FEMALE SPEAKER: Our lunch presentation today is from Exxon. I think we all know of Exxon as one of the largest energy providers and chemical manufacturers in the world. They operate facilities or market products in most countries and explore for oil and gas on six different continents. Today we will hear from Bryan Milton, president, fuels and lubricants, on its growing downstream value. Exxon is the world's leading supplier of lubricant basestocks and largest global marketer of finished lubricants. Bryan, we appreciate you being here and Exxon's participation in our 47th annual conference. With that, I will turn the floor over to you.

MR. MILTON: My name is Bryan Milton. I'm president of our fuels and lubricants company. I've been with ExxonMobil 33 years, spent about half my time in the manufacturing/operations side, about half in the business/commercial side, and as of January last year, as we combined, as I'll mention, into a new organization, combining our heritage marketing and refining and supply organizations into one, I took over that role in January of 2018. It's a real pleasure to be here with you to give you an oversight of our business. It really is something that we're very proud of, I'm personally very proud of.

And to give you a feel for the roadmap for today, I want to quickly cover our downstream value chain, our portfolio, and the opportunities we see there. I'll also go through what we see as unique value growth opportunity for us as a business. I'll look at early insight capture from the market and what that means in terms of how we run our business and what we target for growth. And then I'll close with a look at the long-term cycle of our business versus the short-term nature of the market conditions that we see today.

Now, obviously, no discussion like this is appropriate without the cautionary statement. I'm sure you can read every single line of that from where you sit today. We obviously can't predict the
future, and what we discuss today will and probably may well be different as you look at the variables that impact our business over the coming years. So I'd encourage you to read the listed material for additional information, and subsequent to this presentation this material will be published on our website as well for access for everybody, okay?

So as I stand here today talking about ExxonMobil's downstream business, I also represent ExxonMobil Corporation. And just as a quick overview, let me start with one slide to remind you that as the largest publicly-held international oil and gas company, we have a wide portfolio spread across three main businesses. And you may have seen we recently restructured our upstream business. So we have the upstream, the downstream, and chemicals. Upstream explores for, develops, and produces hydrocarbon around the world. We're in about 41 countries, 6 continents, as you heard earlier. Our sister business in chemicals produces high performance products using unique patented ExxonMobil technology as much as we can, providing world class manufacturing facilities – and producing operations in over 16 countries. My business, the downstream, or what we call fuels and lubricants, has refining and lubricant band stock operations in over 25 countries. We market in over 100 countries around the globe, and we're the leaders in refining products, basestocks, and finished lubricants that we provide to the market every single day of the year. Two comments around this: One of our big strengths is the integration between these three businesses, and I'll talk some more about that later, but inextricably linked between ourselves and downstream and chemicals, ourselves and the upstream from feed through to final products to the marketplace. Secondly, chemicals and the refinery business are somewhat cyclical, as you probably know. And our portfolio with those two businesses is a wonderful counterpoint and a balance to the upstream earnings stream that we
have on a more regular cycle. So, again, together we feel this is a very, very strong portfolio that we can continue to extract a lot of value from.

Let me start with a quick look at our downstream portfolio.

It's organized and managed and run through market-focused value chains, and I'll talk about that a bit in a minute. We've got a very dynamic portfolio with high value assets. Our market back approach really responds to the market fundamentals and what our customers demand and our focus is on being nimble to bring those competitive advantages to the market continues every single day. We invest a lot in yielding high value products from the bottom of the barrel. I'll speak more to that and it's a very salient point as we approach the IMO launch early next year. And we -- as we look at making the most of our existing assets, we are passionate about benchmarking, improving our performance, and making sure our existing capital delivers the maximum it can for the shareholder. The bottom line is our downstream business has a strong performance record with very strong ROCE performance over the cycle. Let’s go into that in a bit more depth.

