**Michael K. Wirth**
Chairman and Chief Executive Officer

August 28, 2019

**CLASSIFIED**

Dr. Wanda M. Austin
Mr. John B. Frank
Dr. Alice P. Gast
Mr. Enrique Hernandez, Jr.
Mr. Charles W. Moorman IV
Dr. Dambisa F. Moyo
Ms. Debra Reed-Klages
Dr. Ronald D. Sugar
Mr. Inge G. Thulin
Mr. D. James Umpleby III

**Performance**

- Earnings in July were $1.2 billion, $0.6 billion above June, primarily due to higher refining margins and a favorable swing in foreign exchange. Year-to-date earnings through July were $8.1 billion – 95% of YTD plan, or 106% of YTD plan on a price normalized basis.

- Unit operating expense (excluding fuel) through July was $15.24 per barrel, slightly above the $15.13 per barrel full-year objective.

- Year-to-date total cash flow through July was $3.6 billion, ahead of the $2.8 billion full-year objective. Year-to-date total C&E expenditures were $11.7 billion, in line with ratable plan.

- July production was 3,068 MBOED, down 32 MBOED from June's all-time monthly high, primarily on hurricane Barry impacts in the Gulf of Mexico and increased downtime across multiple assets. Year-to-date July production was 3,062 MBOED, ahead of seasonalized plan and on track with external guidance.

- On August 6, safely started up and commenced first injection of the Gorgon carbon dioxide ($CO_2$) injection system on Barrow island. Once fully operational, the $CO_2$ injection system will reduce Gorgon's greenhouse gas emissions by 40 percent, or 3.6 to 4.0 million tonnes per year. This represents the world's largest greenhouse gas mitigation project ever undertaken by industry.

**Industry Conditions**

- Brent prices have moved lower toward $60 as trade tensions and slowing economic indications continue to put downward pressure on prices. In the next few months, there is potential price volatility due to many factors, including U.S. Gulf Coast hurricane risk and slowing seasonal demand with the end of the summer driving season.

- U.S. Henry Hub spot gas prices continue to decline through the summer months with a year-to-date average of $2.64. Despite inventories remaining below the 5-year average, prices are weak because of strong production growth.

- Asia spot LNG prices have averaged $5.41 year-to-date and are currently trading near $4.50. Global market conditions remain bearish due to weaker demand growth in Asia and continued strong supply.

**Chevron Corporation**
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Tel 925 842 3232 Fax 925 842 1230

I look forward to seeing you in San Ramon for our September meeting. We will focus on our company's culture during Tuesday's session, and we are planning activities to expose you to more of our San Ramon employees and campus.

Please don't hesitate to call me if you have any questions.

Best regards,

Mike

Michael K. Wirth
Chairman & CEO
Chevron Corporation

Enclosures

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

**List of Enclosures**

1. 2020 Schedule of Board & Board Committee Meetings
2. 2020 – 2023 Schedule of Board Meeting Dates
3. Chevron U.S. Master Pension Trust Performance Review Mid-Year 2019
4. Reactions to Chevron Second Quarter 2019 Conference Call
5. Reactions to Competitors' Second Quarter 2019 Conference Calls
6. Public Policy Issues Brief
7. July Performance Summary

*-Classified-*

**CHEVRON CORPORATION**
**2020 SCHEDULE OF BOARD AND BOARD COMMITTEE MEETINGS**

| DATE | MEETING | TIME (PACIFIC) | LOCATION |
|---|---|---|---|
| January 28 | Board Nominating and Governance Committee | 1:00 p.m. | A4320 |
| | Public Policy Committee/BN&GC (**joint session**) | 2:00 p.m. | A4330 |
| | Audit Committee | 3:15 p.m. | Board Room |
| | Management Compensation Committee | 3:45 p.m. | A4320 |
| | **Board Briefing** | **6:00 p.m.** | **Board Room** |
| | **Board Dinner** | **7:00 p.m.** | **Executive Dining Rm** |
| January 29 | **Board of Directors** | **7:00 a.m.** | **Board Room** |
| | | | |
| February 18 | Board Nominating and Governance Committee (if needed) | 10:00 a.m. | Teleconference |
| | | | |
| February 20 | Audit Committee--summary review of the Form 10-K<br>(**all Directors invited at their option**) | 12:30 p.m. | Teleconference |
| | | | |
| March 24 | [Overview & Tour] | 12:00 p.m. CT | Houston, TX |
| | Board Nominating and Governance Committee | 2:00 p.m. CT | Houston, TX |
| | Public Policy Committee | 3:15 p.m. CT | Houston, TX |
| | Management Compensation Committee | 4:30 p.m. CT | Houston, TX |
| | **Board Briefing** | **6:00 p.m. CT** | **Houston, TX** |
| | **Board Dinner** | **7:00 p.m. CT** | **Houston, TX** |
| March 25 | **Board of Directors** | **7:00 a.m. CT** | **Houston, TX** |
| | | | |
| April 29 | Audit Committee | 7:00 a.m. | Teleconference |
| | **Board of Directors (if needed)** | **9:00 a.m.** | **Teleconference** |
| | | | |
| May 6 | Audit Committee | 8:00 a.m. | Teleconference |
| | | | |
| May 26 | Board Nominating and Governance Committee | 4:45 p.m. | A4320 |
| | **Board Briefing** | **6:00 p.m.** | **Board Room** |
| | **Board Dinner** | **7:00 p.m.** | **Executive Dining Rm** |
| May 27 | **Board Briefing** | **7:00 a.m.** | **Board Room** |
| | Annual Stockholders' Meeting | 8:00 a.m. | Auditorium |
| | **Board of Directors** | **After Annual Mtg.** | **Board Room** |
| | | | |
| July 28 | BN&GC/Public Policy Committee (**joint session**) | 1:15 p.m. | A4330 |
| | Board Nominating and Governance Committee | 1:45 p.m. | A4320 |
| | Audit Committee | 2:45 p.m. | Board Room |
| | Public Policy Committee | 3:00 p.m. | A4330 |
| | Management Compensation Committee | 4:15 p.m. | A4320 |
| | **Board Briefing (Succession and Development Planning)** | **5:30 p.m.** | **Board Room** |
| | **Board Dinner** | **7:00 p.m.** | **Executive Dining Rm** |
| July 29 | **Board of Directors** | **7:00 a.m.** | **Board Room** |
| | | | |
| August 5 | Audit Committee | 8:00 a.m. | Teleconference |
| | | | |
| **International Board Trip – September 25 through October 2 (Kazakhstan)** | | | |
| September 30 | **Board of Directors** | **7:00 a.m.** | **TBD** |
| | | | |
| October 28 | Audit Committee | 7:30 a.m. | Teleconference |
| | **Board of Directors (if needed)** | **9:00 a.m.** | **Teleconference** |
| | | | |
| November 5 | Audit Committee | 8:00 a.m. | Teleconference |
| | | | |
| December 1 | Board Nominating and Governance Committee | 1:30 p.m. | A4320 |
| | Audit Committee | 2:45 p.m. | Board Room |
| | Public Policy Committee | 2:30 p.m. | A4330 |
| | Management Compensation Committee | 4:00 p.m. | A4320 |
| | **Board Briefing (Succession and Development Planning)** | **5:30 p.m.** | **Board Room** |
| | **Board Dinner** | **7:00 p.m.** | **Executive Dining Rm** |
| December 2 | **Board of Directors** | **7:00 a.m.** | **Board Room** |

