Chevron

First quarter 2022 earnings call

Mike Wirth
Chairman of the Board and
Chief Executive Officer

Pierre Breber
Vice President and
Chief Financial Officer

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April 29, 2022

Welcome to Chevron's first quarter 2022 earnings conference call and webcast. I'm Roderick Green, GM of Investor Relations. Our Chairman and CEO, Mike Wirth, and CFO, Pierre Breber, are on the call with me.

We will refer to the slides and prepared remarks that are available on Chevron's website.

Cautionary statement

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FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This presentation contains forward-looking statements relating to Chevron's operations and energy transition plans that are based on management's current expectations, estimates and projections about the petroleum, chemicals and other energy-related industries. Words or phrases such as "anticipates," "expects," "intends," "plans," "targets," "advances," "commits," "drives," "aims," "forecasts," "projects," "believes," "approaches," "seeks," "schedules," "estimates," "positions," "pursues," "may," "can," "could," "should," "will," "budgets," "outlook," "trends," "guidance," "focus," "on track," "goals," "objectives," "strategies," "opportunities," "poised," "potential," "ambitions," "aspires" and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond the company's control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Unless legally required, Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: changing crude oil and natural gas prices and demand for the company's products, and production curtailments due to market conditions; crude oil production quotas or other actions that might be imposed by the Organization of Petroleum Exporting Countries and other producing countries; technological advancements; changes to government policies in the countries in which the company operates; public health crises, such as pandemics (including coronavirus (COVID-19)) and epidemics, and any related government policies and actions; disruptions in the company's global supply chain, including supply chain constraints and escalation of the cost of goods and services; changing economic, regulatory and political environments in the various countries in which the company operates; general domestic and international economic, market and political conditions, including the military conflict between Russia and Ukraine and the global response to such conflict; changing refining, marketing and chemicals margins; actions of competitors or regulators; timing of exploration expenses; timing of crude oil liftings; the competitiveness of alternate-energy sources or product substitutes; development of large carbon capture and offset markets; the results of operations and financial condition of the company's suppliers, vendors, partners and equity affiliates, particularly during the COVID-19 pandemic; the inability or failure of the company's joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude oil and natural gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company's operations due to war, accidents, political events, civil unrest, severe weather, cyber threats, terrorist acts, or other natural or human causes beyond the company's control; the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant operational, investment or product changes undertaken or required by existing or future environmental statutes and regulations, including international agreements and national or regional legislation and regulatory measures to limit or reduce greenhouse gas emissions; the potential liability resulting from pending or future litigation; the company's future acquisitions or dispositions of assets or shares or the delay or failure of such transactions to close based on required closing conditions; the potential for gains and losses from asset dispositions or impairments; government mandated sales, divestitures, recapitalizations, taxes and tax audits, tariffs, sanctions, changes in fiscal terms or restrictions on scope of company operations; foreign currency movements compared with the U.S. dollar; material reductions in corporate liquidity and access to debt markets; the receipt of required Board authorizations to implement capital allocation strategies, including future stock repurchase programs and dividend payments; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; the company's ability to identify and mitigate the risks and hazards inherent in operating in the global energy industry; and the factors set forth under the heading "Risk Factors" on pages 20 through 25 of the company's 2021 Annual Report on Form 10-K and in subsequent filings with the U.S. Securities and Exchange Commission. Other unpredictable or unknown factors not discussed in this presentation could also have material adverse effects on forward-looking statements.

As used in this presentation, the term "Chevron" and such terms as "the company," "the corporation," "our," "we," "us" and "its" may refer to Chevron Corporation, one or more of its consolidated subsidiaries, or to all of them taken as a whole. All of these terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.