I think it's worth starting with this outlook from our energy outlook that we publish every year. This is probably not new news to you, but as we see the world, we see in the near term that the fuel oil demand is dropping quite markedly over the coming years by about 25 percent as the IMO low-sulfur fuel standards come into place. You also see distillates continuing to grow due to the increasing commercial transportation and aviation demands. You see an increase in demand for chemical products, most important for us with our degree of integration in green there which increases as feedstock demand continues to grow. We also see expansion in industrial activity, which continues to push and support lubricants growth, particularly high value synthetic lubricants. And then you see gasoline there on the gray line modulating some as the overall fleet efficiency improves over the near-term cycle. This is the basis upon which we set up
our business to operate in the near term, and our initiatives and our investments and our priorities drive to maximize value from this scenario.

We have a number of advantages. This was a chart that was used at our recent analyst days, so some of you will have seen it. It's important that we recognize these and we pull them together seamlessly to deliver what we need to the market and to our shareholders. I'll start with technology, in particular, our proprietary process and catalyst technology. Most recently you've seen that in our Rotterdam hydrocracker that we started up, taking bottom of the value resid and taking it up to high value group 2 basestocks. We're also busy progressing a step change project for our Singapore refinery. In 2023 we'll take bottom of the barrel up to group 2 basestock, chemicals feedstock, as well as diesel. Scale is something that's always been related to ExxonMobil. One of the areas of scale that was perhaps not widely recognized or one that perhaps we have not made the most of over time, if I'm honest, is our global brand recognition. The Esso, the Exxon, the Mobil brands are extremely strong around the world, and marrying that to everything else we have and making sure we have the right offer in the marketplace is a key focus for us. Integration continues to be a strong point, as I said. Over 80 percent of my refineries and blend plants are integrated with chemicals, basestock, or the upstream, jointly maximizing the value from our activities. Functional excellence has long been part of our core character. It's something we continue to be very proud of in all our areas and will continue to drive that and bring that scale of excellence to our businesses, wherever we may operate. And then finally, on the people side, you'll see highlighted there our value chain focus organizations, and I'd like to just take you through a bit more detail on that on the next page. January last year we took our heritage refining and supply organization and our heritage marketing for fuels and lubricants and pulled it together into one team. We built on the strong
heritage both those organizations had, but we saw very clearly an opportunity to be much more nimble in the market, much more aware of the market and much more competitive in the market by working along two value chains, a fuels value chain that you see there and a lubricants value chain. Both of them start embedded in the marketplace and what the market says and then works back through the value chain to crude acquisition as you see there. The focus of this is that we put P&L, one single P&L for fuels, one single P&L for lubricants. We give that authority right down to the 15 tributary teams in fuels and the six marketing business units in lubricants. We supply them all with resources, the investment, the people that they require to be close to the market, to understand the market, and to compete real-time. And that's the focus of what we've been changing here over the last year or so. You'll also see along the fuels chain there commercial and trading. Trading is an area that we have always done to some extent, but over the last year, we've really upped our focus and attention to that important part of our business. Asset-backed trading, as we see it, is the ability for us to use our large footprint, our large volumes every day to be close to the market, understand the market, and to take full benefit with the use of derivatives as well, from that footprint to take advantage from dislocations in the marketplace, and it's been a rapid learning curve for us and one that we're continuing to progress as I speak today. So these are just some examples. And if you want to summarize what we're focusing on, we're focusing on market-focused quick insight, better, faster, actionable insights that enable us to win and compete in the marketplace without the disbenefits of the scale that we perhaps had in our old structures.

