

EXXON MOBIL CORP  
Form 10-Q  
November 05, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2014

**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-2256

**EXXON MOBIL CORPORATION**

(Exact name of registrant as specified in its charter)

**NEW JERSEY**

(State or other jurisdiction of  
incorporation or organization)

**13-5409005**

(I.R.S. Employer  
Identification Number)

**5959 LAS COLINAS BOULEVARD, IRVING, TEXAS 75039-2298**

(Address of principal executive offices) (Zip Code)

**(972) 444-1000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                           | Outstanding as of September 30, 2014 |
|---------------------------------|--------------------------------------|
| Common stock, without par value | 4,234,528,643                        |

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**EXXON MOBIL CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014**

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**EXXON MOBIL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME**  
*(millions of dollars)*

|  | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|--|---------------------------|-------------|--------------------------|-------------|
|  | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|  | <b>2014</b>               | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
| Revenues and other income  |                           |             |                          |             |
| Sales and other operating revenue <i>(1)</i>                               | 103,566                   | 108,390     | 311,484                  | 314,818     |
| Income from equity affiliates  | 3,211                     | 3,444       | 10,631                   | 10,960      |
| Other income   | 713                       | 538         | 3,795                    | 1,617       |
| Total revenues and other income  | 107,490                   | 112,372     | 325,910                  | 327,395     |
| Costs and other deductions   |                           |             |                          |             |
| Crude oil and product purchases  | 60,428                    | 63,961      | 181,391                  | 183,088     |
| Production and manufacturing expenses                                      | 9,951                     | 9,842       | 30,517                   | 29,856      |
| Selling, general and administrative expenses                               | 3,169                     | 3,150       | 9,470                    | 9,536       |
| Depreciation and depletion   | 4,362                     | 4,287       | 12,839                   | 12,802      |
| Exploration expenses, including dry holes                                  | 319                       | 486         | 1,132                    | 1,385       |
| Interest expense   | 88                        | 52          | 218                      | 161         |
| Sales-based taxes <i>(1)</i>   | 7,519                     | 7,882       | 22,806                   | 22,926      |
| Other taxes and duties   | 8,244                     | 8,523       | 24,749                   | 24,646      |
| Total costs and other deductions   | 94,080                    | 98,183      | 283,122                  | 284,400     |
| Income before income taxes   | 13,410                    | 14,189      | 42,788                   | 42,995      |
| Income taxes   | 5,064                     | 6,120       | 15,955                   | 18,190      |
| Net income including noncontrolling interests                              | 8,346                     | 8,069       | 26,833                   | 24,805      |
| Net income attributable to noncontrolling interests                        | 276                       | 199         | 883                      | 575         |
| Net income attributable to ExxonMobil                                      | 8,070                     | 7,870       | 25,950                   | 24,230      |
| <br>   |                           |             |                          |             |
| Earnings per common share <i>(dollars)</i>                                 | 1.89                      | 1.79        | 6.04                     | 5.46        |
| <br>   |                           |             |                          |             |
| Earnings per common share - assuming dilution <i>(dollars)</i>             | 1.89                      | 1.79        | 6.04                     | 5.46        |
| <br>   |                           |             |                          |             |
| Dividends per common share <i>(dollars)</i>                                | 0.69                      | 0.63        | 2.01                     | 1.83        |
| <br>   |                           |             |                          |             |
| <i>(1) Sales-based taxes included in sales and other operating revenue</i> | 7,519                     | 7,882       | 22,806                   | 22,926      |

*The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.*



**EXXON MOBIL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*(millions of dollars)*

|   | <b>Three Months<br/>Ended</b> |             | <b>Nine Months Ended</b> |             |
|---|-------------------------------|-------------|--------------------------|-------------|
|   | <b>September 30,</b>          |             | <b>September 30,</b>     |             |
|   | <b>2014</b>                   | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
| Net income including noncontrolling interests                                     | 8,346                         | 8,069       | 26,833                   | 24,805      |
| Other comprehensive income (net of income taxes)                                  |                               |             |                          |             |
| Foreign exchange translation adjustment   | (3,828)                       | 1,229       | (2,986)                  | (2,317)     |
| Adjustment for foreign exchange translation (gain)/loss<br>included in net income | -                             | -           | 163                      | -           |
| Postretirement benefits reserves adjustment<br>(excluding amortization)           | 372                           | (222)       | 196                      | (58)        |
| Amortization and settlement of postretirement benefits<br>reserves                |                               |             |                          |             |
| adjustment included in net periodic benefit costs                                 | 289                           | 455         | 918                      | 1,353       |
| Unrealized change in fair value of stock investments                              | (21)                          | -           | (57)                     | -           |
| Total other comprehensive income  | (3,188)                       | 1,462       | (1,766)                  | (1,022)     |
| Comprehensive income including noncontrolling interests                           | 5,158                         | 9,531       | 25,067                   | 23,783      |
| Comprehensive income attributable to<br>noncontrolling interests                  | (27)                          | 331         | 588                      | 420         |
| Comprehensive income attributable to ExxonMobil                                   | 5,185                         | 9,200       | 24,479                   | 23,363      |

*The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.*

**EXXON MOBIL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
*(millions of dollars)*

|  | <b>Sept. 30,<br/>2014</b> | <b>Dec. 31,<br/>2013</b> |
|--|---------------------------|--------------------------|
| <b>Assets</b>  |                           |                          |
| Current assets   |                           |                          |
| Cash and cash equivalents  | 4,962                     | 4,644                    |
| Cash and cash equivalents – restricted   | 52                        | 269                      |
| Notes and accounts receivable – net  | 30,963                    | 33,152                   |
| Inventories  |                           |                          |
| Crude oil, products and merchandise  | 13,441                    | 12,117                   |
| Materials and supplies   | 4,320                     | 4,018                    |
| Other current assets   | 4,857                     | 5,108                    |
| Total current assets   | 58,595                    | 59,308                   |
| Investments, advances and long-term receivables                                    | 35,012                    | 36,328                   |
| Property, plant and equipment – net  | 251,406                   | 243,650                  |
| Other assets, including intangibles – net  | 7,751                     | 7,522                    |
| Total assets   | 352,764                   | 346,808                  |
| <b>Liabilities</b>   |                           |                          |
| Current liabilities  |                           |                          |
| Notes and loans payable  | 10,243                    | 15,808                   |
| Accounts payable and accrued liabilities   | 49,272                    | 48,085                   |
| Income taxes payable   | 6,469                     | 7,831                    |
| Total current liabilities  | 65,984                    | 71,724                   |
| Long-term debt   | 11,591                    | 6,891                    |
| Postretirement benefits reserves   | 19,268                    | 20,646                   |
| Deferred income tax liabilities  | 41,132                    | 40,530                   |
| Long-term obligations to equity companies  | 5,132                     | 4,742                    |
| Other long-term obligations  | 22,162                    | 21,780                   |
| Total liabilities  | 165,269                   | 166,313                  |
| Commitments and contingencies (Note 2)   |                           |                          |
| <b>Equity</b>  |                           |                          |
| Common stock without par value   |                           |                          |
| (9,000 million shares authorized, 8,019 million shares issued)                     | 10,681                    | 10,077                   |
| Earnings reinvested  | 404,738                   | 387,432                  |
| Accumulated other comprehensive income   | (12,196)                  | (10,725)                 |
| Common stock held in treasury  |                           |                          |
| (3,784 million shares at Sept. 30, 2014 and 3,684 million shares at Dec. 31, 2013) | (222,636)                 | (212,781)                |
| ExxonMobil share of equity   | 180,587                   | 174,003                  |
| Noncontrolling interests   | 6,908                     | 6,492                    |
| Total equity   | 187,495                   | 180,495                  |
| Total liabilities and equity   | 352,764                   | 346,808                  |

