

EXXON MOBIL CORP
Form 10-Q
November 07, 2007

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, 2007

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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, 2007</u> |
|---------------------------------|---|
| Common stock, without par value | 5,463,625,615 |

EXXON MOBIL CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

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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 | | Nine Months Ended | |
|--|---------------------------|--------------------|--------------------------|--------------------|
| | September 30, | | September 30, | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| REVENUES AND OTHER INCOME | | | | |
| Sales and other operating revenue <i>(1)</i> | \$ 99,130 | \$ 96,268 | \$ 278,363 | \$ 278,609 |
| Income from equity affiliates | 2,158 | 1,778 | 6,088 | 5,265 |
| Other income | 1,049 | 1,547 | 3,459 | 3,733 |
| Total revenues and other income | 102,337 | 99,593 | 287,910 | 287,607 |
| COSTS AND OTHER DEDUCTIONS | | | | |
| Crude oil and product purchases | 51,973 | 49,364 | 139,642 | 140,365 |
| Production and manufacturing expenses | 7,884 | 7,057 | 22,845 | 21,897 |
| Selling, general and administrative expenses | 3,656 | 3,412 | 10,836 | 10,435 |
| Depreciation and depletion | 3,159 | 2,730 | 9,095 | 8,134 |
| Exploration expenses, including dry holes | 349 | 352 | 974 | 810 |
| Interest expense | 73 | 281 | 272 | 553 |
| Sales-based taxes <i>(1)</i> | 7,970 | 7,764 | 23,064 | 23,639 |
| Other taxes and duties | 10,229 | 10,163 | 29,708 | 29,206 |
| | 284 | 292 | 722 | 727 |

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Income applicable to minority
interests

| | | | | |
|--|-----------------|------------------|------------------|------------------|
| Total costs and other deductions | 85,577 | 81,415 | 237,158 | 235,766 |
| INCOME BEFORE INCOME TAXES | 16,760 | 18,178 | 50,752 | 51,841 |
| Income taxes | 7,350 | 7,688 | 21,802 | 22,591 |
| NET INCOME | \$ 9,410 | \$ 10,490 | \$ 28,950 | \$ 29,250 |
| NET INCOME PER COMMON SHARE (dollars) | \$ 1.72 | \$ 1.79 | \$ 5.21 | \$ 4.91 |
| NET INCOME PER COMMON SHARE - ASSUMING DILUTION (dollars) | \$ 1.70 | \$ 1.77 | \$ 5.15 | \$ 4.86 |
| DIVIDENDS PER COMMON SHARE (dollars) | \$ 0.35 | \$ 0.32 | \$ 1.02 | \$ 0.96 |
| <i>(1) Sales-based taxes included in sales and other operating revenue</i> | \$ 7,970 | \$ 7,764 | \$ 23,064 | \$ 23,639 |

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)

| | Sept. 30, <u>2007</u> | Dec. 31, <u>2006</u> |
|---|--|---------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 31,423 | \$ 28,244 |
| Cash and cash equivalents - restricted (note 3) | 4,604 | 4,604 |
| Marketable securities | 190 | 0 |
| Notes and accounts receivable - net | 31,832 | 28,942 |
| Inventories | | |
| Crude oil, products and merchandise | 10,883 | 8,979 |
| Materials and supplies | 2,136 | 1,735 |
| Prepaid taxes and expenses | 4,179 | 3,273 |
| Total current assets | 85,247 | 75,777 |
| Property, plant and equipment - net | 119,102 | 113,687 |
| Investments and other assets | 32,312 | 29,551 |
| TOTAL ASSETS | \$ 236,661 | \$ 219,015 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and loans payable | \$ 2,095 | \$ 1,702 |
| Accounts payable and accrued liabilities | 43,525 | 39,082 |
| Income taxes payable | 10,300 | 8,033 |
| Total current liabilities | 55,920 | 48,817 |
| Long-term debt | 6,896 | 6,645 |
| Deferred income tax liabilities | 22,329 | 20,851 |
| Other long-term liabilities | 32,913 | 28,858 |
| TOTAL LIABILITIES | 118,058 | 105,171 |

