

CHEVRON CORP
Form 10-Q
May 02, 2014
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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 March 31, 2014

or

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

Commission file number 001-00368

Chevron Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

6001 Bollinger Canyon Road,
San Ramon, California

(Address of principal executive offices)

Registrant's telephone number, including area code: (925) 842-1000

NONE

(Former name, former address and former fiscal year, if changed since last report.)

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 (§ 232.405 of this chapter) 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
(Do not check if a 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 March 31, 2014
Common stock, \$.75 par value	1,903,650,099

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CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION
FOR THE PURPOSE OF “SAFE HARBOR” PROVISIONS OF THE
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This quarterly report on Form 10-Q of Chevron Corporation contains forward-looking statements relating to Chevron’s operations that are based on management’s current expectations, estimates and projections about the petroleum, chemicals and other energy-related industries. Words such as “anticipates,” “expects,” “intends,” “plans,” “targets,” “forecasts,” “projects,” “believes,” “seeks,” “schedules,” “estimates,” “budgets,” “outlook” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond the company’s control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: changing crude oil and natural gas prices; changing refining, marketing and chemicals margins; actions of competitors or regulators; timing of exploration expenses; timing of crude oil liftings; the competitiveness of alternate-energy sources or product substitutes; technological developments; the results of operations and financial condition of equity affiliates; the inability or failure of the company’s joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude oil and natural gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company’s production or manufacturing facilities or delivery/transportation networks due to war, accidents, political events, civil unrest, severe weather or crude oil production quotas that might be imposed by the Organization of Petroleum Exporting Countries; the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant investment or product changes required by existing or future environmental statutes, regulations and litigation; the potential liability resulting from other pending or future litigation; the company’s future acquisition or disposition of assets and gains and losses from asset dispositions or impairments; government-mandated sales, divestitures, recapitalizations, industry-specific taxes, changes in fiscal terms or restrictions on scope of company operations; foreign currency movements compared with the U.S. dollar; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading “Risk Factors” on pages 27 through 29 of the company’s 2013 Annual Report on Form 10-K. In addition, such results could be affected by general domestic and international economic and political conditions. Other unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements.

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FINANCIAL INFORMATIONItem 1. Consolidated Financial Statements
CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three months ended March 31	
	2014	2013
	(Millions of dollars, except per-share amounts)	
Revenues and Other Income		
Sales and other operating revenues*	\$50,978	\$54,296
Income from equity affiliates	1,922	2,284
Other income	365	238
Total Revenues and Other Income	53,265	56,818
Costs and Other Deductions		
Purchased crude oil and products	30,823	32,910
Operating expenses	6,023	5,762
Selling, general and administrative expenses	927	998
Exploration expenses	415	247
Depreciation, depletion and amortization	4,130	3,481
Taxes other than on income*	3,019	3,137
Total Costs and Other Deductions	45,337	46,535
Income Before Income Tax Expense	7,928	10,283
Income Tax Expense	3,407	4,044
Net Income	4,521	6,239
Less: Net income attributable to noncontrolling interests	9	61
Net Income Attributable to Chevron Corporation	\$4,512	\$6,178
Per Share of Common Stock:		
Net Income Attributable to Chevron Corporation		
— Basic	\$2.38	\$3.20
— Diluted	\$2.36	\$3.18
Dividends	\$1.00	\$0.90
Weighted Average Number of Shares Outstanding (000s)		
— Basic	1,895,032	1,929,014
— Diluted	1,909,424	1,943,931
* Includes excise, value-added and similar taxes:	\$1,946	\$2,033

See accompanying notes to consolidated financial statements.

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CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended March 31	
	2014	2013
	(Millions of dollars)	
Net Income	\$4,521	\$6,239
Currency translation adjustment	(38	) (11
Unrealized holding gain (loss) on securities:		
Net gain (loss) arising during period	4	(1
Derivatives:		
Net derivatives loss on hedge transactions	(3) —
Reclassification to net income of net realized gain	(1	) (5
Income tax benefit on derivatives transactions	1	2
Total	(3	) (3
Defined benefit plans:		
Actuarial loss:		
Amortization to net income of net actuarial and settlement losses	111	227
Prior service cost:		
Amortization to net income of net prior service costs (credits)	6	(7
Defined benefit plans sponsored by equity affiliates	6	(20
Income tax expense on defined benefit plans	(41	) (85
Total	82	115
Other Comprehensive Gain, Net of Tax	45	100
Comprehensive Income	4,566	6,339
Comprehensive income attributable to noncontrolling interests	(9	) (61
Comprehensive Income Attributable to Chevron Corporation	\$4,557	\$6,278

See accompanying notes to consolidated financial statements.