*The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.*

**EXXON MOBIL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(millions of dollars)*

|   | <b>Nine Months Ended</b> |             |
|---|--------------------------|-------------|
|   | <b>September 30,</b>     |             |
|   | <b>2014</b>              | <b>2013</b> |
| Cash flows from operating activities  |                          |             |
| Net income including noncontrolling interests   | 26,833                   | 24,805      |
| Depreciation and depletion  | 12,839                   | 12,802      |
| Changes in operational working capital, excluding cash and debt   | (460)                    | (2,676)     |
| All other items – net   | (1,511)                  | (225)       |
| Net cash provided by operating activities   | 37,701                   | 34,706      |
| Cash flows from investing activities  |                          |             |
| Additions to property, plant and equipment  | (24,068)                 | (25,243)    |
| Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments | 3,794                    | 871         |
| Additional investments and advances   | (1,269)                  | (3,644)     |
| Other investing activities – net  | 3,415                    | 527         |
| Net cash used in investing activities   | (18,128)                 | (27,489)    |
| Cash flows from financing activities  |                          |             |
| Additions to long-term debt   | 5,503                    | 206         |
| Additions/(reductions) in short-term debt – net   | (514)                    | (386)       |
| Additions/(reductions) in debt with three months or less maturity   | (5,413)                  | 9,869       |
| Cash dividends to ExxonMobil shareholders   | (8,644)                  | (8,125)     |
| Cash dividends to noncontrolling interests  | (172)                    | (225)       |
| Changes in noncontrolling interests   | -                        | (1)         |
| Tax benefits related to stock-based awards  | 10                       | 14          |
| Common stock acquired   | (9,865)                  | (12,696)    |
| Common stock sold   | 10                       | 46          |
| Net cash used in financing activities   | (19,085)                 | (11,298)    |
| Effects of exchange rate changes on cash  | (170)                    | (191)       |
| Increase/(decrease) in cash and cash equivalents  | 318                      | (4,272)     |
| Cash and cash equivalents at beginning of period  | 4,644                    | 9,582       |
| Cash and cash equivalents at end of period  | 4,962                    | 5,310       |
| Supplemental Disclosures  |                          |             |
| Income taxes paid   | 14,338                   | 19,871      |
| Cash interest paid  | 295                      | 318         |

**Non-Cash Transaction**

In the third quarter of 2014, ExxonMobil completed an asset exchange, primarily a noncash transaction, of approximately \$600 million. This amount is not included in the “Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments” or the “Additions to property, plant and equipment”

lines on the Statement of Cash Flows.

*The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.*

**EXXON MOBIL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*(millions of dollars)*

|  | <b>ExxonMobil Share of Equity</b> |                                |   |  |   |   | <b>Total<br/>Equity</b> |
|--|-----------------------------------|--------------------------------|---|--|---|---|-------------------------|
|  | <b>Common<br/>Stock</b>           | <b>Earnings<br/>Reinvested</b> | <b>Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Common<br/>Stock<br/>Held in<br/>Treasury</b> | <b>ExxonMobil<br/>Share of<br/>Equity</b> | <b>Non-<br/>controlling<br/>Interests</b> |                         |
| Balance as of December 31, 2012            | 9,653                             | 365,727                        | (12,184)  | (197,333)  | 165,863                                   | 5,797                                     | 171,660                 |
| Amortization of stock-based awards         | 593                               | -                              | -   | -  | 593                                       | -   | 593                     |
| Tax benefits related to stock-based awards | 200                               | -                              | -   | -  | 200                                       | -   | 200                     |
| Other                                      | (384)                             | -                              | -   | -  | (384)                                     | 242                                       | (142)                   |
| Net income for the period                  | -                                 | 24,230                         | -   | -  | 24,230                                    | 575                                       | 24,805                  |
| Dividends – common shares                  | -                                 | (8,125)                        | -   | -  | (8,125)                                   | (225)                                     | (8,350)                 |
| Other comprehensive income                 | -                                 | -                              | (867)   | -  | (867)                                     | (155)                                     | (1,022)                 |
| Acquisitions, at cost                      | -                                 | -                              | -   | (12,696)   | (12,696)                                  | (1)                                       | (12,697)                |
| Dispositions                               | -                                 | -                              | -   | 431  | 431                                       | -   | 431                     |
| Balance as of September 30, 2013           | 10,062                            | 381,832                        | (13,051)  | (209,598)  | 169,245                                   | 6,233                                     | 175,478                 |
| Balance as of December 31, 2013            | 10,077                            | 387,432                        | (10,725)  | (212,781)  | 174,003                                   | 6,492                                     | 180,495                 |
| Amortization of stock-based awards         | 588                               | -                              | -   | -  | 588                                       | -   | 588                     |
| Tax benefits related to stock-based awards | 10                                | -                              | -   | -  | 10  | -   | 10                      |
| Other                                      | 6                                 | -                              | -   | -  | 6   | -   | 6                       |
| Net income for the period                  | -                                 | 25,950                         | -   | -  | 25,950                                    | 883                                       | 26,833                  |
| Dividends – common shares                  | -                                 | (8,644)                        | -   | -  | (8,644)                                   | (172)                                     | (8,816)                 |
| Other comprehensive income                 | -                                 | -                              | (1,471)   | -  | (1,471)                                   | (295)                                     | (1,766)                 |
| Acquisitions, at cost                      | -                                 | -                              | -   | (9,865)  | (9,865)                                   | -   | (9,865)                 |
| Dispositions                               | -                                 | -                              | -   | 10   | 10  | -   | 10                      |
| Balance as of September 30, 2014           | 10,681                            | 404,738                        | (12,196)  | (222,636)  | 180,587                                   | 6,908                                     | 187,495                 |

| <b><u>Common Stock Share<br/>Activity</u></b> | <b>Nine Months Ended September<br/>30, 2014<br/>Held in</b> |                 |                    | <b>Nine Months Ended September<br/>30, 2013<br/>Held in</b> |                 |                    |
|---|---|-----------------|--------------------|---|-----------------|--------------------|
|   | <b>Issued</b>   | <b>Treasury</b> | <b>Outstanding</b> | <b>Issued</b>   | <b>Treasury</b> | <b>Outstanding</b> |
|   | <i>(millions of shares)</i>                                 |                 |                    | <i>(millions of shares)</i>                                 |                 |                    |
| Balance as of<br>December 31                  | 8,019   | (3,684)         | 4,335              | 8,019   | (3,517)         | 4,502              |
| Acquisitions                                  | -   | (100)           | (100)              | -   | (141)           | (141)              |
| Dispositions                                  | -   | -               | -                  | -   | 8               | 8                  |
| Balance as of<br>September 30                 | 8,019   | (3,784)         | 4,235              | 8,019   | (3,650)         | 4,369              |

*The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.*

## EXXON MOBIL CORPORATION

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Basis of Financial Statement Preparation

These unaudited condensed consolidated financial statements should be read in the context of the consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Corporation's 2013 Annual Report on Form 10-K. In the opinion of the Corporation, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. Prior data has been reclassified in certain cases to conform to the current presentation basis.

