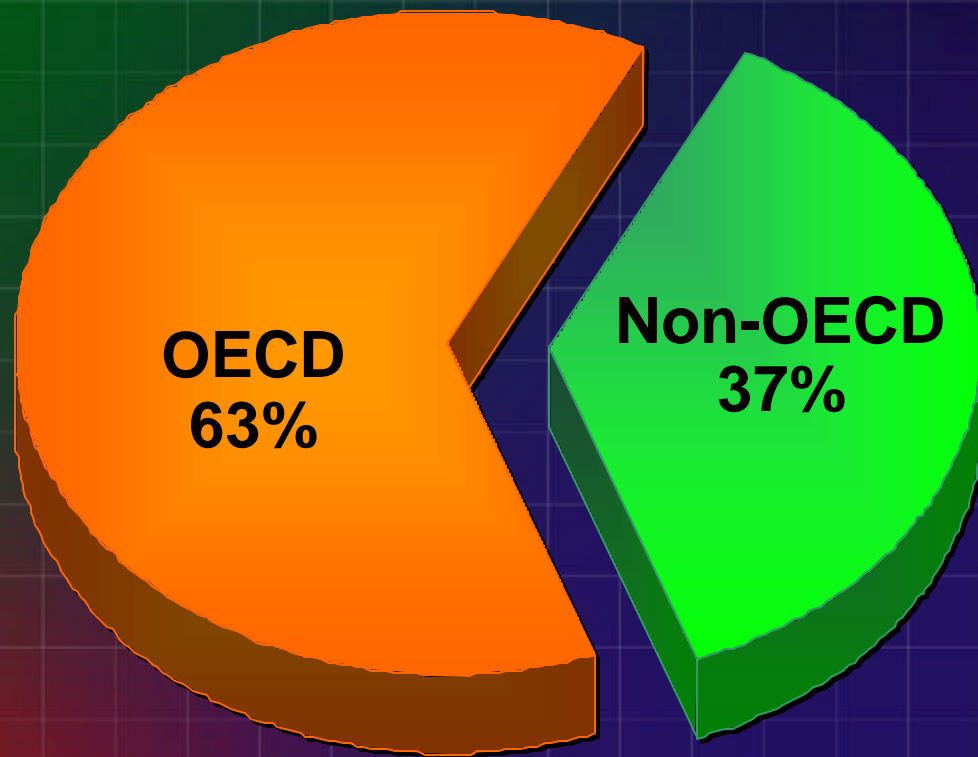
Reserves



**2001
5 BBOE**



**2010
9 BBOE**

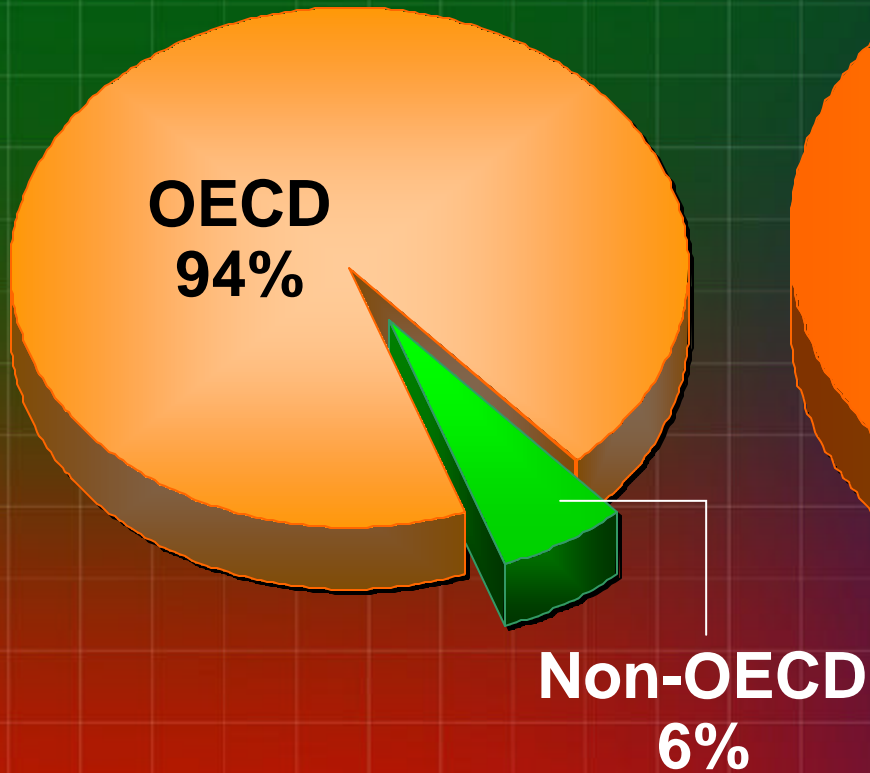


Company estimates

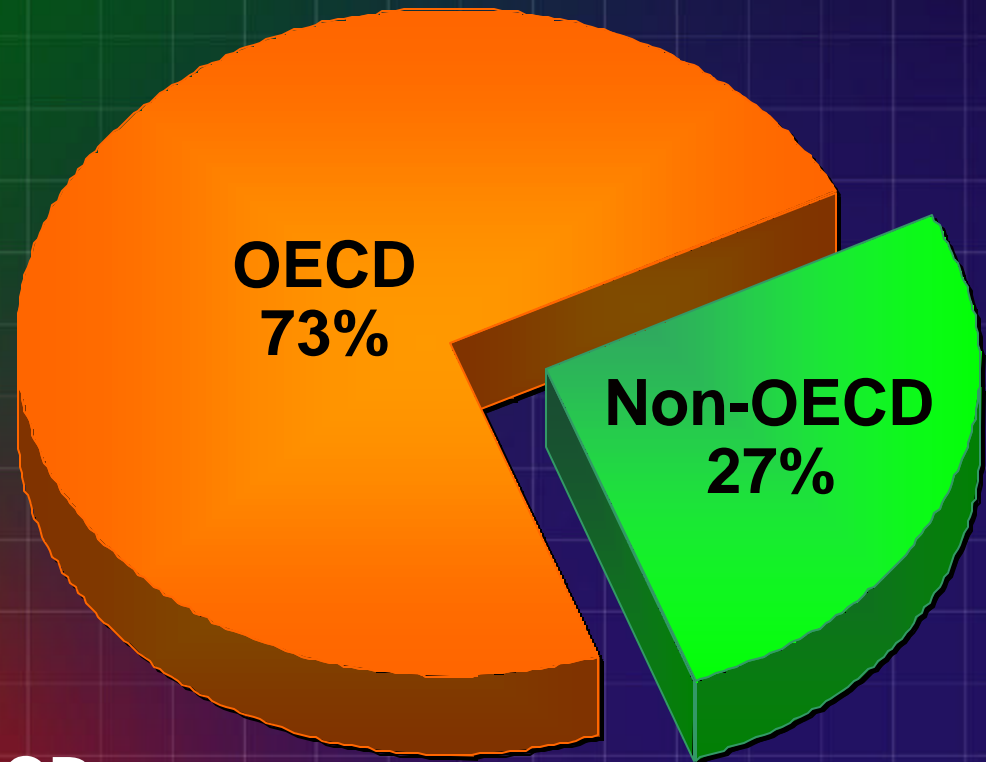
Production



2001
820 MBOED



2010
1,650 MBOED



Company estimates

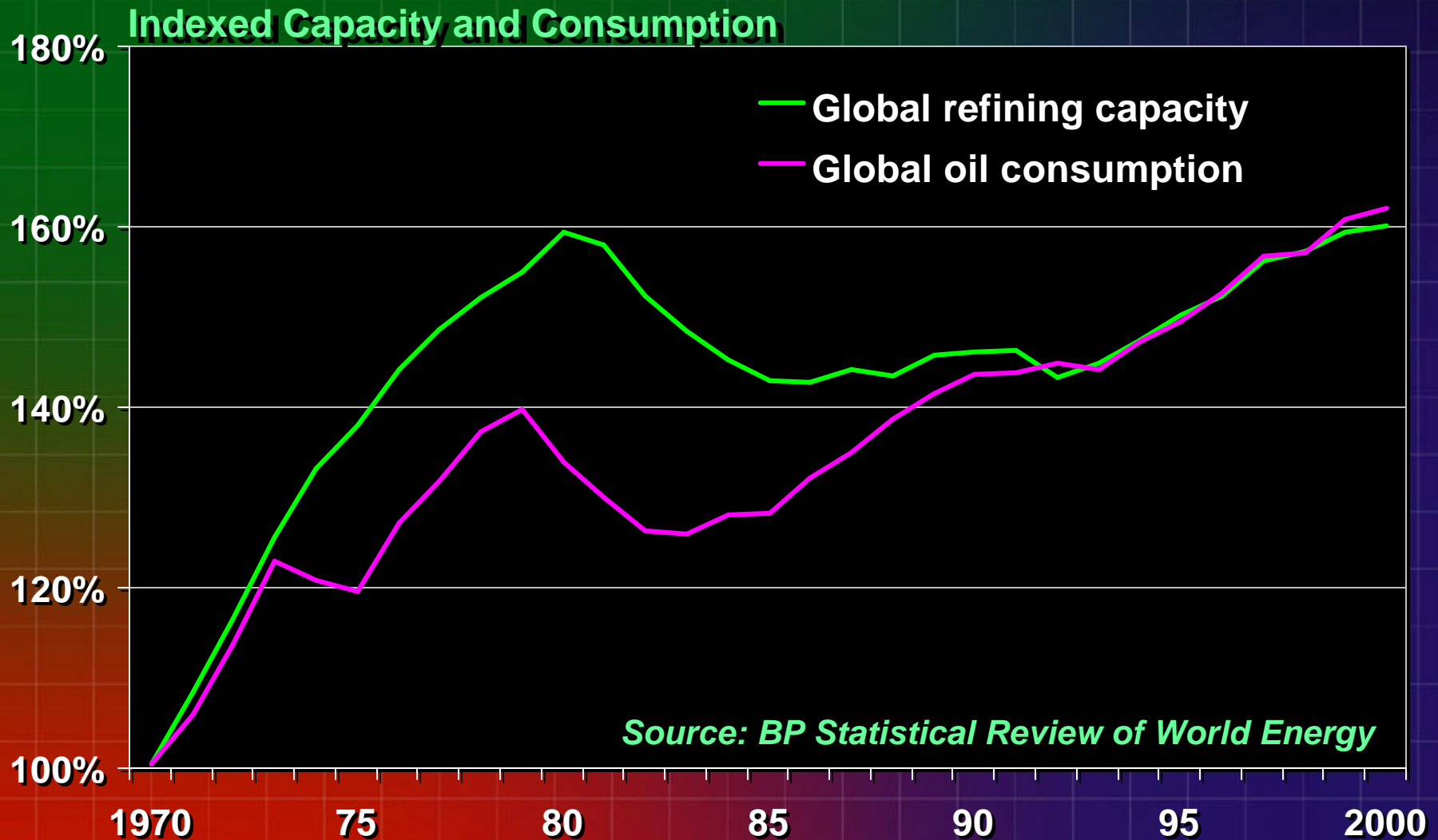