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CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	At March 31 2014	At December 31 2013	
	(Millions of dollars, except per-share amounts)		
ASSETS			
Cash and cash equivalents	\$ 15,612	\$ 16,245	
Time deposits	308	8	
Marketable securities	263	263	
Accounts and notes receivable, net	20,285	21,622	
Inventories			
Crude oil and petroleum products	4,956	3,879	
Chemicals	452	491	
Materials, supplies and other	2,064	2,010	
Total inventories	7,472	6,380	
Prepaid expenses and other current assets	5,809	5,732	
Total Current Assets	49,749	50,250	
Long-term receivables, net	2,875	2,833	
Investments and advances	25,986	25,502	
Properties, plant and equipment, at cost	304,564	296,433	
Less: Accumulated depreciation, depletion and amortization	135,337	131,604	
Properties, plant and equipment, net	169,227	164,829	
Deferred charges and other assets	5,118	5,120	
Goodwill	4,639	4,639	
Assets held for sale	644	580	
Total Assets	\$ 258,238	\$ 253,753	
LIABILITIES AND EQUITY			
Short-term debt	\$ 3,008	\$ 374	
Accounts payable	23,332	22,815	
Accrued liabilities	5,000	5,402	
Federal and other taxes on income	3,134	3,092	
Other taxes payable	1,178	1,335	
Total Current Liabilities	35,652	33,018	
Long-term debt	19,960	19,960	
Capital lease obligations	86	97	
Deferred credits and other noncurrent obligations	22,942	22,982	
Noncurrent deferred income taxes	21,798	21,301	
Reserves for employee benefit plans	5,990	5,968	
Total Liabilities	106,428	103,326	
Preferred stock (authorized 100,000,000 shares, \$1.00 par value, none issued)	—	—	
Common stock (authorized 6,000,000,000 shares; \$0.75 par value; 2,442,676,580 shares issued at March 31, 2014, and December 31, 2013)	1,832	1,832	
Capital in excess of par value	15,790	15,713	
Retained earnings	176,294	173,677	
Accumulated other comprehensive loss	(3,534) (3,579)
Deferred compensation and benefit plan trust	(240) (240)

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Treasury stock, at cost (539,026,481 and 529,073,512 shares at March 31, 2014, and December 31, 2013, respectively)	(39,481) (38,290)
Total Chevron Corporation Stockholders' Equity	150,661	149,113	
Noncontrolling interests	1,149	1,314	
Total Equity	151,810	150,427	
Total Liabilities and Equity	\$258,238	\$253,753	

See accompanying notes to consolidated financial statements.

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CHEVRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three months ended	
	March 31	
	2014	2013
	(Millions of dollars)	
Operating Activities		
Net Income	\$4,521	\$6,239
Adjustments		
Depreciation, depletion and amortization	4,130	3,481
Dry hole expense	140	12
Distributions less than income from equity affiliates	(457)	(578)
Net before-tax gains on asset retirements and sales	(269)	(27)
Net foreign currency effects	14	(109)
Deferred income tax provision	287	127
Net decrease (increase) in operating working capital	382	(3,360)
Increase in long-term receivables	(32)	(66)
Net increase in other deferred charges	(13)	(111)
Cash contributions to employee pension plans	(89)	(238)
Other	(197)	344
Net Cash Provided by Operating Activities	8,417	5,714
Investing Activities		
Capital expenditures	(8,544)	(8,192)
Proceeds and deposits related to asset sales	316	76
Net purchases of time deposits	(300)	(700)
Net (borrowing) repayment of loans by equity affiliates	(32)	1
Net (purchases) sales of other short-term investments	(20)	356
Net Cash Used for Investing Activities	(8,580)	(8,459)
Financing Activities		
Net borrowings of short-term obligations	2,636	2,069
Repayments of long-term debt and other financing obligations	(12)	(102)
Cash dividends — common stock	(1,895)	(1,735)
Distributions to noncontrolling interests	—	(10)
Net purchases of treasury shares	(1,190)	(1,027)
Net Cash Used for Financing Activities	(461)	(805)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(9)	(15)
Net Change in Cash and Cash Equivalents	(633)	(3,565)
Cash and Cash Equivalents at January 1	16,245	20,939
Cash and Cash Equivalents at March 31	\$15,612	\$17,374

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of Chevron Corporation and its subsidiaries (the company) have not been audited by an independent registered public accounting firm. In the opinion of the company's management, the interim data includes all adjustments necessary for a fair statement of the results for the interim periods. These adjustments were of a normal recurring nature. The results for the three-month period ended March 31, 2014, are not necessarily indicative of future financial results. The term "earnings" is defined as net income attributable to Chevron Corporation.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the company's 2013 Annual Report on Form 10-K.