Commitments and contingencies (note 3)

SHAREHOLDERS' EQUITY

Common stock, without par value:

Authorized:

9,000 million shares

| | | |
|---------|-------|-------|
| Issued: | 4,988 | 4,786 |
|---------|-------|-------|

8,019 million shares

| | | |
|---------------------|---------|---------|
| Earnings reinvested | 218,761 | 195,207 |
|---------------------|---------|---------|

Accumulated other comprehensive income

| | | |
|--|-------|-------|
| Cumulative foreign exchange translation adjustment | 7,433 | 3,733 |
|--|-------|-------|

| | | |
|---|----------|----------|
| Postretirement benefits reserves adjustment | (6,584) | (6,495) |
|---|----------|----------|

Common stock held in treasury:

| | | |
|--|------------|--|
| 2,556 million shares at September 30, 2007 | (105,995) | |
|--|------------|--|

| | | |
|---|--|-----------|
| 2,290 million shares at December 31, 2006 | | (83,387) |
|---|--|-----------|

| | | |
|-----------------------------------|----------------|----------------|
| TOTAL SHAREHOLDERS' EQUITY | 118,603 | 113,844 |
|-----------------------------------|----------------|----------------|

| | | |
|---|-------------------|-------------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 236,661 | \$ 219,015 |
|---|-------------------|-------------------|

The number of shares of common stock issued and outstanding at September 30, 2007 and December 31, 2006 were 5,463,625,615 and 5,728,702,212, 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)

| | Nine Months Ended | |
|--|--------------------------|--------------------|
| | September 30, | |
| | <u>2007</u> | <u>2006</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 28,950 | \$ 29,250 |
| Depreciation and depletion | 9,095 | 8,134 |
| Changes in operational working capital, excluding cash and debt | 1,283 | 3,836 |
| All other items - net | 1,339 | (796) |
| Net cash provided by operating activities | 40,667 | 40,424 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (10,827) | (11,301) |
| Sales of subsidiaries, investments, and property, plant and equipment | 2,422 | 2,328 |
| Other investing activities - net | (1,660) | (1,791) |
| Net cash used in investing activities | (10,065) | (10,764) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Additions to long-term debt | 104 | 123 |
| Reductions in long-term debt | (111) | (31) |
| Additions/(reductions) in short-term debt - net | 186 | 245 |
| Cash dividends to ExxonMobil shareholders | (5,718) | (5,775) |
| Cash dividends to minority interests | (252) | (207) |

| | | |
|---|------------------|------------------|
| Changes in minority interests and sales/(purchases) | | |
| of affiliate stock | (510) | (380) |
| Tax benefits related to stock-based awards | 356 | 270 |
| Common stock acquired | (23,884) | (21,208) |
| Common stock sold | 891 | 829 |
| Net cash used in financing activities | (28,938) | (26,134) |
| Effects of exchange rate changes on cash | 1,515 | 537 |
| Increase/(decrease) in cash and cash equivalents | 3,179 | 4,063 |
| Cash and cash equivalents at beginning of period | 28,244 | 28,671 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 31,423 | \$ 32,734 |
| SUPPLEMENTAL DISCLOSURES | | |
| Income taxes paid | \$ 17,947 | \$ 18,637 |
| Cash interest paid | \$ 376 | \$ 1,099 |

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 2006 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.

Accounting Change for Uncertainty in Income Taxes

Effective January 1, 2007, the Corporation adopted the Financial Accounting Standards Board's (FASB) Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes". FIN 48 is an interpretation of FASB Statement No. 109, "Accounting for Income Taxes", and prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Corporation has taken or expects to take in its income tax returns. Upon the adoption of FIN 48, the Corporation recognized a transition gain of \$267 million in shareholders' equity. The gain reflected the recognition of several refund claims, partly offset by increased liability reserves.

