

Q2 2021 Earnings Call

Company Participants

- Darren W. Woods, Chairman and Chief Executive Officer
- Jack P. Williams, Senior Vice President
- Stephen Littleton, Vice President, Investor Relations and Secretary

Other Participants

- Doug Leggate, Analyst
- Jason Gabelman, Analyst
- Jon Rigby, Analyst
- Phil Gresh, Analyst
- Roger Read, Analyst
- Sam Margolin, Analyst

Presentation

Operator

Good day, everyone, and welcome to the Exxon Mobil Corporation Second Quarter 2021 Earnings Call. Today's call is being recorded. And at this time, I'd like to turn the call over to the Vice President of Investor Relations and Secretary, Mr. Stephen Littleton. Please go ahead, sir.

Stephen Littleton {BIO 21547394 <GO>}

Thank you, and good morning, everyone. Welcome to our second quarter earnings call. We appreciate your participation and continued interest in ExxonMobil. I am Stephen Littleton, Vice President of Investor Relations. Joining me today are Darren Woods, Chairman and Chief Executive Officer; and Jack Williams, our Senior Vice President, overseeing Downstream and Chemical. In a moment, Darren, will make some introductory comments. I will then cover the quarterly financial and operating results, and then Jack and Darren will provide their perspectives on the business. Following those remarks, we will be happy to address any questions.

Our comments this morning will reference the slides available on the Investors section of our website. I would also like to draw your attention to the cautionary statement on Slide 2 and to the supplemental information at the end of this presentation. I will now turn the call over to Darren.

Darren W. Woods {BIO 17692013 <GO>}

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Thank you, Stephen, and good morning, everyone. Thanks for joining us today. Before Stephen takes us through the second quarter results, let me start by covering the significant developments in the quarter, starting with the extensive engagement that Board and I had with our shareholders in the months leading up to our Annual Meeting. We received some very explicit feedback that we found valuable, and are incorporating in our plans as we move the company forward. In future, the directors, the management committee, and I look forward to continuing the active shareholder engagement, and discussing the good work going on at the company and the progress we are making on all fronts.

Since our Annual Meeting, we welcomed our new directors, Greg Goff, Kaisa Hietala, and Andy Karsner, with a number of discussions that included myself, our Lead Director Ken Frazier, other Board members, and senior managers of the company. In June, we began the new members' onboarding process within depth reviews of our businesses and key topics, such as our energy outlook and our approach to the energy transition.

While the Board has met virtually on a couple of topics since the Annual Meeting, this week was the first in-person regular meeting of the Board. We had very substantive and productive discussions across both the committees and the full Board. They were informed about [ph] the extensive shareholder engagements over the past several months. I'm pleased to say, that without exception, our directors are focused on improving the performance of the company, addressing the challenges faced by our industry, and increasing long-term shareholder value.

There is very good alignment on the importance of leveraging the diverse experience and skills of the Board, the important role ExxonMobil will have in the transition helping to lead to the development and deployment of critical technologies, advocating for necessary policy, and making strategically and financially accretive investments, the need to improve transparency and engagement with our shareholders, actively listening and more explicitly addressing concerns, and of course, driving total shareholder return in both the short and long run. While there is still much to do, I think we're working from a very strong foundation.

ExxonMobil is proud to be a global leader in the industry. As the energy system evolves with society's needs, we look forward to continuing our role as a leader, helping lead society through the transition, leveraging the deep thinking and analytical rigor of our 20,000 scientists and engineers, and the hard work of all of our people.

Another important development in the quarter was the addition of Kathy Mikells to our management committee as Senior Vice President and Chief Financial Officer. On behalf of the Board, the other members of the management committee, and our entire organization, I want to welcome Kathy and express how excited we are to have her on board. She joins us formally next month and brings significant CFO and Investor Relations experience from her time at Diageo, Xerox, United Airlines, and ADT. In addition to the financial functions, Kathy's portfolio will include Corporate Strategic Planning, Investor Relations, and a number of our global business services like IT and procurement. We look forward to the depth of experience and perspective she will bring.

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While welcoming Kathy, I'd like to also recognize Andy Swiger's retirement, which was also recently announced. I'd like to take the opportunity to express our gratitude for the many contributions Andy has made during his 43 years with the company. He has certainly earned his retirement and we all wish him and his wife Sherry [ph] the very best.

Also of significance in the quarter was the continuing market recovery, which obviously underpins our results. As you will hear, the organization remains very focused on continuing to leverage the changes we've implemented over the last several years and on delivering the plans we've discussed with you in March. As the margin improves, we've maintained a disciplined approach, doing more with less. We remain focused on delivering industry-leading operating performance, continuing to significantly reduce costs, advancing our portfolio of high-return, advantaged projects, executing value-accretive divestments, and rebuilding the strength of our balance sheet.

In addition, as a need for climate solutions beyond wind, solar, and electric vehicles grow, we are working to expand our portfolio of strategically and financially accretive Low Carbon Solutions investments. While still in the early stages, I'm pleased with the progress we're making. I'll come back to this later in the call.

At this time, I'll hand it back to Stephen.

Stephen Littleton {BIO 21547394 <GO>}

Thanks, Darren. I will now walk through developments since the first quarter. Across all three businesses, demand recovery has improved results. In the Upstream, liquids realizations improved significantly versus the first quarter. Production was lower due to seasonal gas demand in Europe and higher scheduled maintenance activity, notably in Canada. We continue to explore and progress development in our advantaged deepwater assets with two discoveries announced in Guyana during the second quarter and a third discovery Whiptail announced this week. We also completed final investment decision for the Bacalhau development, offshore Brazil.

In the Downstream, global demand improved in line with economic recovery. However, we did see the impact of regional lockdowns, resulting from COVID outbreaks. While there was improved demand for gasoline and diesel, margins continue to be impacted by product oversupply and depressed jet demand, driven by lower international travel. The Chemical business achieved record quarterly earnings with strong reliability and high polyethylene and polypropylene margins, specifically in North America and Europe due to continued strong demand, tight industry supply, and ongoing shipping constraints.

During the quarter, we announced the sale of our global Santoprene business to Celanese for more than \$1.1 billion. The transaction includes two manufacturing sites in Pensacola, Florida and Newport, Wales and is expected to close in the fourth quarter. Earnings improvements across all businesses resulted in increased cash flow from operations, enabling debt reduction of \$2.7 billion in the quarter. Finally, our Low Carbon Solutions business signed two MOUs to progress of large-scale carbon capture and storage projects in Scotland and France.

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Let's move to Slide 5 for an overview of second quarter results. The table on the left provides a view of second quarter results relative to the prior quarter. Earnings, excluding identified items, were \$4.7 billion, an increase of approximately \$2 billion versus the first quarter, primarily due to higher prices or margins and strong reliability. There was a \$700 million help [ph] compared to the prior quarter from mark-to-market impacts on open financial derivatives, for which the physical trading strategy had not closed. We expect to realize the full earnings benefit of these trading strategies when they close in the future. Consistent with prior disclosures, planned maintenance activity impacted earnings by about \$800 million in the quarter and was partially offset by lower corporate expenses and favorable tax items.