- ***7:00 a.m. in-person Board meetings will end around noon.***
- ***9:00 a.m. telephonic Board meetings will end around 10:00 a.m.***

8/20/2019

*-Classified-*

# CHEVRON CORPORATION
# 2020 - 2023 SCHEDULE OF BOARD MEETINGS*

| ***2020*** | ***2021*** | ***2022*** | ***2023*** |
|---|---|---|---|
| January 29 | January 27 | January 26 | January 25 |
| March 25 | March 31 | March 30 | March 29 |
| April 29<br>***Teleconference (if needed)*** | April 28<br>***Teleconference (if needed)*** | April 27<br>***Teleconference (if needed)*** | April 26<br>***Teleconference (if needed)*** |
| May 27<br>***Annual Meeting*** | May 26<br>***Annual Meeting*** | May 25<br>***Annual Meeting*** | May 31<br>***Annual Meeting*** |
| July 29 | July 28 | July 27 | July 26 |
| September 30 | September 29 | September 28 | September 27 |
| October 28<br>***Teleconference (if needed)*** | October 27<br>***Teleconference (if needed)*** | October 26<br>***Teleconference (if needed)*** | October 25<br>***Teleconference (if needed)*** |
| December 2 | December 1 | December 7 | December 6 |

*Please note that Board meeting dates are subject to change as specified in advance by the Chairman and approved by the Board.

7/30/19

# CHEVRON U.S. MASTER PENSION TRUST
# PERFORMANCE REVIEW MID-YEAR 2019 (ENDING JUNE 30, 2019)

## Investment Objectives

The primary investment objectives of the Chevron U.S. Master Pension Trust (Trust) are: to achieve the highest rate of total return within prudent levels of risk and liquidity; to diversify and mitigate potential downside risk associated with the investments; and to provide liquidity for benefit payments and portfolio management.

## Funded Status

The Chevron Retirement Plan (CRP), which constitutes about 99% of the Trust, is fully funded from an IRS statutory standpoint. On an accounting basis, the Projected Benefit Obligation (PBO) funded ratio of the CRP at June 30, 2019 was 82%, down 1% from year-end 2018, driven by an increase in the value of liabilities from lower interest rates; the rise in asset value from strong investment returns and company contributions, partly offset.

**Trust Funded Status**

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Total Trust Assets ($MM) | 9,597 | 8,532 |
| Projected Benefit Obligation ($MM) | 11,709 | 10,272 |
| **Funded Ratio:** | | |
| Assets to Liabilities, PBO (%) | **82** | **83** |

The pension liability remains small relative to the Company's balance sheet and is projected to decline over time for two primary reasons:

- the high percentage of employees who elect lump sum distributions upon retirement, and
- the change in the pension formula that the Company implemented in 2008 effective with all new hires going forward.

As such, the pension plan remains affordable.

## Market Overview

In the first six months of 2019, all primary asset classes in the Trust – as represented by the policy benchmarks – posted gains. The Trust's composite policy benchmark rose almost 13% driven by a sharp rebound from the market sell-off late last year. Historical market performance returns are provided in the following table.

**Historical Market Performance (%)**

| | | Trailing Periods (Annualized) | | |
|---|---|---|---|---|
| | YTD | 1 Year | 3 Year | 5 Year |
| **Trust Policy Benchmark** | **12.6** | **7.6** | **8.0** | **5.6** |
| Global Equity | 16.1 | 4.6 | 11.4 | 6.0 |
| Long Duration Fixed Income | 15.8 | 15.2 | 5.4 | 5.8 |
| Diversified Credit | 8.6 | 8.1 | 5.8 | -- |
| Real Assets | 2.7 | 6.5 | 7.0 | 9.2 |
| Alternative Investments | 6.2 | 3.2 | 1.9 | 2.4 |

## Trust Performance

The value of the Trust assets was $9.6 billion – up $1.1 billion during the first half of 2019. The net change was driven by the factors depicted in the following table:

| Change in Trust Value ($MM) | June 2019 |
|---|---|
| Return on Assets | 941 |
| Contributions | 550 |
| Benefit Payments | (420) |
| Administrative Fees | (5) |
| **Net Change** | **1,066** |

In aggregate, the Trust underperformed its policy benchmark for the June year-to-date, 1- and 3-year trailing periods, and outperformed its policy benchmark for the 5-year period. The current year's underperformance of 1.37% through June 30 reflected both relative manager performance and asset allocation effects, which contributed (1.38)% and 0.09%, respectively, as further discussed in the sections below.

**Trust Performance vs. Benchmark (%)**

| | | Trailing Periods (Annualized) | | |
|---|---|---|---|---|
| | YTD | 1 Year | 3 Year | 5 Year |
| Trust Performance | 11.25 | 6.71 | 7.69 | 5.75 |
| Trust Policy Benchmark | 12.62 | 7.59 | 8.00 | 5.64 |
| **Excess Return** | **(1.37)** | **(0.88)** | **(0.31)** | **0.11** |
| ▪ Relative Manager Performance | (1.38) | (0.78) | (0.39) | (0.04) |
| ▪ Trust Asset Allocation Effect [1] | 0.09 | (0.08) | 0.09 | 0.14 |
| ▪ Residual [1,2] | (0.07) | (0.03) | (0.01) | 0.01 |

(1) Data sourced from Northern Trust attribution model
(2) Residual driven by manager transitions and other miscellaneous factors

## Relative Manager Performance

The Trust's alternative investments, equity and long duration fixed income portfolios underperformed their benchmarks through the first half of 2019; outperformance by the real assets and diversified credit portfolios partly offset, as detailed below.

**Equity.** The Trust's equity managers underperformed their relative benchmark by 0.64%. Underperformance by International and Global managers, primarily driven by stock selection, outweighed outperformance by U.S. managers.

**Long Duration Fixed Income.** The Trust's long duration fixed income managers performed slightly below the benchmark.

**Diversified Credit.** The Trust's diversified credit portfolio outperformed its benchmark by 0.14%, led by emerging market debt managers on an overweight to Latin America.

**Real Assets.** The Trust's real estate portfolio outperformed the benchmark by 0.17% primarily due to strong performance from its investment in infrastructure.

**Alternative Investments.** The Trust's alternative investments portfolio underperformed the benchmark by 10.04%. Alternative investments aim to reduce the Trust's portfolio risk while maintaining a similar expected return in the long run by focusing on market-neutral strategies (i.e., can be long or short) that have a low expected correlation to traditional asset classes. As such, performance is primarily evaluated on risk reduction effects over long-term market cycles. Moreover, benchmarks are currently limited in their ability to represent the wide-ranging quantitative models that managers deploy to construct their strategy, which makes benchmarks less useful in gauging relative performance. The portfolio's performance is being actively monitored, as are evolving benchmarks for this strategy, and may result in additional actions, if warranted.