The Corporation's exploration and production activities are accounted for under the "successful efforts" method.

#### 2. Litigation and Other Contingencies

##### Litigation

A variety of claims have been made against ExxonMobil and certain of its consolidated subsidiaries in a number of pending lawsuits. Management has regular litigation reviews, including updates from corporate and outside counsel, to assess the need for accounting recognition or disclosure of these contingencies. The Corporation accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Corporation does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and which are significant, the Corporation discloses the nature of the contingency and, where feasible, an estimate of the possible loss. For purposes of our contingency disclosures, "significant" includes material matters as well as other matters which management believes should be disclosed. ExxonMobil will continue to defend itself vigorously in these matters. Based on a consideration of all relevant facts and circumstances, the Corporation does not believe the ultimate outcome of any currently pending lawsuit against ExxonMobil will have a material adverse effect upon the Corporation's operations, financial condition, or financial statements taken as a whole.

**Other Contingencies**

The Corporation and certain of its consolidated subsidiaries were contingently liable at September 30, 2014, for guarantees relating to notes, loans and performance under contracts. Where guarantees for environmental remediation and other similar matters do not include a stated cap, the amounts reflect management's estimate of the maximum potential exposure. These guarantees are not reasonably likely to have a material effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

|              | <b>As of September 30, 2014</b>               |  |              |
|--------------|---|--|--------------|
|              | <b>Equity<br/>Company<br/>Obligations (1)</b> | <b>Other<br/>Third Party<br/>Obligations</b> | <b>Total</b> |
|              | <i>(millions of dollars)</i>                  |  |              |
| Guarantees   |   |  |              |
| Debt-related | 3,398   | 44   | 3,442        |
| Other        | 3,267   | 4,273  | 7,540        |
| Total        | 6,665   | 4,317  | 10,982       |

*(1) ExxonMobil share*

Additionally, the Corporation and its affiliates have numerous long-term sales and purchase commitments in their various business activities, all of which are expected to be fulfilled with no adverse consequences material to the Corporation's operations or financial condition. The Corporation's outstanding unconditional purchase obligations at September 30, 2014, were similar to those at the prior year-end period. Unconditional purchase obligations as defined by accounting standards are those long-term commitments that are noncancelable or cancelable only under certain conditions, and that third parties have used to secure financing for the facilities that will provide the contracted goods or services.

The operations and earnings of the Corporation and its affiliates throughout the world have been, and may in the future be, affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Corporation vary greatly from country to country and are not predictable.

In accordance with a nationalization decree issued by Venezuela's president in February 2007, by May 1, 2007, a subsidiary of the Venezuelan National Oil Company (PdVSA) assumed the operatorship of the Cerro Negro Heavy Oil Project. This Project had been operated and owned by ExxonMobil affiliates holding a 41.67 percent ownership interest in the Project. The decree also required conversion of the Cerro Negro Project into a "mixed enterprise" and an increase in PdVSA's or one of its affiliate's ownership interest in the Project, with the stipulation that if ExxonMobil refused to accept the terms for the formation of the mixed enterprise within a specified period of time, the government would "directly assume the activities" carried out by the joint venture. ExxonMobil refused to accede to the terms proffered by the government, and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest in the Cerro Negro Project. ExxonMobil's remaining net book investment in Cerro Negro producing assets is about \$750 million.

On September 6, 2007, affiliates of ExxonMobil filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (ICSID) invoking ICSID jurisdiction under Venezuela's Investment Law and the Netherlands-Venezuela Bilateral Investment Treaty. The ICSID Tribunal issued a decision on June 10, 2010, finding that it had jurisdiction to proceed on the basis of the Netherlands-Venezuela Bilateral Investment Treaty. On October 9, 2014, the ICSID Tribunal issued its final award finding in favor of the ExxonMobil affiliates and awarding \$1.6 billion as of the date of expropriation, June 27, 2007, and interest from that date at 3.25% compounded annually until the date of payment in full. The Tribunal also noted that one of the Cerro Negro Project agreements provides a mechanism to prevent double recovery between the ICISD award and all or part of an earlier award of \$908 million to an ExxonMobil affiliate, Mobil Cerro Negro, Ltd., against PdVSA and a PdVSA affiliate, PdVSA CN, in an arbitration under the rules of the International Chamber of Commerce (ICC). Judgment was entered on the ICSID award by the United States District Court for the Southern District of New York on October 10, 2014. A motion to vacate that judgment on procedural grounds was filed by the Republic of Venezuela on October 14, 2014, and is pending before the court. On October 23, 2014, the Republic of Venezuela filed with ICSID an application to revise the ICSID award such that it requires repayment of the value of the ICC award to PdVSA at the same time as payment is made to the ExxonMobil affiliates for the ICSID award and that provision be made for interest on the amount to be repaid. Thereafter, pursuant to ICSID arbitration rules, the ICSID award was stayed pending further action of the Tribunal. On October 27, 2014, ExxonMobil filed a response with ICSID that contests the application for revision of

that award on both factual and jurisdictional grounds. The ICSID award has yet to be satisfied and proceedings concerning the award remain pending and so the net impact of these matters on the Corporation's consolidated financial results cannot be reasonably estimated. Regardless, the Corporation does not expect the resolution to have a material effect upon the Corporation's operations or financial condition.

An affiliate of ExxonMobil is one of the Contractors under a Production Sharing Contract (PSC) with the Nigerian National Petroleum Corporation (NNPC) covering the Erha block located in the offshore waters of Nigeria. ExxonMobil's affiliate is the operator of the block and owns a 56.25 percent interest under the PSC. The Contractors are in dispute with NNPC regarding NNPC's lifting of crude oil in excess of its entitlement under the terms of the PSC. In accordance with the terms of the PSC, the Contractors initiated arbitration in Abuja, Nigeria, under the Nigerian Arbitration and Conciliation Act. On October 24, 2011, a three-member arbitral Tribunal issued an award upholding the Contractors' position in all material respects and awarding damages to the Contractors jointly in an amount of approximately \$1.8 billion plus \$234 million in accrued interest. The Contractors petitioned a Nigerian federal court for enforcement of the award, and NNPC petitioned the same court to have the award set aside. On May 22, 2012, the court set aside the award. The Contractors have appealed that judgment. In June 2013, the Contractors filed a lawsuit against NNPC in the Nigerian federal high court in order to preserve their ability to seek enforcement of the PSC in the courts if necessary. In October 2014, the Contractors filed suit in the United States District Court for the Southern District of New York to enforce, if necessary, the arbitration award against NNPC assets residing within that jurisdiction. At this time, the net impact of this matter on the Corporation's consolidated financial results cannot be reasonably estimated. However, regardless of the outcome of enforcement proceedings, the Corporation does not expect the proceedings to have a material effect upon the Corporation's operations or financial condition.



