

Rating: Buy
 S&P 500: 1272
 Intraday

ConocoPhillips Raise Net Present Value to \$100 a Share

<i>Symbol</i>	COP	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	40,300
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	13
<i>Price (US\$/sh)</i>	69.63	<i>Natural Gas and Oil Production/Ebitda (%)</i>	78
<i>Pricing Date</i>	7/26/06	<i>Adjusted Reserves/Production NTM</i>	11.0
<i>Shares (mm)</i>	1685	<i>EV/Ebitda</i>	4.1
<i>Market Capitalization (US\$mm)</i>	117,400	<i>PV/Ebitda</i>	5.3
<i>Debt (US\$mm)</i>	46,000	<i>Undeveloped Reserves (%)</i>	28
<i>Enterprise Value (EV) (US\$mm)</i>	164,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	34.50
<i>Present Value (PV) (US\$mm)</i>	215,000	<i>Present Value Proven Reserves(US\$/boe)</i>	14.44
<i>Net Present Value (US\$/share)</i>	100	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.41
<i>Debt/Present Value</i>	0.22	<i>Earnings Next Twelve Months (US\$/sh)</i>	11.55
<i>McDep Ratio - EV/PV</i>	0.76	<i>Price/Earnings Next Twelve Months</i>	6
<i>Dividend Yield (%/year)</i>	2.1	<i>Indicated Annual Dividend (US\$/sh)</i>	1.44