A comparison of historical aggregate manager performance relative to benchmark, by major asset class, is shown in the table below.

**Relative Manager Performance vs. Benchmark (%)**

| | | Trailing Periods (Annualized) | | |
|---|---|---|---|---|
| | YTD | 1 Year | 3 Year | 5 Year |
| Total Equity (%) | (0.64) | 0.31 | (0.32) | 0.07 |
| Long Duration Fixed Income | (0.03) | (0.21) | 0.20 | 0.29 |
| Diversified Credit [1] | 0.14 | 0.18 | 0.20 | NA |
| Real Assets | 0.17 | 1.76 | 0.52 | 0.43 |
| Alternative Investments [2] | (10.04) | (9.79) | NA | NA |

(1) The diversified credit portfolio began in March 2015
(2) The alternative investments portfolio began in October 2016

## Asset Allocation

Asset allocation effects represent differences in actual versus policy benchmark weights for each asset class. The associated 0.09% outperformance through June 30 mainly reflected the Trust's underweight to cash.

**Trust Asset Allocation**

| | Policy | | Actual Asset Allocation | | | |
|---|---|---|---|---|---|---|
| | Ranges | Benchmark | June 30, 2019 | | December 31, 2018 | |
| | % | | $MM | % | $MM | % |
| Total Equity | 30 - 60 | 45 | 4,292 | 45% | 3,720 | 44% |
| LD Fixed Income | 20 - 40[1] | 25 | 2,450 | 26% | 2,217 | 26% |
| Diversified Credit | 20 - 40[1] | 5 | 472 | 5% | 434 | 5% |
| Real Assets | 0 - 15 | 10 | 1,058 | 11% | 1,064 | 12% |
| Alternative Investments | 0 - 15 | 10 | 905 | 9% | 941 | 11% |
| Cash & Other | 0 - 25 | 5 | 419 | 4% | 156 | 2% |
| **Total Trust Assets** | | | **9,597** | **100%** | **8,532** | **100%** |

(1) Represents a combined range for Total Fixed Income including both Long Duration Fixed Income and Diversified Credit

## Trust & Plan Updates

Chevron prefunds the Trust as required by the Employee Retirement Income Security Act (ERISA) or in certain situations where it provides economic advantages. In March, the Company approved a contribution of $900 million for the CRP (the largest plan in the Trust); as of June 30, $550 million has been contributed. The remaining $350 million is expected to be contributed in the third quarter.

An Asset-Liability Modeling study (ALM) is completed annually to evaluate the Trust's strategic asset allocations for opportunities to improve performance and reduce risk. 2019's ALM concluded that the portfolio's current return-seeking / liability-hedging asset mix of 70/30 remains appropriate, offering a good risk-reward balance.

As part of its ongoing focus on risk reduction strategies, the Investment Committee approved a $1.8 billion reallocation from long corporate bonds to long U.S. Treasury STRIPS to help manage the Trust's interest rate exposure. Long U.S. Treasury STRIPS are non-interest paying fixed income instruments with 20+ year maturities and higher sensitivity to interest rates that aim to better offset rate-driven volatility in the value of the Trust's liability. The reallocation will result in the following changes to the policy benchmark of each fixed income sub-asset class:

**Trust Policy Benchmark (%)**

| | Current | Post-Reallocation |
|---|---|---|
| **Total Fixed Income** | **30** | **30** |
| Long Duration Fixed Income | 25 | 5 |
| Diversified Credit | 5 | 5 |
| STRIPS | 0 | 20 |

Funding of the new strategy is expected to be completed over the next 12 months.

As referenced in prior briefs, the U.S. Department of Labor (DOL) commenced an audit of the Trust and CRP shortly after the Company received notification about these audits in late 2016. The DOL periodically audits company-sponsored plans as part of its normal course of business. The CRP received a closing letter in July 2019 stating that the CRP audit was complete, with the DOL taking no further action. As reported previously, the Trust audit had been completed in September 2018 with no findings.

The formerly announced transition of defined benefit plan recordkeeping and administrative services to our new service provider, Willis Towers Watson, was completed in June 2019.

## U.S. Employee Savings Investment Plan

Chevron sponsors the U.S. Employee Savings Investment Plan (ESIP). Plan members' contributions are matched by the Company up to a preset limit. Both member and company contributions are invested in designated investment choice(s) selected by each plan participant. In addition to Chevron stock, the ESIP offers 16 actively managed and indexed investment funds, a family of target date funds, and a brokerage window that has access to over 8,000 mutual funds and all publicly traded exchange-traded funds (ETFs). The ESIP's investment options are periodically monitored for performance and costs. Assets in the ESIP amounted to $18.6 billion at June 30, 2019.

As previously reported, the ESIP Investment Committee approved the removal of three funds in the lineup representing just over $1 billion, or about 6% of plan assets, following a review and evaluation of various alternatives developed by Callan LLC, an institutional investment consulting firm. The Committee also approved the replacement of a fourth fund (actively managed) with a passively managed equivalent fund. The changes were implemented in July 2019 and reduced the number of actively managed and indexed investment fund offerings to 13.

# Reactions to Chevron’s 2Q 2019 Conference Call

***Adjusted EPS was $1.78/diluted share vs. consensus of $1.76, a 1% beat*** *(Note: excluding foreign exchange effects, EPS was $1.77/diluted share)*

**JP Morgan – “Straight Down the Fairway” (Overweight / $142)**
“Against the backdrop of some pretty messy prints in the energy sector, including several IOC peers, we would describe CVX's 2Q as fairly “straight down the fairway.” EPS/FCF were similar to our expectations, while full year production and capex are tracking in line, if not a little better. On the CC, CVX provided more disclosure around Permian production, capex and FCF, which we thought were helpful and positive, particularly around the FCF dynamics (discussed a bit more below). Meanwhile, with a net debt/cap at the lowest level since 2Q15, CVX is well positioned for some combination of return of capital and/or even M&A if shale valuations continue to get more attractive.”

**Morgan Stanley – “Divergent Results Across the Sector” (Overweight / $144)**
“CVX posted strong upstream earnings above consensus estimates; however, weaker refining and chemicals margins led to in-line EPS for CVX and -6% below consensus EPS for XOM, after adjusting for special items in the quarter. Headwinds in both segments should continue, though disproportionately impacting XOM given greater exposure to these businesses. We reiterate our preference for CVX over XOM. Despite strong cash flow with lower risk growth, CVX trades at a ~15% discount to XOM – an unwarranted valuation gap in our view.

**Goldman Sachs – “Strong Operation Execution and Capital Discipline Underpin” (Buy / $144)**
“Our positive view is underpinned by (1) Chevron’s low Brent breakeven, allowing the company to cover its capex and dividend around $50/bbl Brent, (2) a strong backlog of projects to drive production growth including the Permian, LNG, and Tengiz, (3) management’s commitment to capital discipline, as demonstrated by the higher-than-expected buyback level this quarter and CVX’s opportunistic approach to M&A.”