The Corporation is subject to income taxation in many jurisdictions around the world. The total amount of unrecognized income tax benefits in these jurisdictions at January 1, 2007, was \$3.7 billion, almost all of which is classified as long term. Resolution of the related tax positions through negotiations with the relevant tax authorities or through litigation will take many years to complete. Accordingly, it is difficult to predict the timing of resolution for individual tax positions. However, the Corporation does not anticipate that the total amount of unrecognized tax benefits will significantly increase or decrease in the next 12 months. Given the long time periods involved in resolving individual tax positions, the Corporation does not expect that the recognition of unrecognized tax benefits will have a material impact on the Corporation's effective income tax rate in any given year.

The unrecognized tax benefits described above will not be included in the Corporation's annual Form 10-K contractual obligations table because the Corporation is unable to make reasonably reliable estimates of the timing of cash settlements with the respective taxing authorities. The total amount of unrecognized tax benefits will be disclosed in a footnote to the contractual obligations table.

The following table summarizes the tax years that remain subject to examination by major tax jurisdiction:

| <u>Country of Operation</u> | <u>Open Tax Years</u> |
|-----------------------------|-----------------------|
| Abu Dhabi | 2000-2006 |
| Angola | 2002-2006 |
| Australia | 2000-2006 |
| Canada | 1990-2006 |
| Equatorial Guinea | 2004-2006 |
| Germany | 1998-2006 |
| Japan | 2002-2006 |
| Malaysia | 1983-2006 |
| Nigeria | 1998-2006 |
| Norway | 1993-2006 |
| United Kingdom | 2002-2006 |
| United States | 1989-2006 |

The Corporation classifies interest on income tax related balances as interest expense or interest income and classifies tax related penalties as operating expense.

At January 1, 2007, the Corporation had accrued interest payable of \$0.5 billion related to income tax reserve balances.

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 and tax disputes. Management has regular litigation and tax 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. 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.

In December 2000, a jury in the 15th Judicial Circuit Court of Montgomery County, Alabama, returned a verdict against the Corporation in a dispute over royalties in the amount of \$88 million in compensatory damages and \$3.4 billion in punitive damages in the case of *Exxon Corporation v. State of Alabama, et al.* The verdict was upheld by the

trial court in May 2001. In December 2002, the Alabama Supreme Court vacated the \$3.5 billion jury verdict. The case was retried and in November 2003, a state district court jury in Montgomery, Alabama, returned a verdict against Exxon Mobil Corporation. The verdict included \$63.5 million in compensatory damages and \$11.8 billion in punitive damages. In March 2004, the district court judge reduced the amount of punitive damages to \$3.5 billion. ExxonMobil appealed the decision to the Alabama Supreme Court. On November 1, 2007, the Alabama Supreme Court reversed the trial court's fraud judgment and instructed the district court to enter judgment for ExxonMobil, eliminating the punitive damage award. The Court also ruled in ExxonMobil's favor on some of the disputed lease issues, reducing the compensatory award to \$52 million. In May 2004, the Corporation posted a \$4.5 billion supersedeas bond as required by Alabama law to stay execution of the judgment pending appeal. The Corporation pledged to the issuer of the bond collateral consisting of cash and short-term, high-quality securities with an aggregate value of approximately \$4.6 billion. This collateral is reported as restricted cash and cash equivalents on the Condensed Consolidated Balance Sheet. Under the terms of the pledge agreement, the Corporation is entitled to receive the income generated from the cash and securities and to make investment decisions, but is restricted from using the pledged cash and securities for any other purpose until such time the bond is canceled. The Company will pursue the cancellation of the bond and the release of the pledged collateral.

