Jennifer Driscoll: All right. Good afternoon, everyone. Welcome to the ExxonMobil Product Solutions Spotlight. I'm Jennifer Driscoll, Vice President of Investor Relations. Excited to be here at our new corporate campus and headquarters. I'm joined by a number of executives today; I have with me Jack Williams. He's Senior Vice President, ExxonMobil Corporation. He oversees Product Solutions, also global projects and our supply chain organization, among others. We also have Karen McKee, President of ExxonMobil Product Solutions. And then we have Neil Hanson, Mike Samora, and Loic Vivier, the Senior Vice Presidents for Energy Products, Chemical Products and Specialty Products, respectively, as well as many of our other executives.

All of us are here to share with you today how ExxonMobil Product Solutions is using its industry-advantaged capabilities to nearly triple earnings potential by 2027 versus 2019, as well as grow and deliver value well into the future. I'm also pleased to see a great in-person turnout during this hybrid event. I can see many of our covering analysts and investors in the audience. We thank you for coming and we look forward to engaging with you and answering your questions. On behalf of ExxonMobil, we appreciate your interest in the company. In fact, it’s your interest in Product Solutions that encouraged us to host this spotlight today.

One and a half years after we form Product Solutions, we wanted you to be able to meet the leaders from this new business and hear their perspectives on the many opportunities for growth that we have through 2027 and beyond that. For those of us joining via audio webcast, you can find our slides on the Investor Relations section of the ExxonMobil website.

During this presentation, as usual, we'll make forward-looking statements they're subject to risks and uncertainties. We encourage you to read our cautionary statement to learn more about those. We provide additional information about the risks and uncertainties that apply to any forward-looking statements that we might make in our forms 10Ks and 10Qs. You can find those on our website for investors and you'll also find some supplemental information at the end of our spotlight slides.

So with that, let me turn it over to Jack Williams, Senior Vice President of ExxonMobil.

Jack Williams: Thank you, Jennifer. Good afternoon. Great to be with you today. Good to see all your smiling faces and welcome to our virtual audience as well. I'm excited today to showcase ExxonMobil's Product Solutions business and our leadership team. I'm really proud of this team
and the work that they've done and the whole organization has done to significantly improve earnings and cash flow delivery. So today what we're going to do is report out our progress to nearly triple earnings versus 2019, which would add $10 billion of annual earnings capacity by 2027.

As you can see on the slide, the foundation of our Product Solutions strategy is an industry leading portfolio of assets and businesses. And we're making the most of it by maintaining strong operating performance, including best in class safety; by growing our high-value products, with sales of these on track to double by 2027 versus 2019; by reconfiguring our integrated assets to meet evolving customer demands and by optimizing our value chains in real time in response to feed and product dynamics. Our investments the last five years have added significant value and we're continuing to invest in our strategic projects to grow these businesses. We've started up five of these projects that are expected to contribute $1 billion of earnings this year, and we've organized the business to maximize value from our assets and ongoing investments.

Product Solutions formation has allowed us to capture significant synergies and improving our performance and operating cost and it's enable us to better leverage our corporate competitive strengths, which are substantial. These strengths, these advantages of scale and integration, functional excellence, and of course our people and our technology are well-represented in Product Solutions. What you can see here, the horizontal scale on this slide goes from least or smallest on the left to most or largest on the right. ExxonMobil leads in most of the dimensions shown here and some by a very large margin.

So first we have significant scale. We have more than double the manufacturing capacity versus the next IOC and it's highly integrated, with 85% of our refining capacity integrated with chemicals which allows significant optimization today and significant reconfiguration opportunities tomorrow. I would like to spend a minute or two on the technology advantage shown here. So what's shown is the number of patents and we use that as a proxy, but the real advantage here is the impact this has on our earnings growth. Proprietary technology enabled the Rotterdam Advanced Hydrocracker Project and the Singapore Resid Upgrade Project that's ongoing right now. Both of these were industry firsts and both completely enabled by proprietary technology. And our 50 plus years of catalysis technology leadership is really the enabler for our performance chemicals and they are the growth engine of our Chemical Products business.

And then we have a new exciting, sustainable product line in our specialties business that we'll talk about later that is made possible by brand new process technology. So in short, our technology leadership provides us the growth opportunities that simply are not available to
competition. The functional excellence measure shown here is the track record of delivery by our unique global projects organization. So the example, and we'll talk more about this later, is the Corpus Christi Chemical Complex that was delivered 25% below US Gulf Coast by deploying an upstream modularization strategy for the first time in the chemical industry. These competitive advantages, enabled by our incredible people, are generating superior financial results. Last year, Product Solutions earnings were more than double the next IOC’s downstream of chemical businesses and the first half of 2023 shows a similar trend.

The deployment of these advantages is enabled by our corporate organization model. And of course, as you know, last year we reorganized to create our Product Solutions organization, which is now the world's largest integrated fuels, lubricants, and chemicals business. And we further evolve the model to the schematic that's shown on the right. There are two other business lines, the Upstream and Low Carbon Solutions and all three of these businesses are supported by central organizations that are leveraging the full scale of the corporation to deliver industry leading capabilities to each business line, the entire left-hand side.

So the Product Solutions results that we discussed today will include the contributions of the entire right half of this organization block: like our technology and engineering organization, like global projects, like our global trading organization that's enabling more value capture from our large global footprint. These corporate capabilities are being fully leveraged by the Product Solutions strategic priorities, which begin with a commitment to be the lowest cost supplier, which is vitally important for remaining resilient through the business cycles.

Our growth will be focused on high-value products that leverage our technology advantage that I just talked about. High-value products are our low emissions fuels and performance chemicals and high-quality lubricants, so they're higher value and lower emissions. And by 2027, we expect these products will be 10% of our sales and 40% of our earnings. We'll grow these products through strategic projects that we anticipate will contribute over $4 billion of earnings annually by 2027, substantially improving the value of the portfolio.

And importantly, we intend to lead in sustainability. Product Solutions is playing a material role in the corporate GHG mission reduction plans, which results in a 20% to 30% reduction in GHG intensity by 2030. We've developed emission reduction roadmaps for all our operated assets. We're working with Low Carbon Solutions on development of a Baytown blue hydrogen project. We're growing production of certified circular polymers through our advanced recycling. We're building a new hydrocracker to produce lower emissions renewable diesel at IOL Strathcona Refinery. And through our relentless focus on energy intensity, our manufacturing assets
continue with first-quartile GHG intensity delivery. So, in short, and you've heard us say this before, we're working to solve the AND equation, meeting the world's energy and product needs and reducing emissions. I am confident that with these priorities, this leadership team, this organization, and this new corporate structure, we will deliver the 10 billion of annual earnings growth by 2027.

And we're also excited for the prospects beyond 2027. Demand for chemical products is expected to grow more rapidly than GDP. Demand for lubricants is expected to remain strong and to grow in industrial, and aviation and marine sectors. We're creating new value chains enabled by technologies that upgrade low-value molecules into higher-value products. And we have a strong portfolio of lower-emission fuels opportunities at our advantaged integrated sites that will meet a growing demand during the energy transition.

So before wrapping up, let me just say that I hope that the next four presentations from the Product Solutions leadership team, we'll give you a better appreciation for why we have so much confidence in delivering this earnings growth to 2027 and beyond. In short, ExxonMobil's Product Solutions business is very unique. Our industry leadership is underpinned by corporate competitive advantages that have really been amplified with the recent organization changes. The organization is hitting its stride and there's growing momentum for an exciting future.

Jennifer Driscoll: So with that, let me hand it over to Product Solutions President Karen McKee to discuss our plans in more detail. Thank you.

Karen McKee: Well, thank you Jack and thanks to all of you for your interest in Product Solutions. As Jack said, I have the honor of leading this new organization of Product Solutions and I truly believe that it is a game changer for ExxonMobil. And in the next few minutes I'm going to share with you why I believe that's the case. I'd like to start by referencing the scale of our new organization and you can see on the top right here that our average reported earnings were 10 billion per year in the six years since the start of our recast period. You can also see the split into our three new reporting segments of that $10 billion. So there's no doubt that this is a material business for ExxonMobil. The reason I think this is a game changer is because of the way we have constructed our new organization. We've purposely organized to unlock new synergies and new value for ExxonMobil, and we've organized around three key aspects.

The first thing is combining like activities in order to gain scale and a simple example of that is manufacturing. Prior to the reorganization, we had one manufacturing team that supported our chemical business and another one that supported our downstream business. Those were both
world scale in their own right, but by combining those we have something truly unique, something that is super scale versus all of our competitors. So that's the first tenet of our organization. Super scale.

The second one is what I would call deep integration. And you can see on the left-hand side of this chart that two of our three reporting segments actually include businesses from both our heritage organizations. So we have done this very intentionally in order to identify differences, identify best practices, and rapidly learn from each other and deploy those best practices across the whole of Product Solutions. And that is really bearing a lot of fruit, which I'll bring to life in the next few minutes.

The third tenet of our organization has been really focusing on value chains. And a good example of that is that we’ve now brought all of our lubricant related businesses together within our Specialty Products segment. So we now have our heritage chemical and synthetic base stock business joining our other lubricants business. And this has allowed us to identify and create new value for our customers as well as our shareholders.

