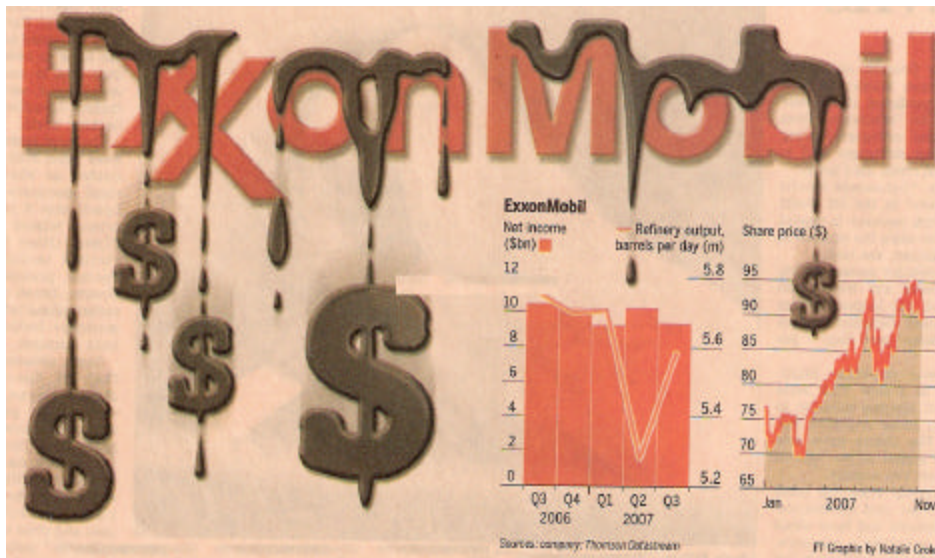


Exxon sees oil demand rising

Usage continues to grow in Asia-Pacific

Impact of high prices hits group's profit

By Sheila McNulty in Houston and Ed Crooks in London



ExxonMobil, the world's biggest oil company, said yesterday it saw demand continuing to grow in spite of soaring oil prices. The comments came as

Exxon disappointed Wall Street with worse-than-expected results as the impact of high oil prices hit profit, even though revenues reached a quarterly record. The oil price slipped back a little yesterday with US crude losing 89 cents to \$93.64 a barrel by late-afternoon London time after hitting an all-time high of \$98.24 earlier in the day.

Henry Hubble, Exxon's vice-president of investor relations, said high prices did not yet appear to be causing a significant slowdown in the growth of demand for oil products, with most of the growth coming in the Asia-Pacific region. "We are not seeing big declines, we're seeing growth and we're not seeing declines in the rate of growth on a worldwide basis," he said. Exxon said third-quarter net income had fallen 10 per cent year-on-year to \$9.4bn, or \$1.70 per share, on revenue of \$102.3bn, up from \$99.6bn.

Analysts knew high oil prices were squeezing refining and chemicals margins. Exxon, as one of the world's biggest refiners, buys about 4m barrels of crude oil per day. However, the upstream business, producing oil and gas, had been expected to do better. Doug Leggate, of Citi Investment Research, said analysts had been surprised by the drop in production to 322m barrels of oil equivalent per day in the third quarter, down 2 per cent. The figures

were affected by Exxon's production-sharing contracts in African countries, which mean the company takes a lower share of oil production as prices rise, and by the decision to abandon its heavy oil project in Venezuela. Exploration and production earnings were \$6.3bn, down \$194m, reflecting lower natural gas prices and higher costs, which have been soaring across the industry as companies compete for scarce labor and equipment. Refining and marketing earnings were \$2bn, down \$737m.

Earnings from chemicals were \$1.2bn, down \$149m, again due to lower margins. Exxon continued to invest heavily on capital and exploration projects, with \$5.4bn in the quarter on this. For the first nine months, Exxon's net income was \$29bn, \$300m lower than the record set in the comparable period last year. The company has so far bought back \$23.9bn- worth of shares during 2007, reducing the outstanding equity by 4.6 per cent. Exxon shares were down 1.9 per cent at \$90.20 in early trade.