

EXXON MOBIL CORP
Form 10-Q
August 04, 2010
Table of Contents

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 June 30, 2010

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)

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| | |
|--|---|
| NEW JERSEY (State or other jurisdiction of incorporation or organization) | 13-5409005 (I.R.S. Employer Identification Number) |
| 5959 Las Colinas Boulevard, Irving, Texas (Address of principal executive offices) | 75039-2298 (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 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 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"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |

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.

| Class | Outstanding as of June 30, 2010 |
|---------------------------------|---------------------------------|
| Common stock, without par value | 5,091,804,265 |

Table of Contents

EXXON MOBIL CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010
TABLE OF CONTENTS

| | Page Number |
|--|------------------------|
| <u>PART I. FINANCIAL INFORMATION</u> | |
| Item 1. <u>Financial Statements</u> | |
| <u>Condensed Consolidated Statement of Income</u> <u>Three and six months ended June 30, 2010 and 2009</u> | 3 |
| <u>Condensed Consolidated Balance Sheet</u> <u>As of June 30, 2010 and December 31, 2009</u> | 4 |
| <u>Condensed Consolidated Statement of Cash Flows</u> <u>Six months ended June 30, 2010 and 2009</u> | 5 |
| <u>Condensed Consolidated Statement of Changes in Equity</u> <u>Six months ended June 30, 2010 and 2009</u> | 6 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | 7 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 25 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 31 |
| Item 4. <u>Controls and Procedures</u> | 31 |
| <u>PART II. OTHER INFORMATION</u> | |
| Item 1. <u>Legal Proceedings</u> | 31 |
| Item 1A. <u>Risk Factors</u> | 32 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 32 |
| Item 6. <u>Exhibits</u> | 33 |
| <u>Signature</u> | 34 |
| <u>Index to Exhibits</u> | 35 |

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****EXXON MOBIL CORPORATION****CONDENSED CONSOLIDATED STATEMENT OF INCOME**

(millions of dollars)

| | Three Months | | Six Months Ended | |
|---|---------------------------|-----------------|------------------|-----------------|
| | Ended June 30, 2010 | 2009 | June 30, 2010 | 2009 |
| REVENUES AND OTHER INCOME | | | | |
| Sales and other operating revenue (1) | \$ 89,693 | \$ 72,167 | \$ 176,730 | \$ 134,295 |
| Income from equity affiliates | 2,244 | 1,583 | 4,781 | 3,053 |
| Other income | 549 | 707 | 1,226 | 1,137 |
| Total revenues and other income | 92,486 | 74,457 | 182,737 | 138,485 |
| COSTS AND OTHER DEDUCTIONS | | | | |
| Crude oil and product purchases | 48,469 | 36,903 | 95,254 | 64,697 |
| Production and manufacturing expenses | 8,376 | 8,029 | 16,811 | 16,008 |
| Selling, general and administrative expenses | 3,607 | 3,519 | 7,121 | 6,967 |
| Depreciation and depletion | 3,366 | 3,004 | 6,646 | 5,797 |
| Exploration expenses, including dry holes | 407 | 490 | 1,093 | 841 |
| Interest expense | 40 | 343 | 95 | 450 |
| Sales-based taxes (1) | 6,946 | 6,216 | 13,761 | 12,122 |
| Other taxes and duties | 8,569 | 8,436 | 17,182 | 16,236 |
| Total costs and other deductions | 79,780 | 66,940 | 157,963 | 123,118 |
| Income before income taxes | 12,706 | 7,517 | 24,774 | 15,367 |
| Income taxes | 4,960 | 3,571 | 10,453 | 6,719 |
| Net income including noncontrolling interests | 7,746 | 3,946 | 14,321 | 8,648 |
| Net income/(loss) attributable to noncontrolling interests | 186 | (4) | 461 | 148 |
| Net income attributable to ExxonMobil | \$ 7,560 | \$ 3,950 | \$ 13,860 | \$ 8,500 |
| Earnings per common share (dollars) | \$ 1.61 | \$ 0.82 | \$ 2.94 | \$ 1.74 |
| Earnings per common share - assuming dilution (dollars) | \$ 1.60 | \$ 0.81 | \$ 2.93 | \$ 1.73 |
| Dividends per common share (dollars) | \$ 0.44 | \$ 0.42 | \$ 0.86 | \$ 0.82 |
| (1) Sales-based taxes included in sales and other operating revenue | \$ 6,946 | \$ 6,216 | \$ 13,761 | \$ 12,122 |

The information in the Notes to Condensed Consolidated Financial Statements

is an integral part of these statements.

Table of Contents

EXXON MOBIL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET

(millions of dollars)

| | June 30, 2010 | Dec. 31, 2009 |
|--|------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 13,252 | \$ 10,693 |
| Marketable securities | 15 | 169 |
| Notes and accounts receivable - net | 29,206 | 27,645 |
| Inventories | | |
| Crude oil, products and merchandise | 10,439 | 8,718 |
| Materials and supplies | 3,000 | 2,835 |
| Other current assets | 6,304 | 5,175 |
| Total current assets | 62,216 | 55,235 |
| Investments, advances and long-term receivables | 32,642 | 31,665 |
| Property, plant and equipment - net | 188,069 | 139,116 |
| Other assets, including intangibles, net | 8,141 | 7,307 |
| Total assets | \$ 291,068 | \$ 233,323 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and loans payable | \$ 2,946 | \$ 2,476 |
| Accounts payable and accrued liabilities | 45,454 | 41,275 |
| Income taxes payable | 9,421 | 8,310 |
| Total current liabilities | 57,821 | 52,061 |
| Long-term debt | 17,486 | 7,129 |
| Postretirement benefits reserves | 17,143 | 17,942 |
| Deferred income tax liabilities | 34,283 | 23,148 |
| Other long-term obligations | 18,968 | 17,651 |
| Total liabilities | 145,701 | 117,931 |
| Commitments and contingencies (note 3) | | |
| EQUITY | | |
| Common stock, without par value: | | |
| Authorized: 9,000 million shares | | |
| Issued: 8,019 million shares | 9,002 | 5,503 |
| Earnings reinvested | 286,745 | 276,937 |
| Accumulated other comprehensive income | | |
| Cumulative foreign exchange translation adjustment | 2,051 | 4,402 |
| Postretirement benefits reserves adjustment | (8,886) | (9,863) |
| Unrealized gain/(loss) on cash flow hedges | 80 | 0 |
| Common stock held in treasury: | | |
| 2,927 million shares at June 30, 2010 | (148,820) | |

