

EXXON MOBIL CORP  
Form 10-Q  
November 04, 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 September 30, 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**

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**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 September 30, 2008</u>
Common stock, without par value	5,086,649,128

**EXXON MOBIL CORPORATION**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008**

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

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>REVENUES AND OTHER INCOME</b>				
Sales and other operating revenue (1)	\$ 132,085	\$ 99,130	\$ 379,084	\$ 278,363
Income from equity affiliates	2,824	2,158	8,616	6,088
Other income (2)	2,828	1,049	4,963	3,459
Total revenues and other income	137,737	102,337	392,663	287,910
<b>COSTS AND OTHER DEDUCTIONS</b>				
Crude oil and product purchases	73,298	51,973	210,964	139,642
Production and manufacturing expenses	9,878	7,884	28,837	22,845
Selling, general and administrative expenses	3,823	3,656	12,014	10,836
Depreciation and depletion	3,008	3,159	9,202	9,095
Exploration expenses, including dry holes	403	349	1,083	974
Interest expense	318	73	555	272
Sales-based taxes (1)	9,327	7,970	27,297	23,064

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Other taxes and duties	10,989	10,229	33,113	29,708
Income applicable to minority interests	536	284	1,043	722
Total costs and other deductions	111,580	85,577	324,108	237,158
<b>INCOME BEFORE INCOME TAXES</b>	26,157	16,760	68,555	50,752
Income taxes	11,327	7,350	31,155	21,802
<b>NET INCOME</b>	<b>\$ 14,830</b>	<b>\$ 9,410</b>	<b>\$ 37,400</b>	<b>\$ 28,950</b>
<b>NET INCOME PER COMMON SHARE</b> (dollars)	\$ 2.89	\$ 1.72	\$ 7.19	\$ 5.21
<b>NET INCOME PER COMMON SHARE - ASSUMING DILUTION</b> (dollars)	\$ 2.86	\$ 1.70	\$ 7.11	\$ 5.15
<b>DIVIDENDS PER COMMON SHARE</b> (dollars)	\$ 0.40	\$ 0.35	\$ 1.15	\$ 1.02
<i>(1) Sales-based taxes included in sales and other operating revenue</i>	\$ 9,327	\$ 7,970	\$ 27,297	\$ 23,064
<i>(2) Includes \$62 million gain from sale of non-U.S. investment, net of related \$143 million foreign exchange loss</i>	\$ 0	\$ 0	\$ (81 )	\$ 0

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

**EXXON MOBIL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

(millions of dollars)

	<b>Sept. 30,</b> <b><u>2008</u></b>	<b>Dec. 31,</b> <b><u>2007</u></b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 36,674	\$ 33,981
Marketable securities	1,760	519
Notes and accounts receivable - net	35,251	36,450
Inventories		
Crude oil, products and merchandise	13,510	8,863
Materials and supplies	2,430	2,226
Prepaid taxes and expenses	6,396	3,924
Total current assets	96,021	85,963
Property, plant and equipment - net	123,258	120,869
Investments and other assets	36,939	35,250
<b>TOTAL ASSETS</b>	<b>\$ 256,218</b>	<b>\$ 242,082</b>
<b>LIABILITIES</b>		
Current liabilities		
Notes and loans payable	\$ 2,881	\$ 2,383
Accounts payable and accrued liabilities	49,087	45,275
Income taxes payable	15,663	10,654
Total current liabilities	67,631	58,312
Long-term debt	7,383	7,183
Deferred income tax liabilities	23,265	22,899
Other long-term liabilities	32,653	31,926
<b>TOTAL LIABILITIES</b>	<b>130,932</b>	<b>120,320</b>

Commitments and contingencies (note 3)

**SHAREHOLDERS' EQUITY**

Common stock, without par value:

Authorized:

9,000 million shares

Issued:

	5,105	4,933
8,019 million shares		
Earnings reinvested	259,878	228,518
Accumulated other comprehensive income		
Cumulative foreign exchange translation adjustment	5,407	7,972
Postretirement benefits reserves adjustment	(5,468 )	(5,983 )
Common stock held in treasury:		
2,932 million shares at September 30, 2008	(139,636 )	
2,637 million shares at December 31, 2007		(113,678 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>125,286</b>	<b>121,762</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 256,218</b>	<b>\$ 242,082</b>

The number of shares of common stock issued and outstanding at September 30, 2008 and December 31, 2007 were 5,086,649,128 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)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 37,400	\$ 28,950
Depreciation and depletion	9,202	9,095
Changes in operational working capital, excluding cash and debt	4,430	1,283
All other items - net	(1,791 )	1,339
Net cash provided by operating activities	49,241	40,667
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(13,993 )	(10,827 )
Sales of subsidiaries, investments, and property, plant and equipment	4,202	2,422
Other investing activities - net	(3,081 )	(1,660 )
Net cash used in investing activities	(12,872 )	(10,065 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additions to long-term debt	177	104
Reductions in long-term debt	(152 )	(111 )
Additions/(reductions) in short-term debt - net	294	186
Cash dividends to ExxonMobil shareholders	(6,040 )	(5,718 )
Cash dividends to minority interests	(346 )	(252 )

Changes in minority interests and sales/(purchases)		
of affiliate stock	(319 )	(510 )
Tax benefits related to stock-based awards	162	356
Common stock acquired	(26,889 )	(23,884 )
Common stock sold	489	891
Net cash used in financing activities	(32,624 )	(28,938 )
Effects of exchange rate changes on cash	(1,052 )	1,515
Increase/(decrease) in cash and cash equivalents	2,693	3,179
Cash and cash equivalents at beginning of period	33,981	28,244
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 36,674</b>	<b>\$ 31,423</b>

**SUPPLEMENTAL DISCLOSURES**

Income taxes paid	\$ 25,194	\$ 17,947
Cash interest paid	\$ 488	\$ 376

*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. On June 25, 2008, the U.S. Supreme Court vacated the \$2.5 billion punitive damage award previously entered by the Ninth Circuit Court of Appeals and remanded the case to the Circuit Court with an instruction that punitive damages in the case may not exceed a maximum amount of \$507.5 million. Exxon Mobil Corporation recorded an after tax charge of \$290 million in the second quarter of 2008 reflecting the maximum amount of the punitive damages. The parties have filed briefs in the Ninth Circuit Court of Appeals on the issue of post judgment interest and recovery of costs. Exxon Mobil Corporation recorded an after tax charge of \$170 million in the third quarter of 2008 reflecting its estimate of the resolution of those issues.

### Other Contingencies

	<b>As of September 30, 2008</b>		
	<b>Equity Company <u>Obligations</u></b>	<b>Other Third Party <u>Obligations</u></b>	<b><u>Total</u></b>
	(millions of dollars)		
Total guarantees	\$ 5,196	\$ 827	\$ 6,023

The Corporation and certain of its consolidated subsidiaries were contingently liable at September 30, 2008, for \$6,023 million, primarily relating to guarantees for notes, loans and performance under contracts. Included in this amount were guarantees by consolidated affiliates of \$5,196 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 September 30, 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. ExxonMobil's remaining net book investment in Cerro Negro producing assets is about \$750 million.

## 4.

**Comprehensive Income**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	(millions of dollars)			
Net income	\$ 14,830	\$ 9,410	\$ 37,400	\$ 28,950
Other comprehensive income (net of income taxes)				
Foreign exchange translation adjustment	(4,282 )	2,052	(2,719 )	3,700
Adjustment for foreign exchange translation loss included in net income	0	0	154	0
Postretirement benefits reserves adjustment (excluding amortization)	198	(119 )	(36 )	(694 )
Amortization of postretirement benefits reserves adjustment included in net periodic benefit costs	176	190	551	605
Total comprehensive income	\$ 10,922	\$ 11,533	\$ 35,350	\$ 32,561