(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 5 – Pension and Other Postretirement Benefits for additional details.)

| <b>Income Tax (Expense)/Credit For<br/>Components of Other Comprehensive Income</b> | <b>Three Months Ended</b>     |                               | <b>Nine Months Ended</b>      |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | <b>September 30,<br/>2014</b> | <b>September 30,<br/>2013</b> | <b>September 30,<br/>2014</b> | <b>September 30,<br/>2013</b> |
|   | <i>(millions of dollars)</i>  |                               |                               |                               |
| Foreign exchange translation adjustment   | 70                            | (16)                          | 99                            | 100                           |
| Postretirement benefits reserves adjustment<br>(excluding amortization)             | (138)                         | 85                            | (61)                          | 28                            |
| Amortization and settlement of postretirement benefits<br>reserves                  |                               |                               |                               |                               |
| adjustment included in net periodic<br>benefit costs                                | (141)                         | (193)                         | (397)                         | (598)                         |
| Unrealized change in fair value of stock investments                                | 11                            | -                             | 30                            | -                             |
| Total   | (198)                         | (124)                         | (329)                         | (470)                         |

**4. Earnings Per Share**

|   | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2014</b>                                 | <b>2013</b> | <b>2014</b>                                | <b>2013</b> |
| <b>Earnings per common share</b>  |   |             |  |             |
| Net income attributable to ExxonMobil ( <i>millions of dollars</i> )                  | 8,070                                       | 7,870       | 25,950                                     | 24,230      |
| Weighted average number of common shares<br>outstanding ( <i>millions of shares</i> ) | 4,267                                       | 4,395       | 4,297                                      | 4,438       |
| Earnings per common share ( <i>dollars</i> ) (1)                                      | 1.89  | 1.79        | 6.04                                       | 5.46        |

(1) The calculation of earnings per common share and earnings per common share – assuming dilution are the same in each period shown.

**5. Pension and Other Postretirement Benefits**

|   | <b>Three Months<br/>Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2014</b>                                     | <b>2013</b> | <b>2014</b>                                | <b>2013</b> |
| <i>(millions of dollars)</i>                                    |   |             |  |             |
| <b>Components of net benefit cost</b>                           |   |             |  |             |
| Pension Benefits - U.S.   |   |             |  |             |
| Service cost  | 156   | 206         | 515  | 581         |
| Interest cost   | 202   | 188         | 605  | 562         |
| Expected return on plan assets                                  | (200)   | (209)       | (600)                                      | (626)       |
| Amortization of actuarial loss/(gain) and prior<br>service cost | 105   | 165         | 313  | 493         |
| Net pension enhancement and<br>curtailment/settlement cost      | 113   | 182         | 338  | 546         |
| Net benefit cost  | 376   | 532         | 1,171                                      | 1,556       |
| Pension Benefits - Non-U.S.                                     |   |             |  |             |
| Service cost  | 144   | 170         | 448  | 521         |
| Interest cost   | 285   | 265         | 859  | 803         |
| Expected return on plan assets                                  | (300)   | (278)       | (899)                                      | (841)       |
| Amortization of actuarial loss/(gain) and prior<br>service cost | 183   | 239         | 564  | 724         |
| Net pension enhancement and                                     |   |             |  |             |

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|   |     |      |      |       |
|---|-----|------|------|-------|
| curtailment/settlement cost                                     | -   | 1    | -    | 2     |
| Net benefit cost  | 312 | 397  | 972  | 1,209 |
| Other Postretirement Benefits                                   |     |      |      |       |
| Service cost  | 32  | 44   | 107  | 123   |
| Interest cost   | 89  | 87   | 293  | 264   |
| Expected return on plan assets                                  | (9) | (10) | (29) | (30)  |
| Amortization of actuarial loss/(gain) and prior<br>service cost | 29  | 61   | 100  | 186   |
| Net benefit cost  | 141 | 182  | 471  | 543   |

## 6. Financial Instruments

The fair value of financial instruments is determined by reference to observable market data and other valuation techniques as appropriate. The only category of financial instruments where the difference between fair value and recorded book value is notable is long-term debt. The estimated fair value of total long-term debt, excluding capitalized lease obligations, was \$11,568 million at September 30, 2014, and \$6,787 million at December 31, 2013, as compared to recorded book values of \$11,238 million at September 30, 2014, and \$6,516 million at December 31, 2013. The increase in the estimated fair value and book value of long-term debt reflects the Corporation's issuance of \$5,500 million of long-term debt in the first quarter of 2014. The \$5,500 million of long-term debt is comprised of \$750 million of floating-rate notes due in 2017, \$500 million of floating-rate notes due in 2019, \$1,500 million of 0.921% notes due in 2017, \$1,750 million of 1.819% notes due in 2019, and \$1,000 million of 3.176% notes due in 2024.

The fair value of long-term debt by hierarchy level at September 30, 2014, is: Level 1 \$10,868 million; Level 2 \$637 million; and Level 3 \$63 million. Level 1 represents quoted prices in active markets. Level 2 includes debt whose fair value is based upon a publicly available index. Level 3 involves using internal data augmented by relevant market indicators if available.

## 7. Disclosures about Segments and Related Information

|  | Three Months Ended           |        | Nine Months Ended |         |
|--|------------------------------|--------|-------------------|---------|
|  | 2014                         | 2013   | 2014              | 2013    |
| <b>Earnings After Income Tax</b>             | <i>(millions of dollars)</i> |        |                   |         |
| Upstream                                     |                              |        |                   |         |
| United States                                | 1,257                        | 1,050  | 3,694             | 3,005   |
| Non-U.S.                                     | 5,159                        | 5,663  | 18,386            | 17,050  |
| Downstream                                   |                              |        |                   |         |
| United States                                | 460                          | 315    | 1,619             | 1,602   |
| Non-U.S.                                     | 564                          | 277    | 929               | 931     |
| Chemical                                     |                              |        |                   |         |
| United States                                | 765                          | 680    | 1,972             | 1,947   |
| Non-U.S.                                     | 435                          | 345    | 1,116             | 971     |
| All other                                    | (570)                        | (460)  | (1,766)           | (1,276) |
| Corporate total                              | 8,070                        | 7,870  | 25,950            | 24,230  |
| <b>Sales and Other Operating Revenue (1)</b> |                              |        |                   |         |
| Upstream                                     |                              |        |                   |         |
| United States                                | 4,133                        | 3,416  | 12,780            | 9,516   |
| Non-U.S.                                     | 5,367                        | 5,829  | 17,607            | 18,931  |
| Downstream                                   |                              |        |                   |         |
| United States                                | 31,367                       | 32,032 | 94,210            | 92,995  |
| Non-U.S.                                     | 52,580                       | 57,179 | 157,044           | 164,066 |
| Chemical                                     |                              |        |                   |         |
| United States                                | 3,920                        | 3,873  | 11,546            | 11,479  |