**Wolfe Research – “FCF Pace, Return of Cash, and Positive Incremental Permian Disclosure Support Peer Group Leadership” (Outperform / $151)**
“Our CVX price target of $151 represents a wide all-time high for the stock because we believe 1) dividend growth is supported by current financial framework for many years and yield anchors the per share valuation; 2) the company is growing and de-levering simultaneously without the benefit of peak cycle commodity prices; and 3) strategy is aligned with apparent investment community priorities of capital discipline and shareholder distributions ($5B buyback). 2Q19 results reflect these attributes.”

**Jefferies – “Permian Growth with FCF – What a Concept” (Buy / $145)**
“Chevron 2Q19 results were generally in line with expectations. The company resumed its share repurchase program in the quarter and going forward total shareholder returns will annualize >6% including the dividend. Permian operations continue to improve; we expect Chevron will be near cash break-even in the Permian this year and generate >$1.2b in FCF next year.”

**TPH– “Good to See Addition Permian Disclosures Highlights Its Value Proposition” (Buy / $133)**
“While Friday’s call was relatively straightforward after an in-line print, the real nugget came from new slides providing additional disclosure on the Permian’s 2020/2023 earnings, ROCE and FCF, which should demystify management’s view of the asset for investors with less favorable views on shale. Highlights included FCF and earnings reaching ~$3.5-4B and >$4B, respectively by 2023, (ii) CFFO/capex of 1.5-2x by 2023 (reaching 2x sustained afterwards) and (iii) ROCE of 25-30% by 2023 vs. 20% in 2019, all at $60 Brent.”

**Credit Suisse – “Solid 2Q Highlights Robust FCF Profile” (Outperform / $140)**
“2Q results highlighted that CVX’s attractive FCF story remains intact. Given its attractive growth outlook and focus on improving ROCE and FCF, we continue to believe it is unlikely CVX makes a large, corporate acquisition (still a common concern we hear from investors since it pursued APC earlier this year).”

**Bank of America Merrill Lynch – “Solid outlook but no rate of change to reset value” (Neutral / $125)**
“CVX’ solid track record of execution and capital discipline also comes with an outlook that is largely set with relatively predictable free cash flow that at our base case is fairly valued around current levels (at $60 Brent). Certainly, at higher oil prices, CVX retains material leverage from a higher oil mix and smaller non-E&P assets vs peers.”

## Reactions to Chevron's 2Q 2019 Conference Call

**RBC Capital Markets – "Conference call takeaways" (Sector Perform / $140)**
"Following a relatively straight forward quarter, Chevron outlined its medium-term outlook which is centered on the Permian, including highlighting its flow assurance over 2019-20 across oil, NGLs and gas in the basin. Interestingly, the company highlighted higher LNG spot exposure in the quarter which impacted realizations, due to the combined effect of better reliability at Gorgon/Wheatstone, as well as buyers reducing nominations in the quarter. We do not expect this set of results to provide the catalyst for a change of view for investors and expect it to trade in line with the sector in the near term."

**Cowen – "Earnings In-Line with Positive Permian Detail" (Outperform / $140)**
"CVX resumed its buyback program paused during recent deal negotiations, $1.25B/quarter planned in 2H19 bringing it in-line with $5B annual run rate. We continue to expect CVX to hit its 2019 CFO guidance of $30B, or $27.5B before divestment proceeds. We see $14B this year and $15B next year sufficient to fund ~$14B shareholder returns. Moreover, given the strong balance sheet, the company has sufficient liquidity to capture attractive M&A opportunities such as Brazil's offshore bid round in 2H19 or Qatari LNG project stake."

**UBS – "2Q19: Resilient Earnings and Cashflow; Delivering on Strategy" (Buy / $135)**
The company continues to expect full year 2019 production growth of 4-7% (excl. asset sales). For 3Q19 it expects Upstream production to be impacted by Hurricane Barry and ~100kboe/d in turnarounds (41kboe/d in 2Q19) and Downstream throughput to be affected by high levels of turnaround activity. Chevron is guiding towards $1.25bn of share repurchases in 3Q19. 2H production growth is expected to be driven by the Permian and other shale regions and ramp-ups of Big Foot and Hebron."

**Wells Fargo – "Our Favorite Super Majors" (Outperform / $145)**
"Chevron continues to be a leading light within the industry with production growth, capital discipline, strong cash returns to shareholders."

**Raymond James – "$1B from APC Termination Fee, $2B from North Sea Sale... It's Adding Up to Real Money" (Outperform / $132)**
"Given its upstream-weighted and oil-centric asset base – even after walking away (very wisely, in our view) from the Anadarko buyout – Chevron offers a higher degree of leverage than most of its peers to our forecast for oil prices to reach cyclical highs in 2020. Amid a hiatus of mega-project startups until Tengiz expansion in 2022, the Permian overweight is undeniably needle-moving, reaching 14% of the production mix."

**Evercore ISI – "Positive Results; Yield 3.9%" (Outperform / $140)**
Chevron seeks growth in value over growth in production, similar to that of other "Pledger" Big Oil and E&P companies. Cash flow should rise because 70% of Chevron's 2019 capital program ($20 B) is slated
to be cash generative within 2 years, as major capital projects are completed and production from shale and tight oil increases. Shareholder distributions as a percentage of cash from operations and asset sales are expected to approximate 45% between 2019- 2023 at $60 Brent."

**Citi – "2Q19 Sees Yield / Growth Combon (Buy / $135)**
"On a trailing 12M basis through 2Q19 CVX has hit FCF yield of 7.5% and grown organic oil & gas volumes by 9%, driven by the Permian. Shareholders continue to receive high priority over FCF, with over three-quarters earmarked for returns through dividend and buybacks. Whiles growth is expected to moderate in 2020 the rate should still remain above the peer average; delivering a returns/growth combination that looks hard to match in the global IOC group."

**Mizuho – "Mega-Major Friday: XOM, CVX, EOG… the Permian Steam Rollers" (Buy / $140)**
"We respect management. All companies are aggressively pursuing Permian growth, but Chevron's low royalty position gives it a structural returns advantage that XOM will struggle to overcome through
superior operations in a highly competitive, and therefore commoditized, basin."

**Macquarie – "Reliable reporter..." (Neutral / $119)**
"Strong Upstream production growth which was driven by 50% YoY Permian growth. Total cash flow was strong, with organic FCF pre-working capital enough to cover the quarterly dividend payment. The company also bought back US$1bn shares, the practice of which resumed after the Anadarko bid did not complete."