On the next slides, I will cover a brief summary of quarterly results for each business. Upstream earnings improved more than \$630 million compared to the first quarter. Higher prices increased earnings by about \$1 billion, partially offset by mark-to-market impacts of unsettled derivatives. Tighter supply demand balances increased liquids realizations by 12%. Gas realizations also increased, driven primarily by higher European and LNG gas prices. Increased planned maintenance, primarily in Canada and Australia, impacted earnings by \$360 million. Next quarter, we expect lower levels of planned maintenance. Other items were a help of \$310 million and included favorable asset management and one-time tax items.

On the next slide, I will cover a brief summary of Upstream volumes. On average, Upstream volumes decreased by about 200,000 oil-equivalent barrels per day compared to the first quarter. Gas and liquids were both lower in the quarter, with seasonal gas demand reductions, primarily in Europe, lower entitlements due to higher prices, and the planned maintenance activity that I mentioned earlier. These impacts were partially offset by improved reliability, primarily in Canada and the US, and recovery from winter storm impacts experienced in the first quarter.

Moving to Slide 8, Downstream earnings improved by approximately \$160 million in the second quarter. During the quarter, margins improved by nearly \$600 million, but were partially offset by the unsettled mark-to-market impacts I mentioned earlier. We had our best ever lubricants quarterly earnings, driven by improved basestock margins. We have also seen demand improve, particularly in North America retail fuels.

During the quarter, planned maintenance and turnarounds reduced earnings by \$220 million. We optimized the timing of our Downstream maintenance in the first half of 2021, which positions us well for the continuing economic recovery as we move through the year. We also benefited from the absence of the first quarter refinery to terminal conversion provision for our Altona, Australia and Slagen, Norway refineries, which was included in the other factor.

Moving to Chemical on Slide 9, Chemical had its best ever quarterly earnings, delivering over \$2.3 billion, more than \$900 million improvement versus the first quarter. Margins improved by approximately \$1.1 billion, reflecting our continued, reliable operations and tight industry supply conditions, particularly in the polyethylene and polypropylene markets in North America and Europe. Planned seasonal maintenance and turnarounds in Europe reduced earnings by \$180 million.

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The next slide summarizes results versus the second quarter of 2020. Compared to the second quarter of last year, earnings increased by \$7.7 billion, driven by a total price margin improvement of about \$6.7 billion, and increased sales of \$810 million. We had \$850 million in planned maintenance, as we successfully stretched maintenance intervals out of 2020 into the first half of this year. This positions us well for a continuing economic recovery in the second half of 2021. Structural efficiencies, lower corporate and financing expenses, and favorable tax items delivered additional earnings benefits.

Slide 11 provides further details on investing and cost management. Excluding energy and production taxes, cash operating expenses were \$18.7 billion during the first half of 2021. In addition to reducing structural costs by \$3 billion in 2020, the company has captured over \$1 billion in further structural savings in the first half of 2021. The company remains on pace to achieve through 2023 total structural cost reductions of \$6 billion relative to 2019. The cost associated with turnarounds, winter storm repairs, and other market and activity based factors were a partial offset.

Capital expenditures were \$3.8 billion in the second quarter and \$6.9 billion year-to-date. Consistent with our plans, we started the year with lower levels of investment to provide flexibility for responding to market conditions. We remain on track with full-year spending on a lower end of our \$16 billion to \$19 billion range. Investments in the second half of the year are expected to be higher due to the timing of spend for major Upstream and Chemical projects, including Guyana, Brazil, Permian, and chemical performance products.

Moving on to the summary of cash flow on Slide 12. Cash flow from operating activities was \$9.7 billion in the quarter. Excluding working capital effects, this is up about \$2 billion from the first quarter, reflecting continued market improvement and ongoing benefits of our cost reductions. Consistent with our capital allocation priorities, total debt was reduced to \$60.6 billion in the quarter, bringing year-to-date reductions to over \$7 billion. We ended the quarter with \$3.5 billion of cash.

Turning to Slide 13 for the third quarter outlook, in the Upstream, we expect higher volumes with lower planned maintenance. The sale of the UK Central and Northern North Sea assets is now expected to close by the end of the year, subject to regulatory and third party approvals. In the Downstream, we anticipate demand improvement with continued economic recovery. Lower turnarounds and maintenance are planned for the quarter. In Chemical, we anticipate some easing in the tight supply demand balance as industry downtime improves and additional capacity comes online. We also expect lower turnaround impacts next quarter. Corporate and financing expenses are expected to be about \$600 million, and we anticipate further debt reductions if prices and margins remain at current levels.

With that, I will now turn the call over to Jack.

Jack P. Williams {BIO 16876429 <GO>}

Thank you, Stephen, and good morning. We're very pleased with the company's performance for the first six months of this year from a number of perspectives, including

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safety, reliability, earnings, cash flow, and debt reduction. We've also made progress in our efforts to reduce emissions, advance lower carbon solutions, and further advance the depth and quality of our portfolio.

I'll spend a few minutes providing some highlights and perspectives on this progress, and let's start with a look at the business environment. Second quarter saw a rapidly recovering environment with significant improvement in all our product markets. Oil and gas prices increased materially since the fourth quarter of last year and we're back within the 10-year range, driven largely by economic recovery as the pandemic-related restrictions were relaxed.

Downstream margins moved close to the low end of the 10-year band. They continue to be impacted by an unbalanced global refining system, resulting primarily from an oversupply of distillates from low international jet demand. Nonetheless, US demand growth drove substantial improvements from the historic lows of the fourth quarter. Importantly, significant earnings potential remains as the Downstream continues to recover from the lingering effects of the pandemic.

And to build on that point and demonstrate just how quickly things can change, Chemical prices and margins were far above the 10-year band and drove record earnings. Chemical's record results were driven by strong base reliability, robust demand, and tight supply for both polyethylene and polypropylene in the North American and European markets.

Looking ahead, although we anticipate lengthening of supply and rising feed across the regions, our outlook is for Chemical margins to remain strong in the coming months. Given the dynamic market and record results, I'd like to spend a few minutes talking more deeply about the Chemical markets and our business. Starting with a closer look at the current market environment, the last 18 months have been a testament to the underlying resiliency in demand for chemical products, and that is especially true in a surging global economic recovery, as these products are widely needed for food packaging, hygiene, and the recovering automobile sector among others.

This year, polyethylene and polypropylene margins across North America and Europe increased by more than 140% versus the fourth quarter of last year. The recovery in Asia has been more challenging due to pockets of COVID resurgence, higher supply, and increased crude and naphtha prices.

The strong margins in the Atlantic Basin are the result of several factors, first, hurricane impacts in late 2020, followed by winter storm Uri earlier this year, which reduced inventory levels; second, unplanned industry shutdowns and turnarounds; third, global shipping constraints of finished products caused by port congestion, container availability, and increased shipping costs from Asia to the US; and then finally, demand growth in the US commensurate with growth in GDP.

Our Chemical business has benefited from this tightness, with 70% of our polyethylene capacity located in these regions. A material portion of this is typically exported to Asia,

but was redirected to Europe and North America, enabling us to capture more than our share of demand growth. The scale, global footprint, and multitude of product lines in our Chemical business provides competitive advantage and strong earnings potential, as amplified in tight markets like today, and is also durable when looking at longer time frames.

ExxonMobil Chemical's earnings over the past decade were 80% higher than the industry average. In the first quarter, our earnings were double the industry average and our second quarter result is materially higher than the first. The core strategy of our Chemicals business is growing technology-driven, higher -value performance products. These have proven over the test of time to add significant value for our customers versus commodity chemical products. Our diverse product offerings and global reach are significant advantages. ExxonMobil Chemical is number one or number two in more than 80% of the markets where we compete. This provides resiliency across a wide range of market scenarios and upside in the market like today.