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3,292 million shares at December 31, 2009 (166,410)

| | | |
|----------------------------|---------|---------|
| ExxonMobil share of equity | 140,172 | 110,569 |
| Noncontrolling interests | 5,195 | 4,823 |

| | | |
|--------------|---------|---------|
| Total equity | 145,367 | 115,392 |
|--------------|---------|---------|

| | | |
|------------------------------|------------|------------|
| Total liabilities and equity | \$ 291,068 | \$ 233,323 |
|------------------------------|------------|------------|

The number of shares of common stock issued and outstanding at June 30, 2010 and December 31, 2009 were 5,091,804,265 and 4,726,922,580, respectively.

The information in the Notes to Condensed Consolidated Financial Statements

is an integral part of these statements.

Table of Contents**EXXON MOBIL CORPORATION****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(millions of dollars)

| | Six Months Ended June 30, | |
|---|------------------------------|-----------|
| | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income including noncontrolling interests | \$ 14,321 | \$ 8,648 |
| Depreciation and depletion | 6,646 | 5,797 |
| Changes in operational working capital, excluding cash and debt | 2,068 | (992) |
| All other items - net | (754) | (2,346) |
| Net cash provided by operating activities | 22,281 | 11,107 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (11,400) | (10,238) |
| Sales of subsidiaries, investments, and property, plant and equipment | 852 | 911 |
| Other investing activities - net | 303 | (386) |
| Net cash used in investing activities | (10,245) | (9,713) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Additions to long-term debt | 33 | 145 |
| Reductions in long-term debt | (16) | (20) |
| Additions/(reductions) in short-term debt - net | (697) | (350) |
| Cash dividends to ExxonMobil shareholders | (4,052) | (4,020) |
| Cash dividends to noncontrolling interests | (139) | (133) |
| Changes in noncontrolling interests | (2) | (124) |
| Tax benefits related to stock-based awards | 28 | 55 |
| Common stock acquired | (4,063) | (13,098) |
| Common stock sold | 111 | 185 |
| Net cash used in financing activities | (8,797) | (17,360) |
| Effects of exchange rate changes on cash | (680) | 105 |
| Increase/(decrease) in cash and cash equivalents | 2,559 | (15,861) |
| Cash and cash equivalents at beginning of period | 10,693 | 31,437 |
| Cash and cash equivalents at end of period | \$ 13,252 | \$ 15,576 |
| SUPPLEMENTAL DISCLOSURES | | |
| Income taxes paid | \$ 9,487 | \$ 8,540 |
| Cash interest paid | \$ 294 | \$ 195 |
| NON-CASH TRANSACTIONS | | |

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The Corporation acquired all the outstanding equity of XTO Energy Inc. in an all-stock transaction valued at \$24,659 million (see note 9).

The information in the Notes to Condensed Consolidated Financial Statements

is an integral part of these statements.

-5-

Table of Contents**EXXON MOBIL CORPORATION****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(millions of dollars)

| | ExxonMobil Share of Equity | | | | | | |
|---|----------------------------|------------------------|---------------------------------------|--|----------------------------------|----------------------------|-----------------|
| | Common Stock | Earnings Reinvested | Other Compre- hensive Income | Common Stock Held in Treasury | ExxonMobil Share of Equity | Noncontrolling Interest | Total Equity |
| Balance as of December 31, 2008 | \$ 5,314 | \$ 265,680 | \$ (9,931) | \$ (148,098) | \$ 112,965 | \$ 4,558 | \$ 117,523 |
| Amortization of stock-based awards | 364 | | | | 364 | | 364 |
| Tax benefits related to stock- based awards | 12 | | | | 12 | | 12 |
| Other | (430) | | | | (430) | | (430) |
| Net income for the period | | 8,500 | | | 8,500 | 148 | 8,648 |
| Dividends - common shares | | (4,020) | | | (4,020) | (133) | (4,153) |
| Foreign exchange translation adjustment | | | 1,530 | | 1,530 | 94 | 1,624 |
| Postretirement benefits reserves adjustment | | | (530) | | (530) | (4) | (534) |
| Amortization of postretirement benefits reserves adjustment included in periodic benefit costs | | | 682 | | 682 | 22 | 704 |
| Acquisitions at cost | | | | (13,098) | (13,098) | (124) | (13,222) |
| Dispositions | | | | 617 | 617 | | 617 |
| Balance as of June 30, 2009 | \$ 5,260 | \$ 270,160 | \$ (8,249) | \$ (160,579) | \$ 106,592 | \$ 4,561 | \$ 111,153 |
| Balance as of December 31, 2009 | \$ 5,503 | \$ 276,937 | \$ (5,461) | \$ (166,410) | \$ 110,569 | \$ 4,823 | \$ 115,392 |
| Amortization of stock-based awards | 365 | | | | 365 | | 365 |
| Tax benefits related to stock- based awards | 10 | | | | 10 | | 10 |
| Other | (396) | | | | (396) | 12 | (384) |
| Net income for the period | | 13,860 | | | 13,860 | 461 | 14,321 |
| Dividends - common shares | | (4,052) | | | (4,052) | (139) | (4,191) |
| Foreign exchange translation adjustment | | | (2,351) | | (2,351) | (13) | (2,364) |
| Postretirement benefits reserves adjustment | | | 363 | | 363 | 27 | 390 |
| Amortization of postretirement benefits reserves adjustment included in periodic benefit costs | | | 614 | | 614 | 26 | 640 |
| Change in fair value of cash flow hedges | | | 80 | | 80 | | 80 |
| Acquisitions at cost | | | | (4,063) | (4,063) | (2) | (4,065) |
| Issued for XTO merger | 3,520 | | | 21,139 | 24,659 | | 24,659 |
| Other dispositions | | | | 514 | 514 | | 514 |
| Balance as of June 30, 2010 | \$ 9,002 | \$ 286,745 | \$ (6,755) | \$ (148,820) | \$ 140,172 | \$ 5,195 | \$ 145,367 |