## Reactions to Competitors' 2Q 2019 Conference Calls

**ExxonMobil – August 2, 2019 (Adj. EPS of $0.61/diluted share vs. consensus of $0.66, 8% miss)**

"As expected, XOM had a challenging 2Q, with a Brent breakeven dividend coverage of ~$90/bbl, its worst result since 2Q14 on our math. Ops played no small part, but also pricing in Upstream and margins in Chemicals. We continue to scratch our heads a bit on the relative performance to relevant peers in Downstream and Chemicals, which we show in charts below. Regardless, looking ahead, 2Q ought to be the bottom for the company's breakeven, though the recovery is likely to be gradual as macro improvement could take time and capex moves higher to support the company's counter-cyclical investment plan." – *JP Morgan (Neutral)*

"XOM defended its strategy of investing through the cycle highlighting a backlog of projects that it claims puts it in a competitive position versus peers. Three out of the four major commodity groups it operates in are near or at 10-year lows due to short-term supply/demand mismatches, which are impacting quarterly earnings. Chemicals margins are expected to remain depressed over the next year as supply continues to come online, though XOM is comfortable with demand growth. LNG demand growth has slowed in Asia to 3% y/y, down from >10% the past two years which has weighed on the entire natural gas complex. These commodity movements are within the range that XOM tests projects at and would be comfortable executing the plan through 2025 if margins stay at current levels with room left for M&A. Further, management noted they are comfortable leveraging financial capacity to invest through the cycle, highlighted by $3.8B increase in net debt this quarter." – *Cowen (Market Perform)*

"We expect XOM to maintain its 2019 capex budget of ~$30bn (+26% YoY) and volume guidance of ~4.0 MMBoed. However, with 3Q Upstream production expected to be flat QoQ and continued weakness in Chemical and R&M margins (partly offset by less downtime), consensus 3Q estimates are likely to be revised down and XOM will continue to be challenged to cover the dividend organically." – *Credit Suisse (Neutral)*

"The XOM investment case from a high level remains on two tracks: 1) differentiated long term growth/high grading via counter-cyclical spending; and 2) near term commodity price leverage within valuation as the company transitions from dividend deficit to surplus. We see the former as more transparent than the latter, but the investor base is consolidating around sponsors of the longer-term story, and the expected rate of change in FCF in 2H19 should be a tailwind." – *Wolfe (Outperform)*

**BP – July 30, 2019 (Clean EPS of $0.83/diluted share vs. consensus of $0.75, 11% beat)**

"We upgrade BP to Buy. The company has delivered solid operational performance and has made strong progress in reaching the targets established in its 2017 5-year plan. We believe gearing has likely peaked and see multiple near-term catalysts including a dividend increase, share repurchases to offset scrip dilution and deleveraging from divestments. Recent underperformance has left the stock at an attractive valuation" – *Jefferies (Buy)*

"Bottom line, the market (us included) was concerned about BP's 2Q19 results given heavy maintenance activity during the quarter. In the end, it was just fine, in our view. Earnings came ahead of expectations, cash conversion was sound, including a working capital release, but gearing ticked higher due to acquisition costs as well as Macondo-related payments… The company dismissed the notion that the M&A market may be more challenging today, most notably in the US, and stated that bidders will likely look past near-term volatility – that remains to be seen, in our view, and delivery in 2H19 will be important as a result. – *Credit Suisse (Neutral)*

"Fundamentally, BP continues to deliver on our OW thesis led through strong execution of high margin barrel projects and a differentiated downstream business… Elevated gearing in 2019 is well flagged and we believe BP's long-term upstream growth pipeline offers the sector's most attractive mix of capex headroom and returns which will allow to company to further compress a 6.4% yield. BP sits in the middle of the sector range on cash return (buyback and dividend as a percentage of market cap) and we look for further clarity on its divestment outlook ($1.5bn in 1H vs. target to deliver >$10bn over the next two years) given this remains an important pre-requisite to increasing shareholder distributions– *J.P. Morgan (Overweight)*

## Reactions to Competitors' 2Q 2019 Conference Calls

**Shell – August 1, 2019 (Adjusted EPS of $0.86/diluted share vs. consensus of $1.19, 28% miss)**

"With the shares trading on a 5.9% yield and Shell's cash breakeven positioned to fall towards $50/bbl by 2020, we view the shares' weakness as a buying opportunity. We reiterate Shell as one of our best fundamental ideas for 2019 owing to its premium TSR, underpinned by a more diversified and less carbon intensive portfolio. This, however, is also the company's Achilles heel as it drives greater earnings volatility through the quarters. We recently wrote that deepwater Brazil/GoM, LNG and marketing are key drivers of FCF growth which yields a lower and higher quality post-2020 cash breakeven ($53/bbl2020 to $40/bbl 2025). With this in mind we should view today's earnings miss as a 'speed bump' along a path that continues to deliver a quantum increase in underlying CFFO (2017: $39bn ex-WC, 2018: $50bn, JPMe 20; $55bn, rising to $64bn in 2025)." – *J.P. Morgan (Overweight)*

"We get that a big earnings miss will elicit a negative stock reaction. We also understand that weak global natural gas prices could persist for another12-18 months and weigh on Integrated Gas earnings - although the segment's cash generation was still robust this quarter. However, we remain convinced that RDS is a core portfolio holding and offers the best potential for shareholder returns in the sector. We estimate that a dividend CAGR at 3% and an average buyback of $6b/yr over 2021-2025 would hold the absolute dividend at about $15b and would equate to an annual average distribution of about 8% based on current market cap. While there are few apparent near-term catalysts for the stock, we believe the medium-term return profile will reward the patient shareholder." – *Jefferies (Buy)*

"Our estimates suggest RDS' shareholder return commitment is organically covered by FCF at ~$55/bbl nominal Brent oil prices - with falling oil price sensitivity as growth capex increases cash flows from LNG (liquefied natural gas), Chemicals, Marketing and (low-carbon) electricity towards ~60% by 2025…RDS' shift from 'Big Oil' to 'Big Energy' is, in our view, consistent with a shareholder proposition centred around growth per share rather than absolute growth: We assume share buybacks cut share count by >25% by 2025 and almost 50% by 2030 - allowing >4% DPS CAGR (from a ~6% yield today) without growing annual distributions." – *Bank of America (Buy)*

**Total – July 25, 2019 (Clean EPS of $1.05/diluted share vs. consensus of $1.11, 5% miss)**

"Production grew +9% YoY, beating consensus by 2% (so the growth story for '19 is intact). Adjusted net income was $2.9bn, in line with company-collected consensus. Free cash flow after organic investments, excluding net acquisitions, was US$3.3bn, just sufficient to cover the US$2.9m dividend and the US$0.4bn buyback payments. US$5bn divestment plan over 2019/20:US$3bn of which is coming from E&P (reducing country count / mature assets) along with decapitalising infrastructure in the downstream. Future renewables sell-downs were also referenced. On several occasions the CEO referenced the focus on value creation over volume growth for its own sake." – *Macquarie (Outperform)*

"Total delivered another good quarter with CFFO solid and adj. net income in-line with expectations. Significant progress was made during the quarter on expansion of the LNG business. Gearing as well as cash capex are likely to increase in the near term due to the recent portfolio upgrade. However, the company is committed to maintaining the gearing ratio below 20% over the medium term." – *Barclays (Buy)*

"Muted performance recently driven by numerous acquisitions: We think investors have been frustrated with headlines relating to Total acquiring numerous assets in recent months. Early M&A during the downturn was easy to characterise as counter cyclical, but recent deals, particularly the price paid for the OXY/APC assets was a bit of a head scratcher for some, based on our recent conversations with investors. The CEO's attempts on the call to defend recent deals was likely well received, but more importantly, commentary around shareholder returns suggests the shopping spree is likely to be over...at least for a little while.... Total noted that the Board is looking to increase competitiveness of shareholder returns and could target 40% of cash flow returned to shareholders going forward. This would imply material upside to shareholder returns, based on our forecasts. The specific details are likely to be revealed at September CMD, however we suspect Total is likely to stick to 3% DPS growth per annum over the medium term." – *RBC Capital Markets (Outperform)*