As part of that, we continue to invest in strengthening our portfolio. Two examples here to really reflect that for you: Firstly, on the left you can see from 2017 to 2025 the change in yield we're expecting on our refining footprint, from fuel oil on the left-hand, upgrading it towards
distillate and lubricant basestock and chemicals basestock on the right-hand side at much enhanced margins. And you can see in green there that is our progress in 2018, particularly as we've brought on our Antwerp coking capacity in the third quarter of last year, Beaumont SCAN finer in the third quarter of last year, and the Rotterdam hydrocracker at the end of the fourth quarter. You can see we've made some big strides towards our intent here by 2025 of essentially removing all the bottom of the barrel to higher yield products. At our higher level, you can see the effect across our portfolio. What you have on the right-hand side here is a net -- net cash margins seriatim across the whole of the industry fleet of refining operations. The right-hand red circle there is the average of the five refineries in ExxonMobil that we're putting these big investments in, so Beaumont, Singapore, Foley, Antwerp, and Rotterdam. And you can see, with the investments we're putting in, it moves us from what I'd say was middle of the pack to -- towards first quartile performance and net cash margin. And the difference between those two red bubbles is $13 billion of Nova to our bottom line. That is the remorseless continuous focus on upgrading the value of our molecules and our refinery assets to be as competitive as possible in a business where being the lowest cost, highest quality producer really makes a difference in how effective you can be in the marketplace.

One of the highest value opportunities for any operating organization is maximizing the value of our own assets. Six areas that we focus on here. Firstly, leading competition, but having it confirmed by benchmarking. From our operations to our sales to our marketing to our midstream to our jetty operations, we look out for third-party benchmarking wherever possible to confirm where we're good and where we need to improve. There's no point being -- telling ourselves we’re good without knowing that it's the best in industry, and that is a real focus for our organization. I talked about advantage projects and gave you an example of the impact
on earnings in the prior chart. But they also continue to really drive yield growth and yield
improvement across our platforms. Consistently looking across all our cat cracking units, all our
residfiners, all our hydrocrackers by platform technology type and benchmarking again for the
best in industry, best inside our own portfolio, and then with the help of digital, making sure that
we’re always operating at the leading edge of performance in any given market environment for
those platforms. And I’ll show you the value of that in a few charts. We talked about technology
and processing, but product technology is also very, very critical to us. Mobil 1 has been a
leading synthetic brand for decades, launched in 1974, and we keep growing that franchise, but
also our Synergy performance fuels and gasoline and diesel continue to be a step change
and offer to the marketplace. Industry leading conversion, taking bottom of the barrel and
putting it into higher value products. I’ll show you a slide in a minute on the effect of our coking
capacity as we prepare for IMO, for instance. Then, finally, the area that I was perhaps most
disappointed in last year was actually our operating reliability. Particularly in the first half of last
year we had opportunities to improve that.

And if I show you the next slide, I'll give you a feel, perhaps, of the extent of that improvement
that we need to deliver. This shows second quarter, third quarter, and fourth quarter of ’18
versus first quarter of ’18. This is the earning impact of combined downtime, planned downtime,
and -- planned maintenance and unscheduled downtime, beg your pardon. Over time we
believe we have an industry-leading reliability, but in the second half of last year, we at last got
back to prove that. Our performance in the second half of last year was better than historical,
and if you see -- let me give you a bit of orientation on that chart. The first bar there for the
second quarter that was a mix of plan maintenance and unplanned downtime. The
fourth quarter was vast majority planned maintenance. And I'll just highlight two points.
2019 scheduled maintenance for ExxonMobil is going to be higher than 2018. We've said that before. A lot of that is driven by being prepared for IMO 2020 and making sure that we've got our best foot and our best feet ready for next year. First quarter of scheduled maintenance is going to be pretty similar to what you see there for fourth quarter '18, so we're in a heavy planned maintenance schedule as we speak today.

