

EXXON MOBIL CORP  
Form 10-Q  
August 06, 2014

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

**FORM 10-Q**

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

For the quarterly period ended June 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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**  
**Common stock, without par**  
**value**

**Outstanding as of June 30, 2014**  
**4,264,692,028**

---

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

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Condensed Consolidated Statement of Income	3
Three and six months ended June 30, 2014 and 2013	
Condensed Consolidated Statement of Comprehensive Income	4
Three and six months ended June 30, 2014 and 2013	
Condensed Consolidated Balance Sheet	5
As of June 30, 2014 and December 31, 2013	
Condensed Consolidated Statement of Cash Flows	6
Six months ended June 30, 2014 and 2013	
Condensed Consolidated Statement of Changes in Equity	7
Six months ended June 30, 2014 and 2013	
Notes to Condensed Consolidated Financial Statements	8

<b>Item 2.</b>	<b>Management's Discussion and Analysis of Financial Condition and Results of Operations</b>	13
----------------	--	----

<b>Item 3.</b>	<b>Quantitative and Qualitative Disclosures About Market Risk</b>	20
----------------	---	----

<b>Item 4.</b>	<b>Controls and Procedures</b>	20
----------------	--------------------------------	----

**PART II. OTHER INFORMATION**

<b>Item 1.</b>	<b>Legal Proceedings</b>	21
----------------	--------------------------	----

<b>Item 2.</b>	<b>Unregistered Sales of Equity Securities and Use of Proceeds</b>	22
----------------	--	----

<b>Item 6.</b>	<b>Exhibits</b>	22
----------------	-----------------	----

<b>Signature</b>		23
------------------	--	----

<b>Index to Exhibits</b>		24
--------------------------	--	----



Edgar Filing: EXXON MOBIL CORP - Form 10-Q

Earnings per common share - assuming dilution (dollars)			2.05			1.55			4.15			3.67
Dividends per common share (dollars)			0.69			0.63			1.32			1.20
(1) Sales-based taxes included in sales and other												
		operating revenue	7,871			7,552			15,287			15,044

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





EXXON MOBIL CORPORATION									
CONDENSED CONSOLIDATED BALANCE SHEET									
<i>(millions of dollars)</i>									
							<b>June 30,</b>		<b>Dec. 31,</b>
							<b>2014</b>		<b>2013</b>
<b>Assets</b>									
	Current assets								
		Cash and cash equivalents					6,083		4,644
		Cash and cash equivalents – restricted					198		269
		Notes and accounts receivable – net					34,182		33,152
		Inventories							
			Crude oil, products and merchandise				13,944		12,117
			Materials and supplies				4,233		4,018
		Other current assets					5,373		5,108
		Total current assets					64,013		59,308
	Investments, advances and long-term receivables						35,110		36,328
	Property, plant and equipment – net						251,353		243,650
	Other assets, including intangibles – net						8,110		7,522
		Total assets					358,586		346,808
<b>Liabilities</b>									
	Current liabilities								
		Notes and loans payable					9,948		15,808
		Accounts payable and accrued liabilities					52,363		48,085
		Income taxes payable					7,218		7,831
		Total current liabilities					69,529		71,724
	Long-term debt						11,817		6,891
	Postretirement benefits reserves						20,161		20,646
	Deferred income tax liabilities						41,000		40,530
	Long-term obligations to equity companies						5,041		4,742
	Other long-term obligations						22,907		21,780
		Total liabilities					170,455		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)					10,487		10,077

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

	Earnings reinvested			399,614			387,432	
	Accumulated other comprehensive income			(9,311)			(10,725)	
	Common stock held in treasury							
	(3,754 million shares at June 30, 2014 and							
	3,684 million shares at Dec. 31, 2013)			(219,635)			(212,781)	
	ExxonMobil share of equity			181,155			174,003	
	Noncontrolling interests			6,976			6,492	
	Total equity			188,131			180,495	
	Total liabilities and equity			358,586			346,808	

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



Edgar Filing: EXXON MOBIL CORP - Form 10-Q

Cash and cash equivalents at end of period						6,083			4,609	
Supplemental Disclosures										
	Income taxes paid					10,366			14,660	
	Cash interest paid					174			219	