Note 2. Changes in Accumulated Other Comprehensive Losses

The change in Accumulated Other Comprehensive Losses (AOCL) presented on the Consolidated Balance Sheet and the impact of significant amounts reclassified from AOCL on information presented in the Consolidated Statement of Income for the three months ending March 31, 2014, are reflected in the table below.

Changes in Accumulated Other Comprehensive Income (Loss) by Component ⁽¹⁾

(Millions of Dollars)

	Three months ended March 31, 2014				
	Currency Translation Adjustment	Unrealized Gains (Losses) on Securities	Holding (Losses) on Derivatives	Defined Benefit Plans	Total
Balance at January 1	\$(23)	\$(6)	\$52	\$(3,602)	\$(3,579)
Components of Other Comprehensive Income (Loss):					
Before Reclassifications	(38)	4	(2)	11	(25)
Reclassifications ⁽²⁾	—	—	(1)	71	70
Net Other Comprehensive Income (Loss)	(38)	4	(3)	82	45
Balance at March 31	\$(61)	\$(2)	\$49	\$(3,520)	\$(3,534)

⁽¹⁾ All amounts are net of tax.

⁽²⁾ Refer to Note 10, Employee Benefits for reclassified components totaling \$117 million that are included in employee benefit costs for the three months ending March 31, 2014. Related income taxes for the same period, totaling \$46 million, are reflected in Income Tax Expense on the Consolidated Statement of Income. All other reclassified amounts were insignificant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 3. Noncontrolling Interests

Ownership interests in the company's subsidiaries held by parties other than the parent are presented separately from the parent's equity on the Consolidated Balance Sheet. The amount of consolidated net income attributable to the parent and the noncontrolling interests are both presented on the face of the Consolidated Statement of Income.

Activity for the equity attributable to noncontrolling interests for the first three months of 2014 and 2013 is as follows:

	2014			2013		
	Chevron Corporation Stockholders' Equity	Non-controlling Interest	Total Equity	Chevron Corporation Stockholders' Equity	Non-controlling Interest	Total Equity
	(Millions of dollars)					
Balance at January 1	\$ 149,113	\$ 1,314	\$ 150,427	\$ 136,524	\$ 1,308	\$ 137,832
Net income	4,512	9	4,521	6,178	61	6,239
Dividends	(1,896	) —	(1,896	(1,736	) —	(1,736
Distributions to noncontrolling interests	—	—	—	—	(10	) (10
Treasury shares, net	(1,191	) —	(1,191	(1,041	) —	(1,041
Other changes, net*	123	(174	) (51	) 209	(7	) 202
Balance at March 31	\$ 150,661	\$ 1,149	\$ 151,810	\$ 140,134	\$ 1,352	\$ 141,486

* Includes components of comprehensive income, which are disclosed separately in the Consolidated Statement of Comprehensive Income.

Note 4. Information Relating to the Consolidated Statement of Cash Flows

The "Net decrease (increase) in operating working capital" was composed of the following operating changes:

	Three months ended	
	March 31	2013
	(Millions of dollars)	
Decrease (increase) in accounts and notes receivable	\$ 1,373	\$ (994
Increase in inventories	(1,098	) (520
Increase in prepaid expenses and other current assets	(136	) (437
Increase (decrease) in accounts payable and accrued liabilities	140	(1,759
Increase in income and other taxes payable	103	350
Net decrease (increase) in operating working capital	\$ 382	\$ (3,360

The "Net decrease (increase) in operating working capital" includes reductions of \$6 million and \$28 million for excess income tax benefits associated with stock options exercised during the three months ended March 31, 2014, and 2013, respectively. These amounts are offset by an equal amount in "Net purchases of treasury shares."

"Net Cash Provided by Operating Activities" included the following cash payments for income taxes:

	Three months ended	
	March 31	2013
	(Millions of dollars)	
Income taxes	2,416	3,434

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

"Other" includes changes in postretirement benefits obligations and other long-term liabilities.

