

EXXON MOBIL CORP
Form 10-Q
May 06, 2008

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 March 31, 2008

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 13-5409005
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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 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.

<u>Class</u>	<u>Outstanding as of March 31, 2008</u>
Common stock, without par value	5,283,694,459

EXXON MOBIL CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008

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

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

	Three Months Ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
REVENUES AND OTHER INCOME		
Sales and other operating revenue (<i>I</i>)	\$ 113,223	\$ 84,174
Income from equity affiliates	2,809	1,915
Other income	822	1,134
Total revenues and other income	116,854	87,223
COSTS AND OTHER DEDUCTIONS		
Crude oil and product purchases	60,971	40,042
Production and manufacturing expenses	8,893	7,283
Selling, general and administrative expenses	3,802	3,392
Depreciation and depletion	3,104	2,942
Exploration expenses, including dry holes	342	272
Interest expense	130	103
Sales-based taxes (<i>I</i>)	8,432	7,284
Other taxes and duties	10,706	9,591
Income applicable to minority interests	282	250
Total costs and other deductions	96,662	71,159

INCOME BEFORE INCOME TAXES	20,192	16,064
Income taxes	9,302	6,784
NET INCOME	\$ 10,890	\$ 9,280
NET INCOME PER COMMON SHARE (dollars)	\$ 2.05	\$ 1.64
NET INCOME PER COMMON SHARE - ASSUMING DILUTION (dollars)	\$ 2.03	\$ 1.62
DIVIDENDS PER COMMON SHARE (dollars)	\$ 0.35	\$ 0.32
<i>(1) Sales-based taxes included in sales and other operating revenue</i>	\$ 8,432	\$ 7,284

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)

	March 31, <u>2008</u>	Dec. 31, <u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 40,913	\$ 33,981
Marketable securities	480	519
Notes and accounts receivable - net	36,428	36,450
Inventories		
Crude oil, products and merchandise	13,075	8,863
Materials and supplies	2,303	2,226
Prepaid taxes and expenses	4,559	3,924
Total current assets	97,758	85,963
Property, plant and equipment - net	122,935	120,869
Investments and other assets	37,509	35,250
TOTAL ASSETS	\$ 258,202	\$ 242,082
LIABILITIES		
Current liabilities		
Notes and loans payable	\$ 2,771	\$ 2,383
Accounts payable and accrued liabilities	53,613	45,275
Income taxes payable	14,599	10,654
Total current liabilities	70,983	58,312
Long-term debt	7,235	7,183
Deferred income tax liabilities	24,008	22,899
Other long-term liabilities	32,837	31,926
TOTAL LIABILITIES	135,063	120,320

Commitments and contingencies (note 3)

SHAREHOLDERS' EQUITY

Common stock, without par value:

Authorized:

9,000 million shares

Issued:

	4,745	4,933
8,019 million shares		
Earnings reinvested	237,529	228,518
Accumulated other comprehensive income		
Cumulative foreign exchange translation adjustment	9,449	7,972
Postretirement benefits reserves adjustment	(5,945)	(5,983)
Common stock held in treasury:		
2,736 million shares at March 31, 2008	(122,639)	
2,637 million shares at December 31, 2007		(113,678)
TOTAL SHAREHOLDERS' EQUITY	123,139	121,762
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 258,202	\$ 242,082

The number of shares of common stock issued and outstanding at March 31, 2008 and December 31, 2007 were 5,283,694,459 and 5,381,795,265, respectively.

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)

	Three Months Ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 10,890	\$ 9,280
Depreciation and depletion	3,104	2,942
Changes in operational working capital, excluding cash and debt	7,803	1,843
All other items - net	(377)	221
Net cash provided by operating activities	21,420	14,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,979)	(3,106)
Sales of subsidiaries, investments, and property, plant and equipment	413	538
Other investing activities - net	(734)	(670)
Net cash used in investing activities	(4,300)	(3,238)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to long-term debt	35	93
Reductions in long-term debt	(46)	(36)
Additions/(reductions) in short-term debt - net	190	274
Cash dividends to ExxonMobil shareholders	(1,879)	(1,825)
Cash dividends to minority interests	(105)	(74)

Changes in minority interests and sales/(purchases)		
of affiliate stock	(214)	(149)
Common stock acquired	(9,465)	(7,960)
Common stock sold	131	172
Net cash used in financing activities	(11,353)	(9,505)
Effects of exchange rate changes on cash	1,165	207
Increase/(decrease) in cash and cash equivalents	6,932	1,750
Cash and cash equivalents at beginning of period	33,981	28,244
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 40,913	\$ 29,994
SUPPLEMENTAL DISCLOSURES		
Income taxes paid	\$ 4,849	\$ 3,998
Cash interest paid	\$ 184	\$ 137

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 2007 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. The Corporation's exploration and production activities are accounted for under the "successful efforts" method.

2.