In addition to the product diversity, I want to highlight the benefits we've seen this year from three important drivers. First, our ability to optimize feed and unit operations at our integrated facilities and leverage regional feedstock supply chains has generated about \$1.4 billion of earnings for the first six months of this year. Second, as we discussed during Investor Day, we've sharpened our focus on making our Chemicals business a leader in cost efficiency. As a result, costs were down significantly in 2020 and even with the higher sales volumes this year, ongoing structural efficiencies, such as digital enhancements, manufacturing efficiencies, and previously announced staffing reductions are expected to support \$1 billion in annual reductions versus 2019. And third, the recent advantaged project investments, including the world-scale US Gulf Coast steam cracker and polyethylene reactors delivered \$600 million in earnings in the first half of this year. And there are more advantaged projects in flight today that will grow our supply of performance products and have an even larger impact on earnings.

These projects will grow our supply of performance products by 70% by 2027 and grow the earnings contribution by 100% due to the higher-value slate of new products. These products bring significant benefits to our customers. They support lower emissions, improve the performance of technologies that enable the energy transition, and improve efficiencies. And those advantages ultimately are reflected in higher margins.

For example, polyethylene packaging has lower lifecycle emissions compared to alternatives. Performance polyethylene like our Exceed XP is stronger, enabling thinner films for the same applications. We're developing the capability to produce certified circular polymers from plastic waste using our proprietary advanced recycling technology and polypropylene used to reduce the way the vehicles improve fuel economy and battery life.

The projects gain advantage not just from the higher margin products they produce, but also from advantaged feed, scale, proprietary catalyst technology, and the integration with our existing chemical and downstream facilities and logistics. Our focus going forward remains on advancing a number of major chemical and also downstream projects that will

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further strengthen our integrated manufacturing platforms and upgrade our product mix to meet a range of future demand scenarios.

As you may recall, many of these projects were paced to preserve cash during the market downturn last year. Our Global Projects organization has done an excellent job managing this activity to preserve long-term value. This group of projects are expected to still be completed within the FID estimate. As an aside, this is the same organization that will be delivering future carbon capture projects, advancing through our Low Carbon Solutions business. This capability continues to be an enduring competitive advantage and will only increase in importance going forward.

In the Chemical business, our large Corpus Christi chemical complex is ahead of schedule and under budget. We just announced a mechanical completion of the three derivative units, including a monoethylene glycol unit and two polyethylene reactors. Full site start-up is anticipated by year-end. Progress is ongoing at the polypropylene growth project in Baton Rouge, with start-up anticipated next year. Our Baytown chemical plant expansion will include a new Vistamaxx unit and a full range, linear alpha olefins unit. It's on track for a 2023 start-up.

Our China venture captures the advantage of being located in the world's largest growth market. We signed several important agreements to advance the project, including a contract with Sinopec for basic engineering design, procurement, and construction. In the Downstream, we're moving crude to the Wink to Webster pipeline from the Permian Basin and are preparing to ship third party production in the fourth quarter of this year. At Beaumont, process unit modules are on-site and we're ramping up construction activity for start-up in 2023. And our Singapore and Fawley projects are also progressing. However, they are a bit further out in terms of full project restart.

Even in the current challenging refining environment, these Downstream projects are still attractive and materially improve the competitiveness of our integrated sites. If these four projects were online at today's margins, they would be contributing more than \$1 billion in annual earnings. For example, our Singapore resid project will produce 20,000 barrels a day of high quality lube basestocks that would have added to our strong lubricants result this quarter. Collectively, this world-class Chemical and Downstream project portfolio delivers 30% returns at 10-year average margins. That's more than \$4 billion of annual earnings at 10-year average margins and \$2 billion at 10-year low margins.

We're also benefiting from ongoing attractive Upstream investments as well, especially in the Permian as development performance continues to improve, resulting in rapidly growing value. We produced 4,000 oil-equivalent barrels a day this quarter, which was up approximately 50,000 oil-equivalent barrels a day versus the second quarter of last year, excluding the impact of the economic curtailments. We expect to grow production a further 40,000 oil-equivalent barrels per day in the third quarter.

And importantly, value is growing even faster as operating and development performance continues to improve at a rate exceeding our plans. Relative to 2019, we've more than double the lateral feet we're drilling per day and recently set an industry record by drilling

the Delaware Basin 12,500 foot lateral in just 12 days. At the end of the second quarter, our drilling rates are approximately three times more efficient than in 2019. Another way to think about this is that the eight rigs we're running today are achieving the same lateral length as it took close to 25 rigs to drill just two years ago.

Completions are improving too. Our frac rates are around 50% faster. This has resulted in a reduction in drilling and completion costs of more than 40%. And on top of that, we've also improved lease operating expense by about 35%. Our environmental performance also continues to improve. We achieved record-low flaring intensity levels during the quarter, which was top quartile in the industry.

As we've discussed previously, the advantage short cycle development profile of the Permian gives us flexibility within the portfolio. The parameters setting our pace of development have not changed. First, delivering positive free cash flow across a broad range of price scenarios; second, demonstrating we are achieving industry leading capital efficiency; and third, ensuring double-digit returns at \$35 a barrel or less.

This low price resiliency also applies to our deepwater developments in Guyana and Brazil. In Guyana Stabroek block, we've added three new discoveries since the first quarter, including the Whiptail discovery announced this week. The Uaru-2 well encountered 220 feet of high quality oil bearing reservoirs. The Longtail-3 well encountered 230 feet of net pay, and both of these results included newly identified intervals below the zones originally discovered.

Resource quantification is ongoing. The Whiptail-1 well encountered 246 feet of net pay and drilling is ongoing at the Whiptail-2 well, which has encountered 167 feet of net pay, both in high quality oil bearing sandstone reservoirs. This additional resource will add to the 9 billion oil-equivalent barrels we discussed at Investor Day, further increasing our confidence in the resource size and quality in the area east of Liza and supporting our view of an ultimate block-wide footprint of seven to 10 developments. The projects in progress remain on schedule, with the expected arrival of the Liza Phase 2 Unity FPSO in Guyanese waters early in the fourth quarter. Payara, the third major development on the block is on track for a 2024 start-up, with topsides construction ongoing. And pending government approval, we're targeting a final investment decision on Yellowtail, our fourth major development later this year, with start-up planned for 2025.

Offshore Brazil, we confirmed the final investment decision on the Bacalhau development during the second quarter and expect this 220,000 barrel a day project to start up in 2024. It will deliver more than a 15% rate of return at \$50 a barrel.

I'll now turn the call back over to Darren to discuss our Low Carbon Solutions business and long-term plans.

Darren W. Woods {BIO 17692013 <GO>}

Thanks, Jack. Let me shift focus now to the wide range of activities we are pursuing to ensure ExxonMobil plays a key role in the energy transition, while continuing to grow shareholder value. You will recall that earlier this year, we established our Low Carbon

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Solutions business to develop potential carbon capture and storage opportunities, using both established and emerging technologies and progress commercialization of other lower-emissions technologies. We believe that the depth and breadth of our operating experience, history of process innovation, project execution, subsurface expertise, and ability to scale technology gives us a competitive advantage in what is expected to be a fast-growing market for Low Carbon Solutions. We also believe that the time is right, given the developing market for emission reduction credits and growing recognition of the importance of carbon capture and storage, hydrogen and biofuels by both governments and investors, all critical for broad-scale commercialization.