Information related to "Restricted Cash" is included on page 22 in Note 13 under the heading "Restricted Cash."

The "Net purchases of time deposits" consisted of the following gross amounts:

	Three months ended	
	March 31	
	2014	2013
	(Millions of dollars)	
Time deposits purchased	\$ (308)	\$ (708)
Time deposits matured	8	8
Net purchases of time deposits	\$ (300)	\$ (700)

The "Net purchases of treasury shares" represents the cost of common shares acquired less the cost of shares issued for share-based compensation plans. Purchases totaled \$1.3 billion for the first three months in both 2014 and 2013. The company purchased 10.8 million common shares under its ongoing share repurchase program for \$1.25 billion in each corresponding period.

The major components of "Capital expenditures" and the reconciliation of this amount to the capital and exploratory expenditures, including equity affiliates, are as follows:

	Three months ended	
	March 31	
	2014	2013
	(Millions of dollars)	
Additions to properties, plant and equipment	\$8,397	\$7,935
Additions to investments	87	262
Current year dry hole expenditures	75	12
Payments for other liabilities and assets, net	(15)	(17)
Capital expenditures	8,544	8,192
Expensed exploration expenditures	275	235
Assets acquired through capital lease obligations	—	2
Capital and exploratory expenditures, excluding equity affiliates	8,819	8,429
Company's share of expenditures by equity affiliates	612	453
Capital and exploratory expenditures, including equity affiliates	\$9,431	\$8,882

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 5. Operating Segments and Geographic Data

Although each subsidiary of Chevron is responsible for its own affairs, Chevron Corporation manages its investments in these subsidiaries and their affiliates. The investments are grouped into two business segments, Upstream and Downstream, representing the company's "reportable segments" and "operating segments." Upstream operations consist primarily of exploring for, developing and producing crude oil and natural gas; liquefaction, transportation and regasification associated with liquefied natural gas (LNG); transporting crude oil by major international oil export pipelines; processing, transporting, storage and marketing of natural gas; and a gas-to-liquids project. Downstream operations consist primarily of refining of crude oil into petroleum products; marketing of crude oil and refined products; transporting of crude oil and refined products by pipeline, marine vessel, motor equipment and rail car; and manufacturing and marketing of commodity petrochemicals, plastics for industrial uses, and fuel and lubricant additives. All Other activities of the company include mining operations, power and energy services, worldwide cash management and debt financing activities, corporate administrative functions, insurance operations, real estate activities, alternative fuels, and technology companies.

The segments are separately managed for investment purposes under a structure that includes "segment managers" who report to the company's "chief operating decision maker" (CODM). The CODM is the company's Executive Committee (EXCOM), a committee of senior officers that includes the Chief Executive Officer, and EXCOM reports to the Board of Directors of Chevron Corporation.

The operating segments represent components of the company, that engage in activities (a) from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the CODM, which makes decisions about resources to be allocated to the segments and assesses their performance; and (c) for which discrete financial information is available.

Segment managers for the reportable segments are directly accountable to, and maintain regular contact with, the company's CODM to discuss the segment's operating activities and financial performance. The CODM approves annual capital and exploratory budgets at the reportable segment level, as well as reviews capital and exploratory funding for major projects and approves major changes to the annual capital and exploratory budgets. However, business-unit managers within the operating segments are directly responsible for decisions relating to project implementation and all other matters connected with daily operations. Company officers who are members of the EXCOM also have individual management responsibilities and participate in other committees for purposes other than acting as the CODM.

The company's primary country of operation is the United States of America, its country of domicile. Other components of the company's operations are reported as "International" (outside the United States).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Segment Earnings The company evaluates the performance of its operating segments on an after-tax basis, without considering the effects of debt financing interest expense or investment interest income, both of which are managed by the company on a worldwide basis. Corporate administrative costs and assets are not allocated to the operating segments. However, operating segments are billed for the direct use of corporate services. Nonbillable costs remain at the corporate level in “All Other.” Earnings by major operating area for the three-month periods ended March 31, 2014, and 2013, are presented in the following table:

Segment Earnings*	Three months ended	
	March 31 2014	2013
	(Millions of dollars)	
Upstream		
United States	\$912	\$1,132
International	3,395	4,784
Total Upstream	4,307	5,916
Downstream		
United States	422	135
International	288	566
Total Downstream	710	701
Total Segment Earnings	5,017	6,617
All Other		
Interest Income	17	21
Other	(522	) (460
Net Income Attributable to Chevron Corporation	\$4,512	\$6,178