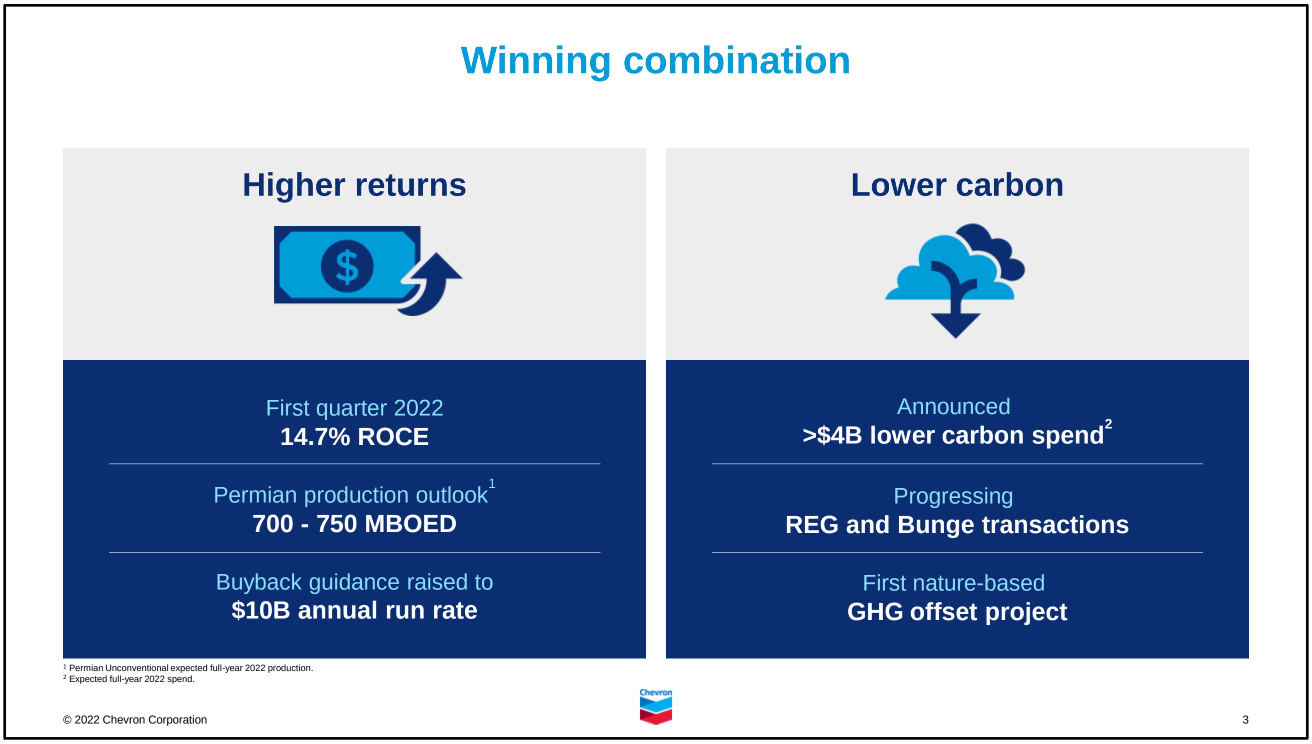
Terms such as "resources" may be used in this presentation to describe certain aspects of Chevron's portfolio and oil and gas properties beyond the proved reserves. For definitions of, and further information regarding, this and other terms, see the "Glossary of Energy and Financial Terms" on pages 24 through 25 of Chevron's 2021 Supplement to the Annual Report available at chevron.com.

This presentation is meant to be read in conjunction with the First Quarter 2022 Transcript posted on chevron com under the headings "Investors," "Events & Presentations."

Before we begin, please be reminded that this presentation contains estimates, projections, and other forward-looking statements.

Please review the cautionary statement on Slide 2.

Now, I will turn it over to Mike.



Thanks Roderick.

Before we turn to first quarter results, I'd like to recognize the people of Ukraine – our hearts go out to those affected by this tragedy and we hope for a prompt and enduring diplomatic resolution.

The last two years have been volatile and unpredictable, driven by the global pandemic and geopolitical conflict, creating strains on economies and markets around the world.

Through it all, our objectives have been clear and consistent, and in the first quarter, we continued to make progress:

- Delivering book returns in the mid-teens,
- Investing to grow both our traditional and new energy businesses, and
- Returning even more cash to shareholders while maintaining an industry leading balance sheet.

Recent events remind us of the importance of energy. Looking forward, I know that Chevron is doing its part, raising this year's Permian production outlook, and advancing two important renewable fuel transactions: our Bunge JV, which is expected to close shortly, and the Renewable Energy Group acquisition, which is expected to close around mid-year.

While the future is uncertain, our actions are not. We're on a path to delivering higher returns and lower carbon and rewarding our stakeholders along the way.

With that, I'll turn it over to Pierre to discuss our financials.

Financial highlights

	1Q22
Earnings / Earnings per diluted share	$6.3 billion / $3.22
Adjusted Earnings / EPS[1]	$6.5 billion / $3.36
Cash flow from operations / excl. working capital[1]	$8.1 billion / $9.0 billion
Total C&E / Organic C&E	$2.8 billion / $2.7 billion
ROCE / Adjusted ROCE[1,2]	14.7% / 15.4%
Dividends paid	$2.7 billion
Share repurchases	$1.3 billion
Debt ratio / Net debt ratio[1,3]	16.7% / 10.8%

[1] Reconciliation of special items, FX, and other non-GAAP measures can be found in the appendix.
[2] Quarterly ROCE and Adjusted ROCE calculated based on annualized earnings.
[3] As of 3/31/2022. Net debt ratio is defined as debt less cash equivalents and marketable securities divided by debt less cash equivalents and marketable securities plus stockholders' equity.