Fair Value Measurements

Effective January 1, 2008, the Corporation adopted the Financial Accounting Standards Board's (FASB) Statement No. 157 (FAS 157), Fair Value Measurements for financial assets and liabilities that are measured at fair value and nonfinancial assets and liabilities that are measured at fair value on a recurring basis. FAS 157 defines fair value, establishes a framework for measuring fair value when an entity is required to use a fair value measure for recognition or disclosure purposes and expands the disclosures about fair value measurements. The initial application of FAS 157 is limited to the Corporation's investments in derivative instruments and some debt and equity securities. The fair value measurements for these instruments are based on quoted prices or observable market inputs. The value of these instruments is immaterial to the Corporation's financial statements and the related gains or losses from periodic measurement at fair value are de minimis.

On January 1, 2009, the Corporation will adopt FAS 157 for nonfinancial assets and liabilities that are not measured at fair value on a recurring basis. The application of FAS 157 to the Corporation's nonfinancial assets and liabilities will mostly be limited to the recognition and measurement of nonmonetary exchange transactions, asset retirement obligations and asset impairments. The Corporation does not expect the adoption to have a material impact on the

Corporation's financial statements.

3.

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. 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 materially adverse effect upon the Corporation's operations or financial condition.

A number of lawsuits, including class actions, were brought in various courts against Exxon Mobil Corporation and certain of its subsidiaries relating to the accidental release of crude oil from the tanker Exxon Valdez in 1989. All the compensatory claims have been resolved and paid. All of the punitive damage claims were consolidated in the civil trial that began in 1994. The first judgment from the United States District Court for the District of Alaska in the amount of \$5 billion was vacated by the United States Court of Appeals for the Ninth Circuit as being excessive under the Constitution. The second judgment in the amount of \$4 billion was vacated by the Ninth Circuit panel without argument and sent back for the District Court to reconsider in light of the recent U.S. Supreme Court decision in *Campbell v. State Farm*. The most recent District Court judgment for punitive damages was for \$4.5 billion plus interest and was entered in January 2004. The Corporation posted a \$5.4 billion letter of credit. ExxonMobil and the plaintiffs appealed this decision to the Ninth Circuit, which ruled on December 22, 2006, that the award be reduced to \$2.5 billion. On January 12, 2007, ExxonMobil petitioned the Ninth Circuit Court of Appeals for a rehearing en banc of its appeal. On May 23, 2007, with two dissenting opinions, the Ninth Circuit determined not to re-hear ExxonMobil's appeal before the full court. ExxonMobil filed a petition for writ of certiorari to the U.S. Supreme Court on August 20, 2007. On October 29, 2007, the U.S. Supreme Court granted ExxonMobil's petition for a writ of certiorari. Oral argument was held on February 27, 2008. While it is reasonably possible that a liability for punitive damages may have been incurred from the Exxon Valdez grounding, it is not possible to predict the ultimate outcome or to reasonably estimate any such potential liability.

Other Contingencies

	As of March 31, 2008		
	Equity Company <u>Obligations</u>	Other Third Party <u>Obligations</u>	<u>Total</u>
		(millions of dollars)	
Total guarantees	\$ 6,466	\$ 775	\$ 7,241

The Corporation and certain of its consolidated subsidiaries were contingently liable at March 31, 2008, for \$7,241 million, primarily relating to guarantees for notes, loans and performance under contracts. Included in this amount were guarantees by consolidated affiliates of \$6,466 million, representing ExxonMobil's share of obligations of certain equity companies. 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.

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 March 31, 2008, 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 PdVSA, and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest in the Cerro Negro Project.

To date, discussions with Venezuelan authorities have not resulted in an agreement on the amount of compensation to be paid to ExxonMobil. On September 6, 2007, ExxonMobil filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes. ExxonMobil has also filed an arbitration under the rules of the International Chamber of Commerce against PdVSA and a PdVSA affiliate for breach of their contractual obligations under certain Cerro Negro Project agreements. At this time, the net impact of this matter on the Corporation's consolidated financial results cannot be reasonably estimated. However, the Corporation does not expect the resolution to have a material effect upon the Corporation's operations or financial condition. At the time the assets were expropriated, ExxonMobil's remaining net book investment in Cerro Negro producing assets was about \$750 million.

4.

Comprehensive Income

	Three Months Ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
	(millions of dollars)	
Net income	\$ 10,890	\$ 9,280
Other comprehensive income (net of income taxes)		
Foreign exchange translation adjustment	1,477	423
Postretirement benefits reserves adjustment (excluding amortization)	(151)	(408)
Amortization of postretirement benefits reserves adjustment included in net periodic benefit costs	189	201
Total comprehensive income	\$ 12,405	\$ 9,496

5.

Earnings Per Share

	Three Months Ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
NET INCOME PER COMMON SHARE		
Net income (millions of dollars)	\$ 10,890	\$ 9,280
Weighted average number of common shares outstanding (millions of shares)	5,301	5,650
Net income per common share (dollars)	\$ 2.05	\$ 1.64
NET INCOME PER COMMON SHARE		
- ASSUMING DILUTION		
Net income (millions of dollars)	\$ 10,890	\$ 9,280
Weighted average number of common shares outstanding (millions of shares)	5,301	5,650
Effect of employee stock-based awards	61	64
Weighted average number of common shares outstanding - assuming dilution	5,362	5,714
Net income per common share - assuming dilution (dollars)	\$ 2.03	\$ 1.62

6.