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|                 |          |         |         |         |         |
|-----------------|----------|---------|---------|---------|---------|
|                 | Non-U.S. | 6,196   | 6,058   | 18,280  | 17,813  |
| All other       |          | 3       | 3       | 17      | 18      |
| Corporate total |          | 103,566 | 108,390 | 311,484 | 314,818 |

(1) *Includes sales-based taxes*

**Intersegment Revenue**

|            |               |        |        |        |        |
|------------|---------------|--------|--------|--------|--------|
| Upstream   |               |        |        |        |        |
|            | United States | 1,866  | 2,015  | 6,133  | 6,324  |
|            | Non-U.S.      | 10,466 | 12,505 | 31,327 | 35,097 |
| Downstream |               |        |        |        |        |
|            | United States | 4,390  | 5,056  | 13,446 | 15,312 |
|            | Non-U.S.      | 11,086 | 14,099 | 36,485 | 39,263 |
| Chemical   |               |        |        |        |        |
|            | United States | 2,775  | 2,971  | 7,962  | 9,157  |
|            | Non-U.S.      | 2,328  | 2,352  | 7,052  | 6,407  |
| All other  |               | 69     | 66     | 207    | 204    |

## EXXON MOBIL CORPORATION

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### FUNCTIONAL EARNINGS SUMMARY

| <u>Earnings (U.S. GAAP)</u>                                    | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|--|------------------------------|-------------|--------------------------|-------------|
|  | <b>2014</b>                  | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
|  | <i>(millions of dollars)</i> |             |                          |             |
| Upstream   |                              |             |                          |             |
| United States  | 1,257                        | 1,050       | 3,694                    | 3,005       |
| Non-U.S.   | 5,159                        | 5,663       | 18,386                   | 17,050      |
| Downstream   |                              |             |                          |             |
| United States  | 460                          | 315         | 1,619                    | 1,602       |
| Non-U.S.   | 564                          | 277         | 929                      | 931         |
| Chemical   |                              |             |                          |             |
| United States  | 765                          | 680         | 1,972                    | 1,947       |
| Non-U.S.   | 435                          | 345         | 1,116                    | 971         |
| Corporate and financing  | (570)                        | (460)       | (1,766)                  | (1,276)     |
| Net Income attributable to ExxonMobil (U.S. GAAP)              | 8,070                        | 7,870       | 25,950                   | 24,230      |
| Earnings per common share <i>(dollars)</i>                     | 1.89                         | 1.79        | 6.04                     | 5.46        |
| Earnings per common share - assuming dilution <i>(dollars)</i> | 1.89                         | 1.79        | 6.04                     | 5.46        |

*References in this discussion to corporate earnings mean net income attributable to ExxonMobil (U.S. GAAP) from the consolidated income statement. Unless otherwise indicated, references to earnings, Upstream, Downstream, Chemical and Corporate and Financing segment earnings, and earnings per share are ExxonMobil's share after excluding amounts attributable to noncontrolling interests.*

#### REVIEW OF THIRD QUARTER 2014 RESULTS

Earnings in the period rose 3 percent from the third quarter of 2013, driven by higher margins and improved operations in the Downstream and Chemical businesses, partially offset by the impact of lower Upstream realizations.

ExxonMobil's quarterly results demonstrate the strength of our integrated business model. Integration across Upstream, Downstream and Chemical gives us competitive advantages in scale, efficiency, technical and commercial capabilities, regardless of market fluctuations over the business cycle.

Earnings of \$25,950 million in the first nine months of 2014 increased \$1,720 million from 2013.

Earnings per share – assuming dilution for the first nine months of 2014 increased 11 percent to \$6.04.

Capital and exploration expenditures for the first nine months of 2014 were \$28.1 billion, down 14 percent from 2013.

Through the first nine months of 2014, the Corporation distributed \$17.6 billion to shareholders through dividends and share purchases to reduce shares outstanding.

|                                 | Third Quarter                |       | First Nine Months |        |
|---------------------------------|------------------------------|-------|-------------------|--------|
|                                 | 2014                         | 2013  | 2014              | 2013   |
|                                 | <i>(millions of dollars)</i> |       |                   |        |
| <b><u>Upstream earnings</u></b> |                              |       |                   |        |
| United States                   | 1,257                        | 1,050 | 3,694             | 3,005  |
| Non-U.S.                        | 5,159                        | 5,663 | 18,386            | 17,050 |
| Total                           | 6,416                        | 6,713 | 22,080            | 20,055 |

Upstream earnings were \$6,416 million in the third quarter of 2014, down \$297 million from the third quarter of 2013. Lower realizations decreased earnings by \$670 million. Favorable volume mix effects increased earnings by \$340 million. All other items increased earnings by \$30 million.

On an oil equivalent basis, production decreased 4.7 percent from the third quarter of 2013. Excluding the impact of the expiry of the Abu Dhabi onshore concession, production decreased 1 percent, with liquids up 0.6 percent and gas down 2.9 percent.

Liquids production totaled 2,065 kbd (thousands of barrels per day), down 134 kbd from the third quarter of 2013. The Abu Dhabi onshore concession expiry reduced volumes by 148 kbd. Excluding this impact, liquids production was up slightly as project ramp up and work programs more than offset field decline, divestment impacts and higher downtime.

Third quarter natural gas production was 10,595 mcf (millions of cubic feet per day), down 319 mcf from 2013. Field decline and lower entitlement volumes were partly offset by new production from Papua New Guinea and work programs.

Earnings from U.S. Upstream operations were \$1,257 million, \$207 million higher than the third quarter of 2013. Non-U.S. Upstream earnings were \$5,159 million, down \$504 million from the prior year.

Upstream earnings in the first nine months of 2014 were \$22,080 million, up \$2,025 million from 2013. Lower prices and volumes were more than offset by favorable mix effects, increasing earnings by a net \$470 million. All other items, primarily asset sales, increased earnings by \$1.6 billion.

On an oil equivalent basis, production was down 5.3 percent compared to the same period in 2013. Excluding the impact of the expiry of the Abu Dhabi onshore concession, production decreased 2 percent.

Liquids production of 2,087 kbd decreased 105 kbd compared to 2013. The Abu Dhabi onshore concession expiry reduced volumes by 137 kbd. Excluding this impact, liquids production was up 1.5 percent, driven by project ramp up and work programs.

Natural gas production of 11,115 mcf/d decreased 703 mcf/d from 2013, as expected U.S. field decline and lower European demand were partially offset by project ramp up and work programs.

Earnings from U.S. Upstream operations were \$3,694 million, up \$689 million from 2013. Non U.S. Upstream earnings were \$18,386 million, up \$1,336 million from the prior year.

|  | <b>Third Quarter</b>                | <b>First Nine Months</b> |
|--|-------------------------------------|--------------------------|
|  | <i>(thousands of barrels daily)</i> |                          |
| <b><u>Upstream additional information</u></b>                |                                     |                          |
| <b>Volumes reconciliation (Oil-equivalent production)(1)</b> |                                     |                          |
| 2013   | 4,018                               | 4,162                    |
| Entitlements - Net interest                                  | (2)                                 | (3)                      |
| Entitlements - Price / spend                                 | (44)                                | (45)                     |
| Quotas   | -                                   | -                        |
| Divestments  | (36)                                | (28)                     |
| United Arab Emirates onshore concession expiry               | (148)                               | (137)                    |
| Net growth   | 43                                  | (9)                      |
| 2014   | 3,831                               | 3,940                    |

(1) Gas converted to oil-equivalent at 6 million cubic feet = 1 thousand barrels.