| Common Stock Share Activity | Six Months Ended June 30, 2010 | | | Six Months Ended June 30, 2009 | | |
|-----------------------------|--------------------------------|---------------------|-------------|--------------------------------|---------------------|-------------|
| | Issued | Held in Treasury | Outstanding | Issued | Held in Treasury | Outstanding |
| | (millions of shares) | | | (millions of shares) | | |
| Balance as of December 31 | 8,019 | (3,292) | 4,727 | 8,019 | (3,043) | 4,976 |
| Acquisitions | | (61) | (61) | | (183) | (183) |
| Issued for XTO merger | | 416 | 416 | | | |
| Other dispositions | | 10 | 10 | | 13 | 13 |
| Balance as of June 30 | 8,019 | (2,927) | 5,092 | 8,019 | (3,213) | 4,806 |

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

-6-

Table of Contents

EXXON MOBIL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies and Basis of Financial Statement Preparation

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 2009 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.

Derivative Instruments. The Corporation historically made limited use of derivative instruments. The Corporation does not engage in speculative derivative activities or derivative trading activities, nor does it use derivatives with leveraged features. When the Corporation does enter into derivative transactions, it is to offset exposures associated with interest rates, foreign currency exchange rates and hydrocarbon prices that arise from existing assets, liabilities and forecasted transactions. For derivatives designated as cash flow hedges, the Corporation's activity is intended to manage the price risk posed by physical transactions.

The Corporation records all derivatives on the balance sheet at fair value. The change in fair value of derivatives designated as fair value hedges is recognized in earnings, offset by the change in fair value of the hedged item. The change in fair value of derivatives designated as cash flow hedges is recorded in other comprehensive income and recognized in earnings when the hedged transaction is recognized in earnings. The change in fair value of derivatives not designated as hedging instruments is recognized in earnings. Any ineffectiveness between the derivative and the hedged item is recorded in earnings.

Hedge effectiveness is reviewed at least quarterly and is generally based on the most recent relevant correlation between the derivative and the item hedged. Hedge ineffectiveness is calculated based on the difference between the change in fair value of the derivative and change in cash flow or fair value of the items hedged. If it is determined that a derivative is no longer highly effective, hedge accounting is then discontinued and the change in fair value since inception that is on the balance sheet either as other comprehensive income for cash flow hedges, or the underlying hedged item for fair value hedges, is recorded in earnings.

Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Hierarchy Levels 1, 2 or 3 are terms for the priority of inputs to valuation techniques used to measure fair value. Hierarchy Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Hierarchy Level 2 inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability. Hierarchy Level 3 inputs are inputs that are not observable in the market.

Goodwill. Goodwill is the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill is evaluated for impairment on at least an annual basis.

Stock-Based Awards. The Corporation recognizes compensation expense for stock-based awards through amortization of the grant-date fair value over the requisite service period for each award.

2. Accounting Changes

Effective January 1, 2010, ExxonMobil adopted the authoritative guidance for variable-interest entities (VIEs). The guidance requires the enterprise to qualitatively assess if it is the primary beneficiary of the VIE and, if so, the VIE must be consolidated. The adoption of the guidance did not have a material impact on the Corporation's financial statements.

Table of Contents**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.

Other Contingencies

| | As of June 30, 2010 | | |
|------------------|----------------------------------|-------------------------------------|----------|
| | Equity Company Obligations | Other Third Party Obligations | Total |
| | (millions of dollars) | | |
| Total guarantees | \$ 5,650 | \$ 3,036 | \$ 8,686 |

The Corporation and certain of its consolidated subsidiaries were contingently liable at June 30, 2010, for \$8,686 million, primarily relating to guarantees for notes, loans and performance under contracts. Included in this amount were guarantees by consolidated affiliates of \$5,650 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 June 30, 2010, 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.

