



**John S. Watson**  
Chairman and Chief Executive Officer

February 24, 2016

**CLASSIFIED**

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Mr. Carl Ware

January 2016 earnings were \$265 million - up \$1.2 billion from December. Most of the improvement reflects the absence of December's impairment, write-off and other various charges that we discussed with you in January. Operating expenses were lower which more than offset the effects on earnings of weaker Upstream realizations and Downstream margins. Worldwide net OEG production was 2,660 MBD.

Last month, we foreshadowed the possibility of a corporate credit rating downgrade triggered by the agencies' more bearish outlook for near-term crude prices. In early February, Standard & Poor's announced a one-notch reduction of our credit rating from AA "Negative Outlook" to AA-"Stable". Moody's is also doing a review of our industry; they are likely to release results by the end of the month. It is reasonable to assume that Moody's will reduce our current rating one notch, as well. Our S&P downgrade comes as part of an overall ratings reset of the industry: S&P also downgraded RD Shell's debt rating by one notch to A+, with an outlook qualifier of "Negative Watch" given the incremental debt required to close its acquisition of BG. S&P also placed ExxonMobil, BP and Total on "Negative Watch", with negative rating actions possible in 2Q16.

We continue to progress key major capital projects. At Gorgon, Train 1 has commenced start-up activities. LNG production is expected to begin within the next few weeks, with first cargo anticipated approximately a week after that. For Trains 2 and 3, all modules have been delivered to site and construction is progressing. They are expected to start-up at approximately six-month intervals after Train 1. At Angola LNG, recommissioning is underway. We expect to introduce gas to the plant later this quarter with the first LNG cargo in the second quarter. At Chuandongbei, the first train started up in late January and is performing as expected. Trains 2 and 3 are expected to start-up in April and June, respectively.

On March 8, we will be hosting our annual Security Analyst Meeting in New York. I will start the meeting by presenting a corporate overview, with Jay Johnson subsequently presenting our Upstream plans. Mike Wirth, Pierre Breber, Pat Yarrington and Jeff Shellebarger will join us in the Q&A session to follow.

At the meeting, we will re-affirm our priority to maintain and grow the dividend, discuss our near-term actions required to weather the current low price environment and outline our long-term strategies and outlook. Our key messages include:

- *Free cash flow improves with reduced spend and margin growth:* Lower capital spending levels, reduced operating expenses and planned asset sales in combination with an increase in production as we bring major capital projects online will improve margins and strengthen cash flow.

Chevron Corporation

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- *Advantaged balance sheet supports completion of projects under construction:* A strong balance sheet position relative to our competition with resulting debt capacity allows us to complete projects under construction.
- *Positioned to improve returns and selectively grow in a lower price environment:* As we complete our current major capital projects, we will reduce our pre-productive capital and re-position our spend profile to more high-return, short-cycle opportunities highlighted by an increase in shale and tight oil. Project execution improvements, lower unit operating expenses plus a strong oil-price exposure relative to our peers' positions us well to selectively grow the business and improve returns.

In early March, you will receive an advance copy of the printed booklet that includes the presentation visuals.

Given the urgency presented by the challenging business environment, we will be discussing with you at our March Board meeting our longer-term perspectives and strategies for our Upstream business. We will also include a discussion on market conditions and the overall strategic landscape, plus, an assessment of global resource opportunities. In addition, we will provide you with our usual updates on performance, major capital project execution and our annual review of compliance and significant litigation.

Enclosed are the following:

- [Chevron's January 2016 Performance Summary](#)
- [Stockholder proposals and revised draft Board responses for final Board review \(with instructions for any comments\)](#)
- [Reactions to Chevron's 4Q15 Conference Call](#)
- [Reactions to Competitors' 4Q15 Conference Calls](#)

I look forward to seeing you next month.

Best regards,

John S. Watson  
Chairman and CEO  
Chevron Corporation

Enclosures

cc:        Mr. R. Hewitt Pate  
              Ms. Mary A. Francis

**2016 Proxy Statement  
Stockholder Proposals and Draft Board Responses**

The stockholder proposals and draft Board responses expected to be included in the 2016 Proxy Statement are attached.   **Privileged – ACP/WP**

**Privileged – ACP/WP**

**We would appreciate receiving any additional comments and suggestions on the response statements by March 3, in order that these may be finalized and provided to stockholder proponents 30 days prior to our proxy print date, as required by SEC rules. Please provide your comments and suggestions to Mary Francis at [REDACTED] or by fax to [REDACTED]**



**2016**  
**Stockholder Proposals**  
**and**  
**Board Responses**

**Privileged – ACP/WP**

## Reactions to Chevron's 4Q 2015 Conference Call

**Adjusted EPS was \$0.29/diluted share vs. First Call consensus of \$0.47, a 38% miss** (Note: excluding foreign exchange effects, EPS was \$0.26/diluted share)

### JP Morgan – “Full Dividend Coverage at <\$50/bbl in 2018” (Overweight / \$90)

“CVX reported a tough 4Q miss, driven by challenging upstream results and some one-time factors in downstream. Commentary on projects was somewhat mixed, as Gorgon looks ready for first cargo in 1Q16, though Angola LNG is now 2Q16 and Wheatstone was pushed to mid-2017 (not entirely unexpected). 2016 production growth of 0-4% looks reasonable (JPMe +2.1%), with some opportunity for upside to our estimate if execution comes in well. Looking out to 2018, we still see full dividend coverage at \$50/bbl... potential for ~\$25.5B [CFO] at \$50/bbl Brent in 2018E, largely due to the impact of project start-ups. Factoring in \$21B of C&E (or \$16B of cash capex, implying ~\$4B of Tengiz/CPChem spend), FCF would be ~\$9.5B, versus our estimated dividend of ~\$8.9B, assuming a ~3% dividend CAGR.”

### Credit Suisse – “Dividend Breakeven Continues to Fall” (Neutral / \$84)

“While there is plenty of longer term flexibility on spending, we forecast net-debt to cap would rise from low teens to 28% by 2018 at the strip. This is still manageable. The \$5-10B of disposals can help offset some of the balance sheet expansion during the down cycle. On the other side of the cycle, net-debt will be higher but CVX will emerge with a greater share of long-lived cash flow streams, strong acreage positions in large resources like the Permian, and with some large projects such as Tengiz still in the hopper. At some point, the conversation will turn away from current delivery, towards longer term resource access... A slower rate of overall growth should help portfolio choice and project execution, allowing CVX to walk and chew gum once more.”

### Deutsche Bank – “Production Turning a Corner; Next Up Cash Flow” (Buy / \$103)

“After 18+ months of mostly negative operational headlines, the tide finally appears to be turning for CVX. Angola LNG is in commissioning for start-up, Gorgon’s first LNG is expected within weeks, and Neutral Zone production may restart soon. Cash flow, however, remains frustratingly anemic, with upstream income again light vs. expectations (-\$327MM vs. DBe \$18MM) despite a volumes beat (2,673 Mboe/d vs. DBe 2,567), highlighting the scope of current outspend (\$5 Bn in 2016 pre-dividend at the strip). We still view CVX’s volume/cash flow ramp and relative valuation as attractive, but look for incremental volumes to drive a turn in unit profitability in 2016+.”

### Bank of America/Merrill Lynch – “Suspended animation and waking up to reality” (Neutral / \$100)

“...as the first of the truly global oil majors to report 4Q15 earnings, Chevron is also the first to signal acceptance that the commodity outlook is much worse than fits CVX’s long-term plan and portfolio design. In our view, this is probably as good a signal as we will get from management that further spending cuts are likely to be announced at the upcoming analyst day on March 8th. But it also portends a slight pick-up in underlying declines and deferral of another round of major project capital commitments that also likely stall the longer-term production outlook... In our view, this is the right thing to do for investors, for the balance sheet and for the industry – essentially putting long-dated developments in suspended animation as the industry wakes up to the reality of lower-for-longer oil prices.”

### Cowen – “Maintain Focus on Spending Flexibility, Short Cycle” (Outperform / \$122)

“On the call, there was increased focus on the company’s Permian assets. CVX’s recent decision to cancel GOM Buckskin/Mocassin projects was a recent example of managements’ capital allocation priority to the short cycle and commitment to the US shale play. We believe the asset is at the core of CVX’s investment proposition, addressing industry concerns of steady production & reserve levels and access to low cost, short cycle production to balance sources and uses of cash in 2018... With one of the most flexible capital programs in the group, solid balance sheet (15% ND/Cap), superior growth outlook and differentiated short-cycle Permian asset, we believe CVX is well positioned in a subdued macro outlook.”