The new organization is making steady progress in developing a wide range of attractive opportunities weighted initially towards carbon capture and storage. We've provided a few examples here to give you a sense of the opportunities. Next year, we anticipate final investment decisions for a large CCS expansion at our LaBarge facility in Wyoming and a new carbon capture technology pilot associated with the Porthos project in Rotterdam. This quarter, we signed an MOU to explore the development of CO2 infrastructure to help decarbonize the industrial basin in the Normandy region of France, and an MOU to participate in the recently announced Acorn CCS project in Scotland. We are continuing to pursue several Gulf Coast opportunities, including our Houston hub concept, which are all gaining industry and third-party support.

In addition to carbon capture and storage, we're advancing a number of options to produce low-emissions biofuels. These include new projects, repurposing existing refinery units, co-processing bio feeds and purchase agreements. These plans would enable the production of more than 40,000 barrels per day of low-emission fuels by 2025. We also recently completed a successful trial to co-process bio feed across our existing refining circuit. Co-processing bio feeds is a key technology that can be rapidly scaled to help society quickly lower emissions, provided the right policies are in place.

In addition, during the quarter, we expanded a previous agreement with alternative fuels developer, Global Clean Energy, to annually purchase up to 5 million barrels of renewable diesel. This is basically a drop in lower carbon fuel that meets all finished product specs for today's engines. Commercial production is expected to begin next year. In markets where low carbon fuels policies incentivize the development of lower-emission fuels, like California and Canada, scale opportunities exist. We see the potential to leverage our existing facility footprint, proprietary catalyst technology, and decades of experience in processing challenging feed streams to develop attractive low-emission fuels projects with competitive returns. An effectively designed low carbon fuel standard in the US could accelerate significant CO2 reductions in the hard-to-abate transportation segment at a cost much lower than some existing policy.

While we advocate for new policies, such as a carbon tax or low carbon fuel standard and develop future projects, we continue to lead the industry in developing and deploying new technologies to address another important issue, reducing methane emissions. To that end, we have conducted more than 23,000 leak surveys on more than 5 million components at over 9,500 locations. We are eliminating high-bleed pneumatic devices across our US unconventional production, and participating as a founding member in industry initiatives to improve detection and reduction of methane leaks.

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ExxonMobil is also the first company to file an application with the EPA to use airplanes equipped with methane detection technology to conduct large flyover inspections, and we're evaluating satellite technology in support of our 2025 reduction plans for both methane intensity and absolute methane emissions. These ongoing efforts to commercialize Low Carbon Solutions and reduce emissions are central to our long-term plan to grow shareholder value. As markets and policies continue to evolve, we will be there playing our part, contributing where we bring the most value.

In the near term, as we begin the development of next year's plan, our organization is focused on continuing to deliver industry-leading operating performance, building on last year's record results in safety and reliability, and extending our trend of annual reductions in emissions intensity by accelerating the pace of reductions and establishing more aggressive objectives. This will enable us to reduce our own emissions at a pace faster than what the countries have committed to under the Paris Agreement. It will also help accelerate our objective of industry leadership in greenhouse gas performance by the end of the decade.

Of course, we remain focused on sustained financial discipline. We are developing plans consistent with our existing commitments to deliver \$6 billion of annual structural savings by the end of 2023, manage future capital investments, including new low carbon projects within previously announced CapEx ranges, and restoring the strength of our balance sheet, returning debt to levels consistent with a strong AA rating.

As our results demonstrate, we've made good progress in improving our competitiveness, but we're not satisfied. Our plans will focus on driving a further step change. We see a significant opportunity to capture scale and integration benefits from our recent reorganizations, improving efficiency, effectiveness, and growing additional cash flow. To strengthen the earnings and cash flow potential of our assets, our plans will continue to advance high-return, advantaged projects and high-grade our existing assets through accretive divestments.

Finally, as I have illustrated, we're stepping up and accelerating efforts to ensure the company plays a meaningful role in the energy transition. Our plans will reflect the continuing development and deployment of needed technologies, and where the appropriate incentives are in place, accretive investments. As we finalize our plans later this year, we'll provide additional updates with a more detailed review at our next Investor Day.

Reflecting back on the past half year, we're pleased with the results the organization's hard work has delivered in a recovering market. We've made a lot of progress, as demonstrated by our year-to-date performance, and we're excited about the opportunities ahead.

We appreciate your participation in today's call. I look forward to answering your questions.

Stephen Littleton {BIO 21547394 <GO>}

Bloomberg Transcript

Thank you, Darren. Operator, please open up the phone lines.

Questions And Answers

Operator

Thank you, Mr. Woods, Mr. Williams, and Mr. Littleton. (Operator Instructions) And we'll go first to Phil Gresh with J.P. Morgan.

Q - Phil Gresh {BIO 15118761 <GO>}

Hey, good morning, Darren.

A - Darren W. Woods {BIO 17692013 <GO>}

Good morning, Phil.

Q - Phil Gresh {BIO 15118761 <GO>}

So just going back to your earlier remarks about all the discussions that you've had with the Board recently, I'm curious what you take away from that as to whether you have any new or incremental thoughts about the best way to drive increased value to shareholders from here. You kind of went through some items there at the very end, but on the margin, do you feel like you've learned anything different from these discussions? And if you could layer in some thoughts around CapEx and balance sheet in that, that'd be helpful. Thank you.

A - Darren W. Woods {BIO 17692013 <GO>}

Sure. Yeah, Thanks, Phil. Good to hear from you this morning. Yeah, I think the one point I would make in terms of the context to the response is it's fairly early in the process, as I said in my opening comments. We've only had the one meeting with the Board, but I would tell you that meeting was very encouraging.

The other point I would make is, actually, the new Board has formed at a very good time with respect to our typical cycle with to -- and managing the business. We have just kicked off our corporate plan process that runs through the end of November, and so we, with the new Board, went through kind of the basis of the plan and the objectives that we are setting ourselves. We had an opportunity for a very rich conversation about that and what we need the organization to deliver this year and continuing this year and into next year and the years ahead.

We also have a bi-annual strategy process that we have in place, which this year, we are doing in September and the new Board will basically have an opportunity to really dig into and go through the strategies that we've developed with all of our business, including our new business, Low Carbon Solutions, in the broader corporate profile. So I expect as we go through this year, to get a lot of good conversations about where the company is going, the opportunities that are ahead of us, and where we want to put our emphasis.

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I think I would say the fundamental approach that we have taken is very, I'd say, is a pretty good alignment amongst the Board. I think they all recognize that the opportunity for us to take a leadership role in this space and just leveraging the capabilities and advantages we currently have. And so, finding the opportunities that fit well with where we can add the most value is, I think, a very aligned objective amongst the Board, and of course you've heard me talk about that, I mentioned in my opening comments.

The broader conversation network this society is now having, governments are now having around the solution sets needed to address the transition, I think, opens the door to a much richer conversation about where ExxonMobil can play and contribute carbon capture and storage, hydrogen, biofuels, other areas potentially where that leverage our strength. So I think we're -- the things are lining up very well within the company, and then I would say more externally in the broader environment.