Table of Contents

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. An affiliate of 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. Both arbitration proceedings continue. 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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Net income including noncontrolling interests | \$ 7,746 | \$ 3,946 | \$ 14,321 | \$ 8,648 |
| Other comprehensive income (net of income taxes) | | | | |
| Foreign exchange translation adjustment | (1,847) | 3,035 | (2,364) | 1,624 |
| Postretirement benefits reserves adjustment (excluding amortization) | 178 | (492) | 390 | (534) |
| Amortization of postretirement benefits reserves adjustment included in net periodic benefit costs | 312 | 354 | 640 | 704 |
| Change in fair value of cash flow hedges | 80 | 0 | 80 | 0 |
| Comprehensive income including noncontrolling interests | 6,469 | 6,843 | 13,067 | 10,442 |
| Comprehensive income attributable to noncontrolling interests | 127 | 242 | 501 | 260 |
| Comprehensive income attributable to ExxonMobil | \$ 6,342 | \$ 6,601 | \$ 12,566 | \$ 10,182 |

5. Earnings Per Share

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| EARNINGS PER COMMON SHARE | | | | |
| Net income attributable to ExxonMobil (millions of dollars) | \$ 7,560 | \$ 3,950 | \$ 13,860 | \$ 8,500 |
| Weighted average number of common shares outstanding (millions of shares) | 4,716 | 4,851 | 4,720 | 4,896 |
| Earnings per common share (dollars) | \$ 1.61 | \$ 0.82 | \$ 2.94 | \$ 1.74 |
| EARNINGS PER COMMON SHARE - ASSUMING DILUTION | | | | |
| Net income attributable to ExxonMobil (millions of dollars) | \$ 7,560 | \$ 3,950 | \$ 13,860 | \$ 8,500 |
| Weighted average number of common shares outstanding (millions of shares) | 4,716 | 4,851 | 4,720 | 4,896 |
| Effect of employee stock-based awards | 13 | 20 | 13 | 20 |
| Weighted average number of common shares outstanding - assuming dilution | 4,729 | 4,871 | 4,733 | 4,916 |
| Earnings per common share - assuming dilution (dollars) | \$ 1.60 | \$ 0.81 | \$ 2.93 | \$ 1.73 |

The anti-dilutive options to purchase shares that have been excluded were de minimis.

Table of Contents**6. Pension and Other Postretirement Benefits**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------|------------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| (millions of dollars) | | | | |
| Pension Benefits - U.S. | | | | |
| Components of net benefit cost | | | | |
| Service cost | \$ 114 | \$ 106 | \$ 224 | \$ 209 |
| Interest cost | 200 | 202 | 399 | 404 |
| Expected return on plan assets | (182) | (164) | (363) | (328) |
| Amortization of actuarial loss/(gain) and prior service cost | 133 | 174 | 264 | 347 |
| Net pension enhancement and curtailment/settlement cost | 126 | 121 | 253 | 242 |
| Net benefit cost | \$ 391 | \$ 439 | \$ 777 | \$ 874 |
| Pension Benefits - Non-U.S. | | | | |
| Components of net benefit cost | | | | |
| Service cost | \$ 113 | \$ 100 | \$ 236 | \$ 203 |
| Interest cost | 283 | 275 | 579 | 536 |
| Expected return on plan assets | (242) | (216) | (494) | (421) |
| Amortization of actuarial loss/(gain) and prior service cost | 160 | 177 | 325 | 344 |
| Net pension enhancement and curtailment/settlement cost | 0 | 0 | 1 | 0 |
| Net benefit cost | \$ 314 | \$ 336 | \$ 647 | \$ 662 |
| Other Postretirement Benefits | | | | |
| Components of net benefit cost | | | | |
| Service cost | \$ 28 | \$ 23 | \$ 52 | \$ 50 |
| Interest cost | 108 | 104 | 211 | 214 |
| Expected return on plan assets | (11) | (2) | (20) | (18) |
| Amortization of actuarial loss/(gain) and prior service cost | 46 | 58 | 108 | 129 |
| Net benefit cost | \$ 171 | \$ 183 | \$ 351 | \$ 375 |

7. Financial and Derivative Instruments**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 of significance is long-term debt. The estimated fair value of total long-term debt, including capitalized lease obligations, was \$18.1 billion and \$7.7 billion, at June 30, 2010 and December 31, 2009, respectively, as compared to recorded book values of \$17.5 billion and \$7.1 billion at June 30, 2010 and December 31, 2009, respectively.

Derivative Instruments

The Corporation's size, strong capital structure, geographic diversity and the complementary nature of the Upstream, Downstream and Chemical businesses reduce the Corporation's enterprise-wide risk from changes in interest rates, currency rates and commodity prices. As a result, the Corporation historically made limited use of derivatives to mitigate the impact of such changes. The Corporation does not engage in speculative derivative activities or derivative trading activities nor does it use derivatives with leveraged features.

Table of Contents

When the Corporation does enter into derivative transactions, it is to offset exposures associated with interest rates, foreign currency exchange rates and hydrocarbon prices that arise from existing assets, liabilities and forecasted transactions. For derivatives designated as cash flow hedges, the Corporation's activity is intended to manage the price risk posed by physical transactions.

The estimated fair value of derivative instruments outstanding is summarized below. Derivative instruments of \$995 million acquired as a result of the XTO merger are included in June 30, 2010, amounts and once the current positions settle, these programs will be discontinued.

| | Not Designated as a Hedge | | Fair Value Hedge | | Cash Flow Hedge | | Total Derivatives | |
|--|---------------------------|----------------|------------------|---------------|-----------------|---------------|-------------------|---------------|
| | June 30, 2010 | Dec. 31, 2009 | June 30, 2010 | Dec. 31, 2009 | June 30, 2010 | Dec. 31, 2009 | June 30, 2010 | Dec. 31, 2009 |
| | (millions of dollars) | | | | | | | |
| Other current assets | \$ 49 | \$ 30 | \$ 1 | \$ 20 | \$ 949 | \$ 0 | \$ 999 | \$ 50 |
| Other assets | 4 | 0 | 0 | 0 | 74 | 0 | 78 | 0 |
| Total assets | 53 | 30 | 1 | 20 | 1,023 | 0 | 1,077 | 50 |
| Accounts payable and accrued liabilities | 24 | 54 | 15 | 1 | 32 | 0 | 71 | 55 |
| Other long-term obligations | 2 | 0 | 0 | 0 | 3 | 0 | 5 | 0 |
| Total liabilities | 26 | 54 | 15 | 1 | 35 | 0 | 76 | 55 |
| Total net asset/(liability) | \$ 27 | \$ (24) | \$ (14) | \$ 19 | \$ 988 | \$ 0 | \$ 1,001 | \$ (5) |