So as Jack said, we’re 18 months in. I am delighted to tell you that we’re off to a fantastic start and we’ve actually captured more synergies in our first year than even my very high ambition for the new organization. And we’re confident in much more to come given the suite of ideas and opportunities we’ve identified. So we are confident that we are on track to deliver half a billion dollars in structural cost reductions by 2025 and an additional half billion dollars of margin improvement and one-time savings over the same time period. So very significant opportunities to improve our businesses. So I view today as close to a halfway checkpoint on our progress between our baseline year of 2019 and our ambition for an improved business in 2027.

On this slide, I’d like to set the baseline. I want to show you where we’ve been and where we are currently. So you can see here that an average margin basis we started with $6 billion of earnings in 2019. By 2021, at the same average margin basis, we were delivering $8 billion of earnings. And based on our progress year to date at the end of this year, which is actually our halfway point, we could be at nearly $12 billion of earnings on an average margin basis. So this is a terrific start and a great track record, and it gives us confidence in delivering on our goal for 2027.

So let’s talk about that goal. Our goal is to deliver $16 billion on an average margin basis and that’s about $10 billion more than our performance in 2019. And you can see on this slide that we are on track with nearly $12 billion on an average margin basis this year. We are delivering
about 60% of the expected earnings improvement and we are halfway through the timeline at the end of this year. So that's where we've come so far. But you can see we have broken our opportunities to improve our earnings into three categories over the whole time period and I'd like to walk you through all three of those.

Firstly, at the top of those bars is a green section, which is from our strategic projects. These are very large projects, very large investments. They're focused on improving our competitiveness and serving growing demand for our high-value products. You're going to hear much more about these today. In the light blue, the lowest area of the improvement is our structural cost improvements. These are from operational efficiencies and other cost-saving measures and the good news is we expect these to be sustainable going forward. And between these two, let me say fairly obvious sources of value. We have this orange section which we would describe as other performance improvement.

So what is other performance improvement? Well, we are deeply focused on enhancing all aspects of our business. We embark on hundreds of smaller projects every year that don't rise to the level of our strategic projects, but they do improve our business. We're focused on improving yield, focused on improving reliability, so many opportunities to improve our manufacturing part of our business. But we're also focused on value chain improvements outside of manufacturing with value creation in the commercial aspects of our business.

For example, by improving our channel to market and growing our trading activity. It's also important to note that we only adjust our historical and future reported operating earnings for margin, taking all of our performance back to a constant margin basis. So any other one-time opportunities that we capture would also be reported here. So we are going to use this format as we walk you through each of our segments earning improvements for the balance of our time today.

So I'd like to start with a very brief overview of our strategic projects and each of our Senior Vice Presidents is going to give you much more details on what these projects mean in terms of improvements for their business. But what I would like to stress is that we are committed to profitably growing our business and we have no shortage of opportunities to do that. We have many great ideas that we could deploy in order to improve our business. And the projects that we've selected are entirely consistent with our strategy. They're focused on extending our market-leading positions in our businesses and improving our strategic site competitiveness and they will deliver meaningful earnings growth. All the projects are listed in the year after startups, so that's the first year of full beneficial operation.
So for example, the Beaumont accrued distillation project, which we successfully started up earlier this year is highlighted here under 2025. Great news is we are on track. We are on track to deliver a billion dollars in earnings improvement by the end of this year, but the best is yet to come because actually the majority of these projects are scheduled to deliver in the back half of the period. So these projects, as you’ll discover during the balance of our time together, are many and varied, but there’s one thing that they all have in common. They’re all differentiated by our competitive advantages: our proprietary technology that Jack spoke about; our unique integration, because we are the only one of the IOCs that has a very, very large chemical company, a leading lubricants business, and a very large fuels business; our unmatched scale; our functional excellence in everything we do, including industry-leading execution of our projects. So these projects will materially move us forward, as I mentioned before, to serve the growing markets for our high-value products and enhance the competitiveness of our strategic sites. But importantly to you they’re very attractive. We project an average project return of 30% on a money-forward basis.

So I mentioned earlier that there are these many varied aspects of what we’re calling other performance improvement. I thought it would be useful to dive into a specific example and the example I’m going to take on here today is manufacturing improvement. On the top left of this chart, you can see our industry-leading performance and safety. Clearly, our safety performance is an absolute value in its own right, but it is also a great indicator of the rigor with which we approach all the operational aspects of our business. So you can imagine that our turnarounds were safer than average, and we approached them with a great degree of rigor.

But as you can see on the right-hand side of this chart, they were not as competitive as we wanted them to be. In fact, we had opportunities to improve both the duration of our turnarounds and also their cost effectiveness because we were benchmarking in the third quartile. But you can see by 2022, we had improved both schedule and cost-effectiveness to deliver first-quartile performance, importantly, without compromising safety. So that improved duration means less downtime, more uptime for equipment, and more throughput through our facilities.

So that improved performance and turnarounds, together with other reliability improvements, has resulted in our record refinery throughput last year, which you can see on the lower left of this chart. That extra throughput results in more product that we can sell, and that product value shows up in our other performance improvement. And we value it at our average margins. So
this is just one example. As you can imagine, there are many more when we look at how we deploy various sales channels, the work that we're doing to improve our mix of products that we sell, improved utilization and cost-effectiveness of raw materials, and the countless smaller projects that we have across our fleet of manufacturing sites.

On the bottom right of this chart, you can see our track record thus far and forward performance that we plan on structural cost reductions. It is really important to me that we have efficiencies that more than offset inflation and we are delivering that, and we are committed to continue to deliver it going forward. One of those efficiencies is the lower cost of our turnarounds as these are material events that cost a lot of money. Of course, there are many more. So overall, structural cost reductions and these other earnings improvements will deliver more than $5 billion in incremental earnings and more than half of that is from cost efficiencies.

So this is my last slide. We have met remarkable progress in very short order in Product Solutions and I am tremendously proud of my team for delivering the progress that we've had thus far. And our progress is already helping us to drive significant outperformance relative to our peers. According to WoodMac, Product Solutions is delivering about two times more cash flow than our IOC competitors. That's an advantage that is expected to be sustained going forward.

From a challenged position in 2019, Product Solutions has made dramatic improvements. We have greatly improved our reliability. Our structural cost discipline is already generating earnings improvements of over $2 billion a year. Our project delivery is best in class. The Beaumont Project that I mentioned earlier is a prime example, the single largest US refinery expansion in a decade. Well-conceived, well-executed from design through the startup coming online on time and on budget and operating extremely well. Our streamlined organization has greatly enhanced integration and we are intensely focused on driving improvements in every facet of our business. In fact, last year ExxonMobil not only led the IOCs in downstream earnings, we also led the IOCs in dollar per barrel downstream earnings and we led in chemical earnings.

So I really have high confidence in the track record that we've delivered so far. I'm confident that we can build on these gains on our way to delivering our ambition of $10 billion more earnings potential by the end of 2027. With that, let me turn it over to Neil Hansen who's going to tell you more about Energy Products. Thank you.

Neil Hansen: Thank you, Karen. Good afternoon to all. My name is Neil Hansen. I'm the Senior Vice President for Energy Products. It's great to be here with you today and it's great to see some familiar friendly faces from my days in Investor Relations. I have the privilege today to talk about
the steps that we’re taking in Energy Products to further strengthen our competitiveness, our resiliency to thrive in the energy transition, and our capacity to grow earnings. But let me first start with a brief introduction to the organization. So Energy Products includes two value chains, transportation fuels and aromatics.

Now aromatics are chemicals that are used as starting materials for really a wide range of consumer products, including the synthetic fibers that are found in many of the clothes that we all wear. We’re also responsible for licensing our innovative technologies and supporting catalysts to other companies. We run our businesses end-to-end, so we try to maximize the value of the crude and feeds that enter into our manufacturing facilities, increasing the competitiveness of those operations and optimizing the different channels through which we sell our products. Now our transportation fuels are sold through a global network of more than 25,000 retail stations in 34 countries under the Exxon, Mobil, and Esso brands.

Now we also sell to commercial customers including in the airline, marine and commercial transport sectors. Our fuels value chain includes efforts to lower GHG emissions from our products and, with our global scale and our technology, we're well positioned to lead in biofuels. We're also leveraging our expanded trading capabilities in crude and finished products to maximize the value that we gain from our world-scale asset portfolio, our equity production and our industry knowledge. And when we combine that with the advantaged investments that we're making, the efforts that we're undertaking to high-grade our portfolio, we are growing our earnings capacity in Energy Products.

In fact, we've demonstrated significant earnings growth since 2019, importantly, on a margin-neutral basis. If you annualized our first half 2023 earnings, they are several billion dollars better than 2019. That improvement is driven by structural cost savings, again shown here in the light blue on the chart. So we've pulled cost out of the business by capturing efficiency in organization, in process, in our operations, and in our logistics and this has greatly improved our resiliency to market cycles and increased our earnings capacity.