With respect to CapEx in the balance sheet, as you mentioned, I think, again, good alignment around the importance of rebuilding the strength of the balance sheet. Everyone recognizes this is a commodity market with some significant cycles and volatility, and making sure that we've got a balance sheet that we can lean on as we move through that volatile environment and manage the downs, as well as the ups, is a really important foundational piece of our strategy, and I think very good alignment on that. And that was reaffirmed in the conversations we had this week with our finance committee and the broader Board.

And I think too, given the improvements we've made around capital efficiencies, the work our Global Projects organization has done to really make sure that we can deliver these projects with -- at a very advantaged cost, we're very confident that we can do the things that we want to do, add some additional activities in the Low Carbon Solutions, and do all of that within the range of CapEx that we've previously communicated. And I think, again, good alignment on that and we will confirm that as we move to plan cycle and have those reviews with the Board later this year.

Q - Phil Gresh {BIO 15118761 <GO>}

Got it, okay. And as a follow-up, just on the spending side and with respect to your comments, it sounds like, if you were to stick with the \$20 billion to \$25 billion range, which would be up a decent amount from the low end of the \$16 billion to \$19 billion range this year. Should we be seeing more of an acceleration around energy transition spending kind of embedded in that? Is that how you envision things moving forward versus how you thought about in the past?

A - Darren W. Woods {BIO 17692013 <GO>}

Yeah, I would say that the energy transition spending will be embedded in the range that we've laid out. I think though, it's good to keep some perspective in this space. If you think about the comments around the broader opportunity set opening up and a broader recognition of the need for that opportunity sets, I'm referring to carbon capture, hydrogen, that's a very rapidly evolving space and so, while we've got a really, I think, good portfolio of opportunities, some of them very attractive that the time to transition from the planning and the development of those projects to steel in the ground is going to take some time, we'll be talking about that and the investments that we're planning

going forward. And then of course, the steel in the ground will come with time across the horizon that we typically talk about. And all of that's expected to be within the 2025 range.

Q - Phil Gresh {BIO 15118761 <GO>}

Got it. Thank you.

A - Darren W. Woods {BIO 17692013 <GO>}

You bet, Phil.

Operator

We'll go next to Jon Rigby with UBS.

Q - Jon Rigby {BIO 1760839 <GO>}

Thank you. Yeah, can I ask a question on the Downstream? I listened to what Jack said about the Chemicals and the huge competitive advantage Exxon continues to demonstrate in Chemical. If you could turnaround around that comment and sort of see it in reverse in the Downstream, where the series of loss-making quarters is pretty unusual and looks like underperformance versus your peers. Are there any takeaways from those quarters that you could share with us around sort of the structural makeup of that business, or are you just relying on the cycle for those earnings and cash flows to recover?

A - Darren W. Woods {BIO 17692013 <GO>}

Yeah. Thanks, Jon, and good morning. I'll -- I'm going to hand it to Jack here to get maybe more specifics, maybe a couple of broader comments that you point, that it is unusual given the consecutive quarters of challenged results in the Downstream. But I would also say, going through the pandemic and losing over half of the jet demand, coming out of the refining circuit is very unusual as well. And I think a very discrete and unique event associated with the global pandemic. So I think that context is really important to keep in mind as you think about our Downstream business in the results.

The other point that I would just make with respect to your comment or question is, I think, when you talk about the Downstream and compare across competitors, you've got to recognize the difference in the footprints and the investments in capital assets that we have. I would tell you, as you look across our competitive group, we are much more heavily weighted in refining than some of our competitors. And so obviously, in an environment where refining margins are structurally down, performance is going to look different. And I think it's really important and certainly to what we focus on is making sure we normalize and understand what aspects are driving the performance. And I would say, our capital structure, the investments that we've made over the years are a really important part of that.

I'd also tell you that what I refer to as the physics of this business is, and you can't stay at these low levels and continue with the level of supply that has historically existed in the Downstream, and you see that today with the shutdowns that are incurring in the industry. And so, while that takes some time, this market will come back into balance and if it's

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anything like we've seen in the crude, when that economic recovery kicks in, we're going to see supply and demand tighten, I suspect, and I think we'll see a different level of performance with respect to the Downstream and with respect to our peers. But obviously, that will be a function of that balance and when that economic recovery comes back around again.

And I'll just make one final point in terms of -- we are not relying on just the cycle, we recognize the impact of the cycle, but I can assure you that that Downstream organization is very focused on ensuring that we're pulling as many of value levers as we can in the right way to build sustained and structural improvements that will benefit us obviously in this down cycle, but also in the up cycle.

Well, with that, let me turn it over to Jack. I don't know if I left anything, Jack.

A - Jack P. Williams {BIO 16876429 <GO>}

Well, I did want to pick up on the refining exposure versus some of the others. We do have a -- as the largest refiner, I would say refiner, we do have quite a bit exposure to that market. And we talked about in the fourth quarter how historical low that was, and we are seeing some recovery. But due to the jet demand, that's going to take a little bit of time.

I did mention in my prepared remarks that these new investments that we are making will help, and the recent ones we have made have helped. The Rotterdam investment has made a couple hundred million dollars this year, and that will continue to help. So we are investing to continue to grow advantage in our -- in what is a, difficult right now, fuels value chain. But picking up on the Rotterdam comment, our lubricants business has done quite well over the past couple of years. As a matter of fact, having a record year last year and extremely [ph] strong results so far this year. So that is a kind of balance to the fuels, a tough refining fuels market.

We -- I mentioned the integration of our refining with our chemicals. 75% of our refineries are integrated with chemicals and others are in advantaged market. So we're making sure -- we want to make sure that refineries we have going forward are advantaged, and that's what these investments are about, making sure the ones that we think are -- have natural advantages, we build on those advantages.

And then just in terms of Darren's comment about kind of the physics of refining, we see about almost 3 million barrels a day rationalization over the past year, 18 months. So it's definitely quite a bit above where it has been historically, and we'll just have to see how that plays out, but we are seeing a slow -- slower than we hoped recovery refining environment.

Q - Jon Rigby {BIO 1760839 <GO>}

Thank you for that. And just a follow-up. Darren, you mentioned at the start -- you sort of referenced some of the responsibilities that Kathryn will be taking on when she takes on the role of the CFO, and I think you indicated IR responsibilities, strategic planning, et cetera. But it is unusual, very unusual to appoint somebody from outside of the organization at such a senior role and also somebody without oil and gas experience. So I

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just wondered whether you could just expand a little bit around the sort of qualities and experience that she brings that will add value, or will add to the process at the high level of Exxon.

A - Darren W. Woods {BIO 17692013 <GO>}

Sure. And then maybe, just as, I think, very important context to understand what's enabled that change or evolution. And I've talked before, I think, with all of you about the reorganizations and the consolidations and the changes that we've been making in how we run the business. If you look at the senior, the corporate officers in the organization, we've reduced that group by almost 40% over the years in terms of -- as we simplify the business, line up the value chains, reduce the overhead, and we were able to make significant simplifications in that structure and then reduce numbers. And that also allows us to concentrate consolidate some of the responsibility.

So as we've made those changes with time, we've been able to shape the portfolio of the management committee members and focus them on core areas. And so, we're in a position today where as we've consolidated those responsibilities and focus them, that we're creating a management committee position that's much more aligned today with what would be typical CFO type responsibilities versus in the past where we had much broader number of businesses and therefore, a much broader reporting relationship up into Dallas.