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

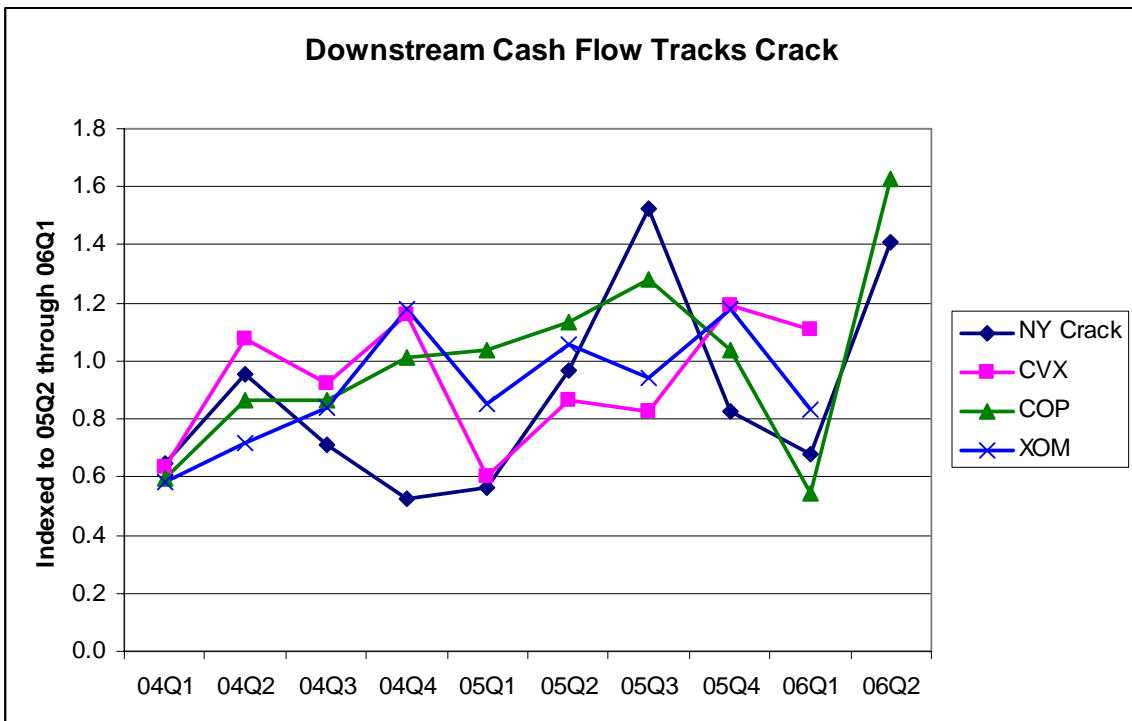
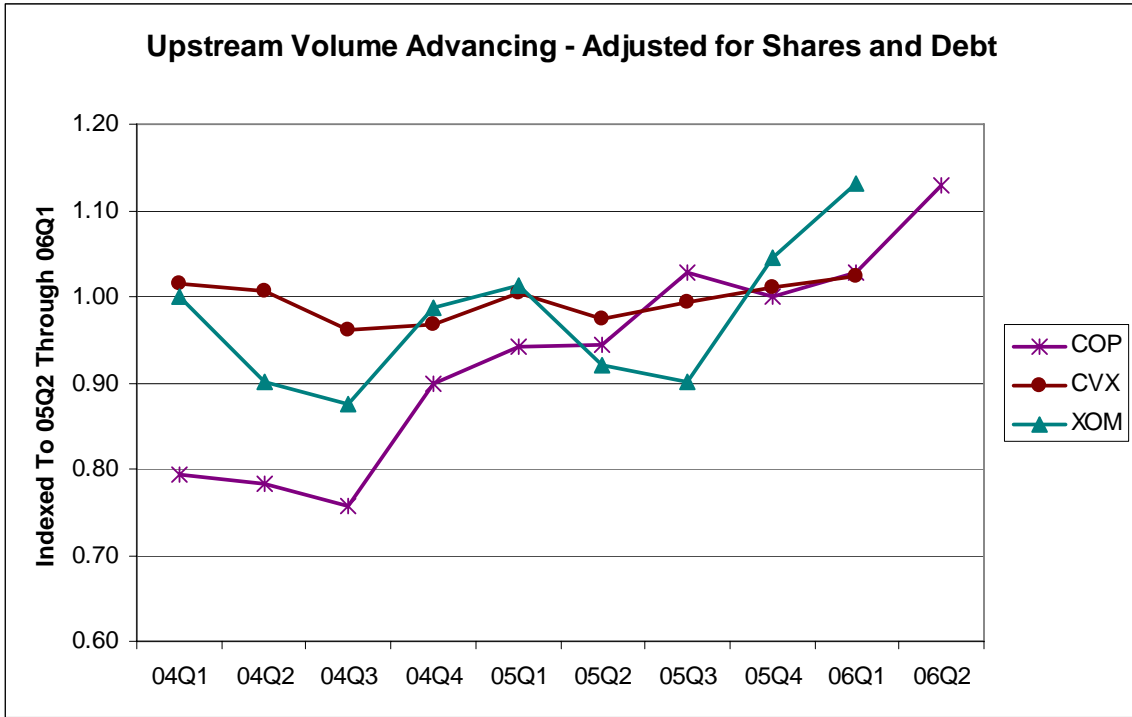
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Buy-recommended **ConocoPhillips (COP)** offers 44% appreciation potential to estimated net present value (NPV) of \$100 a share presuming a long-term oil price of \$60 a barrel. NPV increased to \$96 from \$95 when we raised oil price from \$50 a barrel on June 6 and offset some of it by writing off Venezuela. A strong second quarter including additional production from Libya sparks a further increase in NPV. At \$100 a share, NPV still appears low in a correlation of present value with adjusted reserve life and next twelve months cash flow. Including the acquisition of Burlington Resources and the 18% ownership of buy-recommended **Lukoil (LUKOY)**, COP has recorded volume growth adjusted for shares and debt superior to peers (see chart). Downstream also contributed to better-than-expected second quarter results reported on July 25. Cash flow tracks the refinery crack, the margin between the cost of crude oil and the wholesale prices of gasoline and other refined products (see chart). An investment in COP stock offers participation in the outlook for oil price, natural gas price and refining crack on terms that seem favorable to us.