We also continually upgrade our portfolio, selling as well as acquiring as well as going into new markets, and I just wanted to cover that quickly. Over time it's been a very clear focus of a lot of value for us, but in '18 we continued that. We sold our Augusta refinery in the fourth quarter of last year. We sold Germany retail to the BW model in fourth quarter last year. And earlier last year we also sold our Italy retail footprint over to partners who are running it under the BW model as well. So a lot of activity last year. Now, if I put that in perspective versus the last 10 years, you can see the reductions here on a percentage basis of our terminals, our refineries, our pipelines, and our retail -- retail sites that we own. Just to put that in numbers, that's 13 fewer terminals over the last 10 years, 14 fewer refineries, 4,600 miles of pipeline that we've sold, and 10,000 retail sites. So significant pruning of our portfolio to get it to what we think is the winning composition for the future. Now, having said that, having been on this journey for 10 or so years, there are fewer and fewer assets that we think aren't part of the core portfolio as we speak, so in future, we think there'll be fewer downstream asset sales. In fourth quarter last year, our other operating earnings from asset sales was about $.9 billion, and we don't have any planned for the first quarter of this year. On the acquisitions side, on the other side of the table, we took a step change in our lubricant side of the portfolio and acquired a company in Indonesia called FKT lubricants. They're one of the leading players in Indonesia, one of the fastest growing lubricants markets in the world. We took our market position overnight
from 3 to 10 percent, servicing firstly the motorcycle sector, which is vast, but also buying a vast distribution network across Indonesia, which is wider than the United States. LA to New York is 2,500 miles. Indonesia is 3,000 miles. And we just adopted a vast portfolio of distribution for us to enable to grow four-wheel and our synthetic -- synthetics lubricants as well. We also purchased the Wink terminal and integrated that into the Permian offer, a core asset to enable us to link upstream production in Permian all the way through to our Gulf Coast refineries and to our export markets and refineries as well, and I'll mention that again a bit later. As well as entering with fuels in Mexico and in Indonesia and also entering very strongly in Indonesia, as I mentioned with FKT, on a lubes growth track. So selling on one side, upgrading our portfolio with high value opportunities on the other side of the portfolio.

Let me talk about a few areas on the next segment here, looking at unique value growth. How do we take our product technology, our brand strength, and our market entries and really make a difference to our bottom line in the downstream business? We have a lot of differentiated high quality products behind a very strong brand, as I mentioned, supported by a world class marketing organization. In the retail fuels, we have our Synergy fuels offer gasoline, which has been launched for about the last four or five years, accompanied by a reimaging of all our retail sites. Another 6,000 sites this year will be reimaged globally, providing evidence of our commitment to this business, quality customer experience, supported by digital, supported by member’s rewards schemes. We've also launched Synergy Diesel Efficient, first-to-market branded high quality diesel in North America. 2 percent fuel efficiencies, lower emissions, enhanced maintenance cycle time, big impact for fleets and the heavy diesel users. And we're busy -- we're delighted with that growth and are busy growing that as we speak. But that premium performance fuels with a premium offer and experience is at the core of growing our
retail side. And last year our retail business had its best ever earnings performance by about 25 percent versus prior years, so really encouraging how that is progressing. On the lubricant side, we've long had a very strong heritage here with our Mobil 1 top end synthetics but also through normal PVL commercial as well as industrial, and the full suite is there, including our base stocks. We're industry leader. Continuing to drive that, as I said, record performance from our fuels retail businesses last year, and I'll talk a little bit about the lubricants contribution on a subsequent page.

Market entries. We entered Mexico. We entered Indonesia. Mexico is a bit of a unique model. We decided that we'd take advantage of our leading US Gulf Coast low cost supply and import molecules to Mexico. We do it by rail now through to central eastern Mexico, and then from there it's distributed by truck. We start up a terminal later this year down in Turpan with pipeline connection into Mexico City. I'm delighted to say that over the last three or four months as there's been the fuel supply problems in Mexico, because of this unique model versus competitors who are typically reselling Pemex models and molecules, we were able to keep every single one of our 177 sites that we started up in the first year wet, with no customer turned away, and we're the only one in the whole of industry to do that. By the end of this year, we'll have 400 plus sites in place, and in addition to that we continue to grow our lubricants business, which has very strong brand recognition in Mexico. This will be a major contributor to the fuels business and the lubes business in years to come. Indonesia, likewise, builds on the Singapore advantage position from our refinery there. We started with fuels, branded reselling into mining and fleets. That's growing very well with partners, terminals, and logistics in place by the middle of this year. And then we also with a partner, IndoMobil, came up with a concept called microsites, which if you want to think of them as small gas stations for
motorcycles is the simplest way to put it, but thousands of them across the whole of Indonesia. If you’ve ever been to Indonesia, it lives on its motorcycles, 110 million of them. The average time taken for a motorcycle to fuel up in Jakarta, one of the big cities, is 20 minutes. Average time at one of these sites is under a minute. And those are working motorbikes. They’re not just for leisure. So we’re giving productivity, we’re giving access, we’re giving good value. And then we have exclusive Mobil and FKT branded lubes on the back of this as well. So that’s very exciting and our lubes business with FKT, as I mentioned, are growing as well. As I said, both of these countries will probably be in the next five years in our top five or six earning national entities around the globe, so very exciting growth driving earnings power within our ExxonMobil downstream.

