

EXXON MOBIL CORP
Form 10-Q
May 02, 2013

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, 2013

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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
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Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes "
No x

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>March 31, 2013</u>	<u>Outstanding as of</u>
Common stock, without par value 4,446,375,887	

EXXON MOBIL CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statement of Income	3
Three months ended March 31, 2013 and 2012	
Condensed Consolidated Statement of Comprehensive Income	4
Three months ended March 31, 2013 and 2012	
Condensed Consolidated Balance Sheet	5
As of March 31, 2013 and December 31, 2012	
Condensed Consolidated Statement of Cash Flows	6
Three months ended March 31, 2013 and 2012	
Condensed Consolidated Statement of Changes in Equity	7
Three months ended March 31, 2013 and 2012	

Notes to Condensed Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	18
Item 4. Controls and Procedures	18
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	19
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	20
Item 6. Exhibits	20
Signature	21
Index to Exhibits	22

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

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

	Three Months Ended March 31,	
	2013	2012
Revenues and other income		
Sales and other operating revenue <i>(1)</i>	103,828	119,189
Income from equity affiliates	4,418	4,210
Other income	561	654
Total revenues and other income	108,807	124,053
Costs and other deductions		
Crude oil and product purchases	59,899	69,825
Production and manufacturing expenses	9,736	9,850
Selling, general and administrative expenses	3,118	3,601
Depreciation and depletion	4,110	3,842
Exploration expenses, including dry holes	445	522
Interest expense	24	107
Sales-based taxes <i>(1)</i>	7,492	8,493
Other taxes and duties	7,945	10,298
Total costs and other deductions	92,769	106,538
Income before income taxes	16,038	17,515
Income taxes	6,277	7,716
Net income including noncontrolling interests	9,761	9,799
Net income attributable to noncontrolling interests	261	349
Net income attributable to ExxonMobil	9,500	9,450
 Earnings per common share <i>(dollars)</i>	 2.12	 2.00
Earnings per common share - assuming dilution <i>(dollars)</i>	2.12	2.00
 Dividends per common share <i>(dollars)</i>	 0.57	 0.47
 <i>(1) Sales-based taxes included in sales and other operating revenue</i>	 7,492	 8,493

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

-3-

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

	Three Months Ended March 31,	
	2013	2012
Net income including noncontrolling interests	9,761	9,799
Other comprehensive income (net of income taxes)		
Foreign exchange translation adjustment	(1,209)	1,045
Adjustment for foreign exchange translation (gain)/loss included in net income	-	67
Postretirement benefits reserves adjustment (excluding amortization)	65	(404)
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs	444	393
Total other comprehensive income	(700)	1,101
Comprehensive income including noncontrolling interests	9,061	10,900
Comprehensive income attributable to noncontrolling interests	144	325
Comprehensive income attributable to ExxonMobil	8,917	10,575

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)

	Mar. 31, 2013	Dec. 31, 2012
Assets		
Current assets		
Cash and cash equivalents	6,214	9,582
Cash and cash equivalents – restricted	376	341
Notes and accounts receivable – net	34,291	34,987
Inventories		
Crude oil, products and merchandise	12,446	10,836
Materials and supplies	3,785	3,706
Other current assets	5,482	5,008
Total current assets	62,594	64,460
Investments, advances and long-term receivables	35,641	34,718
Property, plant and equipment – net	233,728	226,949
Other assets, including intangibles – net	7,676	7,668
Total assets	339,639	333,795
Liabilities		
Current liabilities		
Notes and loans payable	5,937	3,653
Accounts payable and accrued liabilities	53,978	50,728
Income taxes payable	10,169	9,758
Total current liabilities	70,084	64,139
Long-term debt	7,475	7,928
Postretirement benefits reserves	25,286	25,267
Deferred income tax liabilities	38,712	37,570
Long-term obligations to equity companies	3,748	3,555
Other long-term obligations	21,257	23,676
Total liabilities	166,562	162,135
Commitments and contingencies (Note 2)		
Equity		
Common stock without par value		
(9,000 million shares authorized, 8,019 million shares issued)	9,665	9,653
Earnings reinvested	372,666	365,727
Accumulated other comprehensive income	(12,767)	(12,184)
Common stock held in treasury		
(3,573 million shares at Mar. 31, 2013 and 3,517 million shares at Dec. 31, 2012)	(202,563)	(197,333)