So that simplification has enabled our ability to focus and bring these portfolios in line with what would be some more industry standard opportunities, which then led us, and through Board discussions last year, to start thinking about how we can expand the capabilities, the skill sets, the experience on the management committee, and bring in what we think is some relevant experience into a portfolio that's consistent with and shaped with outside industry experience, and the -- obviously understanding the industry is going to be an important role with that. I think we've got a pretty capable team and organization that understands that industry very well. It's going to support Kathy with respect to that, as she comes up the learning curve there. But I also think she will bring in a lot of perspective from the outside that's very relevant to the business, along some of those core areas, including procurement and supply chains, and some the other areas of responsibility.

So I think there is -- that change in our structure and approach to running the business has opened up some nice opportunities and we think bringing in that diversity of thought, experience, and perspective is actually going to benefit, and obviously we'll supplement that with our industry knowledge. I think the mix will be a very powerful combination.

Q - Jon Rigby {BIO 1760839 <GO>}

Right. It's interesting. Thank you.

A - Darren W. Woods {BIO 17692013 <GO>}

Thank you, Jon.

Operator

We'll go next to Doug Leggate with Bank of America.

Q - Doug Leggate {BIO 1842815 <GO>}

Thank you, and good morning, everyone. Darren, I'm going to try and ask this as eloquently as I can, if you can bear with me for a minute, to address the 800-pound gorilla in the room, which obviously was the Board changes. The press would have us believe that you lost a climate fight. But all the discussions that we've had with some of your large shareholders suggest it was an issue of capital discipline, spending, dividend protection. And my question really is that Exxon is already a leader in carbon capture. You're already leading through the methane partnership. You've been doing a lot of things for a long time, and you have got one of the best portfolios of growth opportunities in the industry that can drive sustainable dividend growth.

A lot of your peers mismanaged the cycle. Now, where some might say you spend a little bit too aggressively, the bottom line is, you've still got those opportunities. So can you give us some assurances that just to tick a box, you're not going to sacrifice returns relative -- on a relative basis across the portfolio?

A - Darren W. Woods {BIO 17692013 <GO>}

I think that's an easy answer to give you, Doug. That has been a primary focus for us for a long, long time, it's certainly when I've been in the job. And as you know from past conversations, the work that we've been doing to reshape the organization, to get more effective at running the business, and then importantly, recapitalizing the business with advantaged assets and supply has been a really important focus, and I think the work that we've done in the past has put us in a very solid position to continue to contribute.

I think everybody on the Board is realistic with respect to the challenges facing society with this transition and the work that's going to be required by everybody, ourselves, the rest of industry, governments around the world, other industries, and consumers to make changes on that transition and that will take time. And I think as you look at a lot of the independent third-parties' assessments, they all recognize that this is a challenging area that's going to require a lot of work and expertise in that our industry has an important role to play in helping with that transition, but very importantly, and continuing to meet the need for energy and existing sources of energy.

And so, that's the balance that we're trying to strike. And of course, I think one of the -- and how that transition evolves and the uncertainty associated with it, obviously everyone could take a different view on that. Our view is the way you help manage some of that uncertainty while you're continuing to meet current demand is to make sure that what you're doing is very advantaged, and on the left-hand side of the cost of supply curve, which is what we've been focused on, what we've been talking about.

So, we think we've got a really good portfolio of high-return projects that are advantaged versus the rest of industry. And so, as time goes on and that uncertainty begins to manifest itself, we think irrespective of how that -- the shape of that curve, we're still going to be in

a very good position. And so, I think strong recognition within the Board that's the advantage that we've created, and I think commitment to continue to leverage that advantage as we look at opportunities in this space of transition.

And the final point I would make to try to reassure you, Doug, is, I think, one of the -- if you go back 18 months, I would say, the litmus test for whether or not somebody was committed to helping manage the transition was whether we are investing in solar and wind. Of course, we were concerned about the returns you can generate in that and the value that we bring to that sector. My sense is, over the last 18 months, the broader conversation has quickly evolved and there is this recognition today that more solutions are needed and solutions that fit into our skill set and solutions where we have been working on creating advantage.

So, I'm confident that as the need for carbon capture is recognized and projects are being advanced in that space, for biofuels or hydrogen, that the work that we've done and the technology and the fundamentals of carving out advantage there, that we will generate a above industry, above average return for the things that we do in that space.

Q - Doug Leggate {BIO 1842815 <GO>}

(Multiple Speakers) Go ahead.

A - Jack P. Williams {BIO 16876429 <GO>}

I would just add to that real quick. If you think about the projects that I talked about, the Chemical and Downstream projects, the Permian and Guyana, very, very good strong returns, industry leading returns from that portfolio. I feel as good about that portfolio as I've ever felt in terms of the projects -- project returns we have, Doug. So, I think we're pursuing high returns.

Q - Doug Leggate {BIO 1842815 <GO>}

Yeah, Thank you for the full answer, guys. My follow-up actually, Jack, is for you and hopefully, it's a quick one after that full answer. It really is a follow-up on the Downstream comment earlier, one of the questions about consecutive quarters of weakness, but I would also -- my question, I guess, is Chemicals is hitting on all cylinders, and I understand your business after over 25 years, Jack.

It's been about optimizing between those two. So to the extent you can, can you characterize to what extent decisions made to maximize Chemical's profitability may be detrimental in your system to refining? Should we look at the two businesses together? And I guess that -- what I'm really trying to get at is coming out of this recovery, when would you see the investments in refining specific start to show up as improved returns.

A - Jack P. Williams {BIO 16876429 <GO>}

Yeah. Doug, I think you're getting at the value of the integrated sites and the tight integration between our Chemicals and Downstream organizations, which is absolutely valuable and we can look at those integrated sites and find several hundred million dollars a quarter of value-add, real bottom line value-add with all of these streams moving back

and forth. And what we're doing, I think, an even better job of in recent years is looking at the whole portfolio together. And for instance, the Singapore project is a both a Downstream and Chemicals project and you'll see more of those, I think, where we're involving both sides of the business and creating additional value there.

So, I think that integration, we view is a real strength going forward, as you think about the whole energy transition and to move forward there, I think it's going to be even more valuable, as we think about molecule management and increase in the value of all those molecules coming into our integrated complexes.

A - Darren W. Woods {BIO 17692013 <GO>}

I think, the other point I'd add, Doug is, you're right about is a little artificial to split between refining and chemical, because you've got molecules flowing back and forth, and the only other point I would add to what Jack said was if you think in the area of recycling plastic and some of the work we've been doing for advanced recycling, we're actually using our refinery footprint to recycle plastic into the Chemical business. And so, it is somewhat arbitrary. We try to make sure we understand the drivers behind each of those, but where you choose to draw the line, obviously, is an internal choice, and we're not thinking about it so much along those lines, it's really around how do you maximize the value at the whole.

Q - Doug Leggate {BIO 1842815 <GO>}

That's helpful, guys. Thanks for taking my questions.

A - Darren W. Woods {BIO 17692013 <GO>}

Thank you, Doug.

Operator

We'll go next to Sam Margolin with Wolfe Research.

Q - Sam Margolin {BIO 17168841 <GO>}

Good morning. Thank you.