# Public Policy Issues Brief
# Government Affairs

## Major Global Issues
## Key Country Summaries

## Board of Directors
## Public Policy Committee

## July 30, 2019

# KEY COUNTRY SUMMARIES

## Financial and Operating Statistics

| | Net PP&E & Equity Investment (12/31/2018) [1] | | 3-Year C&E (2019-2021) | | Upstream Production OEG (MBD, 2018) | | Net Income (2018) [2] | |
|---|---|---|---|---|---|---|---|---|
| | $B | % | $B | % | Net OEG | % | $B | % |
| 1. United States | 59.8 | 29.3 | 32.2 | 51.7 | 791 | 27.1 | 3.1 | 20.9 |
| 2. Australia | | | | | | | | |
| 3. Kazakhstan | | | | | | | | |
| 4. Nigeria | | | | | | | | |
| 5. Canada | | | | | | | | |
| 6. Angola | | | | | | | | |
| 7. Thailand | Redacted – Business Confidential (competitive financial information) (non-U.S.) | | | | | | | |
| 8. South Korea | | | | | | | | |
| 9. Venezuela | | | | | | | | |
| 10. Argentina | | | | | | | | |
| *All Other* | | | | | | | | |
| **Total** | | | | | | | | |

1. "Net Property, Plant, & Equipment" and Equity. Investment reflects Book Value (not Fair Value)
2. Net Income includes interest and foreign exchange impacts, as well as operational earnings

## United States

### Political Landscape

*Domestic Politics:* The Trump Administration continues to focus on the U.S. economy, security, and trade. However, momentum for regulatory reform has slowed due to Congressional oversight. The Administration will need to rely heavily on rulemaking and executive action to achieve the President's policy priorities. The President's insistence on border wall funding has received push-back from both parties, which may complicate budget deadlines this Fall.

Given the Democratic gains in the 2018 midterms and looming 2020 elections, it is unlikely there will be many legislative achievements. Congress' full agenda in 2019 focuses on must-do spending bills, infrastructure, trade, and drug prices. Both parties are pushing for serious bipartisan discussion to solve as many of these issues as possible, but the constrained legislative calendar and politics surrounding the 2020 election year present major obstacles.

*Geopolitics:* The Administration's transactional approach to foreign policy continues with a focus on trade agreements (U.S.-Mexico-Canada Agreement (USMCA) and China), and sanctions (Venezuela, Russia, and Iran). Trade policy uncertainty and sanctions will remain watchpoints for all sectors. New areas for foreign policy and energy cooperation, including increased U.S. energy exports, may develop with China, India, Japan, and Southeast Asia based on the Administration's Asia EDGE (Enhancing Development and Growth through Energy) initiative. Asia EDGE seeks to grow sustainable and secure energy markets throughout the Indo-Pacific region; promote U.S. energy exports, including crude and LNG; and promote U.S. energy infrastructure investment throughout the region.

### Policy Risks and Trends

- *Focus on regulatory reform*: The regulatory reform agenda got off to a quick start, but has slowed due to oversight hearings by the Democrat-controlled House and the government shutdown in December 2018-January 2019. It is unclear whether agencies will move key regulatory reforms through the rulemaking process, including the Affordable Clean Energy Rule, CAFE standards, and methane. The Administration must finalize reforms before June 2020 to avoid Congressional repeals should the Administration change in 2021.
- *Growing state-level activity*: In the absence of federal-level climate policy action, state lawmakers are proposing and adopting policies to reduce emissions and restrict energy industry activity. Many of these policies are advanced by off-carbon activists. As of July 2019, 20 states and the District of Columbia have adopted climate change policies, including cap-and-trade programs in California, and low carbon fuel standards in nine northeastern states. Washington policymakers are likely to propose carbon pricing legislation in 2019.
- *Activism:* Off-carbon activism is present at both the state and local levels and is primarily directed toward ballot initiatives in purple and blue states, litigation, and the investment community. **Privileged – First Amendment** **Privileged – First Amendment** **Privileged – First Amendment** These initiatives reflect the strategy of environmental NGOs to convince the public and other sectors that fossil fuels must be restrained and replaced. We expect activism to continue and tactics to evolve.
- *Steel tariffs/quotas*: The Trump Administration continues to favor the use of tariffs and quotas to achieve trade and other policy objectives. The President also threatened the imposition of tariffs on Mexico to gain leverage on non-trade priorities, such as immigration. Tariffs have added costs to Chevron's Permian and Gulf of Mexico operations, while threats of absolute quotas on Mexican steel have posed risks of supply disruptions of oil-country tubular goods for our MidContinent Business Unit. In May, President Trump announced the removal of all tariffs on steel and aluminum imports from Mexico and Canada and opted not to impose an absolute quota to replace the tariffs. This move amounted to a significant victory for Chevron's and industry advocacy efforts. Despite this development, the pathway for passage of the USMCA agreement remains narrow due to the Congressional calendar and House Democrats' concerns over its labor, environmental, and enforcement provisions. U.S. trade policy will likely remain volatile for the foreseeable future, with threats of tariffs and/or quotas being issued and removed in response to developments on trade and other policy areas.
- *Sanctions:* The Administration and Congress continue to utilize sanctions as a key foreign policy tool, creating risks for Chevron's international operations, including Kazakhstan and Venezuela. It continues to impose economic sanctions on Venezuela to pressure the Maduro regime; and on Iran in response to that country's malign behavior in the Middle East. Congress continues to consider legislation to target Russia for its election-interference in the U.S., support for Venezuela and Iran, and its intervention in Ukraine.

## Australia

**Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)**

## Kazakhstan

**Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)**

## Nigeria

Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)

## Canada

**Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)**

**Angola**

**Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)**

**Thailand**

**Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)**

## South Korea

**Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)**

**Venezuela**

**Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)**

## Argentina

Redacted – Business Confidential (Redaction -Business Confidential (non-U.S. operation risk analysis)