*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									
<i>(millions of dollars)</i>									
ExxonMobil Share of Equity									
Accumulated									
Other Common									
Compre- Stock ExxonMobil Non-									
hensive Held in Share of controlling Total									
Income Treasury Equity Interests Equity									
Common Earnings									
Stock Reinvested									
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		428	-	-	-	428	-	428	
Tax benefits related to stock-based awards		192	-	-	-	192	-	192	
Other		(391)	-	-	-	(391)	241	(150)	
Net income for the period		-	16,360	-	-	16,360	376	16,736	
Dividends – common shares		-	(5,355)	-	-	(5,355)	(185)	(5,540)	
Other comprehensive income		-	-	(2,197)	-	(2,197)	(287)	(2,484)	
Acquisitions, at cost		-	-	-	(9,652)	(9,652)	(1)	(9,653)	
Dispositions		-	-	-	399	399	-	399	
Balance as of June 30, 2013		9,882	376,732	(14,381)	(206,586)	165,647	5,941	171,588	
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		402	-	-	-	402	-	402	
Tax benefits related to stock-based awards		7	-	-	-	7	-	7	
Other		1	-	-	-	1	-	1	
Net income for the period		-	17,880	-	-	17,880	607	18,487	
		-	(5,698)	-	-	(5,698)	(131)	(5,829)	

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

Dividends – common shares																				
Other comprehensive income			-	-	1,414		-	1,414		8										1,422
Acquisitions, at cost			-	-	-		(6,863)	(6,863)		-										(6,863)
Dispositions			-	-	-		9	9		-										9
Balance as of June 30, 2014			10,487	399,614	(9,311)		(219,635)	181,155		6,976										188,131
			<b>Six Months Ended June 30, 2014</b>						<b>Six Months Ended June 30, 2013</b>											
				<b>Held in</b>						<b>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 December 31	8,019	(3,684)	4,335				8,019	(3,517)	4,502								
			Acquisitions	-	(70)	(70)				-	(108)	(108)								
			Dispositions	-	-	-				-	8	8								
			Balance as of June 30	8,019	(3,754)	4,265				8,019	(3,617)	4,402								

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 June 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 June 30, 2014</b>									
				<b>Equity</b>		<b>Other</b>							
				<b>Company</b>		<b>Third Party</b>							
				<b>Obligations</b>		<b>Obligations</b>		<b>Total</b>					
				<i>(1)</i>									
				<i>(millions of dollars)</i>									
<b>Guarantees</b>													
Debt-related				3,328		50		3,378					
Other				3,925		4,700		8,625					
<b>Total</b>				<b>7,253</b>		<b>4,750</b>		<b>12,003</b>					
<i>(1) ExxonMobil share</i>													



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 June 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. On July 31, 2014, the European Union (EU) issued its latest sanctions against Russia relating to the situation in Ukraine which became effective on August 1, 2014. On August 1, 2014, the United States (U.S.) through the Department of Commerce, Bureau of Industry and Security issued its latest sanctions against Russia relating to the situation in Ukraine which will become effective when published in the Federal Register. The extent of the impact of these latest EU and U.S. sanctions on ExxonMobil cannot be determined at this time and continues under evaluation.

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. The ICSID arbitration proceeding is continuing and a hearing on the merits was held in February 2012. At this time, 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. 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.

## 3. Other Comprehensive Income Information

		Cumulative	Post-	Unrealized		
		Foreign	retirement	Change in		
		Exchange	Benefits	Stock		
ExxonMobil Share of Accumulated Other		Translation	Reserves	Investments	Total	
<u>Comprehensive Income</u>		Adjustment	Adjustment	Investments	Total	
<i>(millions of dollars)</i>						
Balance as of December 31, 2012		2,410	(14,594)	-	(12,184)	
Current period change excluding amounts reclassified						
	from accumulated other comprehensive income	(3,214)	152	-	(3,062)	
Amounts reclassified from accumulated other						
	comprehensive income	-	865	-	865	
Total change in accumulated other comprehensive income		(3,214)	1,017	-	(2,197)	
Balance as of June 30, 2013		(804)	(13,577)	-	(14,381)	
Balance as of December 31, 2013		(846)	(9,879)	-	(10,725)	
Current period change excluding amounts reclassified						
	from accumulated other comprehensive income	849	(168)	(36)	645	
Amounts reclassified from accumulated other						
	comprehensive income	163	606	-	769	
Total change in accumulated other comprehensive income		1,012	438	(36)	1,414	
Balance as of June 30, 2014		166	(9,441)	(36)	(9,311)	