Talked about high value synthetic lubricants. This is really a crown jewel in our portfolio. Mobil 1 started in 1974. It’s been the market leader since at least the early part of this century. It continues to grow based on its capabilities, its technology, and its offer. But we also have a very strong basestocks business. If you look to the left-hand chart there up the Y axis, you can see our market position in red, 15 percent market position, industry leading, one that we’re continuing to grow with our group two investments in Europe and Asia. And you also see along the bottom access there that we’re about 11 percent, number two in the finished lubricants business. This a very strong combination, driven by high quality products, broad reach in the market, as well as a very, very good customer offer. And you can see from the right-hand chart why we like that so much. $900 million of earnings in this business, over $900 million last year. And you can see the multiplier effect by upgrading the barrel to firstly basestocks, then waxes, finished lubricants, and also synthetic lubricants. And these are multipliers over our base refining margins. Very, very high value driver for our business. And synthetics is really at the
heart of the growth. All the growth, all the value is in synthetics. Mature markets in the OECD are evolving there, non-OECD are beginning on this journey, and we intend, as I showed you with Mexico, with Indonesia, and other markets, to be at the forefront of this. Our growth there on the red line is around 10 percent a year over the last couple of years, versus industry growth that you see in gray there at about 4 to 5 percent. Again, a step change differentiation versus the marketplace for high value products. Take a minute to talk about something that we feel is very important, which is as a big company it’s sometimes easy to be insulated from the reality of a market or what customers require. And a part of our restructure, we’re really focusing within our tributaries and our lubes business units on making sure that we’re close with quick insights that are actionable, that allow us to really drive investments, initiatives, and maximize our returns, and I think it’s bringing the scale of what ExxonMobil can bring, but then being close enough and nimble enough at the market and acting on those insights to win, is the balance that we’re seeking.

And I think one great example is the Rotterdam advanced hydrocracker. As we look a number of years back, we saw the demand for group 2 growth. We saw the benefits of being a winner in this market across the globe. With unique catalysis capability as well as process technology we started up this hydrocracker at the end of the year. It gives us 20,000 barrels of group 2 distillates. It fully complements our Baytown production and our Singapore production. And most importantly, once we start up our CRISP project in Singapore in 2023, we'll have identical group 2 base stock available in every region of the world, great for formulations, great for BCP backup, great for supply assurance, and really is an important aspect of our model. Investment is at $1.2 billion at 2017 margins. Think of that as over $300 million a year of earnings. And you can see on the net cash margin chart on the left-hand side there, on the right-
hand side reinvestment, Rotterdam was at best middle of the pack. With this step change becoming a lubes refinery as well as a fuels refinery, you can see the -- right up into the first quartile on net cash margin. Driving performance with technology and understanding what the market needs. This is very similar to what we'll be doing in Singapore so that will be on a wider footprint with a higher value contribution as we look forward.