The fair value measurement hierarchy level associated with the Corporation's derivative instruments is summarized below.

| | June 30, 2010 | | December 31, 2009 | |
|---------------------------------------|--|---|--|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| | (millions of dollars) | | | |
| Commodity derivative instruments | \$ 1 | \$ 1,015 | \$ (23) | \$ (2) |
| Foreign currency exchange instruments | \$ 0 | \$ (15) | \$ 0 | \$ 20 |

The Corporation's fair value measurement of its derivative instruments includes Level 1 inputs for derivatives that are traded directly on the NYMEX and Level 2 inputs for derivatives that are determined by either market prices on an active market for similar assets or by prices quoted by a broker or other market-corroborated prices.

For the three months and six months ended June 30, 2010, the before tax earnings impact of the Corporation's derivative activity, net of the fair value change of physical commitments associated with fair value hedges, was a gain of \$24 million and \$33 million, respectively, versus a loss of \$87 million and \$88 million for the three months and six months ended June 30, 2009, respectively.

Table of Contents

The principal commodity futures contracts and swap agreements acquired as part of the XTO merger that are in place as of June 30, 2010, are summarized below. These derivative contracts are designated and qualify for cash flow hedge accounting. The Corporation will receive the cash flow related to these derivative contracts at the prices indicated below. However, the amount of gain or loss realized from these contracts will be limited to the change in fair value of the derivative instruments from the acquisition date.

| Product | Production Period | Volume <i>(millions of cubic feet daily)</i> | Weighted Average NYMEX Price <i>(per thousand cubic feet)</i> |
|----------------|--------------------------|--|---|
| Natural Gas | July - December 2010 | 1,250 | \$7.49 |
| | January - December 2011 | 250 | \$7.02 |
| Crude Oil | July - December 2010 | <i>(thousands of barrels daily)</i> 70 | <i>(per barrel)</i> \$95.70 |

The Corporation believes that there are no material market or credit risks to the Corporation's financial position, results of operations or liquidity as a result of the derivative activities described above.

Table of Contents**8. Disclosures about Segments and Related Information**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| (millions of dollars) | | | | |
| EARNINGS AFTER INCOME TAX | | | | |
| Upstream | | | | |
| United States | \$ 865 | \$ 813 | \$ 1,956 | \$ 1,173 |
| Non-U.S. | 4,471 | 2,999 | 9,194 | 6,142 |
| Downstream | | | | |
| United States | 440 | (15) | 380 | 337 |
| Non-U.S. | 780 | 527 | 877 | 1,308 |
| Chemical | | | | |
| United States | 685 | 79 | 1,224 | 162 |
| Non-U.S. | 683 | 288 | 1,393 | 555 |
| All other | (364) | (741) | (1,164) | (1,177) |
| Corporate total | \$ 7,560 | \$ 3,950 | \$ 13,860 | \$ 8,500 |
| SALES AND OTHER OPERATING REVENUE (1) | | | | |
| Upstream | | | | |
| United States | \$ 1,081 | \$ 753 | \$ 2,347 | \$ 1,574 |
| Non-U.S. | 5,950 | 5,101 | 12,258 | 10,277 |
| Downstream | | | | |
| United States | 23,700 | 18,853 | 45,513 | 34,046 |
| Non-U.S. | 49,883 | 41,238 | 98,740 | 77,223 |
| Chemical | | | | |
| United States | 3,425 | 2,317 | 6,822 | 4,165 |
| Non-U.S. | 5,649 | 3,897 | 11,042 | 7,000 |
| All other | 5 | 8 | 8 | 10 |
| Corporate total | \$ 89,693 | \$ 72,167 | \$ 176,730 | \$ 134,295 |
| <i>(1) Includes sales-based taxes</i> | | | | |
| INTERSEGMENT REVENUE | | | | |
| Upstream | | | | |
| United States | \$ 1,944 | \$ 1,615 | \$ 4,088 | \$ 2,819 |
| Non-U.S. | 9,314 | 7,250 | 18,866 | 13,826 |
| Downstream | | | | |
| United States | 3,650 | 2,568 | 7,034 | 4,237 |
| Non-U.S. | 12,254 | 9,525 | 25,211 | 16,404 |
| Chemical | | | | |
| United States | 2,614 | 1,834 | 4,922 | 3,055 |
| Non-U.S. | 2,117 | 1,647 | 4,154 | 2,931 |
| All other | 68 | 72 | 138 | 143 |

Table of Contents**9. Acquisition of XTO Energy Inc.**Description of the Transaction

On June 25, 2010, ExxonMobil acquired XTO Energy Inc. (XTO) by merging a wholly-owned subsidiary of ExxonMobil with and into XTO (the merger), with XTO continuing as the surviving corporation and wholly-owned subsidiary of ExxonMobil. XTO is involved in the exploration for, production of, and transportation and sale of crude oil and natural gas. XTO's asset base, technical capabilities and operating expertise together with ExxonMobil's extensive research and development expertise, project management and operational skills, global scale and financial capacity, should enable effective development of additional supplies of unconventional oil and gas resources.