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	ExxonMobil share of equity	167,001	165,863
Noncontrolling interests		6,076	5,797
	Total equity	173,077	171,660
	Total liabilities and equity	339,639	333,795

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,	
	2013	2012
Cash flows from operating activities		
Net income including noncontrolling interests	9,761	9,799
Depreciation and depletion	4,110	3,842
Changes in operational working capital, excluding cash and debt	2,321	5,792
All other items – net	(2,600)	(146)
Net cash provided by operating activities	13,592	19,287
Cash flows from investing activities		
Additions to property, plant and equipment	(7,494)	(7,843)
Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments	360	2,513
Additional investments and advances	(3,032)	(111)
Other investing activities – net	112	90
Net cash used in investing activities	(10,054)	(5,351)
Cash flows from financing activities		
Additions to long-term debt	5	129
Reductions in long-term debt	-	(5)
Additions/(reductions) in short-term debt – net	1,587	(527)
Cash dividends to ExxonMobil shareholders	(2,561)	(2,221)
Cash dividends to noncontrolling interests	(105)	(96)
Changes in noncontrolling interests	(1)	212
Common stock acquired	(5,621)	(5,704)
Common stock sold	2	82
Net cash used in financing activities	(6,694)	(8,130)
Effects of exchange rate changes on cash	(212)	200
Increase/(decrease) in cash and cash equivalents	(3,368)	6,006
Cash and cash equivalents at beginning of period	9,582	12,664
Cash and cash equivalents at end of period	6,214	18,670
Supplemental Disclosures		
Income taxes paid	7,220	5,416
Cash interest paid	105	99

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

-6-

EXXON MOBIL CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(millions of dollars)

	ExxonMobil Share of Equity						
	Accumulated			Common Stock Held in Treasury	ExxonMobil Share of Equity	Non- controlling Interests	Total Equity
	Common Stock	Earnings Reinvested	Other Compre- hensive Income				
Balance as of December 31, 2011	9,512	330,939	(9,123)	(176,932)	154,396	6,348	160,744
Amortization of stock-based awards	226	-	-	-	226	-	226
Tax benefits related to stock-based awards	22	-	-	-	22	-	22
Other	(753)	-	-	-	(753)	544	(209)
Net income for the period	-	9,450	-	-	9,450	349	9,799
Dividends – common shares	-	(2,221)	-	-	(2,221)	(96)	(2,317)
Other comprehensive income	-	-	1,125	-	1,125	(24)	1,101
Acquisitions, at cost	-	-	-	(5,704)	(5,704)	(16)	(5,720)
Dispositions	-	-	-	471	471	-	471
Balance as of March 31, 2012	9,007	338,168	(7,998)	(182,165)	157,012	7,105	164,117
Balance as of December 31, 2012	9,653	365,727	(12,184)	(197,333)	165,863	5,797	171,660
Amortization of stock-based awards	212	-	-	-	212	-	212
Tax benefits related to stock-based awards	188	-	-	-	188	-	188
Other	(388)	-	-	-	(388)	241	(147)
Net income for the period	-	9,500	-	-	9,500	261	9,761
Dividends – common shares	-	(2,561)	-	-	(2,561)	(105)	(2,666)

Other comprehensive income	-	-	(583)	-	(583)	(117)	(700)
Acquisitions, at cost	-	-	-	(5,621)	(5,621)	(1)	(5,622)
Dispositions	-	-	-	391	391	-	391
Balance as of March 31, 2013	9,665	372,666	(12,767)	(202,563)	167,001	6,076	173,077

<u>Common Stock Share Activity</u>	Three Months Ended March 31, 2013 Held in			Three Months Ended March 31, 2012 Held in		
	Issued	Treasury	Outstanding	Issued	Treasury	Outstanding
	(millions of shares)			(millions of shares)		
Balance as of December 31	8,019	(3,517)	4,502	8,019	(3,285)	4,734
Acquisitions	-	(63)	(63)	-	(66)	(66)
Dispositions	-	7	7	-	8	8
Balance as of March 31	8,019	(3,573)	4,446	8,019	(3,343)	4,676

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 2012 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. Prior year's data has been reclassified in certain cases to conform to the 2013 presentation basis.