Listed below are descriptions of ExxonMobil's entitlement volume effects. These descriptions are provided to facilitate understanding of the terms.

*Production Sharing Contract (PSC) Net Interest Reductions* are contractual reductions in ExxonMobil's share of production volumes covered by PSCs. These reductions typically occur when cumulative investment returns or production volumes achieve thresholds as specified in the PSCs. Once a net interest reduction has occurred, it typically will not be reversed by subsequent events, such as lower crude oil prices.

*Price and Spend Impacts on Volumes* are fluctuations in ExxonMobil's share of production volumes caused by changes in oil and gas prices or spending levels from one period to another. For example, at higher prices, fewer barrels are required for ExxonMobil to recover its costs. According to the terms of contractual arrangements or government royalty regimes, price or spending variability can increase or decrease royalty burdens and/or volumes attributable to ExxonMobil. These effects generally vary from period to period with field spending patterns or market prices for crude oil or natural gas.

|                                   | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|-----------------------------------|------------------------------|-------------|--------------------------|-------------|
|                                   | <b>2014</b>                  | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
|                                   | <i>(millions of dollars)</i> |             |                          |             |
| <b><u>Downstream earnings</u></b> |                              |             |                          |             |
| United States                     | 460                          | 315         | 1,619                    | 1,602       |
| Non-U.S.                          | 564                          | 277         | 929                      | 931         |
| Total                             | 1,024                        | 592         | 2,548                    | 2,533       |

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Downstream earnings were \$1,024 million in the third quarter of 2014, up \$432 million from 2013. Stronger margins, primarily refining, increased earnings by \$820 million. Volume and mix effects increased earnings by \$100 million. All other items, primarily foreign exchange impacts, decreased earnings by \$490 million. Petroleum product sales of 5,999 kbd were 32 kbd lower than last year's third quarter.

Earnings from the U.S. Downstream were \$460 million, up \$145 million from the third quarter of 2013. Non U.S. Downstream earnings of \$564 million were \$287 million higher than last year.

Downstream earnings of \$2,548 million in the first nine months of 2014 increased \$15 million from 2013. Lower margins, mainly refining, decreased earnings by \$280 million. Volume and mix effects increased earnings by \$460 million. All other items, primarily unfavorable foreign exchange and tax impacts, partially offset by lower operating expenses, decreased earnings by \$160 million. Petroleum product sales of 5,886 kbd increased 35 kbd from 2013.

U.S. Downstream earnings were \$1,619 million, up \$17 million from 2013. Non U.S. Downstream earnings were \$929 million, a decrease of \$2 million from the prior year.

|                                 | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|---------------------------------|------------------------------|-------------|--------------------------|-------------|
|                                 | <b>2014</b>                  | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
|                                 | <i>(millions of dollars)</i> |             |                          |             |
| <b><u>Chemical earnings</u></b> |                              |             |                          |             |
| United States                   | 765                          | 680         | 1,972                    | 1,947       |
| Non-U.S.                        | 435                          | 345         | 1,116                    | 971         |
| Total                           | 1,200                        | 1,025       | 3,088                    | 2,918       |

Third quarter 2014 Chemical earnings of \$1,200 million were \$175 million higher than the third quarter of 2013. Margins increased earnings by \$210 million, with improved commodities realizations partly offset by weaker specialties. Volume and mix effects increased earnings by \$10 million. All other items decreased earnings by \$40 million. Third quarter prime product sales of 6,249 kt (thousands of metric tons) were essentially flat with last year's third quarter.

Chemical earnings of \$3,088 million in the first nine months of 2014 were \$170 million higher than 2013. Higher margins increased earnings by \$20 million, while volume and mix effects increased earnings by \$140 million. All other items increased earnings by \$10 million. Prime product sales of 18,516 kt were up 530 kt from 2013, driven by increased Singapore production.

|  | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|--|------------------------------|-------------|--------------------------|-------------|
|  | <b>2014</b>                  | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
|  | <i>(millions of dollars)</i> |             |                          |             |
| <b><u>Corporate and financing earnings</u></b> |                              |             |                          |             |
|  | (570)                        | (460)       | (1,766)                  | (1,276)     |

Corporate and financing expenses were \$570 million for the third quarter of 2014, up \$110 million from the third quarter of 2013.

Corporate and financing expenses were \$1,766 million in the first nine months of 2014, up \$490 million from 2013, primarily due to unfavorable tax impacts.

**LIQUIDITY AND CAPITAL RESOURCES**

|  | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|--|------------------------------|-------------|--------------------------|-------------|
|  | <b>2014</b>                  | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
|  | <i>(millions of dollars)</i> |             |                          |             |
| Net cash provided by/(used in)   |                              |             |                          |             |
| Operating activities   |                              |             | 37,701                   | 34,706      |
| Investing activities   |                              |             | (18,128)                 | (27,489)    |
| Financing activities   |                              |             | (19,085)                 | (11,298)    |
| Effect of exchange rate changes  |                              |             | (170)                    | (191)       |
| Increase/(decrease) in cash and cash equivalents   |                              |             | 318                      | (4,272)     |
| Cash and cash equivalents (at end of period)   |                              |             | 4,962                    | 5,310       |
| Cash and cash equivalents – restricted (at end of period)  |                              |             | 52                       | 439         |
| Total cash and cash equivalents (at end of period)   |                              |             | 5,014                    | 5,749       |
| Cash flow from operations and asset sales  |                              |             |                          |             |
| Net cash provided by operating activities (U.S. GAAP)  | 12,396                       | 13,431      | 37,701                   | 34,706      |
| Proceeds associated with sales of subsidiaries, property,<br>plant & equipment, and sales and returns of investments | 127                          | 206         | 3,794                    | 871         |
| Cash flow from operations and asset sales  | 12,523                       | 13,637      | 41,495                   | 35,577      |

*Because of the ongoing nature of our asset management and divestment program, we believe it is useful for investors to consider proceeds associated with asset sales together with cash provided by operating activities when evaluating cash available for investment in the business and financing activities, including shareholder distributions.*

Cash flow from operations and asset sales in the third quarter of 2014 was \$12.5 billion, including asset sales of \$0.1 billion, and decreased \$1.1 billion from the comparable 2013 period primarily due to working capital changes.

Cash provided by operating activities totaled \$37.7 billion for the first nine months of 2014, \$3.0 billion higher than 2013. The major source of funds was net income including noncontrolling interests of \$26.8 billion, an increase of \$2.0 billion from the prior year period. The adjustment for the noncash provision of \$12.8 billion for depreciation and depletion was flat with 2013. Changes in operational working capital decreased cash flows by \$0.5 billion in 2014 primarily due to increase in inventory offset by payable balances. Changes in operational working capital decreased cash flows by \$2.7 billion in 2013, primarily due to an increase in inventory. All other items net decreased cash by \$1.5 billion in 2014 and by \$0.2 billion in 2013. For additional details, see the Condensed Consolidated Statement of Cash Flows on page 6.