At the effective time of the merger, each share of XTO common stock was converted into the right to receive 0.7098 shares of common stock of ExxonMobil (the Exchange Ratio), with cash being paid in lieu of any fractional shares of ExxonMobil stock. Also at the effective time, each outstanding option to purchase XTO common stock was converted into an option to purchase a number of shares of ExxonMobil stock based on the Exchange Ratio, and each outstanding restricted stock award and performance stock award of XTO was converted into a restricted stock award or performance stock award, as applicable, of ExxonMobil stock based on the Exchange Ratio.

The components of the consideration transferred follow:

| | (millions of dollars) |
|---|-----------------------|
| Consideration attributable to stock issued (1) (2) | \$ 24,480 |
| Consideration attributable to converted stock options (2) | 179 |
| Total consideration transferred | \$ 24,659 |

(1) The fair value of the Corporation's common stock on the acquisition date was \$59.10 per share based on the closing value on the NYSE. The Corporation issued 416 million shares of stock previously held in treasury. The treasury stock issued, based on the average cost, was valued at \$21,139 million. The excess of the fair value of the consideration transferred over the cost of treasury stock issued was \$3,520 million and was included in common stock without par value.

(2) The portion of the fair value of XTO converted stock-based awards attributable to pre-merger employee service was part of consideration. The remaining fair value of the awards will be recognized in future periods over the requisite service period.

Recording of Assets Acquired and Liabilities Assumed

The transaction was accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date.

The following table summarizes the assets acquired and liabilities assumed:

| | (millions of dollars) |
|---|-----------------------|
| Cash and cash equivalents | \$ 47 |
| Notes and accounts receivable | 925 |
| Inventories | 170 |
| Other current assets (1) | 911 |
| Investments, advances and long-term receivables | 52 |
| Property, plant and equipment (2) | 47,300 |
| Identifiable intangible assets (3) | 493 |
| Goodwill (4) | 39 |
| Other assets (1) | 75 |

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| | | |
|--|----|--------|
| Total assets acquired | \$ | 50,012 |
| Notes and loans payable (5) | \$ | 1,026 |
| Accounts payable and accrued liabilities (1) (6) | | 1,788 |
| Income taxes payable | | (199) |
| Long-term debt (5) | | 10,574 |
| Postretirement benefits reserves | | 65 |
| Deferred income tax liabilities (6) | | 11,204 |
| Other long-term obligations (1) | | 895 |
| Total liabilities assumed | \$ | 25,353 |
| Net assets acquired | \$ | 24,659 |

Table of Contents

- (1) Derivatives were measured using Level 1 inputs for derivatives that are traded directly on the NYMEX and Level 2 inputs for derivatives that are determined by either market prices on an active market for similar assets or by prices quoted by a broker or other market-corroborated prices.
- (2) Property, plant and equipment were measured primarily using an income approach. The fair value measurements of the oil and gas assets were based, in part, on significant inputs not observable in the market and thus represent a Level 3 measurement. The significant inputs included XTO resources, assumed future production profiles, commodity prices (mainly based on observable market inputs), risk adjusted discount rate of 7.0 percent, inflation of 2.0 percent and assumptions on the timing and amount of future development and operating costs. The property, plant and equipment additions were segmented to the Upstream business, with substantially all of the assets in the United States.
- (3) Identifiable intangible assets and other assets were measured using a combination of an income approach and a market approach (Level 3). Identifiable intangible assets will be amortized over 20 years.
- (4) Goodwill was the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was recognized in the Upstream reporting unit. Goodwill is not amortized and is not deductible for tax purposes.
- (5) Long-term debt was recognized mainly at market rates at closing (Level 1). Long-term debt at closing was as follows:

| | (millions of dollars) |
|---|-----------------------|
| Bank Debt: | |
| Commercial Paper | \$ 175 |
| Term loan due April 1, 2013, 0.775% | 500 |
| Term loan due February 5, 2013, 0.697% | 100 |
| Senior Notes: | |
| 5.000% due 2010 includes premium of \$1 | 251 |
| 7.500% due 2012 includes premium of \$39 | 389 |
| 5.900% due 2012 includes premium of \$51 | 601 |
| 6.250% due 2013 includes premium of \$51 | 451 |
| 4.625% due 2013 includes premium of \$31 | 431 |
| 5.750% due 2013 includes premium of \$66 | 566 |
| 4.900% due 2014 includes premium of \$45 | 545 |
| 5.000% due 2015 includes premium of \$40 | 388 |
| 5.300% due 2015 includes premium of \$53 | 453 |
| 5.650% due 2016 includes premium of \$58 | 458 |
| 6.250% due 2017 includes premium of \$138 | 874 |
| 5.500% due 2018 includes premium of \$108 | 880 |
| 6.500% due 2018 includes premium of \$209 | 1,209 |
| 6.100% due 2036 includes premium of \$101 | 692 |
| 6.750% due 2037 includes premium of \$379 | 1,778 |
| 6.375% due 2038 includes premium of \$155 | 859 |
| Total Debt | \$ 11,600 |
| Less: Current portion | 1,026 |
| Long-term Debt | \$ 10,574 |

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The amounts of long-term debt maturing in each of the four years after December 31, 2010, in millions of dollars, are: 2011 \$0, 2012 \$900, 2013 \$1,300 and 2014 \$500.

During the quarter ended June 30, 2010, the commercial paper was repaid. Following the end of the second quarter, XTO term loans of \$600 million were repaid and XTO fixed-rate bonds with a book value of \$2.5 billion were repurchased via tender offers.