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

2. 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. For purposes of our contingency disclosures, "significant" includes material matters as well as other matters which management believes should be disclosed. 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

material adverse effect upon the Corporation's operations, financial condition, or financial statements taken as a whole.

Other Contingencies

The Corporation and certain of its consolidated subsidiaries were contingently liable at March 31, 2013, for guarantees relating to notes, loans and performance under contracts. Where guarantees for environmental remediation and other similar matters do not include a stated cap, the amounts reflect management's estimate of the maximum potential exposure. 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.

		As of March 31, 2013		
		Equity Company Obligations (1)	Other Third Party Obligations	Total
		(millions of dollars)		
Guarantees				
	Debt-related	2,583	51	2,634
	Other	4,654	4,678	9,332
	Total	7,237	4,729	11,966

(1) ExxonMobil share

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, 2013, 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 the government, and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest in the Cerro Negro Project. ExxonMobil's remaining net book investment in Cerro Negro producing assets is about \$750 million.

On September 6, 2007, affiliates of ExxonMobil filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (ICSID) invoking ICSID jurisdiction under Venezuela's Investment Law and the Netherlands-Venezuela Bilateral Investment Treaty. The ICSID Tribunal issued a decision on June 10, 2010, finding that it had jurisdiction to proceed on the basis of the Netherlands-Venezuela Bilateral Investment Treaty. The ICSID arbitration proceeding is continuing and a hearing on the merits was held in February 2012. At this time, the net impact of these matters on the Corporation's consolidated financial results cannot be reasonably estimated. Regardless, the Corporation does not expect the resolution to have a material effect upon the Corporation's operations or financial condition.

An affiliate of ExxonMobil is one of the Contractors under a Production Sharing Contract (PSC) with the Nigerian National Petroleum Corporation (NNPC) covering the Erha block located in the offshore waters of Nigeria. ExxonMobil's affiliate is the operator of the block and owns a 56.25 percent interest under the PSC. The Contractors are in dispute with NNPC regarding NNPC's lifting of crude oil in excess of its entitlement under the terms of the PSC. In accordance with the terms of the PSC, the Contractors initiated arbitration in Abuja, Nigeria, under the Nigerian Arbitration and Conciliation Act. On October 24, 2011, a three-member arbitral Tribunal issued an award upholding the Contractors' position in all material respects and awarding damages to the Contractors jointly in an amount of approximately \$1.8 billion plus \$234 million in accrued interest. The Contractors petitioned a Nigerian federal court for enforcement of the award, and NNPC petitioned the same court to have the award set aside. On May 22, 2012, the court set aside the award. The Contractors have appealed that judgment. At this time, the net impact of this matter on the Corporation's consolidated financial results cannot be reasonably estimated. However, regardless of the outcome of enforcement proceedings, the Corporation does not expect the proceedings to have a material effect upon the Corporation's operations or financial condition.

3. Other Comprehensive Income Information

<u>ExxonMobil Share of Accumulated Other Comprehensive Income</u>	Cumulative Foreign Exchange Translation Adjustment <i>(millions of dollars)</i>	Post-retirement Benefits Reserves Adjustment <i>(millions of dollars)</i>	Total
Balance as of December 31, 2011	4,168	(13,291)	(9,123)
Current period change excluding amounts reclassified from accumulated other comprehensive income	1,065	(366)	699
Amounts reclassified from accumulated other comprehensive income	52	374	426
Total change in accumulated other comprehensive income	1,117	8	1,125
Balance as of March 31, 2012	5,285	(13,283)	(7,998)
Balance as of December 31, 2012	2,410	(14,594)	(12,184)
Current period change excluding amounts reclassified from accumulated other comprehensive income	(1,088)	78	(1,010)
Amounts reclassified from accumulated other comprehensive income	-	427	427
Total change in accumulated other comprehensive income	(1,088)	505	(583)
Balance as of March 31, 2013	1,322	(14,089)	(12,767)