In orange, you can see the impact of other performance improvements like operational excellence. We've delivered strong reliability. We had our best-ever turnaround performance in the first half of this year, and as a result, we had our highest throughput in the second quarter in the last 15 years. We're also focused on maximizing the margin we realize in trading and through our sales channels and, as shown here in green, we're delivering projects that meet market demand signals.
Now, we've seen that recently certainly with a very successful startup of the Beaumont expansion, that will help satisfy resilient diesel demand. So we're building on that formula for success and Energy Products is contributing $5 billion of earnings growth potential. That's about half the Product Solutions earnings power improvement from 2019 to 2027 and, importantly, we're on track to deliver it. Our strategic projects will deliver about 40% of that earnings growth potential and then we'll see help from other performance improvements. It will also contribute to our earnings capacity. For example, the earnings contribution from downstream trading activities are expected to grow with the formation of the global trading organization earlier this year. And we're continually focused on improving our operations through smaller projects and optimizations that help drive margin improvement. And lastly, we're pursuing multiple projects in biofuels that will further increase our earnings capacity.

Let me talk a little bit more about the portfolio of advantaged investments. Now, these will, again, increase margins at our strategic sites through proprietary technology and feed advantage. And importantly, these projects are consistently executed with excellence by our industry-leading projects organization. Now while all of our strategic projects that were shown on the previous pages are advantaged, I'm going to touch on three examples here.

The before-mentioned crude expansion project in Beaumont, which added 250,000 barrels a day to our US Gulf Coast portfolio. It leverages integration by taking light crude from our upstream assets in the Permian, again to produce demand-resilient diesel. Our Singapore project will upgrade bottom-of-the-barrel molecules to the benefit of all three Product Solutions value chains. It’s leveraging proprietary first-in-industry technology to strengthen our fuels, lubes, and chemical businesses. The project at Fawley in the United Kingdom will expand hydroprocessing capability, this will enable us to process challenged molecules into higher-value finished diesel.

As you can see on this chart, these projects shift net cash margin competitiveness toward the first quartile for each of these strategic sites. We’re also high-grading our portfolio through selective divestments and terminal conversions of non-core, less competitive assets. And these have been difficult but critical decisions, because they've improved the overall competitiveness, the resiliency, and the profitability of our portfolio. We expect our footprint to be 13 operated refineries by the end of this year, including recently completed or announced investments.

Now again, importantly, this has strengthened our asset base and gets us close to our desired manufacturing footprint for fuels and aromatics. The resulting portfolio will have a greater percentage of integration with chemicals and lubes providing us with a robust foundation for earnings delivery across all of our value chains. Now with our competitive advantages including
our strategic assets, we're well positioned to produce biofuels and that is supported by strong market fundamentals.

We expect industry biofuels demand to grow 50% by 2030 to more than three million barrels a day. Again, driven by the need for energy-dense, lower-emission fuels for trucking, marine, and aviation. And we could see approximately 400% growth to nine million barrels a day by 2050 and that's going to be dependent on supportive, well-designed policies. Reconfiguration of existing hydro-treating capacity using vegetable oils or waste oils as feed is an advantaged path to produce biofuels at scale and ExxonMobil has the largest hydro-treating capacity available to reconfigure and we can do it at an advantage return relative to a greenfield project. This enables us to use existing infrastructure to convert locally sourced biofeed into renewable diesel or renewable jet. And we're pursuing 12 projects globally including coprocessing, bioblending, and again asset reconfigurations.

We're also progressing a number of technology programs that we think will unlock future potential pathways to produce lower-emission fuels, including things like alcohol-to-distillate and e-fuels. Now overall, our portfolio of biofuel opportunities yield potential returns greater than 20%, but again, they'll require the supportive stable policies that we need. Now, our scale and integration provide us with an advantage versus competition. It allows us to capitalize on the optionality to shift product yields over time as the rate and pace of the energy transition evolve. We're unique in this ability. We are unique in our ability to grow not only in biofuels, as I highlighted, but also in distillates, in chemicals and in lubes as we see the demand for other products like fuel oil and mogas decline over time. We're unique. We're unique because of the sheer scale and competitiveness of our integrated fuels, lubes, and chemicals businesses.

This bar on the right shows the future yield potential of our portfolio. It demonstrates an unmatched ability to cost-effectively shift to higher-value products as markets evolve. So reconfiguration of our existing assets to shift yields to these higher value products is cost and return advantaged versus a greenfield investment and you can see that here in the table on the right. Importantly, this ability to reconfigure our facilities demonstrates the enduring competitiveness of our asset portfolio and the resiliency and the flexibility that we have to respond to evolving demand fundamentals. It also critically highlights the potential longevity of the underlying value of our strategic assets.

Finally, as you can see here, we expect the combination of strategic investments of these performance improvements that we've talked about, cost reductions, and rationalizations of our portfolio to result in a winning formula. It's a winning formula that will further strengthen our
portfolio competitiveness and expand our earnings capacity. By 2027, ExxonMobil's portfolio, as you can see on this chart, is expected to be solidly in the first quartile on a net cash margin competitiveness. In fact, net cash margin is expected to improve by $2 a barrel. That $2 a barrel equates to more than $2 billion of net cash margin potential per year.

So to sum up, we're high-grading our portfolio based on market signals and we're building on our history of competitively doing so. We view our large asset base as a strength as we pursue cost-advantaged reconfigurations, including advantaged biofuels investments. Energy Products has delivered and will deliver strong earnings growth potential as we position our portfolio to succeed through the energy transition.

Now let me invite my colleague Mike Zamora to talk about Chemical Products.

Mike Zamora: Thanks, Neil. I'm Mike Zamora, Senior Vice President of Chemical Products. Within this business, we produce products that will grow and demand for years to come. Customers demand our products because they improve the quality of life, and they meet societies' evolving needs. I'll give you a few examples to start. Our products can be used to create films that are used by farmers in their greenhouses with the right permeability to increase crop yields and extend growing seasons. Many of our products are used in packaging that extends food shelf life, helping to decrease food waste. We make raw materials from medical applications like hand sanitizer, masks, gowns. Some of our high-tech polymers reduce the weight of conventional and electric vehicles, making them even more energy efficient. Others can be blended specifically and targeted into our customer's formulations to increase our customer's ability to use more recycled material. Overall, we produce a wide range of products that address societal challenges and help manufacturers reduce their energy use, their greenhouse gas emissions, and their waste.

In terms of business performance, we expect Chemical Products to contribute more than $3 billion of earnings growth by 2027 and we are already delivering now. By year-end of this year, we'll have improved earnings by over a billion dollars. About half of that comes from cost reductions as shown in the light blue and half comes from strategic projects shown in green. With respect to our strategic projects, both our Corpus Christi Chemical Complex and our Baton Rouge polypropylene project started up on schedule and quickly demonstrated design rates. And I'm really proud of our Corpus Christi team. They found ways to grow additional capacity without any additional investment and have demonstrated rates that are 6% above nameplate capacity. This was done at costs well below competitive benchmarks.
Chemical Products delivered record earnings of $7 billion in 2021. We made the most of what was a very conducive market. Supply chains were disrupted post-Covid where ExxonMobil was well positioned to meet that demand and the high margin environment incentivized high utilizations. Those factors and others showed up as performance improvements seen in orange on the chart and they contributed to those record earnings in 2021. The orange performance improvement bar is smaller in 2023, reflecting an absence of these factors as current margins are at bottom of cycle.

Looking out to 2027, there is a clear path to growth, and it's driven by the strategic projects. Just yesterday we announced a startup of our $2 billion Baytown chemical expansion project. This facility is really two separate plants. The first is a 400,000-ton-per-year solution process unit making high-performance propylene and ethylene plastomers branded Vistamaxx and Exact. These materials can be used to make better automotive parts, construction materials, personal care products, and now even solar panels.

The second is a 350,000-ton-per-year linear alpha olefins unit. This is a new market entry for ExxonMobil. With this facility, we make a full range of alpha olefin products with a critical competitive advantage that much of the product will be consumed internally in our existing Specialty and Chemical Products businesses. As we look out to 2027, in addition to the Singapore project that Neil mentioned, the last part includes our world-scale China chemical complex. Focused on producing our unique high-performance polyethylene and polypropylene products that are for the China market.

We are also excited about our suite of advanced recycling projects, which I'll cover in more detail in a few slides. There are two themes that I want you to remember common to these strategic projects. One, they're all underpinned by advantaged technology. Second, they're all focused on growing high-performance products. But keep in mind our path to 2027 is not only an investment story. Cost discipline is key to maintaining resilience in what we all know is a cyclical business and we have and we will continue to deliver significant structural cost reductions totalling nearly a billion dollars over the period. Examples of some of the smaller improvements include mix upgrading from commodities, low-cost de-bottlenecks, optimizations with our refineries, and structural reliability improvements.

Now let's take a look at how these strategic projects build upon our unique competitive advantages. Chemical Products has a global footprint and operates some of the largest units in the industry. Our scale and our customer reach is a competitive advantage. We have feed and energy-advantaged assets and superior refinery integration versus competition. Another unique
competitive advantage in the chemical business is our project capability that you've heard so much about. We are in a very capital-intensive business. The chemical business, the oil business at large, is extremely capital intensive and to win you need to develop and deliver the lowest cost projects.

As Jack mentioned, we have a global projects organization with tremendous capability, tremendous experience, executing multi-billion-dollar projects simultaneously all over the world. Leveraging that capability in the chemical business, bringing that capability to bear from the upstream, from the broader corporation to the chemical business is something that none of our chemical competitors have and that is a critical differentiator that can help us be more efficient with our capital dollars and deliver industry-leading performance.