-15-

Table of Contents

- (6) Deferred income taxes reflect the temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The deferred income taxes recorded as part of the XTO merger were:

| | (millions of dollars) |
|---------------------------------------|-----------------------|
| Property, plant and equipment | \$ 12,238 |
| Other | 367 |
| Total deferred tax liabilities | \$ 12,605 |
| Asset retirement obligations | \$ (324) |
| Other | (769) |
| Total deferred tax assets | \$ (1,093) |
| Net deferred tax liabilities | \$ 11,512 |

Deferred income tax (assets) and liabilities are included in the table summarizing assets acquired and liabilities assumed as shown below.

| | (millions of dollars) |
|--|-----------------------|
| Accounts payable and accrued liabilities | \$ 308 |
| Deferred income tax liabilities | 11,204 |
| Net deferred tax liabilities | \$ 11,512 |

Actual and Pro Forma Impact of Merger

The revenues and earnings for XTO included in the Corporation's condensed consolidated statement of income for the three months and six months ended June 30, 2010, were de minimis.

Transaction-related costs were expensed as incurred. The Corporation recognized less than \$15 million in transaction costs related to the merger in the six months ended June 30, 2010.

The following table presents pro forma information for the Corporation as if the merger of XTO had occurred at the beginning of each year presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|-----------|------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars, except per share amounts) | | | |
| Revenues | \$ 91,196 | \$ 73,608 | \$ 179,949 | \$ 137,058 |
| Net income attributable to ExxonMobil | \$ 7,372 | \$ 3,757 | \$ 13,672 | \$ 8,118 |
| Earnings per common share (dollars) | \$ 1.45 | \$ 0.72 | \$ 2.67 | \$ 1.53 |
| Earnings per common share assuming dilution (dollars) | \$ 1.44 | \$ 0.71 | \$ 2.66 | \$ 1.52 |

The historical financial information was adjusted to give effect to the pro forma events that were directly attributable to the merger and factually supportable. The unaudited pro forma consolidated results are not necessarily indicative of what our consolidated results of operations actually would have been had we completed the merger on January 1, 2010, or on January 1, 2009. In addition, the unaudited pro forma consolidated

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results do not purport to project the future results of operations of the combined company. The unaudited pro forma consolidated results reflect pro forma adjustments for the elimination of deferred gains and

Table of Contents

losses recognized in earnings for derivatives outstanding at the beginning of the year presented, additional depreciation expense related to the fair value adjustment to property, plant and equipment acquired, additional amortization expense related to the fair value of identifiable intangible assets acquired, capitalization of interest expense and applicable income tax impacts.

Incentive Program

Under the terms of the merger agreement, outstanding XTO stock-based awards were converted into ExxonMobil stock-based awards based on the merger exchange ratio. The converted XTO awards, granted under XTO's 1998 or 2004 Stock Incentive Plans, include restricted stock awards, stock options and performance stock awards. The grant date for the converted XTO awards is considered to be the effective date of the merger for purposes of calculating fair value. Compensation cost for the converted XTO awards will be recognized in income over the requisite service period. The maximum term of the XTO awards is ten years under the 1998 plan and seven years under the 2004 plan. No additional awards will be issued under either XTO plan. In connection with the closing of the merger, the Corporation also made new grants of restricted stock under the Corporation's 2003 Incentive Program to certain current or former XTO employees as described in more detail below.

Restricted Stock

Long-term incentive awards totaling 4,206 thousand of restricted (nonvested) common stock were granted in association with the XTO merger. This included the granting of 1,423 thousand of restricted common stock awards under the Corporation's 2003 Incentive Program and 2,783 thousand of converted XTO restricted common stock awards. Compensation cost for the restricted stock awards is based on the price of the stock at the date of grant. During the applicable restriction periods, the shares may not be sold or transferred and are subject to forfeiture. Otherwise, holders of restricted stock awards generally have all voting, dividend and other rights of other common stockholders.

The majority of the awards granted under the Corporation's 2003 Incentive Program have graded vesting periods, with 50 percent of the shares in each award vesting after three years and the remaining 50 percent vesting after seven years. In addition, awards granted to certain former senior executives of XTO in connection with consulting agreements negotiated as part of the merger have vesting periods of one year for 50 percent of the award and of two or three years for the remaining 50 percent of the award, depending on the actual term of the consulting engagements.

The majority of the converted XTO awards vest in three installments over a period of three years or three and a half years after the initial grant. The remainder of converted XTO awards which were granted to certain senior XTO employees will vest on the first anniversary of the effective date of the merger.

The following table summarizes information about the merger related restricted stock awards issued.

| Restricted Stock | Shares (thousands) | Fair Value at Date of Grant (millions of dollars) | Weighted Average Grant-Date Fair Value per Share |
|---------------------------|-------------------------------|--|---|
| Awards granted under 2003 | | | |
| Incentive Program | 1,423 | \$ 85 | \$ 59.67 |
| Converted XTO awards | 2,783 | \$ 165 | \$ 59.13 |

Unrecognized compensation cost of \$175 million related to the restricted stock awards detailed above is expected to be recognized over a weighted average period of 3.1 years.

Table of Contents

Performance Stock

The Corporation granted 157 thousand of converted XTO performance stock awards. Compensation cost for the performance stock awards is based on the estimated grant date fair values. The XTO performance stock awards vest depending on the achievement of certain XTO common stock price thresholds. Upon conversion of these awards to ExxonMobil performance stock awards in connection with the merger, the performance thresholds were adjusted to equivalent market price thresholds for common stock of the Corporation. The performance stock awards are subject to forfeiture if the performance criteria are not met within the maximum term. Otherwise, holders of performance stock awards generally have all voting, dividend and other rights of other common stockholders. The table below shows the number of shares and vesting prices of these converted performance stock awards.