		Three Months Ended			Six Months Ended		
Amounts Reclassified Out of Accumulated Other		June 30,			June 30,		
<u>Comprehensive Income - Before-tax Income/(Expense)</u>		2014		2013	2014		2013

<i>(millions of dollars)</i>											
Foreign exchange translation gain/(loss) included in net income											
(Statement of Income line: Other income)											
(81) - (163) -											
Amortization and settlement of postretirement benefits reserves											
adjustment included in net periodic benefit costs (1)											
(434) (659) (885) (1,303)											

(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.)

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
<b>Income Tax (Expense)/Credit For</b>								
<b>Components of Other Comprehensive Income</b>	2014		2013		2014		2013	
<i>(millions of dollars)</i>								
Foreign exchange translation adjustment								
61 79 29 116								
Postretirement benefits reserves adjustment								
(excluding amortization)								
27 (38) 77 (57)								
Amortization and settlement of postretirement benefits reserves								
adjustment included in net periodic benefit costs								
(121) (205) (256) (405)								
Unrealized change in fair value of stock investments								
(10) - 19 -								
Total								
(43) (164) (131) (346)								

## 4. Earnings Per Share

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2014		2013		2014		2013	
<b>Earnings per common share</b>								
Net income attributable to ExxonMobil (millions of dollars)	8,780		6,860		17,880		16,360	
Weighted average number of common shares								
outstanding (millions of shares)	4,297		4,433		4,312		4,459	
Earnings per common share (dollars) (1)	2.05		1.55		4.15		3.67	

(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

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2014		2013		2014		2013	
<i>(millions of dollars)</i>								
<b>Components of net benefit cost</b>								
Pension Benefits - U.S.								
Service cost	182		188		359		375	
Interest cost	201		187		403		374	
Expected return on plan assets	(200)		(208)		(400)		(417)	
Amortization of actuarial loss/(gain) and prior								
service cost	104		164		208		328	
Net pension enhancement and								
curtailment/settlement cost	113		197		225		364	
Net benefit cost	400		528		795		1,024	
Pension Benefits - Non-U.S.								
Service cost	154		173		304		351	

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

		Interest cost			289			261			574			538
		Expected return on plan assets			(301)			(271)			(599)			(563)
		Amortization of actuarial loss/(gain) and prior												
		service cost			189			235			381			485
		Net pension enhancement and												
		curtailment/settlement cost			-			1			-			1
		Net benefit cost			331			399			660			812
		<b>Other Postretirement Benefits</b>												
		Service cost			38			43			75			79
		Interest cost			112			86			204			177
		Expected return on plan assets			(11)			(10)			(20)			(20)
		Amortization of actuarial loss/(gain) and prior												
		service cost			28			62			71			125
		Net benefit cost			167			181			330			361

## 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 \$11,813 million at June 30, 2014, and \$6,787 million at December 31, 2013, as compared to recorded book values of \$11,448 million at June 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 June 30, 2014, is: Level 1 \$10,955 million; Level 2 \$795 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				Six Months Ended			
		June 30,				June 30,			
		2014		2013		2014		2013	
<b>Earnings After Income Tax</b>		<i>(millions of dollars)</i>							
	Upstream								
	United States	1,193		1,096		2,437		1,955	
	Non-U.S.	6,688		5,209		13,227		11,387	
	Downstream								
	United States	536		248		1,159		1,287	
	Non-U.S.	175		148		365		654	
	Chemical								
	United States	528		515		1,207		1,267	
	Non-U.S.	313		241		681		626	
	All other	(653)		(597)		(1,196)		(816)	
	Corporate total	8,780		6,860		17,880		16,360	
<b>Sales and Other Operating Revenue (1)</b>									
	Upstream								
	United States	4,325		3,228		8,647		6,100	
	Non-U.S.	6,413		6,942		12,240		13,102	
	Downstream								
	United States	32,431		29,965		62,843		60,963	