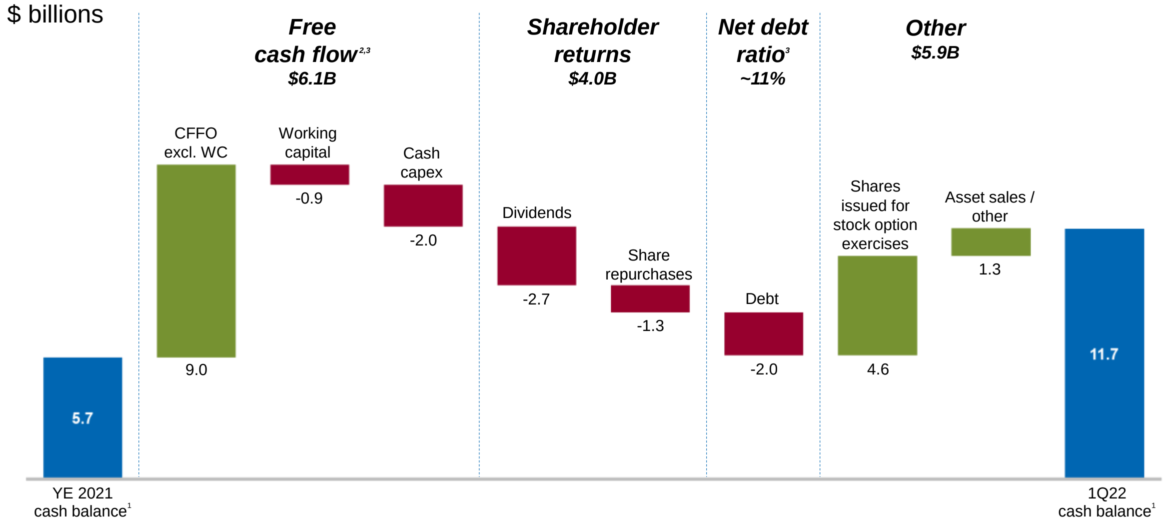
Thanks, Mike.

We reported first quarter earnings of $6.3 billion, or $3.22 per share.

Adjusted earnings were $6.5 billion, or $3.36 per share. Included in the current quarter were pension settlement costs totaling $66 million and negative foreign currency effects exceeding $200 million. A reconciliation of non-GAAP measures can be found in the appendix of this presentation.

Adjusted ROCE was over 15% and our net debt ratio is below 11%.

Consistent financial priorities



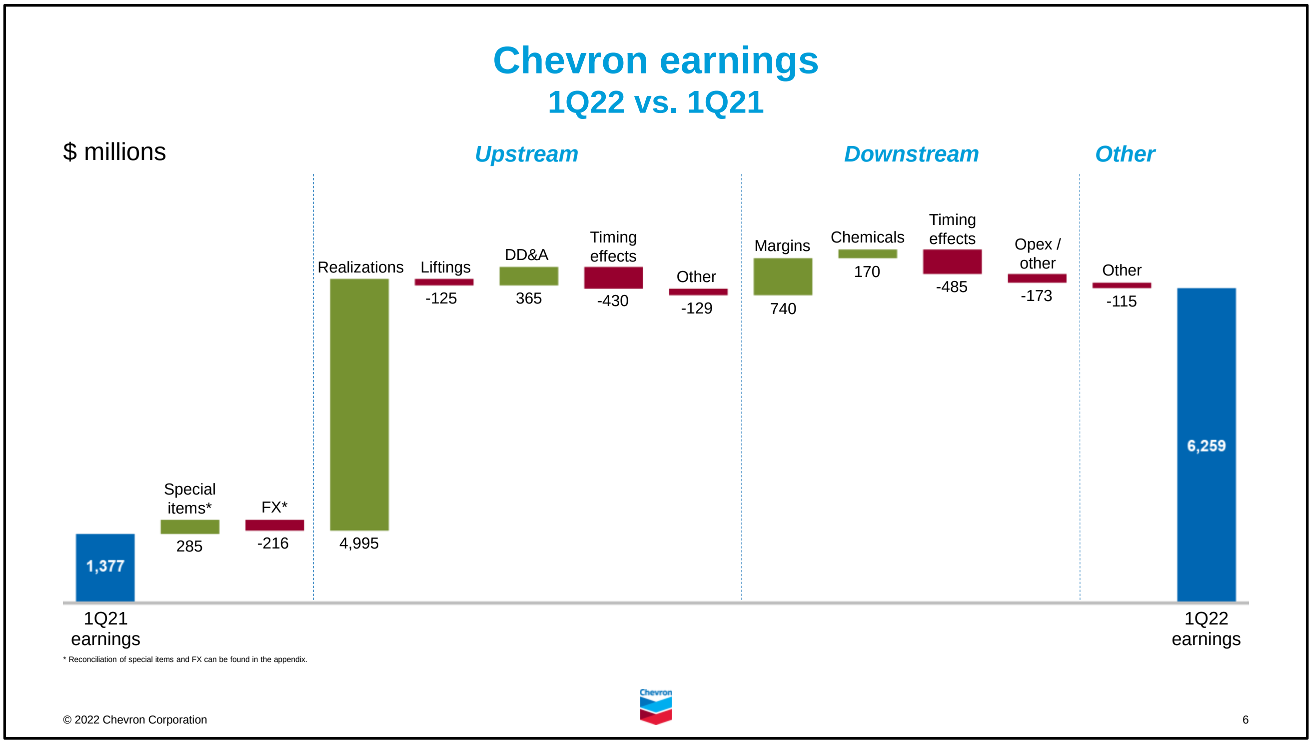
[1] Includes cash, cash equivalents and marketable securities. Excludes restricted cash.
[2] Free cash flow is defined as cash flow from operations less cash capital expenditures.
[3] Reconciliation of non-GAAP measures can be found in the appendix.
Note: Numbers may not sum due to rounding.