### Wells Fargo – “The Capex and Opex Reduction Focus Continues” (Market Perform / \$81-89)

“It is a difficult time for oil and gas producers no matter their size... Chevron’s management team reiterated its focus on aligning its cost structure with the new oil price reality and maintaining/growing its dividend. Management stuck with its prior 2016-18 capex ranges, but indicated that further reductions will be made if necessary. On the operating cost side, across the board reductions (including corporate level staff) should be reflected in 2016’s results... Chevron has held off on making the FID on the Tengiz project, which was expected in late 2015. Getting the new cost regime and ensuring the engineering and design reflect a lower oil price environment makes imminently more sense than rushing ahead in an uncertain market.”

## Reactions to Chevron's 4Q 2015 Conference Call

### **Barclays – “Downstream Weighs on 4Q15; Focus Remains on Balance Sheet Strength” (Equal Weight / \$89)**

“Management highlighted the range provided in 3Q15 of \$25-\$28 billion, indicating that if the especially depressed price environment of late continues, CVX could flex its capex to the low end of the range – though not materially lower, which we see as a negative. We think the market will likely be disappointed by the lack of a more substantial budget cut given the company’s likely large cash burn rate and the actions taken by most other oil companies so far in the new year. On the other hand, the preliminary annual spending outlook of \$20-\$24 billion for 2017 and 2018 reflects solid improvement. Specifically, management pointed to ~\$6 billion being spent in 2016 to bring online its new LNG assets, which itself would drop to under \$2 billion in 2017... We estimate a net cash burn of \$9.6 billion in 2016, before asset sales.”

### **UBS – “4Q Below Expectations; Maintains Capex Guidance But 2016 Production a Bit Light” (Neutral / \$85)**

“We expect CVX to maintain its previously disclosed 2017 target (13-15% growth from '15 base, implying ~3.0 MMBoed) at its March Analyst Day... Project execution is critical to CVX achieving its leading long term volume growth target among the Majors and its goal of returning to FCF generation. The failed start-ups at Angola LNG (offline since 04/2014) and Big Foot in the GoM (startup delayed from 4Q15 to after 2017) as well as the Gorgon cost over-run has elevated investor concerns about CVX’s project execution abilities. Thus, we believe investors will be acutely focused on CVX’s operational execution with the Gorgon LNG project rampup in 2016, as well as the expected ramp of Wheatstone in 2017.”

### **RBC Capital – “Cutting to the Bone” (Sector Perform / \$84)**

“CVX appears to be cutting back capex even further, and we now see its 2017 production guidance at risk. We also think the company will need some help from oil prices to keep its promise of dividend coverage in 2017. We reiterate our Sector Perform rating given the difficulties with executing such a large capex cut and the long-term production impact... At our estimated 2017 capex of \$20.5 billion, we see CVX being able to barely cover the dividend with its free cash flow and \$3 billion in asset sales, assuming strip pricing... While CVX’s balance sheet is among the strongest in the space and we see little risk to the dividend in the near term, we reiterate our Sector Perform rating.”

### **Morgan Stanley – “4Q15 Miss with Ominous Outlook” (Equal Weight / \$85)**

“In our view, CVX’s conference call subtly highlighted many of the issues that will likely extend the duration of this cycle and/or deepen its trough undercutting fresh optimism. Incrementally, the tone no longer focused on growth targets, but rather on dividend survivorship. Candid discussion in Q&A highlighted many issues that represent sector headwinds... Further, last Friday, Moody’s put 69 E&Ps and OSX companies on review for downgrade. CVX does not see a material impact on cost of or ability securing funding. In our view, the same cannot be said of a large number of oil producers.”

### **Goldman Sachs – “Lower EPS outlook, stay Sell” (Sell / \$78)**

“Factors that would make us more positive on CVX include: (1) further downside to the company’s capital spending guidance; (2) a more constructive outlook for either Brent oil prices (we assume \$55/bbl in our valuation) or refining margins; or (3) progress on major capital projects such as Angola LNG and Wheatstone LNG, although we believe Gorgon has been mostly de-risked.”

## Reactions to Competitors' 4Q 2015 Conference Calls

### ExxonMobil – Feb 2, 2016 (Adjusted EPS of \$0.67/diluted share vs. First Call consensus of \$0.63, 6% beat)

"We view XOM's larger than expected capex cut favorably, but note that we still forecast a \$9.5 billion free cash flow deficit at the futures strip. We estimate XOM requires a recovery in oil prices to ~\$60/Bbl to achieve FCF neutrality, above the ~\$50/Bbl required at CVX. And while XOM's balance sheet is arguably the most defensive in the sector, we believe investors are paying a premium for that security with its shares discounting a recovery to \$78/Bbl WTI. While we expect XOM to perform well relative to peers while oil prices seek a bottom, we expect XOM to underperform when oil prices begin to recover toward higher, more normalized levels." – *UBS (Neutral)*

"While the 4Q result was largely in line with expectations, XOM continues to demonstrate why it remains the benchmark in terms of through the cycle resilience and defensive strength. A larger than expected 2016 budget cut and the continued relative strength of XOM's refining/chemicals exposure (~75% of Q4 operating income), push the 2016 cash breakeven to ~\$50/bbl, comfortably the lowest of global peers. Relative valuation remains a headwind, as well as the long-term impact of near-term investment constraint and the risk of material acquisition, but portfolio resiliency and capital flexibility continue to impress in the meantime." – *Deutsche Bank (Hold)*

"The cashflow balance was bad enough in this ExxonMobil result, to have clients questioning the company's AAA credit status, unique among oil companies...but the leverage boom and financial crisis played havoc. ExxonMobil's \$30bn of cashflow for 2015 was made at around \$50/bbl oil average. That is the lowest annual cashflow since 2003, when the company made \$29bn at an average \$26/bbl." – *Wolfe (Underperform)*

"...we were encouraged by the company's lower than expected 2016 capex guidance; and, the buyback cut highlights the balance sheet focus. We show XOM covering its dividend with FCF in FY18E at ~\$50/bbl Brent, aided by additional opex saves and lower capex. On M&A, commentary suggests that the M&A valuation gap remains wide, and therefore organic capex will likely continue to be the source of production growth for now." – *JP Morgan (Neutral)*

"We find XOM's valuation vs. other mega cap Integrated Oil companies not as compelling and remain concerned that the XTO operation will remain a drag on the company's performance. Also, we are bullish on oil and think it will be difficult for XOM to outperform the other smaller and high oil beta names." – *Barclays (Equal Weight)*

### BP – Feb 2, 2016 (Adjusted EPS of \$0.06/diluted share vs. First Call consensus of \$0.12, 50% lower)

"With BP's unchanged FY17 \$17-19bn capex outlook and despite another \$1bn increase in BP's cash cost savings target, investors are still asked to assume oil prices averaging \$60/bbl by 2017 (~50% above forward prices) to see BP return to FCF neutrality by then. Not only do we believe that few investors will see this as an attractively priced proposition, we remain concerned about the "path of pain" that shareholders may suffer on the way: more dilution from scrip dividends, asset disposals and growing concerns about value destruction from BP's reserve replacement options (evaluated with \$80/bbl long-term Brent oil prices assumption for long-plateau investment decisions)." – *Bank of America/Merrill Lynch (Underperform)*

"Having updated the market at 3Q BP management didn't meaningfully revisit cost reduction or capex this quarter. This is likely the major source of the negative reaction to the release, we believe, as the figures themselves, while a miss, have little meaningful effect on forecasts. The dividend is a key priority for the company although, like all in the sector, it requires both cost cutting and oil price improvement to be de-risked. We see potential for the financial framework to be sustainable below \$60/bbl but this requires delivery of the self-help and some of the Macondo and restructuring costs to drop away." – *UBS (Buy)*

"Shareholders insist on sustaining the dividend – we are puzzled. Most BP shareholders that we talk to now see a BP dividend cut as likely if not inevitable some time in 2016-17 and many also recognize the pitfalls of trying to manage a business to pay an over-sized legacy dividend. Why is the dividend the first priority in BP's financial framework and not value creation? In 2015, the value of the BP scrip was \$642m (102.8m share issued). This implies that <10% of shareholders elected to take the scrip – why do you think that it so unpopular and when will you withdraw the scrip option?" – *JP Morgan (Overweight)*

## Reactions to Competitors' 4Q 2015 Conference Calls

"On our expectation that having started earlier than the industry on the cost-reset, and on our key assumption of an oil price recovery towards \$60 during 2017, BP will be able to balance cash flows and sustain dividends.