Segment Assets Segment assets do not include intercompany investments or intercompany receivables. “All Other” assets consist primarily of worldwide cash, cash equivalents, time deposits and marketable securities; real estate; information systems; mining operations; power and energy services; alternative fuels; technology companies; and assets of the corporate administrative functions. Segment assets at March 31, 2014, and December 31, 2013, are as follows:

Segment Assets*	At March 31	At December 31
	2014	2013
	(Millions of dollars)	
Upstream		
United States	\$46,154	\$45,436
International	141,011	137,096
Goodwill	4,639	4,639
Total Upstream	191,804	187,171
Downstream		
United States	23,951	23,829
International	20,821	20,268
Total Downstream	44,772	44,097
Total Segment Assets	236,576	231,268
All Other		
United States	6,501	7,326
International	15,161	15,159
Total All Other	21,662	22,485

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Total Assets — United States	76,606	76,591
Total Assets — International	176,993	172,523
Goodwill	4,639	4,639
Total Assets	\$258,238	\$253,753

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Segment Sales and Other Operating Revenues Segment sales and other operating revenues, including internal transfers, for the three-month periods ended March 31, 2014, and 2013, are presented in the following table. Products are transferred between operating segments at internal product values that approximate market prices. Revenues for the upstream segment are derived primarily from the production and sale of crude oil and natural gas, as well as the sale of third-party production of natural gas. Revenues for the downstream segment are derived from the refining and marketing of petroleum products such as gasoline, jet fuel, gas oils, lubricants, residual fuel oils and other products derived from crude oil. This segment also generates revenues from the manufacture and sale of fuel and lubricant additives and the transportation and trading of refined products and crude oil. “All Other” activities include revenues from mining operations, power and energy services, insurance operations, real estate activities, alternative fuels, and technology companies.

Sales and Other Operating Revenues*	Three months ended	
	March 31	
	2014	2013
	(Millions of dollars)	
Upstream		
United States	\$6,745	\$6,267
International	11,881	12,911
Subtotal	18,626	19,178
Intersegment Elimination — United States	(3,932)	(4,194)
Intersegment Elimination — International	(5,762)	(8,356)
Total Upstream	8,932	6,628
Downstream		
United States	20,218	20,430
International	23,804	27,178
Subtotal	44,022	47,608
Intersegment Elimination — United States	(5)	(11)
Intersegment Elimination — International	(2,045)	(16)
Total Downstream	41,972	47,581
All Other		
United States	389	378
International	5	6
Subtotal	394	384
Intersegment Elimination — United States	(315)	(292)
Intersegment Elimination — International	(5)	(5)
Total All Other	74	87
Sales and Other Operating Revenues		
United States	27,352	27,075
International	35,690	40,095
Subtotal	63,042	67,170
Intersegment Elimination — United States	(4,252)	(4,497)
Intersegment Elimination — International	(7,812)	(8,377)
Total Sales and Other Operating Revenues	\$50,978	\$54,296

* Effective January 1, 2014, International Upstream prospectively includes selected amounts previously recognized in International Downstream, which are not material to the company’s results of operations and financial position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 6. Summarized Financial Data — Chevron U.S.A. Inc.

Chevron U.S.A. Inc. (CUSA) is a major subsidiary of Chevron Corporation. CUSA and its subsidiaries manage and operate most of Chevron's U.S. businesses. Assets include those related to the exploration and production of crude oil, natural gas and natural gas liquids and those associated with refining, marketing, and supply and distribution of products derived from petroleum, excluding most of the regulated pipeline operations of Chevron. CUSA also holds the company's investment in the Chevron Phillips Chemical Company LLC joint venture, which is accounted for using the equity method.

The summarized financial information for CUSA and its consolidated subsidiaries is as follows:

	Three months ended	
	March 31	
	2014	2013
	(Millions of dollars)	
Sales and other operating revenues	\$41,329	\$42,777
Costs and other deductions	40,124	41,717
Net income attributable to CUSA	1,017	889
	At March 31	At December 31
	2014	2013
	(Millions of dollars)	
Current assets	\$17,485	\$17,626
Other assets	58,284	57,288
Current liabilities	19,231	17,486
Other liabilities	28,201	28,119
Total CUSA net equity	\$28,337	\$29,309
Memo: Total debt	\$14,479	\$14,482

Note 7. Summarized Financial Data — Chevron Transport Corporation

Chevron Transport Corporation Limited (CTC), incorporated in Bermuda, is an indirect, wholly owned subsidiary of Chevron Corporation. CTC is the principal operator of Chevron's international tanker fleet and is engaged in the marine transportation of crude oil and refined petroleum products. Most of CTC's shipping revenue is derived from providing transportation services to other Chevron companies. Chevron Corporation has fully and unconditionally guaranteed this subsidiary's obligations in connection with certain debt securities.