Pension and Other Postretirement Benefits

	Three Months Ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
	(millions of dollars)	
Pension Benefits - U.S.		
Components of net benefit cost		
Service cost	\$ 95	\$ 97
Interest cost	182	172
Expected return on plan assets	(229)	(210)
Amortization of actuarial loss/(gain) and prior service cost	59	67
Net pension enhancement and curtailment/settlement cost	44	47
Net benefit cost	\$ 151	\$ 173
Pension Benefits - Non-U.S.		
Components of net benefit cost		
Service cost	\$ 113	\$ 109
Interest cost	301	237
Expected return on plan assets	(318)	(263)
Amortization of actuarial loss/(gain) and prior service cost	101	112
Net pension enhancement and curtailment/settlement cost	0	0
Net benefit cost	\$ 197	\$ 195
Other Postretirement Benefits		
Components of net benefit cost		
Service cost	\$ 29	\$ 27
Interest cost	108	112
Expected return on plan assets	(12)	(15)
Amortization of actuarial loss/(gain)		

and prior service cost		84	78
Net benefit cost	\$	209	\$ 202

7.

Disclosures about Segments and Related Information

	Three Months Ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
	(millions of dollars)	
EARNINGS AFTER INCOME TAX		
Upstream		
United States	\$ 1,631	\$ 1,177
Non-U.S.	7,154	4,864
Downstream		
United States	398	839
Non-U.S.	768	1,073
Chemical		
United States	284	346
Non-U.S.	744	890
All other	(89)	91
Corporate total	\$ 10,890	\$ 9,280
SALES AND OTHER OPERATING REVENUE (1)		
Upstream		
United States	\$ 1,764	\$ 1,362
Non-U.S.	8,399	5,493
Downstream		
United States	28,458	21,260
Non-U.S.	64,517	47,641
Chemical		
United States	3,652	3,189
Non-U.S.	6,429	5,224
All other	4	5
Corporate total	\$ 113,223	\$ 84,174

*(1) Includes sales-based taxes***INTERSEGMENT REVENUE**

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Upstream			
United States		\$ 2,561	\$ 1,563
Non-U.S.		14,881	10,595
Downstream			
United States		3,861	2,782
Non-U.S.		16,543	10,941
Chemical			
United States		2,428	1,697
Non-U.S.		2,432	1,522
All other		67	79

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Costs and other deductions					
Crude oil and product purchases	11,850	-	167,242	(118,121)	60,971
Production and manufacturing expenses	1,911	-	8,329	(1,347)	8,893
Selling, general and administrative expenses	702	-	3,313	(213)	3,802
Depreciation and depletion	393	-	2,711	-	3,104
Exploration expenses, including dry holes	79	-	263	-	342
Interest expense	1,194	53	3,510	(4,627)	130
Sales-based taxes	-	-	8,432	-	8,432
Other taxes and duties	15	-	10,691	-	10,706
Income applicable to minority interests	-	-	282	-	282
Total costs and other deductions	16,144	53	204,773	(124,308)	96,662
Income before income taxes	11,064	(35)	20,130	(10,967)	20,192
Income taxes	174	(12)	9,140	-	9,302
Net income	\$ 10,890	\$ (23)	\$ 10,990	\$ (10,967)	\$ 10,890

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	Exxon Mobil Corporation Parent Guarantor	SeaRiver Maritime Financial Holdings Inc.	All Other Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
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(millions of dollars)

Condensed consolidated statement of income for three months ended March 31, 2007

Revenues and other income					
Sales and other operating revenue,	\$ 3,857	\$ -	\$ 80,317	\$ -	\$ 84,174
including sales-based taxes					
Income from equity affiliates	9,167	7	1,904	(9,163)	1,915
Other income	222	-	912	-	1,134
Intercompany revenue	8,281	26	77,889	(86,196)	-
Total revenues and other income	21,527	33	161,022	(95,359)	87,223
Costs and other deductions					
Crude oil and product purchases	7,880	-	112,246	(80,084)	40,042
Production and manufacturing expenses	1,714	-	6,792	(1,223)	7,283
Selling, general and administrative expenses	591	-	2,986	(185)	3,392
Depreciation and depletion	388	-	2,554	-	2,942
Exploration expenses, including dry holes	100	-	172	-	272
Interest expense	1,446	50	3,488	(4,881)	103

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Sales-based taxes	-	-	7,284	-	7,284
Other taxes and duties	13	-	9,578	-	9,591
Income applicable to minority interests	-	-	250	-	250
Total costs and other deductions	12,132	50	145,350	(86,373)	71,159
Income before income taxes	9,395	(17)	15,672	(8,986)	16,064
Income taxes					