– *Societe Generale (Buy)*

"BP has a more material opportunity than others in the sector to reduce the cost base. 2015 saw a promising start on delivering on that cost reduction and this discipline appears set to continue to 2017. Key to BP's share price performance in the next 12 months is continued evidence of the company's ability to control costs to support the dividend." – *Barclays (Overweight)*

### **Shell – Feb 4, 2016 (Adjusted EPS of \$0.56/diluted share vs. First Call consensus of \$0.53, 6% beat)**

"The BG transaction is due to close on February 15th. 1Q will therefore be reported with a post deal balance sheet and a part quarter contribution from BG. The company is working towards setting out its new strategy in June. We believe there is the opportunity to create a highly competitive major oil company based on an asset base distilled to sector leading quality, and one which if focused on returns and value can generate attractive levels of operating and free cash flow. With the rating having been battered through 2015, we think the potential upside is significant."

– *UBS (Buy)*

"We believe a \$60/bbl+ oil price is still the right level to generate sufficient industry investment to offset global decline rates, and RDS's CFFO break-even could be lower than that longer term. Spot prices, however, are lower. There are levers. RDS (ex-BG) is making good progress on net opex savings (ex-energy costs) having achieved \$4bn in 2015 with another \$3bn targeted in 2016 (or 15% of 2014). This is 'easily' achievable, and the current environment should facilitate further savings." – *Credit Suisse (Outperform)*

"Shell's restructured Downstream business delivered as much cost cutting as Upstream in 2015, and Downstream free cash flow paid for c.80% of Shell's dividend, though this is a much smaller business. We argue that the restructuring that has already taken place creates the track record and confidence in Shell's ability to deliver on the BG commitments. We note the material 2015 operating and capital cost reduction of \$12.5bn, with opex down 10% or \$4bn, and a further \$3bn cut targeted for Shell (ex BG) in 2016 – with BG synergies to come on top of that."

– *Societe Generale (Overweight)*

"Key is that the business remains structured around growth delivery, capital reductions and a drive to re-align its cost-base, all aided by the inclusion of BG this quarter. These measures should help bridge the current gap on dividend coverage – we see full coverage in 2018 at c.\$50/bbl oil – with the debate now centered around whether asset sales or debt will plug the interim... A debt rating downgrade earlier this week looks to put some pressure on RDS to respond with deeper cuts to opex and capex, although we suspect management will be given grace until a planned market update in early June." – *Citi (Buy)*

### **Total – Feb 11, 2016 (Adjusted EPS of \$0.88/diluted share vs. First Call consensus of \$0.67, 31% beat)**

"There can be no doubt that 2015 was a successful year for Total – at least relative to the rest of the oil sector – with adjusted net income down just 18% y/y in a period in which the oil price effectively halved. Cashflow from operations was also resilient down just 22% reflecting over 9% volume growth, a 25% reduction in opex costs and a much stronger contribution from the downstream. When combined with a capex reduction of 13% y/y, the net effect of the integrated business model and self-help measures was to offset about \$40/bl of the \$50/bl fall in the oil price over the last 12 months... Yet despite the absolute value other companies also continue to make progress, and we see better relative value elsewhere in the sector, hence, our Equal Weight rating." – *Barclays (Equalweight)*

"4Q15 was another robust reporting period for Total. The outlook for 2016 is better than we might have expected given incremental color on cost savings, capital spending sub-\$20b and potentially \$4b of new divestiture announcements. Our positive view on this stock is unchanged. Total appears to us to offer the best exposure amongst the EU IOCs to a recovery in commodity markets... \$4b of planned divestments in 2016 could include Specialty Chemicals (including Hutchinson). When considering c.\$1.4b of asset sales from 2015 which are yet to close, Total seems relatively well positioned for \$40/bbl Brent." – *Jefferies (Buy)*

## Reactions to Competitors' 4Q 2015 Conference Calls

"Times are tough, but we think Total is prepared. The message is unchanged from before – prioritizing organizational efficiency and improving capital allocation. What's more, it is delivering on these promises without 'over-reacting' and damaging the health of the business longer term... The trajectory of upstream volumes is turning positive, signaling the beginning of a period of strong upstream growth, which we consider lower risk. Considering its superior growth profile combined with its decreasing capital intensity and more aggressive self-help measures, we expect it to create a business that is more competitive than peers with its sustainable cash cycle being fit for the fifties over time. To be more specific, its organic cash flow break-even (assuming a 100% cash dividend) could be in the low \$60s by 2017 assuming a reserve replacement type capex profile (many others guide to reserve life shrinkage type capex profile to better manage the cash cycle), and being fit for the \$50s beyond 2017." – *Credit Suisse (Outperform)*

"As it sets out major strategic initiatives each September, the 4Q is necessarily evolutionary. However, Total has found an additional \$1bn of capex reductions for 2016, and is making good progress on its target 2017 \$3bn opex reduction (now estimated to be '>\$3bn' with \$2.4bn to be delivered in 2016 against the 2014 baseline. This adds to the already evident resilience integrated model. With 5% Upstream growth (2014-19), some Downstream self-help/expansions and falling capex, our forecast is consistent with the target 2017 \$60/bbl cash neutrality with downside potential. We believe the balance sheet is robust enough to cope with lower oil prices – using the curve for 2016 and then \$50/bbl, we calculate a year-end 2017 gearing of 29.1% (base case 27.2%)." – *UBS (Buy)*



# Performance Summary

**January 2016**

**CONFIDENTIAL**

**Performance Summary Purpose and  
Notice Related to Selective Disclosure and Insider Trading**

This Performance Summary report is prepared to assist the company's "chief operating decision maker" (i.e., the company's Executive Committee) in monitoring the financial performance of the company's upstream and downstream "reportable segments" [terms as defined in FASB ASC 280 "Segment Reporting (ASC 280)"]. This report is also provided to the Board of Directors to assist in its oversight role in monitoring the financial results of the company's reportable segments.

This booklet contains highly confidential information concerning interim company earnings and other performance measurements and developments. This information will not be released publicly or further disseminated within the Chevron group. You are reminded that company policy requires you to use care to safeguard this information from unauthorized use or disclosure, and that you may not trade company stock on the basis of this information to the extent it is material to Chevron investors. Please refer to Chevron's Manual of Compliance Procedures and Guidelines and the Chevron Policy Manual for further information. Any employee who violates these provisions shall be subject to disciplinary action, up to and including discharge, and may also be subject to legal action. In addition, any individual who violates these provisions shall be subject to criminal or civil penalties under the provisions of Federal Securities laws.