**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.

**Confidential – Restricted Access**

Chevron

## Monthly Performance Summary – July 2019

| Performance Summary* | June 2019 | July 2019 | Monthly Change | YTD 2019 | 2019 Obj. | % of Obj. |
|---|---|---|---|---|---|---|
| **Earnings** ($ Billions) | **0.6** | **1.2** | **0.6** | **8.1** | **14.6** | 56 |
| Upstream | 0.9 | 1.1 | 0.2 | 7.7 | 13.3 | 58 |
| Downstream | 0.0 | 0.2 | 0.2 | 1.2 | 3.9 | 31 |
| Other | (0.3) | (0.2) | 0.2 | (0.8) | (2.6) | 30 |
| **ROCE** (%) | **4.1** | **7.8** | **3.7** | **7.8** | **8.1** | **96** |
| **Cash Flow** ($ Billions) | **(1.7)** | **1.3** | **3.0** | **3.6** | **2.8** | **129** |
| Cash from Ops | 1.9 | 2.7 | 0.8 | 16.5 | 26.8 | 62 |
| **Debt Ratio** (%) | | | | **16.8** | **16.4** | **102** |
| **Total C&E** ($ Billions) | **1.8** | **1.7** | **(0.1)** | **11.7** | **20.4** | **57** |
| Cash C&E | 1.2 | 1.2 | (0.0) | 8.1 | 14.0 | 58 |
| **Operating Expense** ($ Billions, Ex-Fuel) | **2.2** | **2.0** | **(0.2)** | **13.7** | **23.4** | **59** |
| Unit Operating Exp.- Ex Fuel ($/bbl) | 17.2 | 15.0 | (2.2) | 15.2 | 15.1 | 101 |
| **Net Production** (MBOED) | **3,100** | **3,068** | **(32)** | **3,062** | **3,039** | **101** |
| U.S. | 936 | 886 | (50) | 890 | 903 | 99 |
| International | 2,164 | 2,183 | 19 | 2,172 | 2,136 | 102 |
| **Refined Product Sales** (MBD) | **2,610** | **2,656** | **46** | **2,584** | **2,659** | **97** |
| U.S. (excl. Trading) | 1,196 | 1,261 | 66 | 1,197 | 1,142 | 105 |
| International (excl. Trading) | 854 | 860 | 5 | 838 | 917 | 91 |
| Trading | 560 | 536 | (24) | 549 | 600 | 92 |

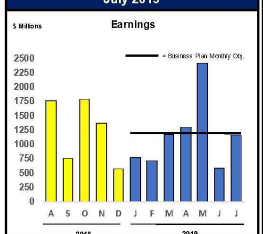
** Immaterial summation differences due to presentation in billions*

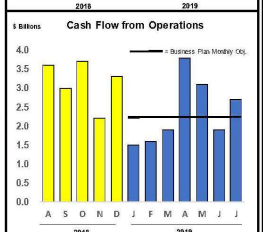
| Prices | June 2019 | July 2019 | Monthly Change | YTD 2019 | 2019 Obj. | YTD vs Obj. |
|---|---|---|---|---|---|---|
| Brent Spot ($/bbl) | 64.10 | 64.04 | (0.06) | 65.65 | 65.00 | 0.65 |
| WTI Spot ($/bbl) | 54.68 | 57.52 | 2.84 | 57.44 | 60.80 | (3.36) |
| HH Spot ($/MMBtu) | 2.39 | 2.31 | (0.08) | 2.66 | 2.85 | (0.19) |
| Asia LNG Spot ($/MMBtu) | 4.39 | 4.35 | (0.04) | 5.54 | 7.00 | (1.46) |
| **Upstream Average Realizations** | | | | | | |
| Liquids ($/bbl) | 53.99 | 54.43 | 0.44 | 56.39 | 55.62 | 0.77 |
| Natural Gas ($/mcf) | 4.66 | 4.63 | (0.03) | 5.13 | 5.05 | 0.08 |

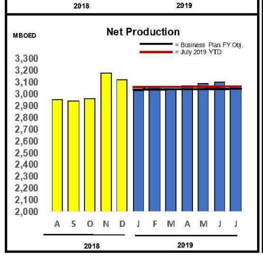
| Downstream Margins | June 2019 | July 2019 | Monthly Change | YTD 2019 | 2019 Obj. | YTD vs Obj. |
|---|---|---|---|---|---|---|
| **Refining** ($/bbl) | | | | | | |
| U.S. West Coast [1] | 12.04 | 13.83 | 1.79 | 15.05 | 16.56 | (1.51) |
| U.S. Gulf Coast [1] | 9.34 | 11.75 | 2.41 | 10.22 | 14.15 | (3.93) |
| Asia Pacific (Dubai 3-1-1-1) | 5.82 | 9.89 | 4.07 | 6.38 | 7.40 | (1.02) |
| **Marketing** ($/bbl) | | | | | | |
| U.S. West Coast | 12.44 | 10.20 | (2.24) | 8.85 | 6.79 | 2.06 |
| U.S. Gulf Coast | 3.52 | 3.22 | (0.30) | 3.44 | 2.86 | 0.58 |
| Asia Pacific | 9.13 | 9.01 | (0.12) | 8.48 | 8.01 | 0.47 |

*[1] 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.*

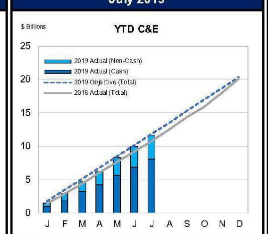
**Monthly Results - July 2019**

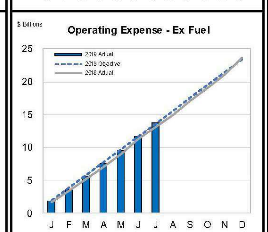


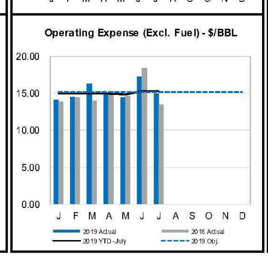



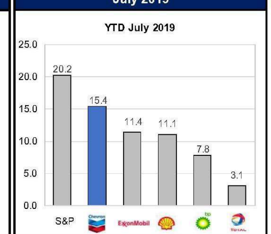

**Capital & Operating Costs - July 2019**

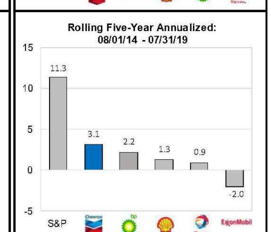


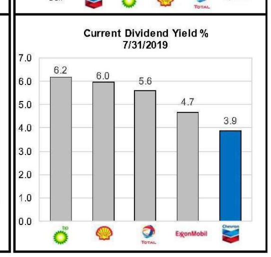




**Total Shareholder Return (%) - July 2019**

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## Earnings - July 2019

| Earnings - July 2019<br>$ Millions - After Tax | | Jun 2019 | Jul 2019 | Monthly Change | YTD 2019 | 2019 Obj | % of Objective |
|---|---|---|---|---|---|---|---|
| Upstream | - U.S. | 214 | 252 | 38 | 1,896 | 3,023 | 63 |
| | - International | 699 | 842 | 143 | 5,804 | 10,295 | 56 |
| **TOTAL UPSTREAM** | | **913** | **1,094** | **181** | **7,700** | **13,318** | **58** |
| Downstream | - U.S. | (4) | 114 | 118 | 796 | 2,529 | 31 |
| | - International | 18 | 107 | 89 | 406 | 1,360 | 30 |
| **TOTAL DOWNSTREAM** | | **14** | **221** | **207** | **1,202** | **3,889** | **31** |
| **ALL OTHER** | | **(345)** | **(158)** | **187** | **(791)** | **(2,644)** | **30** |
| **TOTAL EARNINGS** | | **582** | **1,157** | **575** | **8,111** | **14,563** | **56** |
| Basic Earnings Per Share | | $0.31 | $0.62 | $0.31 | $4.30 | $7.77 | 55 |
| Diluted Earnings Per Share | | $0.31 | $0.61 | $0.30 | $4.27 | $7.43 | 57 |
| **Memo:** | | | | | | | |
| Impact of Asset Sales | | 53 | 5 | | 173 | 1,607 | |

**Earnings were $1,157 MM in July, up $575 MM from June.**
- **Upstream:** Increased $181 due to favorable foreign exchange impacts and higher liftings, partly offset by unfavorable tax effects and lower realizations.
- **Downstream:** Increased $207 MM primarily on higher margins, lower operating expense, higher volumes and favorable foreign exchange impacts.
- **Other:** Net charges were down $187MM primarily on lower corporate tax items, employee benefits and environmental reserve additions.