The three pictures at the bottom of the slide highlight a few examples of this. As I said earlier, the Corpus Christi project and the Baton Rouge polypropylene project were constructed and started up on schedule. And as Jack highlighted, the cost of our Corpus project was 25% lower than similar scale US Gulf Coast projects. This was largely due to that modularization strategy, but it's really the expertise that's used on large upstream projects that was brought to bear on the chemical business for the first time. And again, that delivered on time and above nameplate capacity.

We expect our world-scale China chemical complex to continue this trend of industry-leading project delivery and that team is doing a fantastic job. They're consistently delivering on their milestones; construction is progressing per plan even through a very difficult Covid environment. Earlier this year we achieved a major milestone when we lifted the major towers into place.

And we've become market leaders in our businesses by leveraging these competitive advantages. The chart on the right shows our polyethylene market position. We're number one in the polyethylene industry and all of our IOC competitors are well behind. These competitive advantages that I've spoken about – scale, integration, technology – combined with project delivery provide us a strong foundation to continue to profitably grow this business. And as we grow, our focus will be on performance products. While margins are currently at bottom of cycle, long-term chemical demand is expected to grow at 20% above GDP making Chemical Products resilient to a wide range of energy transition scenarios.

Furthermore, our performance chemicals, which today represent about a third of our portfolio, are expected to grow at a rate twice of that of commodities, so about 7% per year. This growth rate is due to the superior performance of these products versus their commodity counterparts and
this performance is underpinned by proprietary technology. The best example in my business of the technology advantage is our metallocene catalyst technology. This technology enables us to specifically design materials that create more value for our customers and end consumers. They can use our materials to make products that are stronger, that are lighter, that use less material, that are more recyclable, and that are easier to process.

And the right-hand chart shows how this translates to earnings. Our technology and know-how combined with our strategic investments result in a two-and-a-half-time increase in the earnings potential of our high-value chemical products and those performance products are a key profitability driver for the chemical segment.

Now I'd like to tell you about some of the really exciting work we have and that we're doing on plastic sustainability. Our new advanced recycling facility in Baytown, just miles away from here, leveraging proprietary ExxonMobil technology, is fully operational and delivering positive results and it's helping our customers achieve their circularity goals. There is a market for certified circular polymers that we make out of the Baytown facility that come from plastic waste. And our technology significantly widens the range of plastic that can be recycled. It allows us to process mixed plastic waste and harder-to-recycle plastics like potato chip bags, like AstroTurf. And it turns it into raw materials that can then be used to make valuable products with the same properties as virgin materials.

The facility in Baytown is North America's largest with capacity to process up to 80 million pounds per year of waste plastic that would otherwise go to a landfill, and it leverages our existing facilities to scale up quickly. We have plans underway to scale this technology at other sites across the world to up to 1 billion pounds per year of waste plastic processing capability and that's by year-end 2026. All of this assumes supportive policy. We need regulatory support all along the value chain and at ExxonMobil we're working together with policymakers, the rest of industry, with our customers in the value chain, waste management operators to address society's plastic waste challenge.

So in summary, I feel really good about the long-term fundamentals of the Chemical Products business based on three factors. First, the demand is growing because our products improve the standard of living, and they enable a lower emission economy. Second, we have a large integrated, industry-leading business that's underpinned by competitive advantages in scale and technology, and we have a robust strategic project portfolio. And then finally, we are leading in profitable circularity solutions through our own technology and by designing products that allow our customers and everyday consumers to help meet their own sustainability goals.
Now, Loic will tell you about our Specialty Products.

Loic Vivier: Thank you, Mike. My name is Loic Vivier, Senior Vice President of Specialty Products, and I would like to welcome you in my world of the specialty product, and I'll explain what it is in very, very short. So you can see here that Specialty Products is a portfolio of businesses that tend to hold very strong product differentiation, underpinned by technology, marketing, and very strong brands. Actually, in Specialty Products, 70% of our sales are high-value products as earlier defined by Jack. We tend to have businesses with very high market positions and, financially, Specialty Products typically has a more rateable cash flow than other businesses, less subject to market cycles. It's really steady.

To define the portfolio, you can see on the pictures here. On the left you have the vertical of what we call the lubes value chain. You are likely most familiar with the overall finished lubes business through our Mobil 1 brand, the world's leading synthetics motor oil. Or basestocks and waxes, or synthetics actually, are the raw materials that goes into blending to make finished lubes and we use it also internally for our own finished lubes. Elastomers and resins creates high-end product like butyl rubber that you have in your tires where we hold a 50% market position. We spend a bit more time at the backend of this presentation on new market development. But in essence, to describe the portfolio, new market development is a business hub of innovation, disruptive innovation... poised to deliver change in the marketplace.

And I will share much more with one specific example of the backend of this presentation.

Let's dive in on Specialty Products, similar format to what you heard from Karen McKee earlier. And we have our commitment to grow our earnings by $1.5 billion per year in growth up to 2027. Today, similar to the point made earlier, if you take the first half 2023... halfway through the timeline of this commitment, we're actually ahead of more than half of this earnings improvement. Mainly because of two things.

Number one is what you can see in the green strategic projects with the Rotterdam Hydrocracker project startup and also a continued focus, relentless cost management, throughout the overall portfolio. And you will see that it continues. So, key point here, we're already ahead... actually close to 60% of the overall earnings improvement in 2023 annualized. In green, we expect more contribution from strategic projects. The new one you can see here, the Singapore basestocks business, I will cover that more detail later.
In light blue, continued focus on structural cost reduction and, in orange, you'll see other performance improvement. So for my businesses, the other performance improvements are what? Think marketing initiatives, leveraging the strong brands we have worldwide; and digital investment, a lot of value coming from our data; optimization of the base business from raw material supply chain, pretty complex supply chain in the specialty businesses; high grading our portfolio. All this will drive to the $1.5 billion improvement by 2027.

Let's look at the collective power of the integration of the lubes value chain as a performance improvement. Product Solutions manages the largest integrated lubes value chain amongst our IOCs competitors. You can see on the graph on the left, so Y axis is volumes basestocks. The X axis is the finished lubes, the blenders, finished lubes, and you can see our map versus our key competitors. And you can see that no competitors match our integration between basestocks, synthetics or PAO business, polyalphaolefin, the additives, or the finished lubes. We're the clear leader across the entire lubes value chain in terms of scale, technology, and brands worldwide. As a result, we deliver the highest earnings among our IOC peers.

On the right you can see the synthetics lubricant sales growth trend, where you can see that we are projected to continue to grow strongly, way above GDP, because of the superior attributes of the synthetic lubricants. So one way to grow that fast I would say, how do we do that without compromising the premium? It's all about the strengths of our brands. Today, Mobil 1 continues to be the world's leading synthetic motor oil with number one brand equity position in the US, in China, which are two strategic markets for us. Number one, brand equity, US and China.

Let me move to the next slide around the strategic investment that we talked about earlier around Rotterdam and Singapore, but I'd like to zoom in what it means for the lubes value chain. And it's all about technology in play. ExxonMobil technology, the differentiation with proprietary technology in order to monetize superior product performance. Our Rotterdam project is at the core of the basestocks strategy. We started up in 2019, first full year of operation in 2020. And this project in a nutshell is leveraging our catalyst strategy, technology on hydrocracking, delivered improved quality basestocks, better quality performance, better yields.

When you hear better yields, you should think lower cost of production and then lower energy intensity, which is so important for the production cost of our basestocks. Overall, the project is already paid off $1 billion of contribution through 2022, only three years after start-up. That's very important to remember, after three years you have already paid for this project in Rotterdam, which is the first time to introduce a lube value chain into our refinery in Rotterdam. Next to come
actually even more exciting is a Singapore rigid upgrade, which is expected to transform the whole site competitiveness.

First application, I think Neil mentioned it earlier, first application in industry, leveraging our technology to upgrade resid molecules to high-value basestocks. You take the bottom of the barrel, the resids, you upgrade with our technology, you have basestock materials is going to finished lubes. All this is a spread of about $60 a barrel from the resid to the basestocks. And that’s the value of our technology here on our project excellence. Both projects you can see on the curve on the right. This is an industry net cash margin curve, and you can see that both projects are on the far left of the industry net cash margin, indicating their long-term profitability potential, but also the weight for the overall portfolio. If you look at the blue dots, ExxonMobil 2019, ExxonMobil 2027, the overall portfolio has improved by $10 per barrel. This is significant.

Changing gears, I’d like to take back to new market development. I’d like to tell you something exciting that we are promoting. So, new market development. What is that? That's a very weird name for a new group. New market development is essentially a hub for innovation, disruptive innovation, and incubation of emerging businesses. Here we are building new specialty businesses that transform – the framing is very important - transform low-value fuels product coming from our refinery systems into high-value, high-growth materials through technology. These materials provide performance and sustainability benefits in EVs, electric vehicles, infrastructures applications. So think material like composites, think high-performance, carbon-based materials. That's the overall framing of this new market development.

Let me dive in one example, which I have on this slide. In 2021, we have acquired a company called Materia based in California. This company pioneered the development of a Nobel prize-winning technology, catalyst for manufacturing of a new class of structural materials. After applying ExxonMobil technology, in addition to Materia’s technology, combined with our marketing strength and our scale, we have been able to take this material to the next level, I would say, of performance and potential.