# **CHEVRON CORPORATION PERFORMANCE SUMMARY**

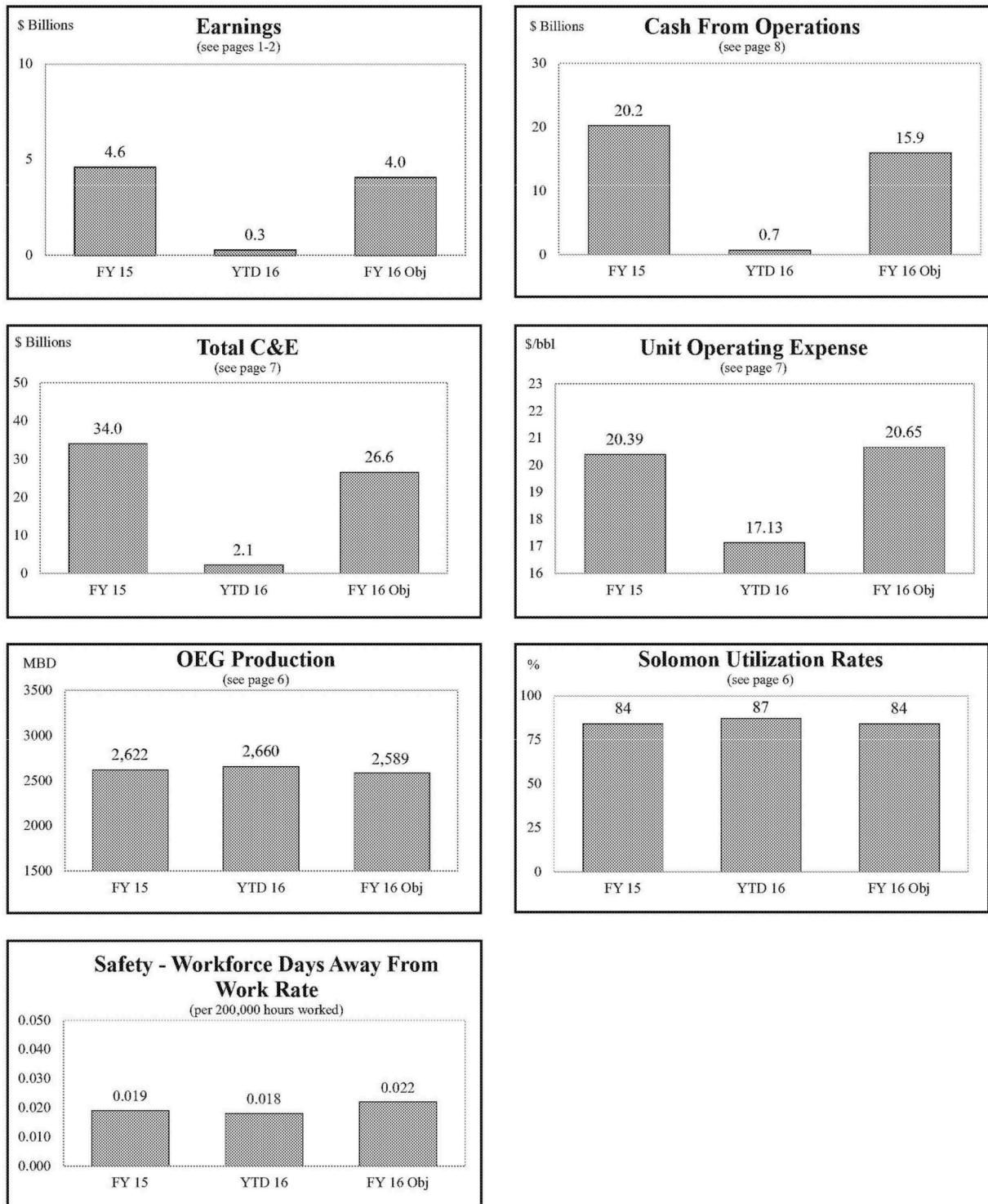
**January 2016**

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## Financial & Operational Summary – January 2016



## Earnings

January 2016		Earnings						
\$ Millions - After Tax		Nov 2015	Dec 2015	Jan 2016	Monthly Change	YTD 2016	2016 Obj	% of Objective
Upstream	- U.S.	(529)	(1,301)	(226)	1,075	(226)	(690)	33
	- International	339	94	39	(55)	39	3,136	1
<b>TOTAL UPSTREAM</b>		<b>(190)</b>	<b>(1,207)</b>	<b>(187)</b>	<b>1,020</b>	<b>(187)</b>	<b>2,446</b>	<b>-</b>
Downstream	- U.S.	205	189	246	57	246	1,582	16
	- International	308	111	319	208	319	1,896	17
<b>TOTAL DOWNSTREAM</b>		<b>513</b>	<b>300</b>	<b>565</b>	<b>265</b>	<b>565</b>	<b>3,478</b>	<b>16</b>
<b>ALL OTHER</b>		<b>(150)</b>	<b>(40)</b>	<b>(113)</b>	<b>(73)</b>	<b>(113)</b>	<b>(1,882)</b>	<b>6</b>
<b>TOTAL EARNINGS</b>		<b>173</b>	<b>(947)</b>	<b>265</b>	<b>1,212</b>	<b>265</b>	<b>4,042</b>	<b>7</b>
Basic Earnings Per Share		\$0.09	(\$0.50)	\$0.14	\$0.64	\$0.14	\$2.15	7
Diluted Earnings Per Share		\$0.09	(\$0.50)	\$0.14	\$0.64	\$0.14	\$2.14	7
<b>ROCE (%)<sup>1</sup></b>		<b>1.1</b>	<b>(5.8)</b>	<b>1.7</b>		<b>1.7</b>	<b>2.2</b>	
<b>Memo:</b>								
Impact of Asset Sales		73	11	1		1	740	

<sup>1</sup> Capital Employed equals the sum of stockholders' equity, total debt, and noncontrolling interests.

### JANUARY 2016 vs. DECEMBER 2015

Earnings rose \$1,212 MM in January on the absence of Upstream asset impairments and reduced operating and exploration expenses. Unfavorable tax-related items, weaker Upstream realizations and Downstream margins, and lower volumes, partly offset.

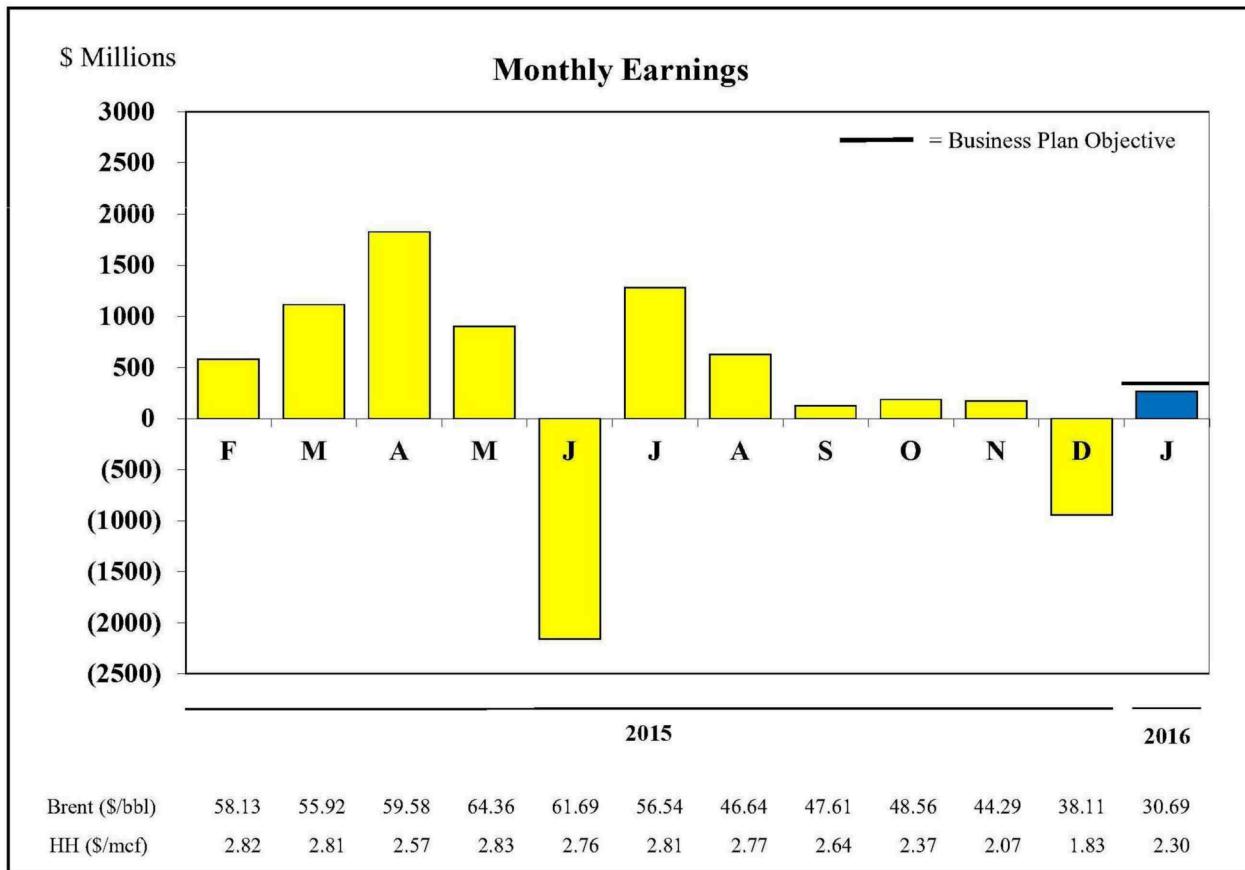
- **U.S. Upstream** earnings rose \$1,075 MM on the absence of asset impairments and lower exploration and operating expenses. Weaker liquids realizations and the absence of favorable tax-related impacts, partly offset.
- **International Upstream** earnings decreased \$55 MM, reflecting the absence of favorable tax items and lower realizations. Reduced operating and exploration expenses, partly offset.
- **U.S. Downstream** results increased \$57 MM on lower operating expense and stronger Trading results. Weaker margins, partly offset.
- **International Downstream** earnings climbed \$208 MM, reflecting favorable foreign exchange impacts, improved Trading results, and lower operating expense. Tighter margins, partly offset.
- **All Other** net charges grew \$73 MM between periods on unfavorable tax-related items. Lower environmental and employee charges, partly offset.