Capturing Value in Refining & Marketing

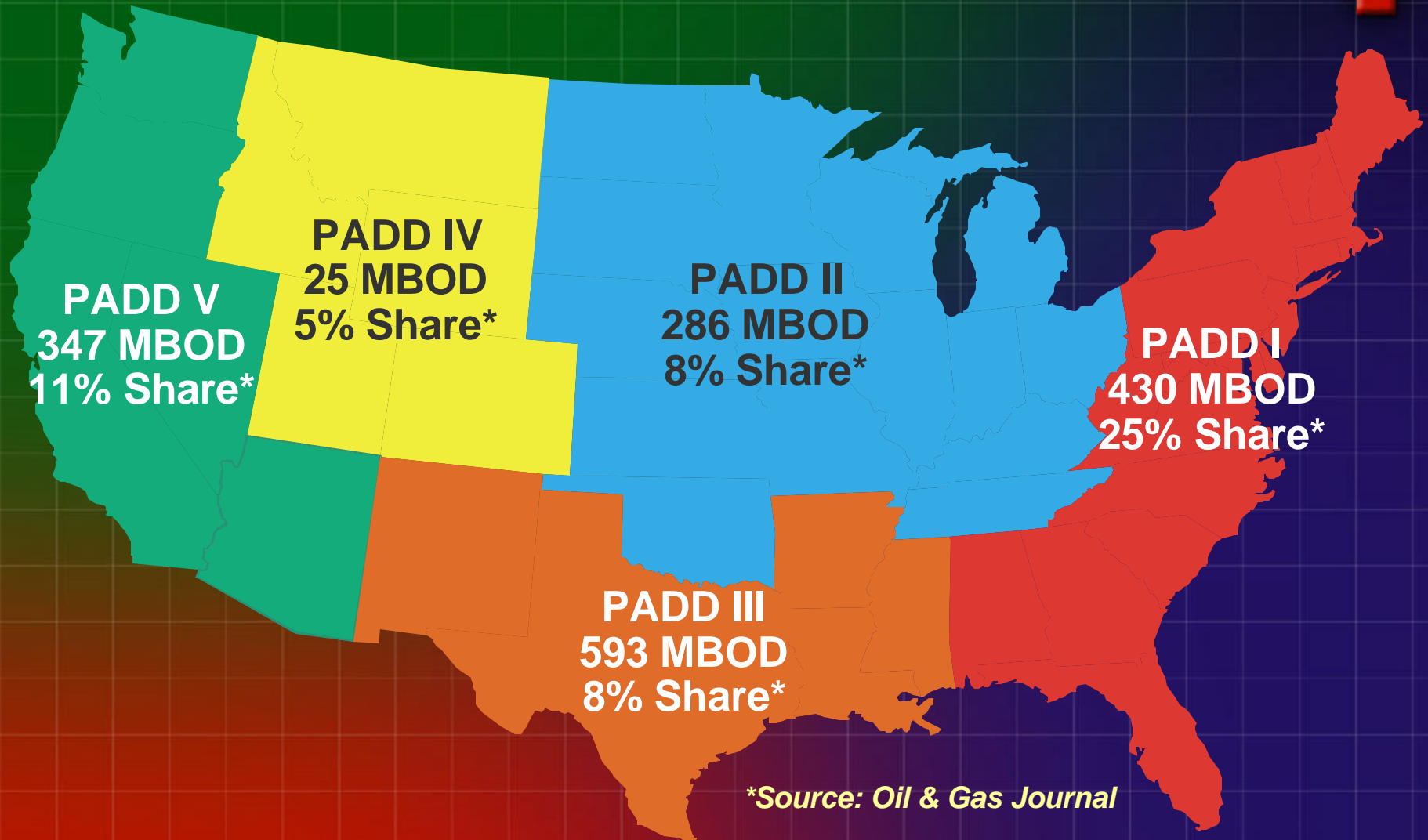
- ✦ **Become low cost efficient refiner**
- ✦ **Rationalize marketing**
- ✦ **Optimize supply chain**
- ✦ **Leverage refining for global E&P projects**
- ✦ **Develop clean fuels technology**

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 P

The image features a stylized logo for the NYSE P. The letters "NYSE" are in a white, sans-serif font, partially obscured by a semi-transparent horizontal bar. To the right of "NYSE" is a large, bold, red letter "P". A small globe of the Earth is positioned behind the "P", with its right side visible. The background is a dark blue-to-black gradient with a fine white grid pattern. Several concentric, glowing arcs in shades of green, blue, and purple are centered around the globe and "P".

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