5

A third consecutive quarter with free cash flow over $6 billion enabled us to return $4 billion to shareholders and further pay down debt.

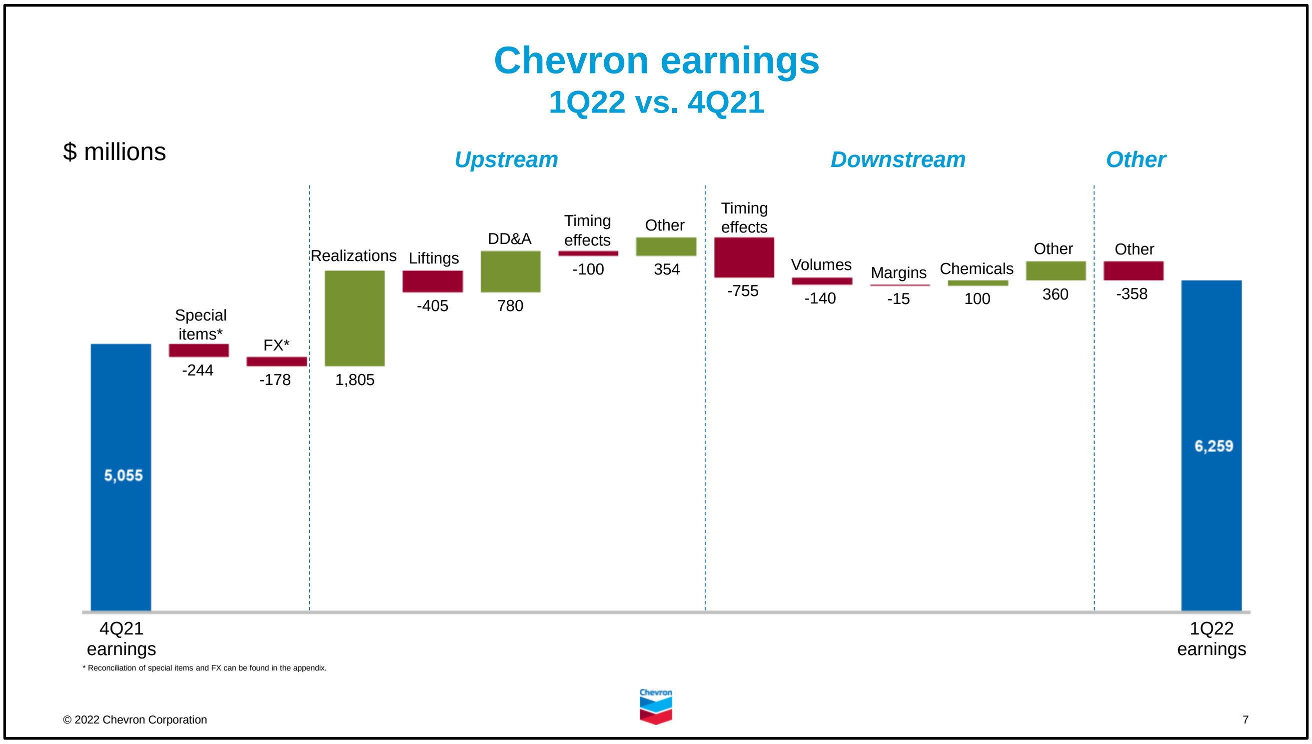
In addition, during the quarter, we received over $4 billion in cash when about 3,000 current and former employees exercised stock options. This quarter's proceeds from option exercises were over 4 times the historical annual average of around $1 billion per year.

About two-thirds of the vested options at year-end 2021 were exercised during the first quarter, lowering the potential future rate of dilution from the outstanding balance. Over time, we expect our share buybacks to more than offset the first quarter dilutive effect.



Adjusted first quarter earnings were up $4.8 billion versus last year.

Adjusted Upstream earnings increased mainly on higher realizations, while adjusted Downstream earnings increased primarily on higher margins, partially offset by negative timing effects.



Compared with last quarter, adjusted earnings were up more than $1.6 billion.