A - Darren W. Woods {BIO 17692013 <GO>}

Good morning, Sam.

Q - Sam Margolin {BIO 17168841 <GO>}

A couple of operating questions for me. There is a pretty clear inflection in Upstream US earnings even compared to sort of the last cycle, right, when oil prices may have been very strong, but Upstream had a lot of capital employed and there was differentials. Now, all that seems to be out and Upstream net income in the US is better than it's been in a long time. So I wonder if that's on plan. It seems like it is, because you invested a lot in infrastructure to enhance that, but just if that's altering any of your conceptions of sort of capital allocation and CapEx tilting here, particularly with respect to the Permian.

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A - Jack P. Williams {BIO 16876429 <GO>}

Yeah, let me, -- I'll answer that one, Sam. I think when you're talking about US, you talking about the Permian. That's what -- from the Upstream perspective, that's what's going to be driving our results there. And I think the slide I showed pretty much demonstrated why that -- you're seeing that bottom line earnings improvement. We're really improving the development efficiency in the Permian, really hitting on all cylinders, getting the sort of efficiencies that we've been targeting for last couple of years, and really hitting those three priorities we talked about, in terms of increasing cash flow and capital efficiency, and really driving those development costs.

So as we look going forward in the Permian, we're going to be looking at making sure we hold on to those efficiencies that we've captured, making sure that we -- those we sustainable, and then continue to work the technology there, and we see some additional benefits of technology being applied to that program. And as we do that, you get confidence that those benefits are sustainable, we've got the technology built in and we'll be growing that program over time.

A - Darren W. Woods {BIO 17692013 <GO>}

Yeah, I'd add, Sam, that we are actually ahead of our plan with respect to the improvements and the work that we did early on with the delineation, the infrastructure we put aboveground, all of that, spending at the front end to position ourselves as we move forward. And if you recall, the talk we had about technology and what we wanted to do there, that's all coming to fruition. And then, I think as we move forward, it's how we make sure we're continuing to leverage that effectively, and that's an ongoing area of focus and discussion because we see good value there, good opportunities, but we're going to make sure that we hang on to the gains and continue to leverage that effectively.

A - Jack P. Williams {BIO 16876429 <GO>}

So, we have the first train of the large infrastructure plant we have up in Poker Lake is full, and we have that connected to our Wink terminal, and our Wink terminal connected all the way into the Gulf Coast. So we have set up that infrastructure now and it's starting to click in terms of bottom line performance.

Q - Sam Margolin {BIO 17168841 <GO>}

Thanks. And then just a follow-up on asset sales, you're paying down debt organically at a pretty healthy pace here. Asset sales were important in prior calls, because they were built into your production outlook too, and it created sort of a flat production outlook, even though you are reinvesting a lot in new assets. I wonder if asset sales are still something that is important to the program, or if we should think about kind of net production growth with a lower emphasis on asset sales over the next four years?

A - Darren W. Woods {BIO 17692013 <GO>}

Yeah. Sam, I'd tell you that the emphasis has not changed and I think the way you've characterize it isn't exactly how we were thinking about. Our drive for divestments and asset sales is really around focusing on concentrating our assets in the areas where we have advantage, where we can leverage some of our organizational capabilities, and so

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it's really around focusing the portfolio and highgrading it, and that continues to be a really important part of our work there. And so, that whole divestment discussion that we've had in the past continues to hold.

You'll recall, last year we said, given the market dynamics and the impact of the pandemic that that was probably going to slow the pace of those. It certainly didn't slow our activities, and I would tell you today, our activities haven't slowed, and what we're seeing now with additional buyer interest, my expectation is, as we move forward, if we can find deal space there, we'll continue to continue to see those things play themselves out.

Q - Sam Margolin {BIO 17168841 <GO>}

Thanks so much.

A - Darren W. Woods {BIO 17692013 <GO>}

Thank you, Sam.

Operator

We'll go next to Roger Read with Wells Fargo.

Q - Roger Read {BIO 6161944 <GO>}

Yeah, thank you. Good morning.

A - Darren W. Woods {BIO 17692013 <GO>}

Good morning, Roger.

Q - Roger Read {BIO 6161944 <GO>}

Coming back to some of the opening comments you had, Darren, and some of the questions you've got on here, as we think about new Board, strategies that you've had, maybe some changes, do you think we wait until next March at the Investor Day for any sort of new unveiling of what a different Board could provide, or do you think from what you've seen so far, most of what we've heard makes sense right, get the balance sheet fixed, you've already made a lot of changes on the CapEx front, you do have a tremendous backlog of projects across the Upstream and the Chemicals and Downstream, which you've highlighted here, or do you think that we're in kind of a stasis and we simply have to wait six months to find out anything you run different?

A - Darren W. Woods {BIO 17692013 <GO>}

No, I would say -- I think, actually, we started a different approach last year that was maybe overwhelmed or mixed up with some of proxy action that was going on, but we had committed last year to start a more of a continuum and discussions and talking and put less emphasis on the Investor Day big bang and more, what I would say is, continuing dialog about where the business is going. And so, after we had our plan endorsed by the Board, we put out a press release that gave some highlights. I talked about it in our fourth quarter call and then rolled into the Investor Day.

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I would tell you that continues to be the new approach that we want to take. I think that was reinforced by a lot of the discussions that we had with shareholders and this desire for continued transparency and more engaged dialogues. And so, we're committed to continuing to do that. My expectation was, as the Board goes through its deliberations, as our organization develop plans and options, that you're going to see a more of a continuum in the discussion and the evolution of those plans going forward.

I think again, I'd just reiterate, if you look at the foundational elements of our strategy, which is really leveraging the strengths of our corporation, the technology, the ability to scale, our projects organization, the capital capabilities that we have, a lot of those fundamentals, those have not changed. And the work that we are doing in technology to advance as what we believe are going to be important solutions to adjust to address transition -- the transition, that hasn't changed. In fact, what I would tell you is, there's probably even more appetite around that.

So if you think about the fundamentals, what we can bring to the equation, and then what's needed, given that those remain fairly constant, I think, I wouldn't see huge shifts in the strategy, but you may see accelerations, additional emphasis in areas, and continuing to leverage on those cores and how they manifest themselves. We're committed to leveraging the new perspectives and experience and capabilities we've brought into the Board. That was part -- in part, some of the reasons that we made some of those changes. And so, we've got a really good experience set today, and how we leverage that in our thinking and what opportunities that develops, I think we'll come out of our strategy and plan discussions and we'll talk to you all about that as that thinking evolves and gets translated into plans and actions.

Q - Roger Read {BIO 6161944 <GO>}

That is great, thanks. Glad it won't be months of wondering what's next. Second question I had for you, looking at the Upstream performance this quarter, which actually was pretty good and then dovetailing that with the expectation for the additional \$3 billion of OpEx savings, which I recognize is spread across the company, but if we look at your peer that reported today, they returned about the same amount of net income on a lower production volume number. And I know at any quarter, there is moving parts and doing an exact comparison is a little bit unfair, but it is a meaningful number of equality across two different companies. And I was wondering as you think about the OpEx savings to come, that \$3 billion, and the Q2 performance, kind of where you think you are today and where you think you might be by the end of 2023 when all that's run through, as we think about profitability of the Upstream?