**Year-to-date earnings** were 8,111 MM, or 56% of objective, reflecting the Anadarko termination fee, lower depreciation expenses and higher realizations, partly offset by lower margins and volumes, timing of asset sales and unfavorable tax effects.

**On a price-normalized basis**, earnings were 106% of YTD plan due to receipt of the Anadarko acquisition termination fee, lower operating and depreciation expense and lower biofuels/carbon compliance costs. Timing of planned asset sales and lower Downstream gross margins, partly offset.

## Cash Flow - July 2019 YTD

July year-to-date **Cash from Operating Activities** was $16.5 billion.

**Working Capital/Other** consumed $1.4 billion, primarily reflecting timing of affiliate distributions, a reduction in trade and affiliate accounts payable and accrued liabilities, and a build in crude inventory. A reduction in trade accounts receivable, partly offset .

**Cash used for Investing Activities** through July totaled $6.4 billion with capital expenditures of $7.7 billion, partly offset by sales of time deposits.

Share repurchases totaled $2.0 billion at the end of July.

**Cash flow through July** generated $3.6 billion. Debt balances decreased by $3.2 billion, while the cash balance increased by $0.1 billion.

---------------------------------------------------------------------

July **YTD Cash Capital & Exploratory** expenditures of $8.1 billion are under the ratable full-year plan, primarily on Upstream spend.

| **Cash Flow*** <br>$ Billions | Year 2018 | YTD 2019[2] | 2019 Obj |
|---|---|---|---|
| **Earnings** | **14.9** | **8.1** | **14.6** |
| DD&A | 19.4 | 9.8 | 18.3 |
| Working Capital/Other | (3.7) | (1.4) | (6.1) |
| **Cash from Operating Activities** | **30.6** | **16.5** | **26.8** |
| Capital Expenditures | (13.8) | (7.7) | (13.2) |
| Asset Sales Proc. and Return on Inv. | 2.4 | 1.0 | 3.8 |
| Affiliate Financing/Other | (0.9) | 0.3 | (2.2) |
| **Cash used for Investing Activities** | **(12.3)** | **(6.4)** | **(11.6)** |
| Dividends | (8.5) | (4.5) | (8.9) |
| Net sales of treasury shares | (0.6) | (1.1) | (3.5) |
| Change in Debt | (4.5) | (3.4) | (2.8) |
| Other | (0.1) | 0.0 | 0.0 |
| **Cash from Financing Activities** | **(13.7)** | **(9.1)** | **(15.2)** |
| FX on Cash | (0.1) | 0.0 | 0.0 |
| **Net Change in Cash** | **4.5** | **1.1** | **0.0** |
| Less Change in Debt and Mkt Secur. | 5.5 | 2.5 | 2.8 |
| **Total Cash Flow(1)(2)** | **10.0** | **3.6** | **2.8** |
| Cash Balance(3) | 11.5 | 11.6 | 10.0 |
| Debt Balance | 34.5 | 31.3 | 30.8 |

*Presented per 10-Q/10-K format

1 Change in cash, cash equivalents, and restricted cash less change in debt, marketable securities, and time deposits

2 Immaterial summation differences may occur due to presentation in billions of USD.

3 Cash, cash equivalents, restricted cash, marketable securities, and time deposits.

## Downstream Refined Product Sales - July 2019

**U.S. refined product sales** rose 66 MBD between months primarily on higher gasoline sales.

**International refined product sales** increased 6 MBD between months across products.

**Trading refined product sales** fell 24 MBD between months primarily on lower sales to Latin America.

| **Total Refined Product Sales**<br>MBD | Jun | Jul | YTD | % of Obj |
|---|---|---|---|---|
| **United States** | | | | |
| Mogas | 661 | 717 | 663 | 106 |
| Jet fuel | 260 | 265 | 254 | 103 |
| Gas oil | 191 | 173 | 184 | 106 |
| Fuel oil | - | - | - | - |
| Other | 84 | 106 | 96 | 99 |
| **United States Total1** | **1,196** | **1,261** | **1,197** | **105** |
| **International** | | | | |
| Mogas | 144 | 138 | 138 | 95 |
| Jet fuel | 114 | 108 | 107 | 82 |
| Gas oil | 156 | 149 | 153 | 92 |
| Fuel oil | 8 | 2 | 8 | 53 |
| Other | 58 | 54 | 62 | 110 |
| Affiliates | 374 | 408 | 371 | 92 |
| **International Total1** | **854** | **860** | **838** | **91** |
| **Trading** | **560** | **536** | **549** | **92** |

1 Excludes Trading

## Upstream Production - July 2019

**U.S. OEG production** decreased 50 MBD between months primarily on Hurricane Barry impacts in the Gulf of Mexico and unplanned downtime in MidContinent. New production in the MidContinent, partly offset.

Year-to-date OEG production was 13 MBD below Objective primarily on timing of new production and ramp-up in the Appalachian Mountain.

**International OEG production** increased 19 MBD between months primarily due to the absence of weather impacts and unplanned downtime in Australia, and net PSC effects, primarily in Nigeria. Planned downtime in Australia and China, partly offset.

Year-to-date OEG production was 36 MBD above Objective on timing of planned asset sales, and higher reliability in Australia and Kazakhstan. Unplanned downtime in Australia, and third party events in Venezuela and Nigeria, partly offset.

| **Net OEG Production**<br>MBD | Jun | Jul | YTD | % of Obj |
|---|---|---|---|---|
| U.S. | 936 | 886 | 890 | 99 |
| International | | | | |
| Angola | 152 | 149 | 158 | 102 |
| Argentina | 24 | 27 | 26 | 97 |
| Australia | 477 | 497 | 457 | 100 |
| Azerbaijan | 20 | 21 | 20 | 92 |
| Bangladesh | 99 | 111 | 110 | 99 |
| Brazil | 6 | 6 | 9 | 75 |
| Canada | 138 | 124 | 131 | 101 |
| China | 25 | 17 | 30 | 103 |
| Colombia | 11 | 10 | 11 | 114 |
| Republic of Congo | 54 | 52 | 54 | 115 |
| Denmark | - | - | 8 | 49 |
| Indonesia | 115 | 107 | 107 | 89 |
| Kazakhstan | 429 | 438 | 429 | 105 |
| Nigeria | 215 | 229 | 229 | 93 |
| Philippines | 29 | 27 | 27 | 106 |
| Thailand | 250 | 251 | 239 | 105 |
| U.K. | 68 | 66 | 72 | 109 |
| Venezuela | 36 | 36 | 37 | 74 |
| Other | 15 | 15 | 16 | - |
| Total International | 2,164 | 2,183 | 2,172 | 102 |
| **Total OEG Production** | **3,100** | **3,068** | **3,062** | **101** |