Permian integration. I know from the analysts meeting and even today meeting people this is an interesting topic for all of you. I'll just give you a few perspectives on it from where I sit. Firstly, this I think is perhaps a unique opportunity unparalleled in the industry. We've got assets in Permian we can produce. We can manage and control our own destiny on logistics, down to world scale refineries on the Gulf Coast and world scale chemical plants on the Gulf Coast. In addition, we can then export through to the market, but most importantly to our own refineries around the globe. In fact, in the last quarter, every single one of our foreign refineries ran Permian based crude or some product from Permian grade based crude over the quarter. The bottom right chart is very, very important. You can see that our refinery and logistics capacity exceeds our equity production, now and in 2022, and that is our vision, that we keep the flexibility, the optionality to always get our equity to where we actually monetize it in our refineries and our chemical plants. You'll have heard and read about us progressing downstream projects. We have a one million barrel a day crude line from Webster to Houston that -- from Midland to Webster and Houston that will be progressing for startup in early 2021. It's going to be a million barrels a day. We'll have five hundred million barrels a day of commitment on there, along with Plains, our partner. We're well advanced in ordering the pipe and in getting our other partners signed up, and I'm very excited that this is going to be the highest value, lowest cost supply to the Gulf Coast. To give you a feel on the unique position, in
any given market scenario versus a Permian producer selling their crude in Permian, we believe we have a 30 percent uplift over that competitor, so very significant value being built into this whole value chain. So we continue to progress this integrated between, if you didn't notice, the upstream, my downstream business, and our chemicals business.

And then finally in this segment, I just wanted to highlight the driving force behind the next three years' worth of earnings improvement. That's $3 billion of earnings enhancement driven by technology scale market integration. Starts -- if you start about 1:00 o'clock there with the major projects, that's the six major projects that we've announced to you previously, three of which we started up last year. That's a major contribution. Optimization of our manufacturing footprint that I mentioned before in the medium blue is another major contribution. We have over 300 optimization activities undergoing as we speak today. The new fuels market entries add a considerable amount to the bottom line in the next three years and there also are revamps and improvements. So these are 20 plus projects beyond the big projects that we mentioned, the headline projects that are improving the base capability of our logistics, our refineries, our shipping around the globe. And these have over a 30 percent return, so very, very high value accretive to our portfolio. Logistics and trading, an area that I think it's fair to say we've changed track on in the last year or -- years -- few years. We've grown to recognize that logistics are a core part of a value chain. You don't have a chain without logistics. They bring you close to the market, you understand the market, you can respond to the market quicker, and you retain more of the value from the market, rather than having third parties handling logistics on your behalf. So we continue to invest in logistics. Then as I said, supplementing that with our asset trading program that I mentioned earlier that we’re busy evolving and growing as we speak today. You tie all that together and you see significant earnings potential is focused on delivering
in the medium-term and the long-term, despite the near-term market noise that we see as we speak today.

So let me just close with a few slides about today's conditions. Hopefully in that whirlwind tour of the downstream, we've given you a feel for our longer term commitment, our longer term view of the downstream business, the integration within the corporation, using technology, and using our market focus to really extract value. You know, I've been in this business 33 years, and I've never seen a flat year. We're either on an up or we're on a down cycle, and they're cyclical. But the secret of making money in this business is continuity of purpose, and if you have a look in the left-hand side here, that is our downstream business earnings over the last 18 years or so. It's not flat. We have highs; we have lows. The market gives and the market takes. You have to be able to run your best on any given day to maximize the value in that window. What we're particularly pleased about is, if you look in red there, those are the ROCEs over any given period, and our average ROCE over the period is 23 percent in the downstream, something that we continue to strive as we grow and as we invest. We want to maintain that earnings power in our business. And just for reflection, the chemicals business, likewise, on the right-hand side is a cyclical business, and also as they invest to grow with a slightly different model than the downstream, you can see that return on capital also staying very, very strong. So while we're seeing near-term market environments that are headwinds, this is part of a long-term cycle where we've been very successful. We see that long-term commitment, the investment, everything I mentioned to you earlier, part of winning in this marketplace over the longer term.