We call this product Proxxima. You will hear about the Proxxima brand. These are thermoset resins, and, in a nutshell, they cure faster, they are stronger, more durable, and lighter than existing product in the marketplace. I strongly believe that no other companies has the ability to scale these technology breakthroughs into products society needs. In addition to that, Proxxima has less than half the greenhouse gas emissions of traditional thermoset resins on a lifecycle basis. So, we are currently assessing Proxxima as an addressable market of about four to five million tons per annum, growing faster than GDP.
And I like to just explain our four target segments that you can see on these slides. First one is rebar, steel rebar replacement. Steel replacement, our Proxxima solution is four times lighter, weight reduction. Corrosion resistance, twice stronger than steel. Try to think what it means in the workplace and the work site with having this rebar so much lighter on better properties, better attributes. That could be a significant game changer for this. Coating for corrosion protection. Proxxima formulation cure within minutes versus hours for traditional epoxy systems. It's a time-savings, cost savings, and we are also using 25% less materials with the Proxxima solutions.

So let me give you a live example here. You have some pipeline coating. You can see your pipeline coating on the bottom left here, not the one we use for our project by the way. And in pipeline coating a customer can use a single coat of Proxxima that dries in five minutes instead of needing two or three coats of epoxy where we need to have eight hours between each of the coats, assuming it doesn't rain. If it rains, we start again.

Automotive. New lightweighting and steel replacement opportunities critical for fuel economy and also improving EV ranges. We're working with many of the OEMs on this solution, on using the Proxxima solution essentially driven by lightweighting. The same theme of lightweighting on fast curing. Wind turbine blades – our Proxxima resins help make stronger, lighter wind turbine blades, enabling more power generation. And that's four target segments we are focusing here, we may have one or two others.

So if you step back, this Proxxima venture is transforming lower-value gasoline molecules into high-value end product with superior properties to address a growing million tons size market growing faster than GDP worldwide. We have already FID'd our first project in order to meet the emerging demand. And our aspiration is to steadily grow Proxima venture to a billion dollars of annual earnings by 2040, with an average return on investment on the asset of 15% plus on return of investment. So key numbers, disruptive innovation, $1 billion of earnings potential 2040 at an average return of 15% plus. This is just one example of the new market development venture we have in the making.

So to conclude my presentation, our Specialty Products segment is one that we're very excited about, I hope you share my excitement here. And with our current and future portfolio, we expect Specialty Products to continue to deliver strong market position, solid earnings growth, and innovative solutions to address sustainability trends. It's a differentiator for ExxonMobil versus our competitors through our technology, our scale, our marketing capabilities, and the brands we have worldwide.
With this, let me conclude and hand over to Karen to wrap up this presentation. Thank you.

Karen McKee: Well, thank you, Loic. I've just got one slide to wrap up this section of this afternoon. I hope you share my extremely high confidence that we can meet our objective to nearly triple earnings potential by 2027. The good news is we are ahead of a rateable schedule with close to 60% of our improvements by year-end this year and we're going to build on that momentum. Going forward we're really focused on building on our unique competitive advantages that the team have brought to life here this afternoon and to deliver those competitive advantages in our growing markets to expand upon what is already our market-leading positions. And Proxxima is just a sneak peek of our confidence of our business beyond 2027. Given the diversity of our business, we are confident that we can continue to deliver growth and strong returns for the long term, right through the energy transition.

So I started out this afternoon by saying that I believe Product Solutions is a game changer for ExxonMobil. We really have something unique here. We are much more capable of leveraging ExxonMobil's scale and integration in the new construct, and we're uniquely advantaged to help deliver on society's current and future evolving needs. So let me leave you with that thought, I think we've all earned a short break. We will take a 10-minute break and come back very promptly for a Q&A session. Thank you for your attention.

Jennifer Driscoll: Okay, welcome back. Thanks, everyone. We've got our speakers back on stage for our question-and-answer session. As a reminder, we ask that you pose a single question, one-part question as a courtesy to others. And with that, let's get started. Raise your hand if you have a question. We are bringing mics and we'd like you to provide your name and firm for the webcast audience. We've got one here in the front row, Katrina. Doug Leggate, Bank of America.

Doug Leggate: A bulk of the projects are in the back half of the period. That sounds like you're ahead of schedule. It sounds like the target has upside risk to it. So I just wonder if you could clarify, looks like Beaumont's done, Baytown is partly done. Should we be looking at upside the risk to your current expectations? Thanks.

Karen McKee: I would say we're on track, but we have really good confidence in delivery. So you are quite right that we are just approaching the 50% through the timeline and we are approaching 60% of the benefit at an average margin basis. The mix of our benefits varies throughout time, so you're right that a minority of the project benefits have manifested thus far. But we have made a
very big step, for example, in our structural cost reduction already. So we have more structural cost reduction to go but we are ahead of track on that. So it's a little bit of a mixed bag, but I'm really pleased with the progress we've met. As I said, we were very focused on improving all aspects of our business and you heard from the three SVPs here that we're improving across each of our business cycles. I'm really pleased with the progress.

Jack Williams: Doug, when we first came up with this view, and we added everything up and it looked very rateable across the whole period and we all looked at it and said, that's too rateable. So there's no way we're going to get it just right. But I think we found that it is indeed fairly ratable and we're pretty close to 50%, maybe a little bit above. I'd rather be on that side of it as we get to the halfway point, so we feel pretty good.

Marina Matselinskaya: Next question is Neil Mehta, Goldman Sachs.

Neil Mehta: Thanks, Marina. A question about where we are in the refining cycle. We're obviously in a very strong margin environment right now. How do you think about the sustainability of that as we weigh capacity rationalization versus new ads versus an uncertain demand environment? And, in addition to talking about product, could you also talk about the crude markets where there's a lot of volatility there and it's an important part of sustaining your profitability?

Jack Williams: Yeah, thanks. Look, in terms of refining. Obviously, things are pretty tight right now. Inventories are low and when inventories are low, obviously, any little bobbles have a ripple through the market, and you can feel them. And the reason why inventories are low, you have to go all the way back to Covid really. When you had Covid, we had a very difficult time for the refining industry, as I'm sure you are well aware. And we had three million barrels a day of rationalization of refining. And, unlike previous periods of rationalization, a good bit of that was actually in the US. And so coming out of that, you had a surge in demand and so inventory started coming off very, very quickly.

And then a little later on, Russia invaded Ukraine, and then with that we had a lot of trade flows moving and a lot of disoptimization in the market. So we had, I would say the capacity that we had available feels like a little less because you had ships on the water longer and so forth. And so as long as demand has been good and strong, we've been unable to claw back on that inventory. And so inventories remain low, well below the five-year band. And as long as that's the case, I think things are going to remain a little tight.
Seasonally, things should come off a little bit later on, but I don't see anything on the horizon that would say anything near-term is going to change things other than some event one way or the other. Now, what's driving that growth? You mentioned the crude markets and as you think about 2023, the growth estimates for liquids demand is somewhere two to two and a half million barrels a day. And – despite what you hear a lot about the Chinese resurgence after Covid being a bit disappointing - most of that growth is China. And you look at what's coming online from a crude perspective that's meeting that demand. There has been actually some pretty good non-OPEC growth coming out of the US and Canada, Guyana, but of course, OPEC has reduced volume.

So on balance, the liquid supply is not meeting that growth and that growth last year was over two million barrels a day as well. This year is two million barrels a day. Next year should be something more moderate, more in line with historical norms of one to one and a half, but that should keep things relatively tight absent some different views on OPEC and what they decide to do.

Neil Hansen: Yeah, Jack, maybe just to add to that. It has been a very unusual refining margin environment for the last 18 months and when we think about that, we’re really pleased with how the organization has responded to that… to take advantage of that market environment. You think about when the Russia-Ukraine conflict occurred and the impact that had on trade flows. On crude and feed and products and our ability to react to that. Using our knowledge of the energy system, our knowledge of the physical flows, and to keep our refineries running, to continue to supply products, and again take advantage of those margins was exceptional for the organization.

And we talked about it in the presentation. We had our highest throughput last year in 2022. Again, to respond to that market. I think we had our highest distillate yield ever last year. Again, recognizing where distillate cracks were last year, our ability to take advantage of those margins in that market, again, we’re really pleased with how the organization responded.

Jack Williams: And in terms of the organization also, Neil, let me just add, and Neil had said this earlier in his presentation. But the other thing we did is obviously we brought on 250,000 barrels a day of refining capacity with our Beaumont project, which the market needed, and it was nice time to bring on a project. And the other thing is we had made the difficult decision to divest of three refineries, two of which are done, and one is which is still working, should get closed before year-end, which are less strategic and upgrade the whole portfolio. So I feel good about not only what
we did, Neil talked about to react to market, but also, from a macro perspective, how we responded and were able to come out of this with a higher-graded portfolio.

Katrina Masters: Next question is from Devin McDermott, Morgan Stanley.

Devin McDermott: Hey, thanks for taking my question, and thanks for the very helpful presentation. So I wanted to ask about the other performance improvement bucket that you have across the different business units, and it seems like a bit of a catch-all for different opportunities. Some of them are very quantifiable, like the shortening of maintenance cycle times, then trading you can quantify as well. And then others like improving brand equity I think are a little bit harder from us sitting in our seat to understand. So I was wondering if you could break down for us, maybe the few biggest, from a financial standpoint, drivers of that orange bar across the business unit. Like all the business units, which two or three are most significant, and then also discuss just the confidence in achieving that orange bar on the uplift over the next few years.

Jack Williams: Karen, why don't you come in and chime on that?