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ConocoPhillips
Next Twelve Months Operating and Financial Estimates

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>6/30/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>3/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	1,765	1,806	1,851	3,632	3,632	3,632	3,193	3,589	3,611
Overseas (or Int'l)	1,433	1,464	1,714	1,876	1,473	1,789	1,713	1,713	1,672
Total	3,198	3,270	3,565	5,508	5,105	5,421	4,905	5,302	5,282
Oil (mbd)	1,227	1,263	1,338	1,619	1,619	1,619	1,550	1,619	1,619
Total gas & oil (bcf)	961	3,960	1,043	1,385	1,363	1,392	5,184	1,351	5,474
Total gas & oil (mbd)	1,760	1,808	1,932	2,537	2,470	2,523	2,367	2,503	2,499
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.76	8.65	8.97	6.81	6.41	8.47	7.67	10.62	8.50
U.S. (or North America)	6.07	7.13	7.42	5.68	5.34	7.06	6.23	7.08	6.28
Overseas (or Int'l)	4.84	5.26	7.05	6.18	6.18	6.18	6.40	6.18	6.18
Total	5.52	6.29	7.24	5.85	5.58	6.77	6.29	6.79	6.25
Oil (\$/bbl)									
WTI Cushing	53.05	56.31	63.33	70.47	74.90	76.58	71.32	77.63	76.73
Worldwide	46.17	48.80	56.63	61.52	65.39	66.86	62.90	66.77	66.45
Total gas & oil (\$/mcf)	7.04	7.58	8.76	8.66	9.07	9.58	9.03	9.60	9.38
NY Harbor 3-2-1 (\$/bbl)	10.59	10.63	7.40	15.39	16.36	11.35	12.62	12.25	14.60
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	975	4,700	1,236	1,876	1,784	2,360	7,257	2,288	8,279
Overseas (or Int'l)	631	2,808	1,087	1,056	838	1,018	3,999	953	3,774
Total	1,606	7,508	2,323	2,932	2,623	3,378	11,255	3,241	12,053
Oil	5,155	22,498	6,819	9,063	9,739	9,958	35,580	9,729	39,285
Other	35,852	153,357	38,785	36,481	36,481	36,481	148,227	36,481	145,923
Total	42,614	183,364	47,927	48,476	48,842	49,816	195,062	49,451	197,261
Expense (\$mm)									
Fixed	749	3,986	944	1,200	1,200	1,200	4,543	1,050	4,499
Variable	2,246	9,095	2,833	3,599	3,709	4,001	14,141	3,891	15,401
Other	33,552	144,257	37,685	33,192	34,253	34,253	139,382	34,253	137,011
Ebitda (\$mm)									
Exploration and Production	3,767	16,925	5,365	7,197	7,454	8,135	28,151	8,029	31,437
Other	2,300	9,100	1,100	3,289	2,228	2,228	8,845	2,228	8,912
Total Ebitda	6,067	26,025	6,465	10,486	9,682	10,363	36,996	10,257	40,349
Exploration	121	661	112	134	134	134	514	240	748
Deprec., Deplet., & Amort.	985	4,253	1,180	1,965	1,965	1,965	7,075	1,965	7,695
Other non cash	9	(380)	-	50	50	50	150	150	400
Ebit	4,952	21,491	5,173	8,337	7,533	8,214	29,257	7,902	31,506
Interest	127	497	115	360	360	360	1,195	422	1,564
Ebt	4,825	20,994	5,058	7,977	7,173	7,854	28,062	7,480	29,942
Income Tax	1,689	7,348	1,770	2,792	2,510	2,749	9,822	2,618	10,480
Net Income (\$mm)									
Exploration and Production	1,929	9,091	2,802	3,290			6,092		
Other	1,313	5,327	657	1,907			2,564		
Unallocated	(106)	(772)	(171)	(12)			(183)		
Total	3,136	13,646	3,288	5,185	4,662	5,105	18,240	4,862	19,463
Shares (millions)	1,419	1,416	1,405	1,678	1,678	1,678	1,621	1,693	1,685
Per share (\$)	2.21	9.64	2.34	3.09	2.78	3.04	11.25	2.87	11.55
Ebitda Margin (E&P)	56%	56%	59%	60%	60%	61%	60%	62%	61%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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ConocoPhillips
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	5,070	11.5	6.7	34,000	16%
Rest of World Natural Gas	2,310	14.5	7.8	18,000	8%
Oil	24,060	10.2	4.4	107,000	50%
Downstream	8,910		6.3	56,000	26%
	40,350	11.0	5.3	215,000	100%
Debt (US\$mm)					46,000
Net Present Value (US\$mm)					169,000
Shares (mm)					1,685
Net Present Value - Standard Estimate (US\$/sh)					100
Net Present Value - Approximation by Correlation (US\$/sh)					116

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