### YTD 2016 vs. OBJECTIVE 2016

Year-to-date earnings were \$265 MM, or 7% of Objective, largely reflecting below-Plan realizations. Lower operating expenses, favorable foreign exchange impacts, and stronger Downstream margins, partly offset.

- **U.S. Upstream** losses of \$226 MM were 33% of Objective, primarily reflecting below-Plan realizations.
- **International Upstream** earnings of \$39 MM were 1% of Objective, as below-Plan realizations more than offset reduced operating expense, favorable foreign exchange effects, and higher liquid liftings.
- **U.S. Downstream** earnings of \$246 MM were 16% of Objective on stronger margins, lower operating expense, and higher Trading results.
- **International Downstream** earnings of \$319 MM were 17% of Objective, reflecting stronger margins, favorable foreign exchange impacts, and lower operating expense.
- **All Other** net charges of \$113 MM were 6% of Objective.

## Summary of Monthly Earnings



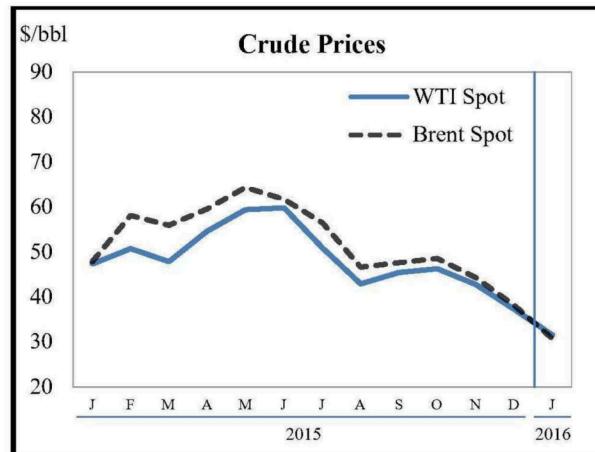
	Monthly Earnings													
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	YTD	
\$ Millions	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2016	2016	
U.S. Upstream	(121)	(271)	(111)	(108)	(818)	(82)	(199)	(321)	(124)	(529)	(1,301)	(226)	(226)	
Int'l Upstream	569	825	39	372	(1,594)	509	394	(242)	160	339	94	39	39	
<b>TOTAL UPSTREAM</b>	<b>448</b>	<b>554</b>	<b>(72)</b>	<b>264</b>	<b>(2,412)</b>	<b>427</b>	<b>195</b>	<b>(563)</b>	<b>36</b>	<b>(190)</b>	<b>(1,207)</b>	<b>(187)</b>	<b>(187)</b>	
U.S. Downstream	159	332	252	370	109	575	402	273	102	205	189	246	246	
Int'l Downstream	37	457	1,722	351	151	388	107	466	97	308	111	319	319	
<b>TOTAL DOWNSTREAM</b>	<b>196</b>	<b>789</b>	<b>1,974</b>	<b>721</b>	<b>260</b>	<b>963</b>	<b>509</b>	<b>739</b>	<b>199</b>	<b>513</b>	<b>300</b>	<b>565</b>	<b>565</b>	
ALL OTHER	(63)	(227)	(74)	(82)	(8)	(108)	(75)	(49)	(50)	(150)	(40)	(113)	(113)	
<b>TOTAL EARNINGS</b>	<b>581</b>	<b>1,116</b>	<b>1,828</b>	<b>903</b>	<b>(2,160)</b>	<b>1,282</b>	<b>629</b>	<b>127</b>	<b>185</b>	<b>173</b>	<b>(947)</b>	<b>265</b>	<b>265</b>	

## Prices

	Nov	Dec	Jan	Mo/Mo	Year-to-Date		2016	% of
				Chg	2015	2016	Obj	Obj
Brent Spot (\$/bbl)	44.29	38.11	30.69	(7.42)	47.86	30.69	60.00	51
WTI Spot (\$/bbl)	42.79	37.26	31.54	(5.72)	47.33	31.54	54.60	58
Henry Hub Spot (\$/MCF)	2.07	1.83	2.30	0.47	3.00	2.30	3.00	77
U.S. Upstream Gas Sales Price (\$/MCF)	1.42	1.46	1.61	0.15	2.46	1.61	2.30	70

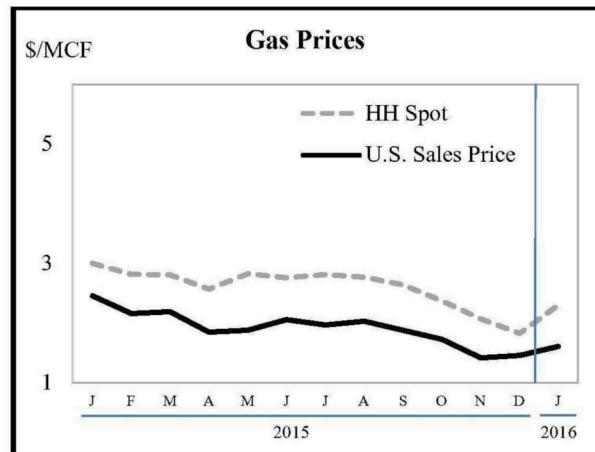
### CRUDE PRICES

- Oil prices fell sharply in January – with Brent and WTI down about 20% and 15%, respectively, on continued oversupply. OPEC production remained strong in January, reaching a multi-year high of approximately 32.1 MMBD following the lifting of sanctions in Iran and record production in Iraq. Russian production also reached a new post-Soviet high of 10.9 MMBD in January.
- U.S. demand for refined products in early January was down nearly 800 MBD from a year ago. Cushing and U.S. crude inventory ended the month 59% and 38% above their respective 5-year averages.
- Through February 12<sup>th</sup>, MTD average Brent was higher by \$2.11/bbl, while WTI prices fell \$1.83/bbl.



### NATURAL GAS PRICES

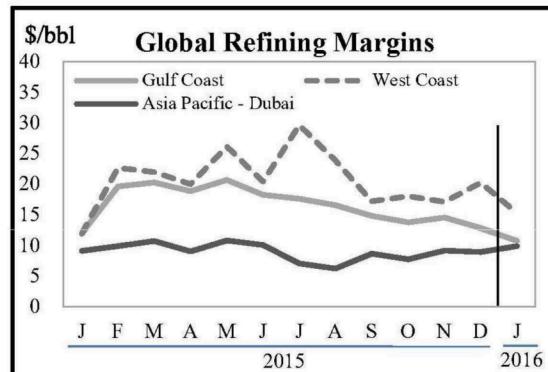
- Henry Hub prices improved in January, up approximately 25% to \$2.30/MCF, marking the first monthly increase since July 2015.
- Higher-than-expected storage withdrawals in the early part of January saw prices climb to \$2.55/MCF on cold weather. Prices declined following storage draws that fell short of expectations.
- The Henry Hub Bid-Week price was \$2.19/MCF in February, down from \$2.38/MCF in January.
- As of February 5th, U.S. natural gas in storage stood at 2.9 TCF, 23% above the five-year average.
- Through February 12th, Henry Hub spot prices averaged \$2.11/MCF, down \$0.19/MCF from January.



### GLOBAL REFINING MARGINS<sup>1</sup>

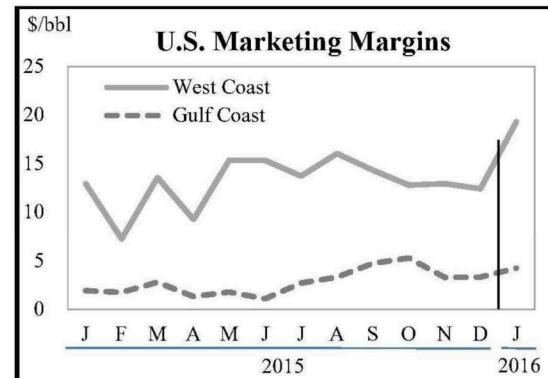
- The **Gulf Coast refining margin** decreased \$2.04/bbl to \$10.80/bbl in January, as gasoline prices fell faster than crude on higher inventory.
- The **West Coast refining margin** declined \$4.96/bbl to \$15.24/bbl in January, as gasoline prices fell faster than crude on increased imports and inventory.
- The **Asia Pacific refining margin** rose \$0.99/bbl to \$9.94/bbl in January, as the fall in fuel oil and gasoline prices lagged crude on increased demand.