Karen McKee: Yeah, so they are honestly many and varied and mostly relatively small. There's not one thing that is a silver bullet to this and I think it really speaks to how we've focused on really looking at every aspect of our balance sheet, every aspect of our income statement, and find a way to make improvements. So I can give you many anecdotal examples of things that I can quantify, but none of them are material within our results. It's the aggregation of all of those improvements I would say that are really driving us forward and maybe Mike to talk about the upgrading of our product mix is a good one.

Mike Zamora: Yeah, I was going to highlight two things. The one that Karen referenced: mix upgrading in terms of moving from within our existing facilities, within the existing manufacturing capability, moving to products that have higher value, more premium in the marketplace is a significant driver of that orange for my business. And again, that's based on proprietary technology, so that's a competitive advantage. The second one, which again it's small but it's a lot of money in terms of how it generates value, is our ability to get the most out of our assets.

I mentioned our Corpus facility that's already demonstrated 6% above nameplate. I go back to our investments in the Baytown area, our North America growth investment that came up in '17 and '18. That facility is delivering almost 20% above what we appropriated that project for back in time and that's our manufacturing expertise. It's our technology. It's also scale because we have steamcrackers across the world that are similar where you can leverage a learning in one and

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apply it to the other. But I want to shout out to the technology or EMTEC, our global technology organization. That capability, it's not just proprietary technology, it's also our people and their knowledge and their ability to get the most out of the assets that we have. In my business, those are the two biggest.

Loic Vivier: Just to add one or two comments to your point is, outside of the fence of our manufacturing assets, is, by taking both heritage of chemical on the F&L organization, we have now streamlined our data infrastructure. We have streamlined our processes on many of our tools, which allows us to fully leverage digital capabilities with some machine learning in order to improve some of the way we procure some of our materials. Also, the supply chain, to improve supply chain visibility, and we have also some of top-line as well.

My business, top-line growth... go where the market is. So we are focusing on expanding some of our markets, either geographies like India, Indonesia, you might have seen some of our announcements here, but also in term, of new sectors, the data centers need some immersion coolant. This is ripe for our product. We bring technology, we bring special solution for all these emerging data centers. It is a very significant market for us, which is part of our order improvement.

Neil Hansen: Maybe I'll just mention a few for fuels. I mentioned the crude and feed and the ongoing effort to test constraints at our sites, to expand the envelope of what crude and feed we can run. I think last year we ran more than 40 new crude and feeds into our refineries. Again, the operational excellence would fall into that bucket. And then in fuels, on the retail side, the brand is really important to us. That retail channel is a rateable high-value channel for us, and we've done well to continue to expand that in strategic markets that support our strategic assets. I think the US Gulf coast and the market entry we did into Mexico about five years ago, we're now the second largest retailer in Mexico in terms of site count. So again, that brand is really important to us as well as we move outside the gate and place products in the highest value channels and markets.

Marina Matselinskaya: Next question comes from John Royall from JP Morgan.

John Royall: Thanks. Good afternoon. So my questions on the M&A side. You talked about high grading on the refining side and going down to 13 refineries. Can you talk about what makes a refinery a candidate for divestiture and are there others beyond the 13 or do you feel like you're sufficiently high graded at this point? And then maybe conversely on acquisitions, could that be a source of growth outside of the organic growth that you've laid out?
Jack Williams: Let me start and I'll answer the second part, the acquisition piece, and I'll let Neil talk about the divestments and how we think about that. From an acquisition piece that comes up from time to time on the quarterly calls. And I'll just repeat the line that I think says it well, that Kathy says frequently, which is we're looking for one plus one equals three. We're very much looking for assets where we can bring our competitive strengths we talked about. Our technology, our scale, our integration. We can bring those strengths to that set of assets, that business that we acquire, and get more value-added than the current owners can.

So I think Materia was a great example of that where Materia had a really, really good technology but we're not able to really get the market use out of that. Whereas with combining that with our technology, we could scale it and get a lot more value than they could have gotten otherwise. Those kinds of things we're always looking for, but we are going to be picky and we're going to continue to look and survey but I think the activity level we're going to be very picky. So with that Neil, you want to talk about divestments?

Neil Hansen: Yeah, when we think about our refining portfolio and what we want to keep in our portfolio, one of the things that we've talked about certainly is the importance of integration. A site is typically very strategic to us if we have a significant scaled presence of fuels, lubes, and chemicals. So that is one aspect that we consider strategic. But it's not just integration. We have sites that have other advantages, feed advantage for example, access to very advantaged discounted crudes or there's an advantage in the market that we participate in. So integration certainly is a priority, but it could be more than that. It could be some other market element that would allow it to be strategic to us.

I think the important thing is once we consider it strategic is the opportunity we have to invest to make it more competitive, more profitable. And then as I talked about in my remarks is the ability to reconfigure as the market evolves, right? As we get signals to produce other higher-value products, can we do that from those sites that we have in our portfolio? I'm not going to comment on how many more sites left may not be strategic to us, but that's how we think about it. When we think about what we want in our portfolio is does it have that recipe for us? Can we take advantage of the site and continue to accrete value over time?

Karen McKee: I would say that we're very close to our desired state and we've met, as you've heard, good progress this year in terms of executing our portfolio strategy.
Loic Vivier: I think one of the key points to add is where you think about it on your portfolio. Also, integration with LCS, the decarbonization of the asset for the future, this is another dimension of integration.

Katrina Masters: Next question is from Rodger Reed, Wells Fargo.

Rodger Reed: Thank you. It follows on with the integration question. What is the right way for us on the outside to think about the value of the integration, right? Is it going to come through as a margin improvement? Is it a bottom-line net income? Should we see it in return on capital employed? It's great to hear it. I believe that it's there. I believe that it's a distinct advantage for Exxon. But how can I in a sense make it tangible?

Jack Williams: Yeah, that's a great question. I mean it really, by definition, has to flow down to the bottom line. You have to see earnings and ROCE and cash flow and so on. And where we get it though is... it's deep and where we should get it is, like Neil Hanssen was talking about, the extra $2 a barrel. When you see a market, and we're getting a little bit higher margin, because we're optimizing those flow streams. You look at a complex like a Baytown where you have literally over a hundred streams going back and forth between refinery and where non-integrated refineries would be selling a product that we can take into our chemical plant vice versa and utilize that. So what you ought to see is a little uplift as we get that better opportunity for optimization.

Karen McKee: Yeah, I think a couple of other things, I mean you should see it in lower cost of projects. I mean Mike cited an example today. I mean if you think about it, we're one of the largest chemical companies in the world but actually even though chemicals is very capital intensive, it's a small amount of this corporation's CapEx. And so, we have the opportunity to learn from all the corporation's projects and improve from those and deliver much better capital efficiency for all of our businesses. That's an obvious one. I think the other place that it will show up in the fullness of time is longevity for our refining footprint.

So if you think of our refineries where they're integrated, where we have these performance products that are associated with those facilities and we can more naturally pivot our production from the fuels that people need today to being the molecule managers we need to be in the future to serve chemicals, whether it's data center, cooling requirement for a lubricant type material, et cetera, any number of other things. I think that allows us to have a competitive advantage even as the demand for some fuels changes. So I think it's multifaceted. Lower cost projects,
somewhat higher margin here and there where we can combine the benefits of our various businesses, but also in the longevity of our business.

Jack Williams: When you look at that chart that Neil showed around how the yield shifts over time, don't mistake the fact that we haven't done it yet meaning we're not prepared to do it, but the market for the product that we're producing today is still there. The market for gasoline is still strong, so we're going to continue to produce gasoline for our customers. But we are prepared to make some significant changes as the market dictates for that yield pattern. And as Neil said, it's unique. You only have that at integrated sites, large integrated sites where you have that flexibility.

Neil Hansen: Maybe just to add really quickly, I mean we talk about the changes in long-term fundamentals and our ability to take advantage of that. I think it's underappreciated how much of that's done on a daily basis, that optimization, real-time to determine is the market signalling to us to produce more diesel, more mogas, more polyethylene, more lubes, and the ability for those sites to respond to those market signals in real-time to optimize the value that we get out of the sites I think is underappreciated. Mike, Loic, and I don't care if we make more money in fuels, chemicals, or specialty. We care about making the most money for Product Solutions and we can do that every day.

Mike Zamora: I think there's one more that to try to bring it to life. We talked about or somebody mentioned earlier, Low Carbon Solutions. If you think about what we're doing in the Baytown blue hydrogen project, the scale that the chemical plant and that integrated facility can bring to delivery of that hydrogen facility, that blue hydrogen facility, if that was a standalone Low Carbon Solutions business you wouldn't have the scale. And that scale allows this business to decarbonize at a lower cost versus competition. So that's a new area of Low Carbon Solutions that I think is a really important area of integration that we're going to take advantage of and monetize in years to come.

Karen McKee: Yeah, you can think about Product Solutions as like an inbuilt anchor tenant to give you confidence in a large low-carbon solutions investment.

Marina Matselinskaya: Okay. Ryan Todd.

Ryan Todd: Thanks. Ryan Todd of Piper Sandler. Maybe a question on the biofuels side. You've had some fairly large targets either a couple of years ago at the analyst day or last year at the analyst day presentation and some here in terms of the potential contributions either
You haven't given us much detail to project level outside of Strathcona. So you mentioned there are 12 other projects I think going on around the world and the hydrotreating capacity that you have.