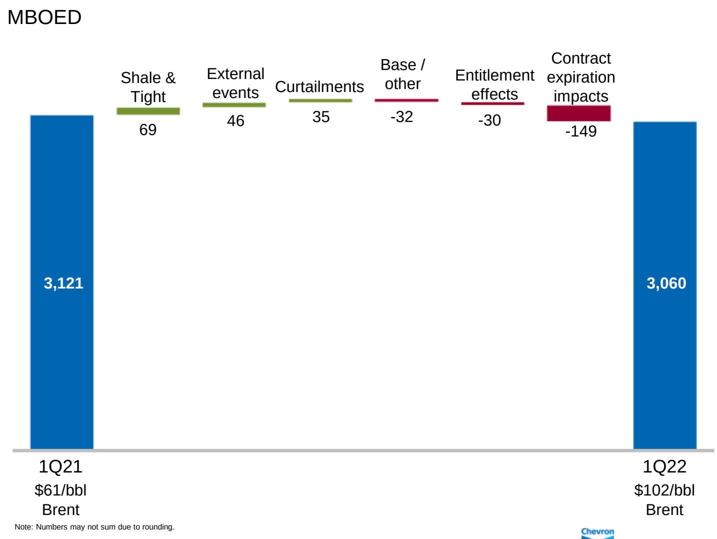
Adjusted Upstream earnings increased primarily on higher realizations and the absence of certain fourth quarter DD&A charges. Liftings were lower in part due to lower production in the Gulf of Mexico.

Adjusted Downstream earnings decreased primarily on timing effects.

The All Other segment was down primarily on unfavorable tax items and higher corporate charges. The All Other segment results can vary between quarters and our full-year guidance is unchanged.

Worldwide net oil & gas production

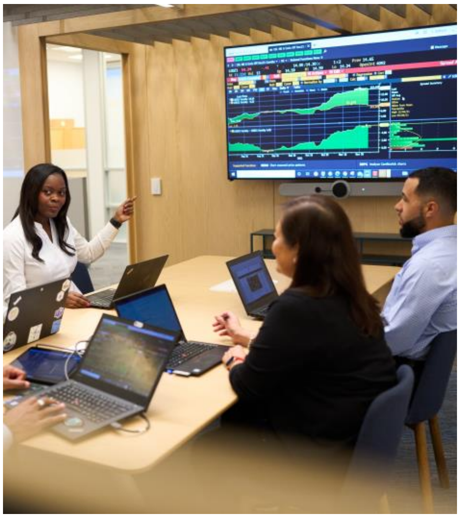
1Q22 vs. 1Q21



+ Permian growth
+ Absence of Winter Storm Uri
+ Absence of curtailments

First quarter oil equivalent production decreased 2% year-on-year due to the expiration of Rokan in Indonesia, lower production in Thailand as we approached the end of the concession, and lower entitlements due to higher prices. Permian growth and the absence of Winter Storm Uri impacts partially offset and drove U.S. oil and gas production up over 10%.

Looking ahead
Forward guidance



	2Q22
UPSTREAM	Turnarounds & Downtime: ~(160) MBOED Expiry of Thailand concessions: ~(50) MBOED ALNG Return of Capital*: $250 - $350MM
DOWNSTREAM	Refinery turnarounds (A/T earnings): $(250) - $(350)MM Bunge JV inorganic cash capex: $600MM
CORPORATE	Share repurchase: ~$2.5B

* ALNG return of capital appears in *Proceeds and deposits related to asset sales and returns of investment* on the Statement of Cash Flows.

 9

Now, looking ahead.

In the second quarter, we expect lower production due to planned turnarounds at Wheatstone and Angola LNG, impacts from CPC pipeline, and the expiration of the Erawan concession in Thailand.

At CPC, two of the three single-point moorings are now back in service, and TCO has returned to full operations. Downtime associated with the April repairs is estimated to be less than 15% of our 2Q turnaround and downtime guidance.