In 2001, a Louisiana state court jury awarded compensatory damages of \$56 million and punitive damages of \$1 billion to a landowner for damage caused by a third party that leased the property from the landowner. The third party provided pipe cleaning and storage services for the Corporation and other entities. The Louisiana Fourth Circuit Court of Appeals reduced the punitive damage award to \$112 million in 2005. The Corporation appealed this decision to the Louisiana Supreme Court which, in March 2006, refused to hear the appeal. ExxonMobil has fully accrued and paid the compensatory and punitive damage awards. The Corporation appealed the punitive damage award to the U.S. Supreme Court, which on February 26, 2007, vacated the judgment and remanded the case to the Louisiana Fourth Circuit Court of Appeals for reconsideration in light of the recent U.S. Supreme Court decision in *Williams v. Phillip Morris USA*. On August 8, 2007, the Fourth Circuit issued its decision on remand and declined to reduce the punitive damage award. ExxonMobil is seeking further review in the Louisiana Supreme Court.

Tax issues for 1989 to 1993 remain pending before the U.S. Tax Court. The ultimate resolution of these issues is not expected to have a materially adverse effect upon the Corporation's operations or financial condition.

Other Contingencies

| | As of September 30, 2007 | | |
|------------------|---|--|--------------|
| | <u>Equity Company Obligations</u> | <u>Other Third Party Obligations</u> | <u>Total</u> |
| | | (millions of dollars) | |
| Total guarantees | \$ 3,796 | \$ 697 | \$ 4,493 |

The Corporation and certain of its consolidated subsidiaries were contingently liable at September 30, 2007, for \$4,493 million, primarily relating to guarantees for notes, loans and performance under contracts. Included in this amount were guarantees by consolidated affiliates of \$3,796 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, 2007, 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 Chavez in February of this year, 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 (ExxonMobil) holding a 41.67 percent ownership interest in the Project. The decree also required conversion of the Cerro Negro Project into a "mixed enterprise" structure and an increase in PdVSA's or one of its affiliate's ownership interest in the Project, with the stipulation that if an agreement was not reached for the formation of the mixed enterprise during a specified period of time, the government would "directly take on the activities" carried out by the joint venture. ExxonMobil and Venezuela were not able to reach agreement on the formation of a mixed enterprise and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest in the Cerro Negro Project.

Subsequent 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. 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 | | Nine Months Ended | |
|--|---------------------------|--------------------|--------------------------|--------------------|
| | September 30, | | September 30, | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| | (millions of dollars) | | | |
| Net income | \$ 9,410 | \$ 10,490 | \$ 28,950 | \$ 29,250 |
| Other comprehensive income (net of income taxes) | | | | |
| Foreign exchange translation adjustment | 2,052 | 43 | 3,700 | 1,933 |
| Postretirement benefits reserves adjustment (excluding amortization) | (119) | 0 | (694) | 0 |
| Amortization of postretirement benefits reserves | | | | |
| adjustment included in net periodic benefit costs | 190 | 0 | 605 | 0 |
| Minimum pension liability adjustment (before December 31, 2006, adoption of FAS 158) | 0 | (8) | 0 | (106) |
| Total comprehensive income | \$ 11,533 | \$ 10,525 | \$ 32,561 | \$ 31,077 |

5.

Earnings Per Share

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|--------------------|--------------------------|--------------------|
| | September 30, | | September 30, | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |

NET INCOME PER COMMON SHARE

| | | | | |
|--|----------|-----------|-----------|-----------|
| Net income (millions of dollars) | \$ 9,410 | \$ 10,490 | \$ 28,950 | \$ 29,250 |
| Weighted average number of common shares outstanding (millions of shares) | 5,470 | 5,861 | 5,559 | 5,967 |
| Net income per common share (dollars) | \$ 1.72 | \$ 1.79 | \$ 5.21 | \$ 4.91 |

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

| | | | | |
|--|----------|-----------|-----------|-----------|
| Net income (millions of dollars) | \$ 9,410 | \$ 10,490 | \$ 28,950 | \$ 29,250 |
| Weighted average number of common shares outstanding (millions of shares) | 5,470 | 5,861 | 5,559 | 5,967 |
| Effect of employee stock-based awards | 66 | 61 | 61 | 55 |
| Weighted average number of common shares outstanding - assuming dilution | 5,536 | 5,922 | 5,620 | 6,022 |
| Net income per common share - assuming dilution (dollars) | \$ 1.70 | \$ 1.77 | \$ 5.15 | \$ 4.86 |

6.