Investing activities for the first nine months of 2014 used net cash of \$18.1 billion, a decrease of \$9.4 billion compared to the prior year. Spending for additions to property, plant and equipment of \$24.1 billion was \$1.2 billion lower than 2013. Proceeds from asset sales of \$3.8 billion increased \$2.9 billion. Additional investment and advances decreased \$2.4 billion to \$1.3 billion reflecting the absence of the 2013 acquisition of Celtic Exploration

Ltd. Other investing activities – net increased \$2.9 billion to \$3.4 billion primarily reflecting the collection of advances.

Cash flow from operations and asset sales for the first nine months of 2014 was \$41.5 billion, including asset sales of \$3.8 billion, and increased \$5.9 billion from the comparable 2013 period due to higher proceeds from asset sales and the absence of unfavorable 2013 working capital impacts.

During the first quarter of 2014, the Corporation issued \$5.5 billion of long-term debt and used the proceeds to reduce short-term debt. Net cash used in financing activities of \$19.1 billion in the first nine months of 2014 was \$7.8 billion higher than 2013 reflecting total debt reduction in 2014 and short-term debt issuance in 2013, partially offset by a lower level of purchases of shares of ExxonMobil stock in 2014.

During the third quarter of 2014, Exxon Mobil Corporation purchased 30 million shares of its common stock for the treasury at a gross cost of \$3.0 billion. These purchases were to reduce the number of shares outstanding. Shares outstanding decreased from 4,265 million at the end of the second quarter to 4,235 million at the end of the third quarter 2014. Purchases may be made in both the open market and through negotiated transactions, and may be increased, decreased or discontinued at any time without prior notice.

The Corporation distributed to shareholders a total of \$5.9 billion in the third quarter of 2014 through dividends and share purchases to reduce shares outstanding.

Total cash and cash equivalents of \$5.0 billion at the end of the third quarter of 2014 compared to \$5.7 billion at the end of the third quarter of 2013.

Total debt of \$21.8 billion compared to \$22.7 billion at year-end 2013. The Corporation's debt to total capital ratio was 10.4 percent at the end of the third quarter of 2014 compared to 11.2 percent at year-end 2013.

While the Corporation issues long-term debt from time to time, the Corporation currently expects to cover its near-term financial requirements predominantly with internally generated funds, supplemented by its revolving commercial paper program.

The Corporation, as part of its ongoing asset management program, continues to evaluate its mix of assets for potential upgrade. Because of the ongoing nature of this program, dispositions will continue to be made from time to time which will result in either gains or losses. Additionally, the Corporation continues to evaluate opportunities to enhance its business portfolio through acquisitions of assets or companies, and enters into such transactions from time to time. Key criteria for evaluating acquisitions include potential for future growth and attractive current valuations. Acquisitions may be made with cash, shares of the Corporation's common stock, or both.

Litigation and other contingencies are discussed in Note 2 to the unaudited condensed consolidated financial statements.

## TAXES

|                                  | Third Quarter                |            | First Nine Months |            |
|----------------------------------|------------------------------|------------|-------------------|------------|
|                                  | 2014                         | 2013       | 2014              | 2013       |
|                                  | <i>(millions of dollars)</i> |            |                   |            |
| Income taxes                     | 5,064                        | 6,120      | 15,955            | 18,190     |
| <i>Effective income tax rate</i> | <i>43%</i>                   | <i>48%</i> | <i>43%</i>        | <i>48%</i> |
| Sales-based taxes                | 7,519                        | 7,882      | 22,806            | 22,926     |

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|                            |        |        |        |        |
|----------------------------|--------|--------|--------|--------|
| All other taxes and duties | 9,060  | 9,252  | 27,223 | 27,019 |
| Total                      | 21,643 | 23,254 | 65,984 | 68,135 |

Income, sales-based and all other taxes and duties totaled \$21.6 billion for the third quarter of 2014, a decrease of \$1.6 billion from 2013. Income tax expense decreased by \$1.1 billion to \$5.1 billion as a result of a lower effective tax rate. The effective income tax rate was 43 percent compared to 48 percent in the prior year period due primarily to impacts related to the Corporation's asset management program. Sales-based taxes and all other taxes and duties decreased by \$0.6 billion to \$16.6 billion.

Income, sales-based and all other taxes and duties totaled \$66.0 billion for the first nine months of 2014, a decrease of \$2.2 billion from 2013. Income tax expense decreased by \$2.2 billion to \$16.0 billion as a result of a lower effective tax rate. The effective income tax rate was 43 percent compared to 48 percent in the prior year due primarily to impacts related to the Corporation's asset management program. Sales-based and all other taxes were flat at \$50.0 billion.

**CAPITAL AND EXPLORATION EXPENDITURES**

|   | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|---|------------------------------|-------------|--------------------------|-------------|
|   | <b>2014</b>                  | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
|   | <i>(millions of dollars)</i> |             |                          |             |
| Upstream (including exploration expenses) | 8,424                        | 9,475       | 24,082                   | 29,599      |
| Downstream                                | 780                          | 556         | 2,002                    | 1,740       |
| Chemical                                  | 626                          | 509         | 1,970                    | 1,215       |
| Other                                     | 7                            | 6           | 19                       | 11          |
| Total                                     | 9,837                        | 10,546      | 28,073                   | 32,565      |

Capital and exploration expenditures in the third quarter of 2014 were \$9.8 billion, down 7 percent from the third quarter of 2013.

Capital and exploration expenditures in the first nine months of 2014 were \$28.1 billion, down 14 percent from the first nine months of 2013 due primarily to the absence of the \$3.1 billion Celtic Exploration Ltd. acquisition. The Corporation anticipates an average investment profile of about \$37 billion per year for the next several years. Actual spending could vary depending on the progress of individual projects and property acquisitions.

As noted in Item 1A of ExxonMobil's Form 10-K for 2013, the Corporation's results can be adversely affected by political or regulatory developments affecting our operations. These include restrictions on doing business in certain countries, or restricting the kind of business that may be conducted. As noted in ExxonMobil's Form 10-Q for the quarter ended June 30, 2014, both the European Union (EU) and the United States (U.S.) have imposed sanctions against Russia relating to the situation in the Ukraine. On September 12, 2014, the EU and U.S. imposed additional sanctions relating to the Russian energy sector. In compliance with the sanctions and all general and specific licenses, prohibited activities involving offshore Russia in the Black Sea, Arctic regions, and onshore West Siberia have been wound down.

## **RECENTLY ISSUED ACCOUNTING STANDARDS**

In May 2014, the Financial Accounting Standards Board issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2017. ExxonMobil is evaluating the standard and its effect on the Corporation's financial statements.