**Three Months Ended
March 31,
2013 2012**
(millions of dollars)

**Amounts Reclassified Out of
Accumulated Other
Comprehensive Income - Before-tax Income/(Expense)**

Foreign exchange translation gain/(loss) included in net income (Statement of Income line: Other income)	-	(67)
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs (1)	(644)	(582)

(1) *These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 5 – Pension and Other Postretirement Benefits for additional details.)*

	Three Months Ended	
	2013	2012
	March 31,	
	<i>(millions of dollars)</i>	
<u>Income Tax (Expense)/Credit For</u>		
<u>Components of Other Comprehensive</u>		
<u>Income</u>		
Foreign exchange translation adjustment	37	(60)
Postretirement benefits reserves adjustment		
Postretirement benefits reserves adjustment (excluding amortization)	(19)	161
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs	(200)	(189)
Total	(182)	(88)

4. Earnings Per Share

	Three Months Ended March 31,	
	2013	2012
Earnings per common share		
Net income attributable to ExxonMobil (<i>millions of dollars</i>)	9,500	9,450
Weighted average number of common shares outstanding (<i>millions of shares</i>)	4,485	4,715
Earnings per common share (<i>dollars</i>)	2.12	2.00
Earnings per common share - assuming dilution		
Net income attributable to ExxonMobil (<i>millions of dollars</i>)	9,500	9,450
Weighted average number of common shares outstanding (<i>millions of shares</i>)	4,485	4,715
Effect of employee stock-based awards	-	1
Weighted average number of common shares outstanding - assuming dilution	4,485	4,716
Earnings per common share - assuming dilution (<i>dollars</i>)	2.12	2.00

-11-

5. Pension and Other Postretirement Benefits

Three Months Ended
March 31,
2013 2012
(millions of dollars)

Pension Benefits - U.S.

Components of net benefit cost		
Service cost	187	156
Interest cost	187	205
Expected return on plan assets	(209)	(190)
Amortization of actuarial loss/(gain) and prior service cost	164	146
Net pension enhancement and curtailment/settlement cost	167	123
Net benefit cost	496	440

Pension Benefits - Non-U.S.

Components of net benefit cost		
Service cost	178	168
Interest cost	277	298
Expected return on plan assets	(292)	(289)
Amortization of actuarial loss/(gain) and prior service cost	250	254
Net pension enhancement and curtailment/settlement cost	-	6
Net benefit cost	413	437

Other Postretirement Benefits

Components of net benefit cost		
Service cost	36	33
Interest cost	91	103
Expected return on plan assets	(10)	(11)
Amortization of actuarial loss/(gain) and prior service cost	63	53
Net benefit cost	180	178

6. Financial Instruments

The fair value of financial instruments is determined by reference to observable market data and other valuation techniques as appropriate. The only category of financial instruments where the difference between fair value and recorded book value is notable is long-term debt. The estimated fair value of total long-term debt, excluding

capitalized lease obligations, was \$7,523 million at March 31, 2013, and \$8,027 million at December 31, 2012, as compared to recorded book values of \$7,061 million at March 31, 2013, and \$7,497 million at December 31, 2012.

The fair value of long-term debt by hierarchy level at March 31, 2013, is: Level 1 \$6,154 million; Level 2 \$1,303 million; and Level 3 \$66 million. Level 1 represents quoted prices in active markets. Level 2 includes debt whose fair value is based upon a publicly available index. Level 3 involves using internal data augmented by relevant market indicators if available.

7. Disclosures about Segments and Related Information

		Three Months Ended March 31,	
		2013	2012
		(millions of dollars)	
EARNINGS AFTER INCOME TAX			
Upstream			
	United States	859	1,010
	Non-U.S.	6,178	6,792
Downstream			
	United States	1,039	603
	Non-U.S.	506	983
Chemical			
	United States	752	433
	Non-U.S.	385	268
All other		(219)	(639)
Corporate total		9,500	9,450
SALES AND OTHER OPERATING REVENUE (1)			
Upstream			
	United States	3,080	2,967
	Non-U.S.	6,402	7,896
Downstream			
	United States	30,998	30,909
	Non-U.S.	53,407	67,018
Chemical			
	United States		