Pension and Other Postretirement Benefits

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|--------------------|--------------------------|--------------------|
| | September 30, | | September 30, | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| | (millions of dollars) | | | |
| Pension Benefits - U.S. | | | | |
| Components of net benefit cost | | | | |
| Service cost | \$ 89 | \$ 85 | \$ 279 | \$ 253 |
| Interest cost | 172 | 159 | 516 | 476 |
| Expected return on plan assets | (212) | (157) | (634) | (469) |
| Amortization of actuarial loss/(gain) and prior service cost | 67 | 69 | 201 | 205 |
| Net pension enhancement and curtailment/settlement cost | 48 | 39 | 143 | 118 |
| Net benefit cost | \$ 164 | \$ 195 | \$ 505 | \$ 583 |
| Pension Benefits - Non-U.S. | | | | |
| Components of net benefit cost | | | | |
| Service cost | \$ 109 | \$ 109 | \$ 330 | \$ 319 |
| Interest cost | 261 | 225 | 745 | 661 |
| Expected return on plan assets | (283) | (247) | (816) | (729) |
| Amortization of actuarial loss/(gain) and prior service cost | 108 | 131 | 331 | 384 |
| Net pension enhancement and curtailment/settlement cost | (13) | 10 | (4) | 12 |
| Net benefit cost | \$ 182 | \$ 228 | \$ 586 | \$ 647 |
| Other Postretirement Benefits | | | | |
| Components of net benefit cost | | | | |
| Service cost | \$ 26 | \$ 19 | \$ 83 | \$ 56 |
| Interest cost | 99 | 79 | 309 | 231 |
| Expected return on plan assets | (11) | (10) | (34) | (30) |

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| | | | | |
|---|--------|--------|--------|--------|
| Amortization of actuarial loss/(gain) and prior service cost | 86 | 57 | 244 | 163 |
| Net benefit cost | \$ 200 | \$ 145 | \$ 602 | \$ 420 |

7.

Disclosures about Segments and Related Information

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|--------------------|--------------------------|--------------------|
| | September 30, | | September 30, | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| | (millions of dollars) | | | |
| EARNINGS AFTER INCOME TAX | | | | |
| Upstream | | | | |
| United States | \$ 1,196 | \$ 1,192 | \$ 3,595 | \$ 4,116 |
| Non-U.S. | 5,103 | 5,301 | 14,698 | 15,894 |
| Downstream | | | | |
| United States | 914 | 1,272 | 3,498 | 3,305 |
| Non-U.S. | 1,087 | 1,466 | 3,808 | 3,189 |
| Chemical | | | | |
| United States | 296 | 458 | 846 | 976 |
| Non-U.S. | 906 | 893 | 2,605 | 2,164 |
| All other | (92) | (92) | (100) | (394) |
| Corporate total | \$ 9,410 | \$ 10,490 | \$ 28,950 | \$ 29,250 |
| SALES AND OTHER OPERATING REVENUE (1) | | | | |
| Upstream | | | | |
| United States | \$ 1,311 | \$ 1,514 | \$ 4,109 | \$ 4,691 |
| Non-U.S. | 5,136 | 6,059 | 15,932 | 21,860 |
| Downstream | | | | |
| United States | 26,243 | 25,068 | 73,148 | 71,852 |
| Non-U.S. | 57,233 | 54,602 | 158,346 | 154,583 |
| Chemical | | | | |
| United States | 3,453 | 3,565 | 10,102 | 10,050 |
| Non-U.S. | 5,743 | 5,454 | 16,707 | 15,559 |
| All other | 11 | 6 | 19 | 14 |
| Corporate total | \$ 99,130 | \$ 96,268 | \$ 278,363 | \$ 278,609 |