<sup>1</sup>U.S. regional refining indicator margins are used for internal purposes to estimate margin potential using market prices and planned refinery input and output volumes.



### U.S. MARKETING MARGINS

- The **West Coast marketing margin** increased \$6.90/bbl to \$19.32/bbl in January, as spot prices fell faster than selling prices.
- The **Gulf Coast marketing margin** grew \$0.92/bbl to \$4.26/bbl in January, as spot prices dropped faster than selling prices.



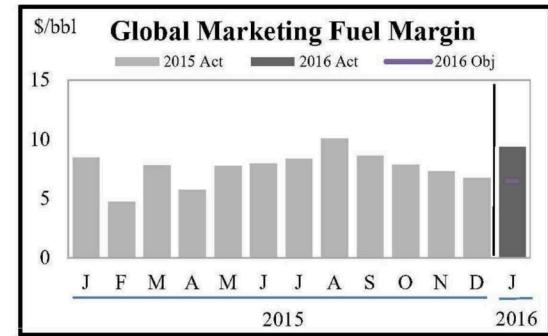
### INTERNATIONAL MARKETING MARGINS

- The **Asia Pacific marketing margin** fell \$1.03/bbl to \$11.08/bbl in January, as the decline in product prices outpaced the drop in product costs.



### GLOBAL MARKETING FUEL MARGIN

- The realized Global Marketing Fuel Margin increased to \$9.36/bbl in January, \$2.89/bbl above the 2016 Objective of \$6.47/bbl.
- The Global Marketing Fuel Margin is the gross margin realized on petroleum product sales. It excludes non-fuel sources and represents a worldwide average based on the weighted average of sales in each region.



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## Volumes & Capacity Utilization

### NET OEG PRODUCTION

U.S. OEG production decreased 9 MBD between months as unplanned downtime in the Gulf of Mexico, winter weather impacts in the MidContinent, and field decline in Appalachian/Michigan more than offset new production in the MidContinent.

Year-to-date OEG production was 47 MBD above Objective primarily on the timing of planned asset sales.

**International** OEG production fell 74 MBD between months reflecting unfavorable net PSC-related impacts – primarily in the Congo, Indonesia, and Bangladesh, and unplanned downtime in Kazakhstan and Australia.

Year-to-date OEG production was 24 MBD above Objective driven by favorable net PSC-related impacts. The timing of new production and various other timing differences, partly offset.

(MBD)	Net OEG Production				% of Obj
	Dec	Jan	YTD	Obj	
U.S.	707	698	698	107	
<b>International</b>					
Angola	117	120	120	82	
Argentina	27	28	28	108	
Australia	100	89	89	57	
Azerbaijan	32	28	28	100	
Bangladesh	136	120	120	110	
Brazil	17	18	18	78	
Canada	86	89	89	117	
China	20	21	21	75	
Colombia	24	26	26	118	
Republic of the Congo	53	26	26	93	
Denmark	19	21	21	95	
Indonesia	256	228	228	125	
Kazakhstan	447	439	439	112	
Nigeria	267	265	265	106	
Philippines	26	27	27	113	
Middle East (PZ)	-	-	-	0	
Thailand	234	242	242	100	
Trinidad	19	17	17	106	
U.K.	67	72	72	118	
Venezuela	64	62	62	93	
Other	25	24	24	120	
<b>Total International</b>	<u>2,036</u>	<u>1,962</u>	<u>1,962</u>	101	
<b>Total OEG Production</b>	<b>2,743</b>	<b>2,660</b>	<b>2,660</b>	<b>103</b>	

### TOTAL REFINED PRODUCT SALES

**U.S. refined product sales** fell 37 MBD between months on lower jet fuel sales, fewer west coast gas oil cargoes, and lower gasoline sales driven by weak seasonal demand.

**International refined product sales** decreased 77 MBD between months led by reduced third-party gasoline sales in Asia. Also contributing was other refined products on lower asphalt sales at GSC.

**Trading refined product sales** declined 3 MBD as higher gasoline sales in Asia were mostly offset by lower fuel oil sales in Latin America and fewer opportunities in Asia.

MBD	Total Refined Product Sales				% of Obj
	Dec	Jan	YTD	Obj	
<b>U.S.</b>					
Mogas	602	591	591	98	
Jet fuel	256	237	237	109	
Gas oil	185	173	173	85	
Fuel oil	16	19	19	136	
Other	99	101	101	110	
<b>U.S. Total<sup>1</sup></b>	<b>1,158</b>	<b>1,121</b>	<b>1,121</b>	<b>99</b>	
<b>International</b>					
Mogas	208	189	189	103	
Jet fuel	130	128	128	114	
Gas oil	209	200	200	97	
Fuel oil	28	22	22	88	
Other	67	61	61	92	
Affiliates	425	390	390	106	
<b>International Total<sup>1</sup></b>	<b>1,067</b>	<b>990</b>	<b>990</b>	<b>103</b>	
<b>Trading</b>	<b>477</b>	<b>474</b>	<b>474</b>	<b>95</b>	

<sup>1</sup> Excludes Trading.

### SOLOMON UTILIZATION RATES

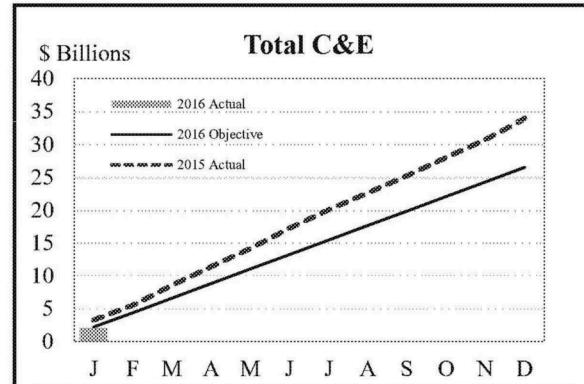
Utilization increased at Richmond and El Segundo on absence of planned and unplanned downtime.

Solomon Utilization Rates				
%	Dec	Jan	YTD	% of Obj
Richmond	65	85	85	110
El Segundo	80	90	90	110
Pascagoula	92	84	84	104
Cape Town	81	80	80	100
Star Petroleum	95	95	95	100
Singapore Refining	91	87	87	98
GSC - Caltex	89	91	91	103
Global Refining	85	87	87	104

## Capital & Exploratory Expenditures and Operating Expense

### C&E EXPENDITURES

- **Worldwide** January year-to-date capital and exploratory expenditures (including affiliates) of \$2,117 MM were 8% of the full year Objective. Cash capital and exploratory expenditures of \$1,852 MM were also 8% of full-year Plan.



- The pace of total spending was slightly below Plan.

	C&E					
	\$ Millions	Dec	Jan	YTD 2016	2016 Obj	% of Obj
Upstream	2,747	1,987	1,987	1,987	23,966	8
Downstream	357	127	127	127	2,198	6
Other	85	3	3	3	390	1
<b>Total C&amp;E</b>	<b>3,189</b>	<b>2,117</b>	<b>2,117</b>	<b>2,117</b>	<b>26,554</b>	<b>8</b>
Affiliates	382	265	265	265	4,422	6
<b>Cash C&amp;E</b>	<b>2,807</b>	<b>1,852</b>	<b>1,852</b>	<b>1,852</b>	<b>22,132</b>	<b>8</b>

### OPERATING EXPENSE

- **January year-to-date** unit operating expense was \$17.13/bbl, \$3.52/bbl below Objective.
- **Absolute dollars** were \$351 MM below ratable Objective, primarily reflecting the timing of costs.
- **Volumes** were 2 MMbbls above Plan on higher volumes in the Upstream.