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

		Non-U.S.		53,176		53,480		104,464		106,887
	Chemical									
		United States		3,750		3,723		7,626		7,606
		Non-U.S.		6,052		5,705		12,084		11,755
	All other			11		7		14		15
	Corporate total			106,158		103,050		207,918		206,428
	(1)	<i>Includes sales-based taxes</i>								
	<b>Intersegment Revenue</b>									
	Upstream									
		United States		2,204		2,034		4,267		4,309
		Non-U.S.		10,080		11,205		20,861		22,592
	Downstream									
		United States		4,147		5,086		9,056		10,256
		Non-U.S.		12,557		11,647		25,399		25,164
	Chemical									
		United States		2,553		2,959		5,187		6,186
		Non-U.S.		2,457		1,993		4,724		4,055
	All other			71		71		138		138



## EXXON MOBIL CORPORATION

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

FUNCTIONAL EARNINGS SUMMARY											
		Second Quarter				First Six Months					
Earnings (U.S. GAAP)		2014		2013		2014		2013			
		<i>(millions of dollars)</i>									
Upstream											
	United States		1,193		1,096		2,437		1,955		
	Non-U.S.		6,688		5,209		13,227		11,387		
Downstream											
	United States		536		248		1,159		1,287		
	Non-U.S.		175		148		365		654		
Chemical											
	United States		528		515		1,207		1,267		
	Non-U.S.		313		241		681		626		
Corporate and financing			(653)		(597)		(1,196)		(816)		
	Net Income attributable to ExxonMobil (U.S. GAAP)		8,780		6,860		17,880		16,360		
Earnings per common share <i>(dollars)</i>			2.05		1.55		4.15		3.67		
Earnings per common share - assuming dilution <i>(dollars)</i>			2.05		1.55		4.15		3.67		

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 SECOND QUARTER 2014 RESULTS

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

ExxonMobil's financial results for the second quarter of 2014 were achieved through strong operational performance and portfolio management. We continue to enhance shareholder value by funding capital projects and delivering robust shareholder returns through dividends and share purchases.

Upstream production for the year remains in line with plans and we continue to add volumes from our high quality development portfolio through assets such as the Papua New Guinea LNG project, which started up ahead of schedule during the quarter.

Second quarter 2014 earnings were \$8.8 billion, up 28 percent from the second quarter of 2013, reflecting strong operations and asset divestments.

--	--	--

Earnings in the first six months of 2014 of \$17,880 million increased \$1,520 million from 2013.

Earnings per share – assuming dilution for the first six months of 2014 increased 13 percent to \$4.15.

Capital and exploration expenditures for the first six months of 2014 were \$18.2 billion, down 17 percent from 2013.

Through the first six months of 2014, the Corporation distributed \$11.7 billion to shareholders through dividends and share purchases to reduce shares outstanding.

		Second Quarter				First Six Months			
		2014		2013		2014		2013	
		<i>(millions of dollars)</i>							
<b>Upstream earnings</b>									
	United States		1,193		1,096		2,437		1,955
	Non-U.S.		6,688		5,209		13,227		11,387
	Total		7,881		6,305		15,664		13,342

Upstream earnings were \$7,881 million in the second quarter of 2014, up \$1,576 million from the second quarter of 2013. Higher realizations increased earnings by \$580 million. Lower production volumes and sales timing impacts decreased earnings by \$200 million. All other items, primarily asset management impacts in Hong Kong, increased earnings by \$1.2 billion.

On an oil equivalent basis, production decreased 5.7 percent from the second quarter of 2013. Excluding the impact of the expiry of the Abu Dhabi onshore concession, production decreased 2.3 percent.

Liquids production totaled 2,048 kbd (thousands of barrels per day), down 134 kbd from the second quarter of 2013. The Abu Dhabi onshore concession expiry reduced volumes by 142 kbd. Excluding this impact, liquids production was up slightly as project ramp up and work programs more than offset field decline.