In line with that, we continue to invest in the fundamentals, and one of the fundamentals we all see as an industry is IMO. On the left-hand side, you can see in red ExxonMobil's coking
capacity, just one measure of upgrade. And in the hatched area there, you see the Antwerp cooker 50 KBD that we brought on last year. We have the largest coking capacity and upgrade capacity in industry, and we think we're very well placed as these new regulations come into play. The middle panel shows the clean/dirty spread. You see diesel versus high-sulfur fuel oil. You'll also notice that that is not a linear relationship. You can see we're currently at a time where there's a lot of high-sulfur fuel oil demand. You can also see within that that as IMO comes on we expect that to widen out again. What you see in gray and blue is the range of industry outlooks as of two weeks ago. And that's pretty consistent as people are viewing that breaking forward. Just to give you a feel, as fuel oil drops versus diesel, about every barrel is worth about a $150 million to our bottom line, and that spread narrowed quite markedly in the first quarter, as you're all aware. That's reflected in the triangles that you see there, and I also have down there the diamonds for the fourth quarter, just to show the comparison between the two. So we feel very well placed for IMO. The market will do what the market does, but we're in a very good position to maximize opportunity from this dislocation and change in the business. Logistics and trading I've mentioned a couple times.

Distillate strength this last period has been more than offset by the mogas oversupply. If you look at the Platts crack spread on the top chart, you can see a 16 percent reduction quarter in quarter on refining margins, and I think we see that reflected in what we see every day. Now, the logistics investments that we put in place provide real cost efficient transportation, market insight, and integration benefits, and the busy chart on the bottom left shows the last six quarters. The left-hand bar in each quarter is the Midland/Houston discount -- disconnect, and the right-hand bar is the West Canada disconnect. What I've shown in hashed bar there in gray is the disconnect above pipeline cost, and circled in red is the disconnect above rail cost,
the opportunity and value creation we captured last year by our strong position in pipeline, rail, and routes to our refineries and chemo plants and export channels. In the fourth quarter we captured about $1.3 billion of value versus the fourth quarter of '17, and you can see the relative scale on the chart. First quarter '19 is looking much more, as you might know from the data, like fourth quarter of '17. Now, as we continue to get into trading, you find some of the niceties of trading, and asset-backed trading maximizes value, but you also see that the derivatives tax or gain loss is inversely proportional to crude price. So as crude price goes up over a period, you have a negative mark to market. As it comes down, you have a positive mark to market. Again, in our 10K over the last year in our earnings calls, I've averaged out for you here the absolute quarterly scale of that for us in our current footprint is plus or minus $230 million a quarter. And you know what crude has done in this last quarter from the start of the year.

So let me just close quickly, and I'm happy to take any questions if you have time for them. We believe we have unique competitive advantages to enable long-term value creation. Growth in earnings potential for us is really driven by advantaged investments technology and operations based on market fundamentals. We're leveraging our global brand recognition. We're ensuring that we're marketing to increase sales in our premium fuels and lubricants, because at the end of the day we can operate as well as we like, but you only monetize the value when you have a compelling offer to the market place. Integration with logistics and manufacturing continues to be a high value for us, particularly when you combine it with asset-backed trading that we're finding. And the business fundamentals that underpin the long-term value of our business we think are sound, and we're committed to delivering on those. But the short-term imbalances and the areas I mentioned are clearly headwinds for us in this first quarter. You know, we've got below industry margins, we've got lack of OEEs, we've got the North American disconnects
declining. And now as you pull those together and have a look at it, that's clearly something that we're very aware of as we look at this quarter’s performance. So thank you for your time. I think I outlasted you’re eating, which is always a pleasure when you talk at lunch. But I'm happy to take any questions if there are any particular questions. Yes.

**MALE SPEAKER:** It's -- I think it’s working. Yeah. Okay. On the IMO front, you guys have, like, a suite of patents around, like, compatibility and blending. What -- what is the intent in terms of enforcement licensing? Is that in your $150 million number or -- I guess how strictly are you going to enforce those patents?

**MR. MILTON:** Well, I think the way we look at it, when we have unique advantages, they're advantages that we developed for a reason, and we feel pretty strongly that those are advantages to which we're entitled and we will make sure that we incorporate and use those and also use them appropriately with partners and others. The other thing I would say is, you might have noticed that a lot of those patents and other things you mentioned are tied into the investments we make, so they're a core of that value proposition, so they’re very important to us. Likewise, we're utilizing that with an increased growth in logistics and blending hubs, which we've opened up around the globe in the last year, which we didn't used to do, and that's tied to the value creation. So they are very important to us, yeah. Yeah, at the back there, sir.