(1) Includes sales-based taxes

INTERSEGMENT REVENUE

| | | | | | |
|---------------|----|--------|----------|----------|----------|
| Upstream | | | | | |
| United States | \$ | 1,868 | \$ 1,675 | \$ 5,211 | \$ 5,614 |
| Non-U.S. | | 12,181 | 11,588 | 34,446 | 30,812 |
| Downstream | | | | | |
| United States | | 3,819 | 3,619 | 10,162 | 9,695 |
| Non-U.S. | | 13,225 | 12,955 | 37,051 | 36,287 |
| Chemical | | | | | |
| United States | | 2,462 | 2,067 | 6,376 | 5,990 |
| Non-U.S. | | 2,030 | 1,874 | 5,718 | 5,272 |
| All other | | 70 | 65 | 239 | 197 |

8.**Accounting for Suspended Exploratory Well Costs**

For the category of exploratory well costs at year-end 2006 that were suspended more than one year, a total of \$46 million was expensed in the first nine months of 2007.

9.

Condensed Consolidating Financial Information Related to Guaranteed Securities Issued by Subsidiaries

Exxon Mobil Corporation has fully and unconditionally guaranteed the deferred interest debentures due 2012 (\$1,683 million long-term at September 30, 2007) and the debt securities due 2007-2011 (\$52 million long-term and \$13 million short-term) of SeaRiver Maritime Financial Holdings, Inc., a 100 percent owned subsidiary of Exxon Mobil Corporation.

The following condensed consolidating financial information is provided for Exxon Mobil Corporation, as guarantor, and for SeaRiver Maritime Financial Holdings, Inc., as issuer, as an alternative to providing separate financial statements for the issuer. The accounts of Exxon Mobil Corporation and SeaRiver Maritime Financial Holdings, Inc. are presented utilizing the equity method of accounting for investments in subsidiaries.

| | Exxon Mobil Corporation Parent Guarantor | SeaRiver Maritime Financial Holdings, Inc. | All Other Subsidiaries | Consolidating and Eliminating Adjustments | Consolidated |
|--|--|--|---------------------------|--|--------------|
|--|--|--|---------------------------|--|--------------|

(millions of dollars)

Condensed consolidated statement of income for three months ended September 30, 2007

| | | | | | |
|--|----------|------|-----------|-----------|-----------|
| Revenues and other income | | | | | |
| Sales and other operating revenue, including sales-based taxes | \$ 4,064 | \$ - | \$ 95,066 | \$ - | \$ 99,130 |
| Income from equity affiliates | 9,588 | (2) | 2,148 | (9,576) | 2,158 |
| Other income | 75 | - | 974 | - | 1,049 |
| Intercompany revenue | 10,424 | 27 | 92,089 | (102,540) | - |
| Total revenues and other income | 24,151 | 25 | 190,277 | (112,116) | 102,337 |
| Costs and other deductions | | | | | |

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| | | | | | |
|--|----------|----------|----------|-------------|----------|
| Crude oil and product purchases | 10,088 | - | 138,100 | (96,215) | 51,973 |
| Production and manufacturing expenses | 1,758 | - | 7,476 | (1,350) | 7,884 |
| Selling, general and administrative expenses | 629 | - | 3,201 | (174) | 3,656 |
| Depreciation and depletion | 455 | - | 2,704 | - | 3,159 |
| Exploration expenses, including dry holes | 73 | - | 276 | - | 349 |
| Interest expense | 1,550 | 50 | 3,492 | (5,019) | 73 |
| Sales-based taxes | - | - | 7,970 | - | 7,970 |
| Other taxes and duties | 11 | - | 10,218 | - | 10,229 |
| Income applicable to minority interests | - | - | 284 | - | 284 |
| Total costs and other deductions | 14,564 | 50 | 173,721 | (102,758) | 85,577 |
| Income before income taxes | 9,587 | (25) | 16,556 | (9,358) | 16,760 |
| Income taxes | 177 | (9) | 7,182 | - | 7,350 |
| Net income | \$ 9,410 | \$ (16) | \$ 9,374 | \$ (9,358) | \$ 9,410 |