## **FORWARD-LOOKING STATEMENTS**

Statements relating to future plans, projections, events or conditions are forward-looking statements. Actual results, including project plans, costs, timing, and capacities; capital and exploration expenditures; resource recoveries; and share purchase levels, could differ materially due to factors including: changes in oil or gas prices or other market or economic conditions affecting the oil and gas industry, including the scope and duration of economic recessions; the outcome of exploration and development efforts; changes in law or government regulation, including tax and environmental requirements; the outcome of commercial negotiations; changes in technical or operating conditions; and other factors discussed under the heading "Factors Affecting Future Results" in the "Investors" section of our website and in Item 1A of ExxonMobil's 2013 Form 10-K. We assume no duty to update these statements as of any future date.

The term "project" as used in this report can refer to a variety of different activities and does not necessarily have the same meaning as in any government payment transparency reports.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Information about market risks for the nine months ended September 30, 2014, does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2013.

### **Item 4. Controls and Procedures**

As indicated in the certifications in Exhibit 31 of this report, the Corporation's Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer have evaluated the Corporation's disclosure controls and procedures as of September 30, 2014. Based on that evaluation, these officers have concluded that the Corporation's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the

Corporation in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to them in a manner that allows for timely decisions regarding required disclosures and are effective in ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There were no changes during the Corporation's last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

ExxonMobil Refining & Supply Company, a division of the Corporation, entered into a Consent Agreement and Final Order, effective August 19, 2014, resolving two alleged violations relating to a purported failure to annually certify operating procedures for two processes and an alleged failure to fully train contract employees on practices associated with opening process equipment during two incidents at the Baton Rouge Refinery in early 2012. These alleged violations were identified by the United States Environmental Protection Agency (EPA) during a July 2012 inspection of the refinery. The settlement terms, agreed to by the EPA and the Corporation, require the Corporation to pay a civil penalty in the amount of \$120,000.

As reported in the Corporation's Form 10-Q for the second quarter of 2014, on May 20, 2014, the Texas Commission on Environmental Quality (TCEQ) issued a Notice of Enforcement and Proposed Agreed Order alleging that record reviews and inspections at ExxonMobil Oil Corporation's (EMOC) Beaumont, Texas, refinery in 2013 and 2014, identified deficiencies in the refinery's cooling tower monitoring activities and one air emission event, which allegedly violated provisions of the Texas Health and Safety Code, the Texas Water Code, and the Code of Federal Regulations. Additionally, TCEQ identified deficiencies in a refinery continuous emissions monitoring system relative accuracy test audit procedure. The parties have agreed upon full settlement of the enforcement action which imposes a \$200,859 penalty on EMOC. To date, \$100,429 has been paid to TCEQ. The balance will be paid to a Supplemental Environmental Project upon endorsement by TCEQ.

Regarding the civil enforcement investigation related to the April 28, 2012, discharge of crude oil from the ExxonMobil Pipeline Company's (EMPCo) North Line Pipeline near Torbert in Pointe Coupee Parish, Louisiana, previously reported in the Corporation's Form 10-Q for the third quarter of 2013, EMPCo entered into a Consent Decree with U.S. Department of Justice and the EPA, which was filed in federal court on August 26, 2014, and approved by the Court on October 17, 2014. EMPCo agreed to a penalty of \$1.437 million which resolved the Clean Water Act allegation. The allegations raised by the Louisiana Department of Environmental Quality remain unresolved at this time.

Regarding the U.S. Department of Transportation Pipeline & Hazardous Material Safety Administration (PHMSA) enforcement action with respect to EMPCo's pipeline integrity management program previously reported in the Corporation's Form 10-Q for the first quarter of 2012 and second quarter of 2013, on July 15, 2014, PHMSA issued its decision on EMPCo's Petition for Reconsideration and reduced the civil penalty imposed on EMPCo from \$112,300 to \$101,500 and reduced the number of pipeline segments required to be hydro-pressure tested from 16 to 7 segments. EMPCo paid the penalty assessed on August 4, 2014.

Regarding the enforcement matter brought by TCEQ concerning alleged exceedances of volatile organic compound emissions from Tank 22 at the Corporation's King Ranch Gas Plant previously reported in the Corporation's Form 10-K for 2013, the parties have agreed upon a settlement of the matter, which was approved by the TCEQ Commissioners on August 20, 2014. The settlement requires the Corporation to comply with the applicable new source review permit, remove Tank 22 from service, and pay a penalty of \$225,450 consisting of a \$90,180 civil penalty and a \$90,180 payment to a TCEQ-approved Supplemental Environmental Project fund. The remaining \$45,090 of the penalty will be deferred and removed if all of the terms of the settlement agreement are achieved by August 20, 2015.

As reported in the Corporation's Forms 10-Q for the first quarter of 2012 and the first and second quarters of 2014, the EPA issued administrative orders to XTO Energy Inc. (XTO) for alleged violations of the Clean Water Act at three XTO locations in West Virginia. In addition, XTO voluntarily disclosed six additional West Virginia sites to the EPA. One of these voluntarily reported sites has been resolved with no enforcement action taken. Negotiations continue on a Consent Decree for the remaining eight sites to resolve outstanding penalty and compliance issues. It is expected that the EPA will seek penalties from XTO in excess of \$100,000 to resolve the matters at all of the remaining sites.

Refer to the relevant portions of Note 2 of this Quarterly Report on Form 10-Q for further information on legal proceedings.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchase of Equity Securities for Quarter Ended September 30, 2014**

| <b>Period</b>  | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b> | <b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b> |
|----------------|---|-------------------------------------|---|---|
| July 2014      | 9,877,347                               | \$102.84                            | 9,877,347   |   |
| August 2014    | 10,020,040                              | \$99.09                             | 10,020,040  |   |
| September 2014 | 10,271,733                              | \$96.70                             | 10,271,733  |   |
| Total          | 30,169,120                              | \$99.50                             | 30,169,120  | (See Note 1)  |

Note 1 - On August 1, 2000, the Corporation announced its intention to resume purchases of shares of its common stock for the treasury both to offset shares issued in conjunction with company benefit plans and programs and to gradually reduce the number of shares outstanding. The announcement did not specify an amount or expiration date. The Corporation has continued to purchase shares since this announcement and to report purchased volumes in its quarterly earnings releases. In its most recent earnings release dated October 31, 2014, the Corporation stated that fourth quarter 2014 share purchases to reduce shares outstanding are anticipated to equal \$3 billion. Purchases may be made in both the open market and through negotiated transactions, and purchases may be increased, decreased or discontinued at any time without prior notice.

**Item 6. Exhibits**

| <b>Exhibit</b> | <b>Description</b>   |
|----------------|--|
| 31.1           | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Chief Executive Officer.       |
| 31.2           | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Financial Officer.   |
| 31.3           | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Accounting Officer.  |
| 32.1           | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Chief Executive Officer.      |
| 32.2           | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Financial Officer.  |
| 32.3           | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Accounting Officer. |
| 101            | Interactive Data Files.  |



**EXXON MOBIL CORPORATION**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**EXXON MOBIL CORPORATION**

Date: November 5, 2014

By:

/s/ DAVID S. ROSENTHAL  
David S. Rosenthal  
Vice President, Controller and  
Principal Accounting Officer

**INDEX TO EXHIBITS**

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