## 5.

**Earnings Per Share**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>

**NET INCOME PER COMMON SHARE**

Net income (millions of dollars)	\$ 14,830	\$ 9,410	\$ 37,400	\$ 28,950
Weighted average number of common shares outstanding (millions of shares)	5,102	5,470	5,202	5,559
Net income per common share (dollars)	\$ 2.89	\$ 1.72	\$ 7.19	\$ 5.21

**NET INCOME PER COMMON SHARE****- ASSUMING DILUTION**

Net income (millions of dollars)	\$ 14,830	\$ 9,410	\$ 37,400	\$ 28,950
Weighted average number of common shares outstanding (millions of shares)	5,102	5,470	5,202	5,559
Effect of employee stock-based awards	58	66	58	61
Weighted average number of common shares outstanding - assuming dilution	5,160	5,536	5,260	5,620
Net income per common share - assuming dilution (dollars)	\$ 2.86	\$ 1.70	\$ 7.11	\$ 5.15

## 6.

**Pension and Other Postretirement Benefits**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	(millions of dollars)			
<b>Pension Benefits - U.S.</b>				
Components of net benefit cost				
Service cost	\$ 96	\$ 89	\$ 287	\$ 279
Interest cost	181	172	545	516
Expected return on plan assets	(228 )	(212 )	(686 )	(634 )
Amortization of actuarial loss/(gain) and prior service cost	60	67	178	201
Net pension enhancement and curtailment/settlement cost	44	48	131	143
Net benefit cost	\$ 153	\$ 164	\$ 455	\$ 505
<b>Pension Benefits - Non-U.S.</b>				
Components of net benefit cost				
Service cost	\$ 107	\$ 109	\$ 334	\$ 330
Interest cost	294	261	900	745
Expected return on plan assets	(308 )	(283 )	(943 )	(816 )
Amortization of actuarial loss/(gain) and prior service cost	103	108	313	331
Net pension enhancement and curtailment/settlement cost	0	(13 )	2	(4 )
Net benefit cost	\$ 196	\$ 182	\$ 606	\$ 586
<b>Other Postretirement Benefits</b>				
Components of net benefit cost				
Service cost	\$ 23	\$ 26	\$ 80	\$ 83
Interest cost	92	99	329	309
Expected return on plan assets	(13 )	(11 )	(47 )	(34 )
Amortization of actuarial loss/(gain)				

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and prior service cost	61	86	217	244
Net benefit cost	\$ 163	\$ 200	\$ 579	\$ 602

The company expects to make contributions of up to \$1,050 million to non-U.S. pension funds, an increase of \$521 million from the year-end 2007 estimate of \$529 million.

7.

**Disclosures about Segments and Related Information**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	(millions of dollars)			
<b>EARNINGS AFTER INCOME TAX</b>				
Upstream				
United States	\$ 1,879	\$ 1,196	\$ 5,544	\$ 3,595
Non-U.S.	9,092	5,103	24,224	14,698
Downstream				
United States	978	914	1,669	3,498
Non-U.S.	2,035	1,087	4,068	3,808
Chemical				
United States	257	296	643	846
Non-U.S.	830	906	2,159	2,605
All other	(241 )	(92 )	(907 )	(100 )
Corporate total	\$ 14,830	\$ 9,410	\$ 37,400	\$ 28,950
<b>SALES AND OTHER OPERATING REVENUE (1)</b>				
Upstream				
United States	\$ 1,784	\$ 1,311	\$ 5,558	\$ 4,109
Non-U.S.	8,230	5,136	25,618	15,932
Downstream				
United States	33,038	26,243	97,562	73,148
Non-U.S.	78,168	57,233	218,352	158,346
Chemical				
United States	4,011	3,453	11,833	10,102
Non-U.S.	6,851	5,743	20,150	16,707
All other	3	11	11	19
Corporate total	\$ 132,085	\$ 99,130	\$ 379,084	\$ 278,363

*(1) Includes sales-based taxes*

**INTERSEGMENT REVENUE**

Upstream				
United States	\$	2,604	\$ 1,868	\$ 8,237
Non-U.S.		17,160	12,181	49,301
Downstream				
United States		4,866	3,819	13,968