Any more granularity in terms of what types of projects? Are we looking more at conversions? Are you thinking of co-processing? Any detail on maybe some other things outside of Strathcona that you may be doing? And then you also talked about the flexibility your system provides. So how much does the environment that we see over the next couple years dictate the pace at which you proceed on the biofuels side? If refining is stronger for longer, does that push back the pace at which you may convert or adapt facilities?

Neil Hansen: Okay. Yeah, I think you're probably referencing the ambitions that we've stated around producing 40,000 barrels a day of lower-emission fuels by 2025 and then 200,000 by 2030 I think was the ambition that we stated. And you're absolutely right, Strathcona is the one that's clear and front and center. That project is progressing. It is a world-scale renewable diesel facility at 20,000 barrels a day. So that project is well underway. There are at least two or three others that are progressing through the gated process that we have here.

Again, very similar in terms of being able to reconfigure an existing asset, taking locally sourced biofeed to produce either renewable diesel or renewable jet. So those significant reconfigurations are underway. But you mentioned the other ones where you are actively today, bio blending. We're also co-processing in the countries and regions where it's supported by policy. So France is a good example, Canada is a good example. So the policy supports co-processing that's another very capital-efficient way to produce lower-emission fuels, right, because you can use your existing assets. So it's really all the above.

Now, in terms of rate and pace that will be greatly dictated by whether or not the policy exists to support the investment to produce lower-emission fuels. And for us that is making sure you have a well-designed policy. A policy that's focused on lowering the life cycle emissions, making sure that you're putting a price or a cost on that carbon, and making sure that it's technology neutral. And if you have that recipe in place, if you're focused on lifecycle emissions, if you're technology neutral, if there's a cost of carbon, that will drive innovation. You'll move to a market-driven approach to lower emission fuel. So the one thing we do recognize is policy and the right policy will greatly dictate the pace at which we bring on renewable diesel, renewable jet, other lower-emission fuels. I think I got all your questions.
Jack Williams: And I will add that there's a reason why our first project, largest project is in Canada. The clean fuel regulation that Canada put in place is carbon intensity-based, technology neutral, meets the criteria and Neil just pointed out and is a good sound policy for us to invest in. And so we're continuing to advocate for other countries where we have operations that have something similar. And in contrast, although the IRA has many good parts of the policy, it does preclude the co-processing at existing sites.

Katrina Masters: Our next question is from Biraj from RBC.

Biraj Borkhataria: Hi there. Thanks for the presentation. Neil, you mentioned, or you named, checked trading a few times. So I was wondering if you could talk about the progress and the journey there in building the trading business. There's been some press reports around some of the challenges there, but I'm just interested to know how that's going and maybe if you could provide some kind of reference to the contribution to the $5 billion earnings worth in Energy Products by 2027. Thank you.

Jack Williams: Before you talk, let me frame the trading a little bit and then I'll turn it over to Neil, let him provide maybe some color and some examples. But we started trading in earnest back in 2018, and so we didn't exactly rush into this, and we've had some time to get comfortable with the impact that's having on our business. And what I would say is that a couple of things that observations I'd make is one, we do see value there. We clearly see value in our trading activities and the risk is manageable with appropriate risk management steps. We think the risk is very manageable.

And the other thing I would say, other observations, we've discovered something that some might say is rather obvious, our large global footprint is a huge advantage. It's a huge advantage in this space. Number one for optimization opportunities to be able to those small optimizations that you do hundreds and thousands of those and combined, they make a difference and then also some market insights. And so this large global footprint, we think that it makes sense for us to be in this area. And so setting up this global trading organization like we did earlier in the year, we're optimistic about the contributions it's going to make and clearly there are synergies between taking your crude and your products and your power and your gas and putting them together. Lots of synergies there so we're optimistic about how that's going to go going forward. Neil, any color commentary?

Neil Hansen: I wouldn't believe everything you read in the press, Biraj. There has been tremendous progress in trading. As Jack mentioned, their first job and they do it really well is to make sure
that we're optimizing a large base that we have. But beyond that, really what we're after for the most part is capturing arbitrage opportunities, whether those are time, geographic, or quality. One of the things that we've done since '18 that's been a significant benefit to us is establishing a network of blend hubs. So these are an extension of our manufacturing base. And what allows us to do is to take, for example, low-cost components and then blend them up into finished products where there's higher value. Last year's a great example where naphtha was trading at a significant discount to finished gasoline. Our ability to go get that naphtha either from our sites or from the industry and blend it into a finished product and get it to a high-value market, that's a significant arbitrage.

Another one would be a gasoline spec, for example. We know there's a market that we want to access, and our refinery doesn't produce that spec of gasoline, does not prevent us from accessing that market. We can go get the components that are needed again to blend, to get to that finished product into market. That's really for the most part what we're trying to do and we're doing it really well with trading. The other one on the system side I referenced earlier is with the Russia-Ukraine conflict. Our ability to keep our refineries running in full by responding to those trade flows and still getting access to the crude and feed that we needed was an outcome of that trading organization. I think we're excited about the new organization bringing all that together, centralized, leveraging the expertise across the corporation, and continuing to grow it and certainly a part of that ability to achieve the growth potential that we see.

Marina Matselinskaya: Jeff Zekauskas, JP Morgan.

Jeff Zekauskas: Thanks very much. I have a question about your hydrogen strategy, not your ammonia strategy, your hydrogen strategy. So you're going to make a billion standard cubic feet a day of hydrogen and you're going to get benefits from the Inflation Reduction Act. Now Exxon is a net buyer of hydrogen in the United States, you source from third parties. Over a longer period of time, do you expect that shortness to diminish that is because of your hydrogen activities you can better vertically integrate? And is it the case that, because of the tax credits you might be able to get, it makes sense to sell merchant hydrogen in some size or to build a hydrogen business?

Jack Williams: Yeah, I think the way we think about it is where do we have good opportunities to invest in blue hydrogen to leverage our advantages and where that can supply our operations like in Baytown. So as Karen said earlier, we're the anchor tenant for that project. So we have some hydrogen we use for ourselves. We're going to be decarbonizing part of the Baytown complex and then we have some third-party hydrogen for others. But if it was a remote small operation
and someone else had a scaled blue hydrogen opportunity, we might still be a buyer of hydrogen. But where we have the advantage, we would be in that business. And clearly with the acquisition we made recently with CO₂ infrastructure, with the CCS deals we’ve already done, and, of course, blue hydrogen is a big ATR with a big CCS project attached to it.

We're very capable of doing the big projects and we're very capable of doing the CCS aspect. So I think we will be big in the blue hydrogen business, but I think we're a little agnostic in terms of whether or not we're buying and selling depending on where the best supply options are. It's just like taking crudes into our refineries today. Sometimes it's equity crude, sometimes it's other's crude. We take the best crude we need to run during the refineries. We'll take the lowest-cost hydrogen we have and some of that will be our own, some of that may be somebody else's. But I think we'll definitely be in that business, in the blue hydrogen business, because again, I think we're fairly uniquely equipped to do the big blue hydrogen steps that require the big projects.

Katrina Masters: Next question is from Bob Brackett, Bernstein Research.

Bob Brackett: Thank you. You gave us a rateable guidance on earnings, and you gave us the contribution from strategic projects, and you gave us a seriatim of those strategic projects. Should we think about those projects as being implicitly funded and those are very deterministic in driving that outlook and how do we think about the rateability of the capex behind that?

Jack Williams: Well, I'll let others chime in terms of their businesses, but I think all these projects are of very different sizes. So the capex is going to go along with the size of the project. Mike talked about a $2 billion Baytown chemical project and there's others that are hundreds of millions if not less. So there's different sizes. The Corpus Christi project obviously an enormous chemical complex, so it's going to follow those projects and I would not say it's rateable per se, but I would say it's not far off that quite frankly when you look at the total combination. Any other?

Mike Zamora: I would say if you talk about the projects that were specifically mentioned there that delivered by 2027, they're funded. Those are projects that are under construction. So there's not a question of whether that project will come to fruition. Of course, there's lots of, as Karen mentioned, lots of smaller project with shorter time windows that are built into the other improvements that we have confidence in those delivering. But the big projects, those projects are real, they're developed, and they're funded.

Marina Matselinskaya: And next question comes from Jason Gabelman, Cowen.
Jason Gabelman: Yeah, thanks. It's Jason Gabelman from TD Cowen. I'm going to ask another question on capex, which is that it looks like the past few years about a third of your budget has been in the Product Solutions business $7-8 billion. So in the near term, is that what you need to execute on the plan that you've laid out? And then looking beyond the near term as some of these large projects roll off, it seems like you'll have some space in your budget, and it sounds like a lot of your future growth is dependent on these reconfiguration projects. If the market is such that the demand for your refinery products is still really high and you don't see a compelling need to reconfigure in the near term, can you see a period where capex dips lower and your Product Solutions business is in somewhat of a cash harvest mode where it's throwing off an above average amount of cash that you would expect over the long term? Thanks.