Second quarter natural gas production was 10,750 mcf (millions of cubic feet per day), down 604 mcf from 2013, primarily due to lower demand and field decline.

Earnings from U.S. Upstream operations were \$1,193 million, \$97 million higher than the second quarter of 2013. Non U.S. Upstream earnings were \$6,688 million, up \$1,479 million from the prior year.

--	--	--

Upstream earnings in the first six months of 2014 were \$15,664 million, up \$2,322 million from 2013. Higher realizations increased earnings by \$990 million. Production volume and mix effects decreased earnings by \$190 million. All other items, primarily asset sales, increased earnings by \$1.5 billion.

On an oil equivalent basis, production was down 5.6 percent compared to the same period in 2013. Excluding the impact of the expiry of the Abu Dhabi onshore concession, production decreased 2.6 percent.

Liquids production of 2,098 kbd decreased 90 kbd compared to 2013. The Abu Dhabi onshore concession expiry reduced volumes by 130 kbd. Excluding this impact, liquids production was up 1.8 percent, driven by project ramp up, work programs, and lower downtime.

Natural gas production of 11,380 mcf decreased 898 mcf from 2013, as field decline and lower demand in Europe were partially offset by project ramp up, work programs, and lower downtime.

Earnings in the first six months of 2014 from U.S. Upstream operations were \$2,437 million, up \$482 million from 2013. Earnings outside the U.S. were \$13,227 million, up \$1,840 million from the prior year.



Edgar Filing: EXXON MOBIL CORP - Form 10-Q

	Non-U.S.			175		148		365		654
		Total		711		396		1,524		1,941

Second quarter 2014 Downstream earnings were \$711 million, up \$315 million from the second quarter of 2013. Weaker refining margins decreased earnings by \$330 million. Volume and mix effects increased earnings by \$280 million. All other items, including asset management impacts and lower operating expenses, increased earnings by \$370 million. Petroleum product sales of 5,841 kbd were 76 kbd higher than last year's second quarter.

Earnings from the U.S. Downstream were \$536 million, up \$288 million from the second quarter of 2013. Non U.S. Downstream earnings of \$175 million were \$27 million higher than last year.

--	--	--

Downstream earnings in the first six months of 2014 of \$1,524 million decreased \$417 million from 2013. Lower margins, mainly refining, decreased earnings by \$1.1 billion. Volume and mix effects increased earnings by \$370 million. All other items, including lower operating expenses, increased earnings by \$300 million. Petroleum product sales of 5,829 kbd increased 69 kbd from 2013.

U.S. Downstream earnings in the first six months of 2014 were \$1,159 million, down \$128 million from 2013. Non U.S. Downstream earnings were \$365 million, a decrease of \$289 million from the prior year.

		Second Quarter				First Six Months			
		2014		2013		2014		2013	
<i>(millions of dollars)</i>									
<b>Chemical earnings</b>									
	United States		528		515		1,207		1,267
	Non-U.S.		313		241		681		626
	Total		841		756		1,888		1,893

Second quarter 2014 Chemical earnings of \$841 million were \$85 million higher than the second quarter of 2013. Margins were flat as improved commodities were offset by weaker specialties. Volume and mix effects increased earnings by \$60 million. Second quarter prime product sales of 6,139 kt (thousands of metric tons) were 308 kt higher than last year's second quarter, driven by increased Singapore production.

--	--	--

Chemical earnings in the first six months of 2014 of \$1,888 million were \$5 million lower than 2013. Lower margins decreased earnings by \$160 million, while volume and mix effects increased earnings by \$150 million. Prime product sales of 12,267 kt were up 526 kt from 2013, driven by increased Singapore production.

		Second Quarter				First Six Months			
		2014		2013		2014		2013	
<i>(millions of dollars)</i>									
<b>Corporate and financing earnings</b>									
			(653)		(597)		(1,196)		(816)

Corporate and financing expenses were \$653 million for the second quarter of 2014, up \$56 million from the second quarter of 2013.