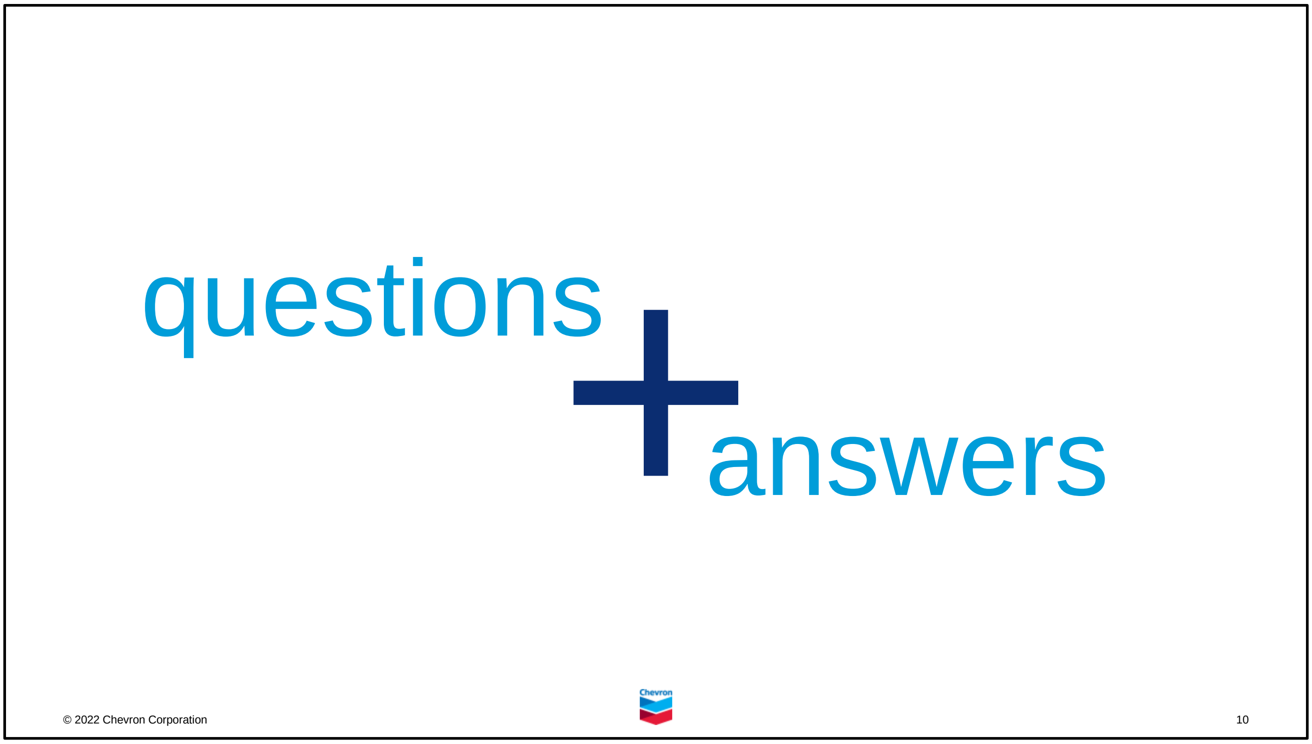
We anticipate a return of capital between $250 and $350 million from Angola LNG in the second quarter. This cash is reported through Cash from Investing – not Cash from Operations. In the first quarter, Angola LNG returned over $500 million of capital.

The differences between affiliate earnings and dividends are not ratable and TCO has not yet declared a dividend in 2022. With higher commodity prices, affiliate dividends are expected to be $1 billion higher than our previous guidance.

We've utilized our NOLs and other U.S. tax attributes, and expect to make estimated U.S. federal and state income tax payments in the second quarter. These payments will flow through working capital accounts, just like our first quarter IRS refund did.

In the second quarter, we expect to invest $600 million as we close the Bunge JV and to repurchase shares at the top of our guidance range.

With that, I'll turn it back to Roderick.



That concludes our prepared remarks. We are now ready to take your questions. Please try to limit yourself to one question and one follow-up. We will do our best to get all your questions answered.

Appendix: reconciliation of non-GAAP measures

Reported earnings to adjusted earnings

	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	FY22
Reported earnings ($ millions)							
Upstream	2,350	3,178	5,135	5,155	15,818	6,934	6,934
Downstream	5	839	1,310	760	2,914	331	331
All Other	(978)	(935)	(334)	(860)	(3,107)	(1,006)	(1,006)
Total reported earnings	**1,377**	**3,082**	**6,111**	**5,055**	**15,625**	**6,259**	**6,259**
Diluted weighted avg. shares outstanding ('000)	1,915,889	1,921,958	1,921,095	1,922,082	1,920,275	1,944,542	1,944,542
Reported earnings per share	**$0.72**	**$1.60**	**$3.19**	**$2.63**	**$8.14**	**$3.22**	**$3.22**
Special items ($ millions)							
UPSTREAM							
Asset dispositions	-	-	200	520	720	-	-
Pension Settlement & Curtailment Costs	-	-	-	-	-	-	-
Impairments and other*	-	(120)	-	-	(120)	-	-
Subtotal	-	(120)	200	520	600	-	-
DOWNSTREAM							
Asset dispositions	-	-	-	-	-	-	-
Pension Settlement & Curtailment Costs	-	-	-	-	-	-	-
Impairments and other*	(110)	-	-	-	(110)	-	-
Subtotal	(110)	-	-	-	(110)	-	-
ALL OTHER							
Pension Settlement & Curtailment Costs	(241)	(115)	(81)	(82)	(519)	(66)	(66)
Impairments and other*	-	-	-	(260)	(260)	-	-
Subtotal	(241)	(115)	(81)	(342)	(779)	(66)	(66)
Total special items	**(351)**	**(235)**	**119**	**178**	**(289)**	**(66)**	**(66)**
Foreign exchange ($ millions)							
Upstream	(52)	78	285	(9)	302	(144)	(144)
Downstream	59	1	123	2	185	23	23
All other	(9)	(36)	(103)	(33)	(181)	(97)	(97)
Total FX	**(2)**	**43**	**305**	**(40)**	**306**	**(218)**	**(218)**
Adjusted earnings ($ millions)							
Upstream	2,402	3,220	4,650	4,644	14,916	7,078	7,078
Downstream	56	838	1,187	758	2,839	308	308
All Other	(728)	(784)	(150)	(485)	(2,147)	(843)	(843)
Total adjusted earnings ($ millions)	**1,730**	**3,274**	**5,687**	**4,917**	**15,608**	**6,543**	**6,543**
Adjusted earnings per share	**$0.90**	**$1.71**	**$2.96**	**$2.56**	**$8.13**	**$3.36**	**$3.36**