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| | Exxon Mobil Corporation Parent Guarantor | SeaRiver Maritime Financial Holdings, Inc. | All Other Subsidiaries | Consolidating and Eliminating Adjustments | Consolidated |
|--|--|--|---------------------------|--|--------------|
|--|--|--|---------------------------|--|--------------|

(millions of dollars)

Condensed consolidated statement of income for three months ended September 30, 2006

| | | | | | |
|---|----------|------|-----------|------------|-----------|
| Revenues and other income | | | | | |
| Sales and other operating revenue, including sales-based taxes | \$ 4,286 | \$ - | \$ 91,982 | \$ - | \$ 96,268 |
| Income from equity affiliates | 10,302 | (5) | 1,774 | (10,293) | 1,778 |
| Other income | 314 | - | 1,233 | - | 1,547 |
| Intercompany revenue | 10,558 | 26 | 89,101 | (99,685) | - |
| Total revenues and other income | 25,460 | 21 | 184,090 | (109,978) | 99,593 |
| Costs and other deductions | | | | | |
| Crude oil and product purchases | 10,187 | - | 132,976 | (93,799) | 49,364 |
| Production and manufacturing expenses | 1,799 | - | 6,464 | (1,206) | 7,057 |
| Selling, general and administrative expenses | 584 | - | 2,987 | (159) | 3,412 |
| Depreciation and depletion | 374 | - | 2,356 | - | 2,730 |
| Exploration expenses, including dry holes | 60 | - | 292 | - | 352 |
| Interest expense | 1,327 | 46 | 3,439 | (4,531) | 281 |
| Sales-based taxes | - | - | 7,764 | - | 7,764 |
| Other taxes and duties | 10 | - | 10,153 | - | 10,163 |
| | - | - | 292 | - | 292 |

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| | | | | | |
|---|-----------|----------|-----------|--------------|-----------|
| Income applicable to minority interests | | | | | |
| Total costs and other deductions | 14,341 | 46 | 166,723 | (99,695) | 81,415 |
| Income before income taxes | 11,119 | (25) | 17,367 | (10,283) | 18,178 |
| Income taxes | 629 | (7) | 7,066 | - | 7,688 |
| Net income | \$ 10,490 | \$ (18) | \$ 10,301 | \$ (10,283) | \$ 10,490 |

Condensed consolidated statement of income for nine months ended September 30, 2007

| | | | | | |
|--|-----------|------|------------|------------|------------|
| Revenues and other income | | | | | |
| Sales and other operating revenue, including sales-based taxes | \$ 12,063 | \$ - | \$ 266,300 | \$ - | \$ 278,363 |
| Income from equity affiliates | 28,906 | 4 | 6,051 | (28,873) | 6,088 |
| Other income | 357 | - | 3,102 | - | 3,459 |
| Intercompany revenue | 28,172 | 78 | 255,917 | (284,167) | - |
| Total revenues and other income | 69,498 | 82 | 531,370 | (313,040) | 287,910 |
| Costs and other deductions | | | | | |
| Crude oil and product purchases | 26,587 | - | 378,106 | (265,051) | 139,642 |
| Production and manufacturing expenses | 5,305 | - | 21,423 | (3,883) | 22,845 |
| Selling, general and administrative expenses | 1,901 | - | 9,498 | (563) | 10,836 |
| Depreciation and depletion | 1,240 | - | 7,855 | - | 9,095 |
| Exploration expenses, including dry holes | 215 | - | 759 | - | 974 |
| Interest expense | 4,566 | 151 | 10,824 | (15,269) | 272 |
| Sales-based taxes | - | - | 23,064 | - | 23,064 |
| Other taxes and duties | 35 | - | 29,673 | - | 29,708 |

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| | | | | | |
|---|-----------|---------|-----------|-------------|-----------|
| Income applicable to minority interests | - | - | 722 | - | 722 |
| Total costs and other deductions | 39,849 | 151 | 481,924 | (284,766) | 237,158 |
| Income before income taxes | 29,649 | (69) | 49,446 | (28,274) | 50,752 |
| Income taxes | 699 | (26) | 21,129 | - | 21,802 |
| Net income | \$ 28,950 | \$ (43) | \$ 28,317 | \$ (28,274) | \$ 28,950 |