--	--	--

Corporate and financing expenses were \$1,196 million for the first six months of 2014, up \$380 million from 2013, primarily due to unfavorable tax impacts.





<b>LIQUIDITY AND CAPITAL RESOURCES</b>											
				<b>Second Quarter</b>				<b>First Six 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								25,305		21,275
	Investing activities								(10,483)		(18,547)
	Financing activities								(13,412)		(7,409)
Effect of exchange rate changes									29		(292)
Increase/(decrease) in cash and cash equivalents									1,439		(4,973)
Cash and cash equivalents (at end of period)									6,083		4,609
Cash and cash equivalents – restricted (at end of period)									198		403
Total cash and cash equivalents (at end of period)									6,281		5,012
Cash flow from operations and asset sales											
	Net cash provided by operating activities (U.S. GAAP)			10,202		7,683		25,305		21,275	
	Proceeds associated with sales of subsidiaries, property,										
	plant & equipment, and sales and returns of investments			2,556		305		3,667		665	
	Cash flow from operations and asset sales			12,758		7,988		28,972		21,940	

*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 second quarter of 2014 was \$12.8 billion, including asset sales of \$2.6 billion, and increased \$4.8 billion from the comparable 2013 period primarily due to favorable working capital changes and higher proceeds from asset sales.

Cash provided by operating activities totaled \$25.3 billion for the first six months of 2014, \$4.0 billion higher than 2013. The major source of funds was net income including noncontrolling interests of \$18.5 billion, an increase of \$1.8 billion from the prior year period. The adjustment for the noncash provision of \$8.5 billion for depreciation and depletion was flat with 2013. While the net change in operational working capital was flat in 2014, it decreased cash flows by \$3.0 billion in 2013, primarily due to an increase in inventory. All other items net decreased cash by \$1.7 billion in 2014 and by \$1.0 billion in 2013. For additional details, see the Condensed Consolidated Statement of Cash Flows on page 6.

Investing activities for the first six months of 2014 used net cash of \$10.5 billion, a decrease of \$8.1 billion compared to the prior year. Spending for additions to property, plant and equipment of \$15.9 billion was \$0.3 billion lower than 2013. Proceeds from asset sales of \$3.7 billion increased \$3.0 billion. Additional investment and advances decreased \$2.8 billion to \$0.7 billion reflecting the absence of the 2013 acquisition of Celtic Exploration Ltd. Other investing activities – net increased \$2.0 billion to \$2.4 billion primarily reflecting the collection of an advance.

Cash flow from operations and asset sales for the first six months of 2014 was \$29.0 billion, including asset sales of \$3.7 billion, and increased \$7.0 billion from the comparable 2013 period due to the absence of unfavorable 2013 working capital impacts and higher proceeds from asset sales.

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 \$13.4 billion in the first six months of 2014 was \$6.0 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 second 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 4,294 million at the end of the first quarter to 4,265 at the end of the second 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 \$6.0 billion in the second quarter of 2014 through dividends and share purchases to reduce shares outstanding.

Total cash and cash equivalents of \$6.3 billion at the end of the second quarter of 2014 compared to \$5.0 billion at the end of the second 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 second 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.

<b>TAXES</b>															
				<b>Second Quarter</b>					<b>First Six Months</b>						
				<b>2014</b>			<b>2013</b>		<b>2014</b>			<b>2013</b>			
				<i>(millions of dollars)</i>											
Income taxes				5,034			5,793		10,891			12,070			

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

	<i>Effective income tax rate</i>			41	%			51	%			43	%			48	%
Sales-based taxes				7,871				7,552				15,287				15,044	
All other taxes and duties				9,306				8,986				18,163				17,767	
	Total			22,211				22,331				44,341				44,881	

Income, sales-based and all other taxes and duties totaled \$22.2 billion for the second quarter of 2014, a decrease of \$0.1 billion from 2013. Income tax expense decreased by \$0.8 billion to \$5.0 billion with the impact of higher earnings more than offset by the lower effective tax rate. The effective income tax rate was 41 percent compared to 51 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 increased by \$0.6 billion to \$17.2 billion.