Jack Williams: Yeah, I think the short answer to that is yes. We're going to have periods of time where we're going to be a little more capital intensive. Where you have some projects like anytime we're doing a major steam cracker complex like the Corpus project or the China project, you're going to have the capex be a little bit higher. And then other than that, it'll be smaller projects. And so I think it will be a bit cyclical and you'll have periods of time where our capex will be lower. We really think about that as part of the overall corporate capital allocation process. So we really think about the $20 to $25 billion we talked about, and we look across the whole corporation and we look at it at a minimum every year and really, really look into where we should be putting these precious capital dollars. And so the Product Solutions opportunities have to compete against Low Carbon Solutions opportunities and Upstream opportunities for capital. And until we FID it, we are continuing to make sure that we're putting the very best project forward for the corporation to consider funding. And there's going to be periods of time where there's a lot of harvesting from our business, be periods of time where we'll be more capital intensive. But in general, I mean the Product Solutions business is throwing off cash for sure.

Mike Zamora: I would say we did spend most of our time talking about those known projects out to 2027. We feel really good about the portfolio that we have post-2027. We didn't spend a lot of time talking about those, but in my business, we're developing projects and developing optionality in our portfolio for those next advantaged growth steps that are based on proprietary technology. And I know much of Loic's portfolio is about what we're doing in the future.

Loic Vivier: So if you extend your questions to the new market development group, we have. We know that we can have a lot of investment to come on this innovation on this, but we haven't talked too much about it because it was focused on 2027. But we have pipeline reach beyond 2027, which is a wonderful opportunity to upgrade the portfolio and be very selective on the one we want to pursue.
Jack Williams: I would just echo that comment. We're not short of opportunities. We have a lot of opportunities; we're going to stay very selective and execute the very best ones.

Karen McKee: And just to be clear, some of the projects that we talked about today have not been FID’d, but they are all in our plan, so they're all firmly planned.

Katrina Masters: Our next question is from Will Su from BlackRock.

Will Su: Thank you. You guys have wrapped up the Product Solutions portion of the Growing the Gulf initiative. So I'm curious, if you can share some of the positive learnings, some of the unexpected challenges, clearly you executed through Covid, of investing such a large amount in a concentrated geography? And in the medium and long-term, do you see the scope to perhaps again pursue such a large investment program within a certain geography, whether it's in the Gulf Coast or elsewhere?

Jack Williams: Yeah, great question. Look, I'm going to hand it over to the folks to talk about the projects, but I'll just make one comment. We did what we said we'd do. We delivered a big investment program that I think there was a lot of skepticism about. We did what we said we’d do, we delivered those.

Karen McKee: Yeah. And I mean one thing I would say is we delivered them well because we have our global projects organization. As a former President of our chemical company, our chemical company could not have delivered these projects in isolation without the scale of the corporation. So the fact that we've had the global projects organization to stack these projects past each other and to really understand what the labor markets were going to be like and come up with the right strategies for them is fundamental to the overarching success of the projects. But I'll hand over to the team in case there's comments you want to make on any of the individual projects.

Mike Zamora: The Corpus project is the best example that was delivered at 25% below industry average costs. And there were a lot of significant industry projects that went well above that average.

Karen McKee: During Covid.

Mike Zamora: And we did that during Covid. And we talked about an organization, but it's actually about the capability and experiences of the people. We had dozens of people on that project in
Corpus that had done multi-billion-dollar projects throughout their career. And that's just something that another chemical business, another chemical company, our chemical competitors just don't have and can't do. And I think to me, that was tremendous in terms of leveraging that upstream capability. And we used a lot of methods, we used a lot of that expertise to bring that project to bear at super competitive cost.

Neil Hansen: And we've talked about the Beaumont expansion a few times already today. It's started up earlier this year and again, as you know, it started up in a very nice margin environment for diesel. And it does take, again, it takes advantage of our position in the upstream. So it highlights the integration that we have across the corporation.

Karen McKee: Maybe one last thing. Not all of these projects started up in the marvelous margin environment that our Beaumont expansion did, but they're all cash-positive. And that's important to us because we want to invest in projects that are resilient through the cycle and generate cash even in an adverse part of the cycle. So I think that's a really important differentiator to all of these projects.

Katrina Masters: Okay. Our next question is from Paul Sankey, Sankey Research. Thank you.

Paul Sankey: Thank you. I'm a bit unclear, actually, Jack, further to what you were saying in the long-term overview of the company as to whether this was a surge of capex and performance improvement or whether it's an ongoing process where you're going to maintain these levels of capex. And the follow-up is how do you now think about the cost of capital between Upstream, Low Carbon Solutions, Product Solutions within the corporation?

And then finally, and this is a tough one, how do you think about your competitor's cost of capital? Because for example, we're aware that Aramco is very long upstream and investing heavily in downstream, you're the opposite. The competitive environment is tough in so far as some of these guys, whether they be in China or India, may have a different cost of capital and a different way of looking at investment. I hope that makes some sense, but if you could give us perspective.

Jack Williams: Thanks. So I wouldn't describe our future capex as we think about 2027 and as Mike indicated, we're modelling out well in advance of that into the 2030s and into the 2040s. We're assuming that capex is in line with where we are now. My only point earlier was there's going to be some year or two that's a billion or two lower year or two is a billion or two higher. So it's not
going to be exactly flatline, but we're not assuming in our plans to grow to 2027 and beyond any increase in capex. We do see the similar type opportunities.

And of course, as I said before, we have to earn the right to spend a corporation's dollars with the very best projects that we can come up with. In terms of cost of capital, we really think about that in terms of the corporate-wide cost of capital. And we, of course, overlay risk of individual projects. And you could have an Upstream project that's really, really low risk and a Product Solutions project that's a little higher risk or clearly you could have vice versa. So we have a cost of capital that we look at for the corporation and then we apply that judgment.

And of course, as we look at these individual project opportunities, we're testing them. In the bottom of the cycle, we're testing the upside opportunity, so we put them through the paces in terms of everything we look at. But I wouldn't say we get too specific on the cost of capital with different parts of the business.

Jennifer Driscoll: And then the international competition.

Jack Williams: Yeah. So for the reasons we've talked about and our competitive advantages we have. I feel really good about how we're going to be competing against others. They may look at it differently. We talk about from time to time on the lubricants side, do all these refiners really understand what the actual margins are on the lubricants versus the fuels? So they may look at it differently, but we have very competitive assets, and we have very competitive projects because of the global projects organization we talked about earlier, because of the technology we bring because of this global footprint that gives us a base to work off of. And I feel really good about us being able to compete against anybody out there in terms of the quality of our projects going forward.

Jennifer Driscoll: I think we have time for one more one-part question.

Marina Matselinskaya: The last question we have comes from Paul Cheng, Scotiabank.

Paul Cheng: Thank you. Jack and Karen, I think throughout the presentation that low cost is a key for your success. If we look at Europe over the past several years has become pretty high cost both in energy as well as cost of doing business. And their energy transition plan probably is more aggressive than most of the other regions you operate. From that standpoint how, your chemical refining and retail service station in Europe, how should we look at that? Do you think that you need to dramatically transform that business over the next five or seven years? Thank you.
Karen McKee:  We have to win in every market that we choose to compete in. And actually, we've got some really great assets in Europe and it's a very good market for some of our businesses. So I would say that we continue to focus on our strengths in that market. We understand the challenges of the high energy costs in Europe. And of course, during the energy crisis and after the Ukraine invasion, we focused on reducing the need for natural gas consumption at our industrial facilities. And our manufacturing team did a fantastic job of reducing dramatically the natural gas in order to manage what was very high energy cost there. So for me, I look at us as advantage versus our competition with some of the strongest assets that exist in Europe, and we continue to focus on winning in every market that we participated in.

Jack Williams:  And Paul, I would just add we have found some policy elements challenging and we're advocating for good sound policy where we can, and we will do what can in that area.

Jennifer Driscoll:  Any closing remarks, Jack?

Jack Williams:  Look, I really appreciate all the good questions and the dialogue, and I certainly appreciate you all coming out here and for those tuning in, for you taking the time to spend with us today. Let me just leave with a couple of closing comments. Number one, I hope you found today that this Product Solutions business is advantaged versus competition with the scale we have twice the next closest IOC, with the technology advantages we bring, which I think we talked quite a bit about, and with that type integration of our businesses. And hopefully, you share our confidence in growing our earnings by $10 billion by 2027.

I think we showed you the reasons why we feel confident that we're going to deliver that. And then finally, we are very confident beyond 2027. I've made that point a few times, but I want to drive that home that we see a lot of good growth for this business well out in the future. We focused a lot of time on 2027 because that's where we set that target, but we're planning for well beyond that. Loic mentioned the new business that we're looking at, the targeting earnings threshold by 2040. So we're planning well out there. And when you look at the chemicals future and the lubricant's future and the biofuels future, all these high-value products we're focused on, we feel really good about that.

So again, appreciate your time. Thanks for spending the time with us and we really enjoyed it. On behalf of the team, we really enjoyed spending time with you. Thank you.
Jennifer Driscoll: I'll echo that. Thank you everyone for your questions. And thank you for those listening via our audio webcast. We hope you found this spotlight to be helpful. As soon as it's available, we will post a transcript on the Investor Relations section of the IR website as well as an audio replay of this session.

Before we conclude, I have one calendar announcement. Please mark your calendar for our third-quarter earnings call. It'll be on Friday, October 27th. Darren Woods, our Chairman and CEO will host that call along with Kathy Mikells, Senior Vice President and CFO for Q&A. Appreciate you joining and as always appreciate your interest in ExxonMobil. And with that, we conclude our call.