A - Darren W. Woods {BIO 17692013 <GO>}

Well, I would -- I guess, a couple of thoughts with respect to that -- to your question, Roger. First of all, I'd link back to the comment that we had in the Downstream, not all volumes are created equal. And so, when you talk about Upstream and volumes, I think you really got to step back and look at the mix of those volumes and the resource types that you're in and the location of the resources.

And so, I think again, while it ultimately is a function of what you deliver and so, no excuses there, it's just understanding that and what leverage you have to affect it, which

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ties into -- so I think you start with your portfolio and how do you feel about that and where are the opportunities to improve it are, which comes back to the capital we've been investing in the Upstream with the view that we got to -- we're focused on bringing in more profitable, higher-value barrels and the divestment work that we've been doing, which we just touched on, which is taking the areas, the volumes in some of the projects were an asset that you feel like it may have a higher value to others and shifting those out of our portfolio.

So that highgrading of the portfolio and the resulting change in the mix of our barrels and volumes, I think, is a very important part of the equation and one of the things we've been very focused on. I would just tell you, that is a big driver as you look across the competitive landscape, and one of the reasons why we've been so focused on that space. And then above and beyond that, when you think about the organizational construct, how you're managing that, the focus that you've got, end-to-end focus along that value chain, that has been a very big change that we've made in the organization.

I think we're seeing the benefits of that today in how we're running Upstream, and my expectation is we'll continue to see additional benefits manifest themselves with time. And that's with respect to effectiveness and responding more effectively to market signals and delivering value there, and it's also a function of efficiency in terms of additional cost reduction. So, I would expect to continue to see an evolving, improving business in the Upstream, just as I expect to see that in our Chemical and Downstream business.

Q - Roger Read {BIO 6161944 <GO>}

Great, thank you.

A - Jack P. Williams {BIO 16876429 <GO>}

In addition, Roger, to the divestments and the OpEx and efficiency work we're doing, just the profitability of the investments, I've mentioned earlier, there is not any other -- Guyana doesn't have a peer out there right now, and we have a large position there and continue to grow it. So it's going to make a big impact over time.

A - Darren W. Woods {BIO 17692013 <GO>}

Thanks, Roger.

Q - Roger Read {BIO 6161944 <GO>}

Thank you.

A - Darren W. Woods {BIO 17692013 <GO>}

Operator, we probably have time for one more question.

Operator

Certainly. Our last question will be from Jason Gabelman with Cowen.

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Q - Jason Gabelman {BIO 18730121 <GO>}

Yeah. Thanks for squeezing me in, guys. I first wanted to come back to shareholder distributions, if I can. It looks like the quarterly dividend has been flat for, now, a couple of years. Can you just discuss if there was start, an increase in the dividend this quarter, what needs to happen to increase the dividend moving forward, and maybe connect that to debt levels, and connected to that, what do you consider some sort of shareholder distribution strategy that gives cash to shareholders as oil prices are kind of above any long-term trend you expect?

And then my second question is on Chemicals. It seems like the segment kind of has a lack of transparency with two respects, one in their performance product earnings, and two, on benefits to greenhouse gas emissions. So on the performance products, can you discuss what that's contributing currently, if there was kind of an outsized benefit because of the overall Chemicals' environment strength, and what kind of a normalized earnings looks like moving forward in that performance products?

And then related to emissions, you mentioned that the performance products really helped with emissions reductions, but Exxon maybe doesn't get that benefit because it's not like a Scope 3 reduction, or your own emissions reductions. Is there any thought to supporting kind of emissions reporting scheme that awards Exxon for producing products that helps the world reduce emissions, even if it doesn't reduce your own emissions?

That's it. Sorry, I know that was a lot, but I appreciate it.

A - Darren W. Woods {BIO 17692013 <GO>}

I appreciate your questions, Jason, and I'm going to -- I will let Jack talk to the chemical piece of your question and I'll address the capital allocation. I will though, just on the Chemical one, we do look at that in terms of the product emissions and we do recognize the opportunity that Chemicals brings in terms of helping society achieve that lower emissions. That is something that we talk a lot about. We've -- gas is another one I would add, with respect to the alternatives that are out there today. So it is an important part of the equation that we think about and continue to work. And I'm less focused on how you take credit for it, more focused on making sure that it happens. But I'll let Jack spend some more time on that.

With respect to your capital allocation and the dividends, I would tell you that the foundational elements of our capital allocation remain unchanged with respect to making sure that we're finding high-return, industry-advantaged investments, because that underpins basically everything else we do for the long term. We are a capital-intensive industry and so you better be making sure that you've got a good program of investments in capital, particularly in the depletion side of the business. And maintaining the balance sheet has always been an important part we do down heavily and that advantage paid off last year, and we're going to rebuild that. So as you said, that's part of our strategy. And then shareholders distributions have been the third leg of that stool and an important aspect.

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And so with respect to that question you heard, we think we've got a good plan on our investments and the range that we'll be investing going forward. We're making good progress on the debt, particularly given the higher-price environments than anticipated. And then on distribution, it is part of the conversation and discussions we've had. I would tell you, we have always felt a very strong commitment to our base shareholders to deliver on a dividend, a reliable and growing dividend, and that continues to be part of the conversation, and I would say the Board would like to continue to deliver on that commitment. And so we're continued -- we're committed to that, a reliable dividend and one that grows with time.

And obviously, if we're maintaining capital in the range that we won't -- we get our debt back to levels that assure us the ability to ride through the cycles, and we've got a manageable dividend that's reliable and growing, recognizing anytime you raised the dividend, that brings of the burden up. We want to -- we're going to continue to do that, but at the same time there, we want to manage that total outlay in the dividend. And so, buybacks and other distributions become part of that equation, particularly when to redistribute cash.

So that's all on the table, and I think as we move through this year, and depending on where price is at, those opportunities will grow in relevance. And with a capital program that's pretty well defined and a debt that we -- objective that's pretty well defined, you've got this opportunity on the distributions that I think the Board will continue to evaluate as we go forward.

A - Jack P. Williams {BIO 16876429 <GO>}

So back on the performance products, there are -- it's about, think about -- that's about a third of our product portfolio in Chemicals, and I showed you that's going to grow at 70% by 2027 and, importantly, grow earnings more, and that's because that 10% to 25% uplift we generally get on our performance products. And I think that was demonstrated, if you look at this quarter. A lot of -- almost all the chemical companies benefited from the dynamics we had in the quarter, but you saw the earnings power of our Chemicals company because of this higher margin, because of the technology we bring in those performance products.

And the other advantage those have and when you think about all our investments going forward, these investments are focused on generating those performance products, and they're not more capital-intensive, this is catalyst technology. So it's not more capital-intensive and yet, we get -- we're having -- we're generating a product that gets 10% to 25% more margin. So you can imagine those investments look more profitable as well. So it's a key part of our strategy going forward and we're -- we'll just continue to double down on that in terms of the technology improvements and growing those products preferential to the rest of our Chemical portfolio.

Q - Jason Gabelman {BIO 18730121 <GO>}

Thanks.

A - Darren W. Woods {BIO 17692013 <GO>}

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Thank you.

A - Stephen Littleton {BIO 21547394 <GO>}

Okay, Thank you. I want to thank Darren and Jack for joining us on the call. And I also want to thank all those on the line. We appreciate your interest and opportunity to highlight our second quarter results. We hope you enjoy the rest of your day. Thank you, and please be safe.

Operator

And this concludes today's call. We thank everyone again for their participation.

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