--	--	--

Income, sales-based and all other taxes and duties totaled \$44.3 billion for the first six months of 2014, a decrease of \$0.5 billion from 2013. Income tax expense decreased by \$1.2 billion to \$10.9 billion with the impact of higher earnings more than offset by the 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 increased by \$0.6 billion to \$33.5 billion.

<b>CAPITAL AND EXPLORATION EXPENDITURES</b>											
				<b>Second Quarter</b>				<b>First Six Months</b>			
				<b>2014</b>		<b>2013</b>		<b>2014</b>		<b>2013</b>	
<i>(millions of dollars)</i>											
Upstream (including exploration expenses)				8,394		9,277		15,658		20,124	
Downstream				682		575		1,222		1,184	
Chemical				714		390		1,344		706	
Other				10		2		12		5	
Total				9,800		10,244		18,236		22,019	

Capital and exploration expenditures in the second quarter of 2014 were \$9.8 billion, down 4 percent from second quarter of 2013.

--	--	--

Capital and exploration expenditures in the first six months of 2014 were \$18.2 billion, down 17 percent from the first six 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.

## **RECENTLY ISSUED STATEMENTS OF FINANCIAL 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 six months ended June 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 June 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

On May 20, 2014, the Texas Commission on Environmental Quality (TCEQ) issued a Notice of Enforcement and Proposed Agreed Order alleging that record reviews at ExxonMobil Oil Corporation's (EMOC) Beaumont, Texas, refinery in December 2013 and January and February 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. TCEQ is seeking a penalty of \$660,325. EMOC is in discussions with TCEQ in an attempt to resolve the matter.

With respect to the enforcement action filed by the United States, on behalf of the United States Environmental Protection Agency (USEPA), and the State of Arkansas, on behalf of the Arkansas Department of Environmental Quality, against ExxonMobil Pipeline Company (EMPCo) related to the discharge of crude oil from the Pegasus Pipeline in Mayflower, Faulkner County, Arkansas, previously reported in the Corporation's Forms 10-Q for the first, second and third quarters of 2013 and the first quarter of 2014, on June 9, 2014, the court issued an order denying EMPCo's motion to dismiss the case. On July 1, 2014, the court entered a revised scheduling order setting the trial date for September 21, 2015.

As reported in the Corporation's Form 10-Q for the first and second quarters of 2013, the U. S. Department of Transportation Pipeline & Hazardous Materials Safety Administration (PHMSA) has sought to assess a \$1.7 million penalty against EMPCo and to require additional training of certain EMPCo personnel on account of alleged violations of the federal Pipeline Safety Regulations in connection with the July 1, 2011, discharge of crude oil into the Yellowstone River from EMPCo's Silvertip Pipeline near Laurel, Montana. An administrative hearing requested by EMPCo to contest the PHMSA allegations and the proposed penalty was held on July 17, 2013. No decision has been issued to date. In the second quarter of 2014, the U.S. Department of Justice (DOJ) contacted EMPCo concerning possible civil charges under the Clean Water Act arising in connection with the same incident, for which DOJ would seek civil penalties under the Clean Water Act in excess of \$100,000. Negotiations between EMPCo and DOJ are ongoing.

As reported in the Corporation's Forms 10-Q for the first quarter of 2012 and the first quarter of 2014, the USEPA 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 has voluntarily disclosed six additional West Virginia sites to the USEPA. Negotiations continue on a Consent Decree to resolve outstanding penalty and compliance issues. It is expected that the USEPA will seek penalties from XTO in excess of \$100,000 to resolve the matters at all of the sites.



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

<b>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</b>										
<b>Issuer Purchase of Equity Securities for Quarter Ended June 30, 2014</b>										
<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>
April 2014				10,128,872		\$98.97		10,128,872		
May 2014				9,830,064		\$101.72		9,830,064		
June 2014				9,829,451		\$101.84		9,829,451		
Total				29,788,387		\$100.82		29,788,387		(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 July 31, 2014, the Corporation stated that third 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.

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

- 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: August 6, 2014

By:

*/s/* PATRICK T. MULVA  
Patrick T. Mulva  
Vice President, Controller and  
Principal Accounting Officer

**INDEX TO 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.