	Operating Expense				
	YTD 2016	FY 2016 Obj	\$MM	% of Obj	\$MM
<b>Upstream</b>	<b>1,061</b>	<b>15.31</b>	<b>14,932</b>	<b>18.81</b>	<b>7</b>
North America	366	14.76	4,918	18.32	7
Asia Pacific	261	11.25	4,287	15.79	6
Europe, Eurasia, Middle East	124	21.38	1,642	23.94	8
Africa, Latin America	275	17.74	3,411	19.02	8
<b>Downstream &amp; Chemicals</b>	<b>758</b>	<b>14.21</b>	<b>10,855</b>	<b>17.20</b>	<b>7</b>
Americas Products	503	-	6,732	-	7
International Products	122	-	1,856	-	7
Other	133	-	2,267	-	6
<b>Gas and Midstream<sup>1</sup></b>	<b>236</b>	<b>-</b>	<b>2,515</b>	<b>-</b>	<b>9</b>
<b>Other</b>	<b>46</b>	<b>-</b>	<b>1,126</b>	<b>-</b>	<b>-</b>
<b>Total OPEX</b>	<b>2,101</b>	<b>17.13</b>	<b>29,428</b>	<b>20.65</b>	<b>7</b>

<sup>1</sup> Excludes Trading

## Cash Flow & Debt

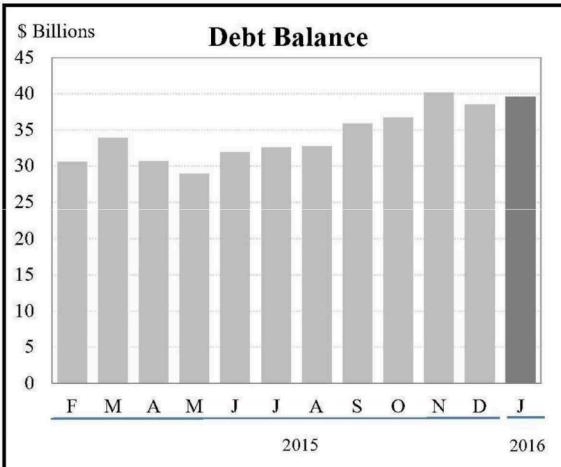
### CASH FLOW

- January year-to-date **Cash from Operations** was \$0.7 billion.
- **Working Capital/Other** consumed \$1.0 billion reflecting lower accounts and taxes payable and increased inventory. A reduction in accounts receivable, prepaid & other short term assets, and an increase in accrued liabilities, partly offset.
- **Uses of cash** through January totaled \$1.9 billion with cash C&E expenditures of \$1.9 billion. There were no dividend payments or share repurchases in the period.
- **Cash flow** through January consumed \$1.2 billion. Debt balances rose by 1.1 billion, while the cash balance decreased by \$0.1 billion.

Cash Flow	Year	Year	2016	
	\$ Billions	2015	2016	Obj
<b>Earnings</b>		<b>4.6</b>	<b>0.3</b>	<b>4.0</b>
DD&A		21.0	1.4	19.3
Working Capital/Other		(5.4)	(1.0)	(7.4)
<b>Cash from Operations</b>		<b>20.2</b>	<b>0.7</b>	<b>15.9</b>
Asset Sales Proceeds		5.7	0.0	5.6
<b>Available Cash</b>		<b>25.9</b>	<b>0.7</b>	<b>21.5</b>
Cash C&E Spending		(30.6)	(1.9)	(22.1)
Dividends		(8.0)	0.0	(8.2)
Share Repurchases		0.0	0.0	0.0
<b>Uses of Cash</b>		<b>(38.6)</b>	<b>(1.9)</b>	<b>(30.3)</b>
<b>Total Cash Flow</b>		<b>(12.7)</b>	<b>(1.2)</b>	<b>(8.8)</b>
Change in Debt		10.8	1.1	3.4
<b>Net Change in Cash</b>		<b>(1.9)</b>	<b>(0.1)</b>	<b>(5.4)</b>
Cash Balance		11.3	11.2	5.9
Debt Balance		38.6	39.7	42.0

### DEBT

- **Debt balances** of \$39.7 billion at the end of January were up \$1.1 billion from December 2015.
- **Commercial Paper debt** increased \$1.2 billion to \$9.4 billion.
- The **debt ratio** rose 0.6% from December 2015 to 20.8%.



Debt Components			
\$ Billions	12/31/15	1/31/16	Change
Commercial Paper	8.2	9.4	1.2
Current Portion L/T	1.5	1.5	0.0
Other S/T	0.0	0.0	0.0
Tax Exempt Bonds	3.2	3.2	0.0
L/T Debt	25.7	25.6	(0.1)
<b>Total Debt</b>	<b>38.6</b>	<b>39.7</b>	<b>1.1</b>
Debt Ratio %	20.2	20.8	0.6

## Balance Sheet Comparison

**Chevron Corporation**  
**Consolidated Balance Sheet**  
(\$ Millions)

Assets	December 31, 2015	January 31, 2016 (unaudited)	Change
Cash and Cash Equivalents	11,022	10,941	(81)
Time Deposits	-	-	-
Marketable Securities	310	307	(3)
Accounts and Notes Receivable	12,860	12,240	(620)
Inventories	6,334	6,603	269
Prepaid Expense & Other Current Assets	4,821	4,503	(318)
<b>Total Current Assets</b>	<b>35,347</b>	<b>34,594</b>	<b>(753)</b>
Long-Term Receivables	2,412	2,354	(58)
Investments and Advances	27,110	27,454	344
Properties, Plant and Equipment, At Cost	340,277	342,228	1,951
Accumulated DD&A	(151,881)	(153,127)	(1,246)
Net Properties, Plant and Equipment	188,396	189,101	705
Goodwill	4,588	4,588	-
Deferred Charges and Other Assets	6,801	6,914	113
Assets Held for Sale	1,449	1,449	-
<b>Total Assets</b>	<b>266,103</b>	<b>266,454</b>	<b>351</b>
<b>Liabilities and Equity</b>			
Short-term Debt	4,928	6,039	1,111
Accounts Payable	13,516	12,825	(691)
Accrued Liabilities	4,833	7,113	2,280
Federal and Other Taxes on Income	2,069	1,899	(170)
Other Taxes Payable	1,118	1,014	(104)
<b>Total Current Liabilities</b>	<b>26,464</b>	<b>28,890</b>	<b>2,426</b>
Long-term Debt	33,584	33,542	(42)
Capital Lease Obligations	80	79	(1)
Deferred Credits & Other L-T Obligations	23,465	23,380	(85)
Deferred Income Taxes	20,689	20,452	(237)
Reserves For Employee Benefit Plans	7,935	7,900	(35)
<b>Total Liabilities</b>	<b>112,217</b>	<b>114,243</b>	<b>2,026</b>
Common Stock	1,832	1,832	-
Capital in Excess of Par Value	16,330	16,350	20
Retained Earnings	181,578	179,843	(1,735)
Accumulated Other Comprehensive Loss	(4,291)	(4,253)	38
Deferred Compensation and Benefit Plan Trust	(240)	(240)	-
Treasury Stock	(42,493)	(42,477)	16
<b>Total Chevron Corporation Stockholders' Equity</b>	<b>152,716</b>	<b>151,055</b>	<b>(1,661)</b>
Noncontrolling Interests	1,170	1,156	(14)
<b>Total Equity</b>	<b>153,886</b>	<b>152,211</b>	<b>(1,675)</b>
<b>Total Liabilities and Equity</b>	<b>266,103</b>	<b>266,454</b>	<b>351</b>

## ***Balance Sheet Commentary***

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***JANUARY 31, 2016 vs. DECEMBER 31, 2015***