*Includes asset impairments, write-offs, tax items, and other special items.
Note: Numbers may not sum due to rounding.

Appendix: reconciliation of non-GAAP measures

Cash flow from operations excluding working capital
Free cash flow
Free cash flow excluding working capital
Net debt ratio

$ millions	1Q22
Net Cash Provided by Operating Activities	8,055
Net Decrease (Increase) in Operating Working Capital	(937)
Cash Flow from Operations Excluding Working Capital	**8,992**
Net cash provided by operating activities	8,055
Less: cash capital expenditures	1,960
Free Cash Flow	**6,095**
Net Decrease (Increase) in Operating Working Capital	(937)
Free Cash Flow Excluding Working Capital	**7,032**

Note: Numbers may not sum due to rounding.

$ millions	1Q22
Short term debt	314
Long term debt*	29,019
Total debt	29,333
Less: Cash and cash equivalents	11,671
Less: Marketable securities	33
Total adjusted debt	17,629
Total Chevron Corporation Stockholder's Equity	146,219
Total adjusted debt plus total Chevron Stockholder's Equity	163,848
Net debt ratio	10.8%

* Includes capital lease obligations / finance lease liabilities.

Appendix: reconciliation of non-GAAP measures

ROCE

Adjusted ROCE

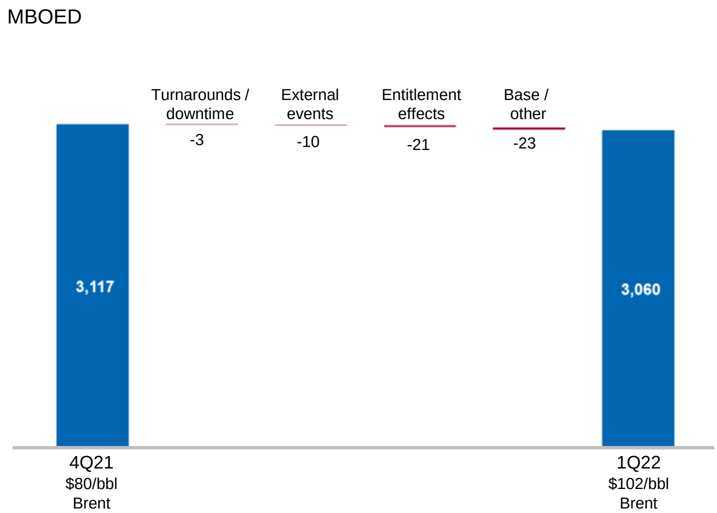
$ millions	**1Q22**
Total reported earnings	6,259
Non-controlling interest	18
Interest expense (A/T)	126
ROCE earnings	6,403
Annualized ROCE earnings	25,612
Average capital employed*	173,871
ROCE	**14.7%**

$ millions	**1Q22**
Adjusted earnings	6,543
Non-controlling interest	18
Interest expense (A/T)	126
Adjusted ROCE earnings	6,687
Annualized adjusted ROCE earnings	26,748
Average capital employed*	173,871
Adjusted ROCE	**15.4%**

*Capital employed is the sum of Chevron Corporation stockholders' equity, total debt and noncontrolling interests. Average capital employed is computed by averaging the sum of capital employed at the beginning and the end of the period.
Note: Numbers may not sum due to rounding.