**MALE SPEAKER:** Another question on IMO. How -- how will your refineries change their crude slate in order to produce more low-sulfur diesel, less fuel oil? Is it more a question of refinery configuration, or is it the crude slate that you're running? And then which -- which crude slate -- like which crude products do you think become more in favor versus less in favor in that type of environment?
MR. MILTON: Yeah. I lost a little bit of your question with the noise here, but let me just try and answer what I think I heard. For IMO, the way I would put it is you are pretty much bound by the assets you have in the ground. That's your major decision. That's where we've been investing for the last three to four years to make sure we have the most flexible, appropriate footprint in the ground. And some competitors have also been doing the same. Once you've got that, and if you need to then change back and forth, you have some degree of flexibility with crudes. But it's -- versus your decision in the first place, it's relatively minor. The other thing that tends to happen is people start chasing the same crudes and your economic value seems to disappear pretty quickly when you start chasing those same crudes. So the way we viewed it a number of years back was if we see this coming we have to have the right kit, the right footprint, the right capability, and then we'll optimize around the rest of it. But just optimizing around the rest of it isn't the largest value proposition. Any other comments, questions? Yes, sorry. Over here. Thank you.

FEMALE SPEAKER: Thank you. I wanted to bring back to the slide where you talk about cyclicity of this business –

MR. MILTON: Yes.

FEMALE SPEAKER: -- particularly within the downstream. I'm quite intrigued to see that you've defined four periods within the 18-year timeline whilst most of us think pre -- or post the commodity supercycle and precommodity supercycle. So I was wondering if you could help us maybe understand why you still think in these five-year patches and think that they're comparable. That's sort of number one. And number two, I suspect the cyclicity between retail fuels and lubricants are going to be quite different. If you could just maybe allude to that a little bit.
**MR. MILTON:** Two good questions. 18 years is just the window that we used. We have going back to, you know, the ’50s, and we look at that on various bases, taking out, as well, and various contributing factors to see what the cause and effect of those are. So we have that whole range. That was just an illustrative example. What I'd say is if your account for any of what you mentioned or any of the other variables that you might want to exclude and see what the impact is, it’s still cyclical. This is a complex business we run. Your second question around -- was around -- can you remind me?

**FEMALE SPEAKER:** Lubricants versus retail fuels.

**MR. MILTON:** Yeah. One of the things -- I said a crown jewel in our portfolio. Lubricants, particularly the quality and premium lubricants that we sell, are much less cyclical. That's why I like them as part of the portfolio. And that's why we're committed to double the growth in our lubricants business over the next seven years. And you saw the numbers on the presentation on the earnings from lubricants. You could -- okay. Any other questions? No? Oh, yes. In the middle table here. In the -- can you see her?

**FEMALE SPEAKER:** Can you talk a little bit about what your experience in ramping up your trading division has been like? I'm -- many companies have said they have an advantage there and end up exiting after huge unexpected losses.

**MR. MILTON:** Yeah. I think I'd make just two comments. One is, you know, running a portfolio as large as ours, we've always had elements of trading in our -- in our footprint. Secondly, trading for us isn't speculation. We're not taking forward projections and then setting out -- a stake against that. What we're looking at is our day-to-day operations, the scale, the movement of our products, and saying within the window of that, which we have control of, what is the opportunity for us to offset risk or recognize dislocations. Our experience, to your
point, has been with a lot of good internal people. We have hired some good external people. We have also invested significantly in IT backbone to enable that to be something that we can manage. But I think within that framework in a very tight risk management pro forma we’re finding it very encouraging. Okay. Any others? No? Okay. Well, listen, thank you ever so much for allowing me to speak with you, and I look forward to coming back and speaking in a year’s time and showing you just how much progress we have made. So thank you very much.

(End of audio.)