### ***ASSETS***

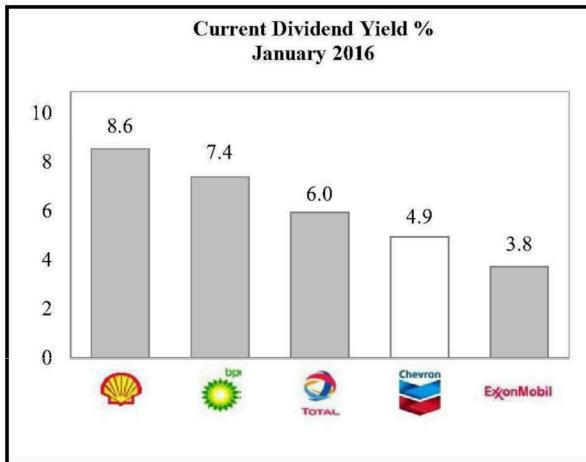
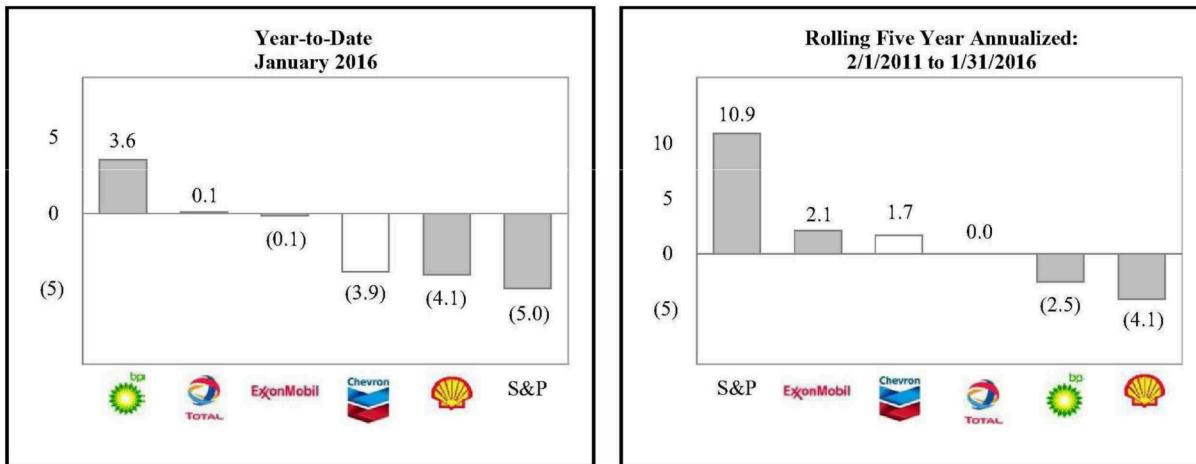
- **Current Assets** decreased \$753 MM from December 2015 on reduced accounts and notes receivable, prepaid expense & other current assets, and cash and cash equivalents. An increase in inventories, partly offset.
- **Non-Current Assets** rose \$1,104 MM from December 2015. Net property, plant and equipment rose in-line with current year capital and exploratory expenditures.

### ***LIABILITIES & EQUITY***

- **Current Liabilities** were \$2,426 MM higher than December 2015 on increased accrued liabilities and short term debt. Decreased accounts payable, federal and other taxes on income, and other taxes payable, partly offset.
- **Non-Current Liabilities** were lower by \$400 MM compared to December 2015, driven by reduced deferred income taxes and deferred credits and other long-term obligations.
- **Total Equity** decreased \$1,675 MM from December 2014 reflecting dividends of \$2.0 billion, partly offset by net income of \$0.3 billion.

## Shareholder Returns & Stock Prices

### TOTAL SHAREHOLDER RETURN %



**Dividends and Cash Flow from Operations (\$ Millions)**

	Dividends 4Q15 Actuals	Cash Flow from Operations 4Q15 Actuals	Div. as a % of Cash Flow from Operations
ExxonMobil	3,054	4,300	71
RD Shell <sup>1</sup>	3,007	5,423	55
Chevron	1,999	4,557	44
Total <sup>1</sup>	1,608	4,838	33
BP <sup>1</sup>	1,841	5,806	32

<sup>1</sup> Includes 4Q15 cash equivalent proxy of scrip dividends paid in lieu of cash dividends for RDS (1.2B), TOT (1.0B) and BP (0.3B).

**Stock Prices and Dividends**

**52-week Intraday Stock Prices as of 1/31/2016**

Company	52-week Intraday Stock Prices as of 1/31/2016				Dividends				
	High	Low	Close	Fwd P/E <sup>2</sup>	Current Dividend	Yield % <sup>3</sup> at 1/31	Last Period	Change % Action <sup>4</sup>	5-yr Div CAGR
Chevron	112.93	69.58	86.47	51.8	1.07	4.9	2Q14	7.0	8.2
BP	43.85	27.56	32.37	24.4	0.60	7.4	4Q14	2.6	n/a <sup>5</sup>
ExxonMobil	93.45	66.55	77.85	31.1	0.73	3.8	2Q15	5.8	10.7
RD Shell	67.16	35.80	43.93	14.1	0.94	8.6	2Q14	4.4	2.3
Total	55.86	39.05	44.32	15.2	0.66	6.0	2Q14	3.4	(3.0)
S&P 500	2,134.72	1,812.29	1,940.24	15.7	-	2.3	-	-	13.5

<sup>2</sup> Trailing 20-day average closing price divided by ThomsonOne consensus EPS estimate for FY2016.

<sup>3</sup> Current quarter per-share dividend rate (annualized) as a % of month-end price.

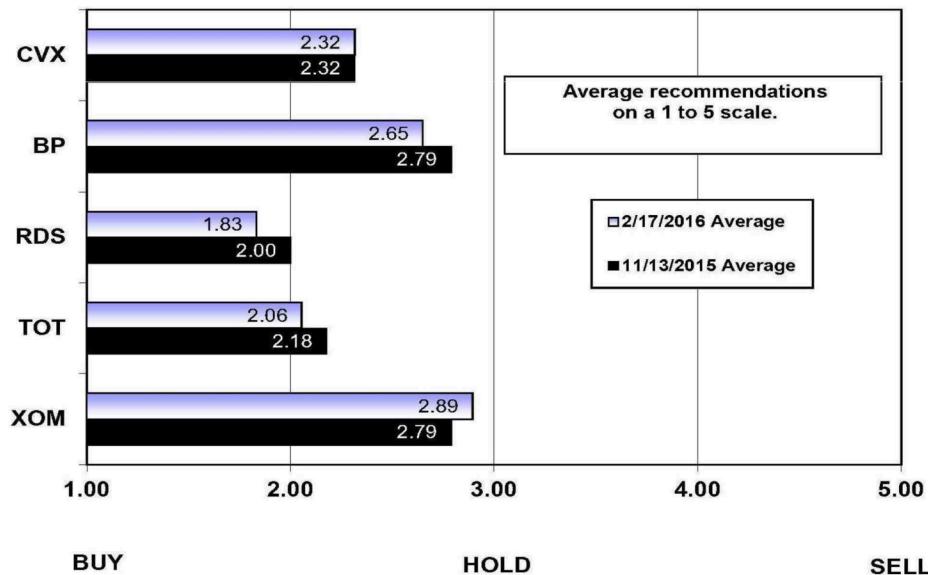
<sup>4</sup> TOT's Dividend "% Action" based on announcement in euros, all others in USD. TOT's % Action on USD basis is (19.2)% due to FX.

<sup>5</sup> BP did not pay a dividend from 2Q10-4Q10 following the Macondo incident, so a 5-yr CAGR will not be available again until 1Q16.

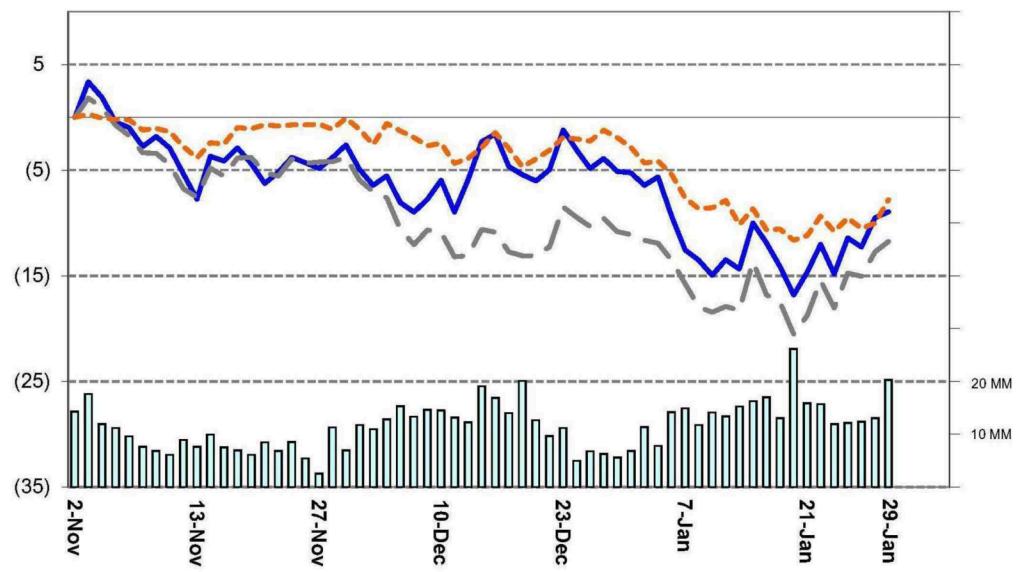
## Stock Performance

### ANALYST RECOMMENDATIONS

#### Average Institutional Recommendation



Price Movement %



Prepared by:  
Corporation Comptroller's  
Financial Reporting & Analysis

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