Appendix

Worldwide net oil & gas production: 1Q22 vs. 4Q21

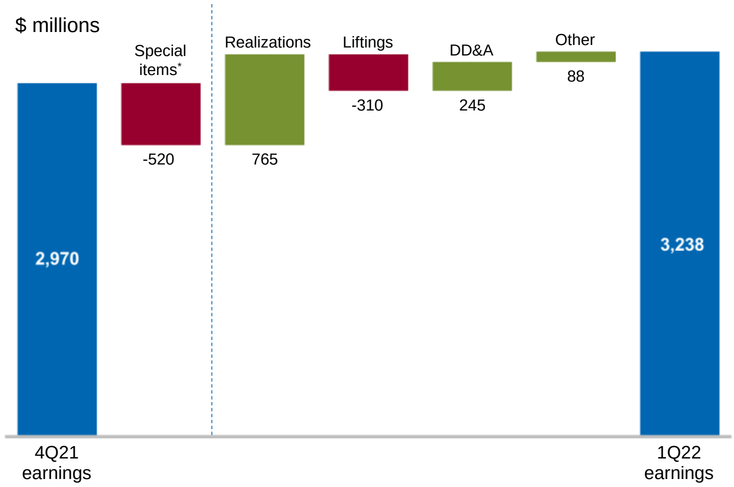


- CPC repairs
- Entitlement effects
- Thailand field decline

Note: Numbers may not sum due to rounding.

Appendix

U.S. upstream earnings: 1Q22 vs. 4Q21

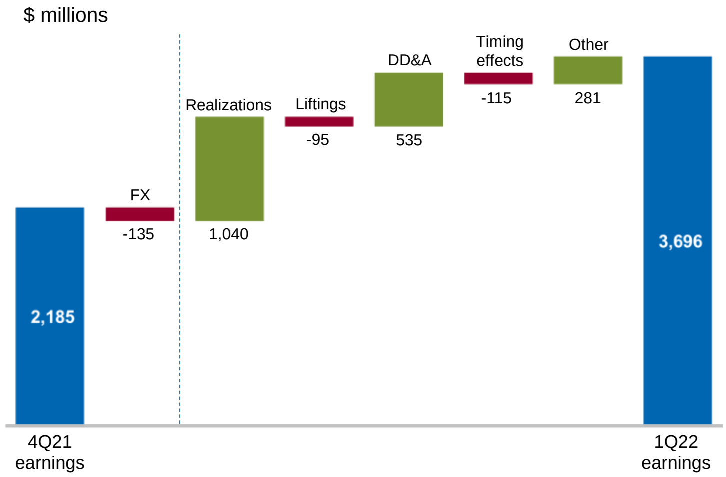


- Absence of gain on sale of Permian & Colorado assets
- Higher realizations
- Lower production
- Lower DD&A on reserve additions

*Reconciliation of special items can be found in the appendix.

Appendix

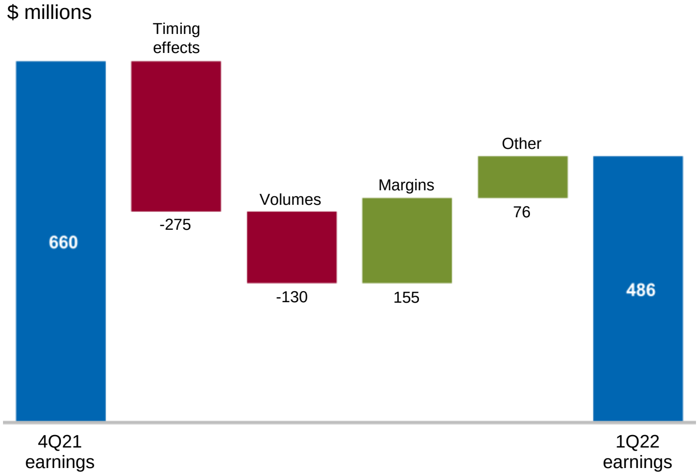
International upstream earnings: 1Q22 vs. 4Q21



- Higher realizations
- Absence of 4Q21 non-production related DD&A impacts

Appendix

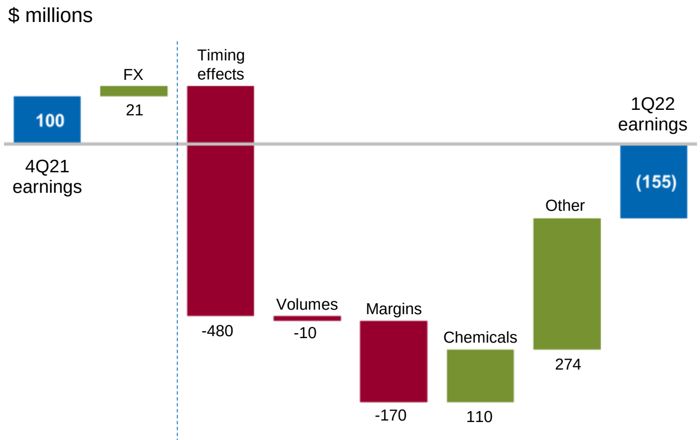
U.S. downstream earnings: 1Q22 vs. 4Q21



- Unfavorable timing effects:
  - 1Q22: $(252)
  - Absence of 4Q21: $(23)
- Lower refining & marketing volumes
- Higher refining margins, lower marketing margins

Appendix

International downstream earnings: 1Q22 vs. 4Q21



- Unfavorable timing effects:
  - 1Q22: $(405)
  - Absence of 4Q21: $(75)
- Lower marketing margins