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| | Exxon Mobil Corporation Parent Guarantor | SeaRiver Maritime Financial Holdings, Inc. | All Other Subsidiaries | Consolidating and Eliminating Adjustments | Consolidated |
|--|--|--|---------------------------|--|--------------|
|--|--|--|---------------------------|--|--------------|

(millions of dollars)

Condensed consolidated statement of income for nine months ended September 30, 2006

| | | | | | |
|--|-----------|------|------------|------------|------------|
| Revenues and other income | | | | | |
| Sales and other operating revenue, including sales-based taxes | \$ 12,436 | \$ - | \$ 266,173 | \$ - | \$ 278,609 |
| Income from equity affiliates | 28,646 | 7 | 5,256 | (28,644) | 5,265 |
| Other income | 722 | - | 3,011 | - | 3,733 |
| Intercompany revenue | 30,374 | 69 | 251,345 | (281,788) | - |
| Total revenues and other income | 72,178 | 76 | 525,785 | (310,432) | 287,607 |
| Costs and other deductions | | | | | |
| Crude oil and product purchases | 28,914 | - | 377,212 | (265,761) | 140,365 |
| Production and manufacturing expenses | 5,588 | - | 20,031 | (3,722) | 21,897 |
| Selling, general and administrative expenses | 1,939 | - | 8,946 | (450) | 10,435 |
| Depreciation and depletion | 1,027 | - | 7,107 | - | 8,134 |
| Exploration expenses, including dry holes | 215 | - | 595 | - | 810 |
| Interest expense | 3,403 | 137 | 8,884 | (11,871) | 553 |
| Sales-based taxes | - | - | 23,639 | - | 23,639 |

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| | | | | | |
|---|-----------|----------|-----------|--------------|-----------|
| Other taxes and duties | 26 | - | 29,180 | - | 29,206 |
| Income applicable to minority interests | - | - | 727 | - | 727 |
| Total costs and other deductions | 41,112 | 137 | 476,321 | (281,804) | 235,766 |
| Income before income taxes | 31,066 | (61) | 49,464 | (28,628) | 51,841 |
| Income taxes | 1,816 | (24) | 20,799 | - | 22,591 |
| Net income | \$ 29,250 | \$ (37) | \$ 28,665 | \$ (28,628) | \$ 29,250 |

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| | Exxon Mobil Corporation Parent Guarantor | SeaRiver Maritime Financial Holdings, Inc. | All Other Subsidiaries | Consolidating and Eliminating Adjustments | Consolidated |
|--|---|--|---------------------------|--|--------------|
| <i>(millions of dollars)</i> | | | | | |
| <u>Condensed consolidated balance sheet as of September 30, 2007</u> | | | | | |
| Cash and cash equivalents | \$ 3,055 | \$ - | \$ 28,368 | \$ - | \$31,423 |
| Cash and cash equivalents - restricted | - | - | 4,604 | - | 4,604 |
| Notes and accounts receivable - net | 5,585 | 10 | 29,844 | (3,607) | 31,832 |
| Inventories | 1,352 | - | 11,667 | - | 13,019 |
| Prepaid taxes and expenses | 471 | - | 3,898 | - | 4,369 |
| Total current assets | 10,463 | 10 | 78,381 | (3,607) | 85,247 |
| Property, plant and equipment - net | 16,262 | - | 102,840 | - | 119,102 |
| Investments and other assets | 216,886 | 427 | 433,474 | (618,475) | 32,312 |
| Intercompany receivables | 11,258 | 1,938 | 439,850 | (453,046) | - |
| Total assets | \$ 254,869 | \$ 2,375 | \$ 1,054,545 | \$ (1,075,128) | \$36,661 |
| Notes and loan payables | \$ 261 | \$ 13 | \$ 1,821 | \$ - | \$ 2,095 |
| Accounts payable and accrued liabilities | 2,955 | 1 | 40,569 | | |