The summarized financial information for CTC and its consolidated subsidiaries is as follows:

	Three months ended	
	March 31	
	2014	2013
	(Millions of dollars)	
Sales and other operating revenues	\$173	\$131
Costs and other deductions	199	172
Net loss attributable to CTC	(26	) (41
	At March 31	At December 31
	2014	2013
	(Millions of dollars)	
Current assets	\$234	\$221
Other assets	582	549
Current liabilities	174	94
Other liabilities	900	911

Total CTC net deficit \$(258) \$(235)
There were no restrictions on CTC's ability to pay dividends or make loans or advances at March 31, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 8. Summarized Financial Data — Tengizchevroil LLP

Chevron has a 50 percent equity ownership interest in Tengizchevroil (TCO), which was formed in 1993 to develop the Tengiz and Korolev crude oil fields in Kazakhstan over a 40-year period.

Summarized financial information for 100 percent of TCO is presented in the following table:

	Three months ended	
	March 31	
	2014	2013
	(Millions of dollars)	
Sales and other operating revenues	\$6,433	\$6,798
Costs and other deductions	2,833	2,970
Net income attributable to TCO	2,514	2,684

Note 9. Income Taxes

Taxes on income for the first quarter of 2014 were \$3.4 billion, compared with \$4.0 billion for the corresponding period in 2013. The associated effective tax rates (calculated as the amount of Income Tax Expense divided by Income Before Income Tax Expense) for the first quarters of 2014 and 2013 were 43 percent and 39 percent, respectively.

The increase in the effective tax rate between periods reflected a higher effective tax rate in international upstream operations. The higher international upstream rate was primarily due to the effects of one-time tax items and foreign currency remeasurement impacts between periods, which were partially offset by the effect of a greater portion of equity income in international upstream in 2014 than in 2013 (equity income is included as part of before-tax income, but is generally recorded net of income taxes).

Tax positions for Chevron and its subsidiaries and affiliates are subject to income tax audits by many tax jurisdictions throughout the world. For the company's major tax jurisdictions, examinations of tax returns for certain prior tax years had not been completed as of March 31, 2014. For these jurisdictions, the latest years for which income tax examinations had been finalized were as follows: United States — 2008, Nigeria — 2000, Angola — 2001, Saudi Arabia — 2012 and Kazakhstan — 2007.

The company engages in ongoing discussions with tax authorities regarding the resolution of tax matters in the various jurisdictions. Both the outcomes for these tax matters and the timing of resolution and/or closure of the tax audits are highly uncertain. However, it is reasonably possible that developments regarding tax matters in certain tax jurisdictions may result in significant increases or decreases in the company's total unrecognized tax benefits within the next 12 months. Given the number of years that still remain subject to examination and the number of matters being examined in the various tax jurisdictions, the company is unable to estimate the range of possible adjustments to the balance of unrecognized tax benefits.

Note 10. Employee Benefits

Chevron has defined benefit pension plans for many employees. The company typically prefunds defined benefit plans as required by local regulations or in certain situations where prefunding provides economic advantages. In the United States, all qualified plans are subject to the Employee Retirement Income Security Act (ERISA) minimum funding standard. The company does not typically fund U.S. nonqualified pension plans that are not subject to funding requirements under laws and regulations because contributions to these pension plans may be less economic and investment returns may be less attractive than the company's other investment alternatives.

The company also sponsors other postretirement employee benefit (OPEB) plans that provide medical and dental benefits, as well as life insurance for some active and qualifying retired employees. The plans are unfunded, and the company and the retirees share the costs. Medical coverage for Medicare-eligible retirees in the company's

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

main U.S. medical plan is secondary to Medicare (including Part D) and the increase to the company contribution for retiree medical coverage is limited to no more than 4 percent each year. Certain life insurance benefits are paid by the company.

The components of net periodic benefit costs for 2014 and 2013 are as follows:

	Three months ended March 31	
	2014	2013
	(Millions of dollars)	
Pension Benefits		
United States		
Service cost	\$113	\$124
Interest cost	124	118
Expected return on plan assets	(197)