Performance Stock

| Awards (in thousands) | Vesting Price |
|--------------------------|---------------|
| 55 | \$ 70.45 |
| 51 | \$ 108.49 |
| 51 | \$ 119.76 |

The following table summarizes information about the merger related performance stock awards issued.

| Performance stock | Shares (thousands) | Fair Value at Date of Grant (millions of dollars) | Weighted Average Grant-Date Fair Value per Share |
|----------------------|-----------------------|--|--|
| Converted XTO awards | 157 | \$ 5 | \$ 30.64 |

Unrecognized compensation cost of \$4 million related to the performance stock awards detailed above is expected to be recognized over a weighted average period of 1.2 years.

Stock Options

The Corporation granted 12,393 thousand of converted XTO stock options as a result of the XTO merger. The converted XTO stock option awards are accounted for under current authoritative guidance which requires the measurement and recognition of compensation expense based on estimated grant date fair values. The stock options granted by XTO generally vest and become exercisable ratably over a three-year period, and may include a provision for accelerated vesting when the common stock price reaches specified levels. Some stock option tranches vest only when the common stock price reaches specified levels. Upon conversion of these stock options to ExxonMobil stock options in connection with the merger, the performance thresholds were adjusted to equivalent market price thresholds for common stock of the Corporation. The table below shows the terms under which the converted XTO stock option awards vest.

| Unvested Stock Options (in thousands) | Vesting Term/Price |
|--|----------------------|
| 206 | Ratably over 3 years |
| 190 | \$ 70.45 |
| 189 | \$ 76.08 |
| 1 | \$ 77.49 |
| 307 | \$ 126.80 |

Table of Contents

The following table summarizes information about the merger related stock options issued.

| Stock Options | Shares (thousands) | Fair Value | Average Exercise Price | Weighted |
|----------------------|-----------------------|--|------------------------------|--|
| | | at Date of Grant (millions of dollars) | | Average Remaining Contractual Term |
| Converted XTO awards | 12,393 | \$ 182 | \$ 55.15 | 3.6 years |
| Exercisable | 11,500 | \$ 176 | \$ 53.36 | 3.4 years |

The intrinsic value for these stock options is \$129 million. Unrecognized compensation cost of \$3 million related to the non-vested stock options detailed above is expected to be recognized over a weighted average period of 1.3 years.

Estimated Fair Value of Grants

For restricted stock grants, the fair value was equal to the price of the common stock on the grant date. For the converted XTO stock options and performance stock, the Corporation used a Monte Carlo simulation model to estimate fair value. The Monte Carlo simulation model requires inputs for the risk-free interest rate, dividend yield, volatility, contract term, target vesting price, post-vesting turnover rate and suboptimal exercise factor. Expected life, derived vesting period and fair value are outputs of this model.

The risk-free interest rate is based on the constant maturity nominal rates of U.S. Treasury securities with remaining lives throughout the contract term on the day of the grant. The dividend yield is the expected common stock annual dividend yield over the expected life of the option or performance stock, expressed as a percentage of the stock price on the date of grant. The volatility factors are based on a combination of both the historical volatilities of ExxonMobil's stock and the implied volatility of traded options on ExxonMobil common stock. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by certain employees who receive stock option grants, and subsequent events are not indicative of the reasonableness of the original fair value estimates.

The total estimated fair value calculated at acquisition for the converted XTO stock-based awards was \$352 million.

Fair values were determined using the following assumptions:

| | |
|---|---------------|
| Weighted average expected term (years) | 2.5 |
| Range of risk-free interest rates | 0.1% - 2.6% |
| Weighted average risk-free interest rates | 0.9% |
| Dividend yield | 3.0% |
| Weighted average volatility | 28.5% |
| Range of volatility | 22.5% - 33.6% |

Table of Contents**10. 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 (\$2,267 million long-term at June 30, 2010) and the debt securities due 2010-2011 (\$13 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 <i>(millions of dollars)</i> | Consolidating and Eliminating Adjustments | Consolidated |
|--|---|---|---|--|---------------|
| <u>Condensed consolidated statement of income for three months ended June 30, 2010</u> | | | | | |
| Revenues and other income | | | | | |
| Sales and other operating revenue, including | | | | | |
| sales-based taxes | \$ 3,854 | \$ | \$ 85,839 | \$ | \$ 89,693 |
| Income from equity affiliates | 7,375 | | 2,215 | (7,346) | 2,244 |
| Other income | 235 | | 314 | | 549 |
| Intercompany revenue | 9,600 | 1 | 80,955 | (90,556) | |
| Total revenues and other income | 21,064 | 1 | 169,323 | (97,902) | 92,486 |
| Costs and other deductions | | | | | |
| Crude oil and product purchases | 10,541 | | 125,956 | (88,028) | 48,469 |
| Production and manufacturing expenses | 1,832 | | 7,849 | (1,305) | 8,376 |
| Selling, general and administrative expenses | 736 | | 3,049 | (178) | 3,607 |
| Depreciation and depletion | 440 | | 2,926 | | 3,366 |
| Exploration expenses, including dry holes | 53 | | 354 | | 407 |
| Interest expense | 64 | 62 | 975 | (1,061) | 40 |
| Sales-based taxes | | | 6,946 | | 6,946 |
| Other taxes and duties | 7 | | 8,562 | | 8,569 |
| Total costs and other deductions | 13,673 | 62 | 156,617 | (90,572) | 79,780 |
| Income before income taxes | 7,391 | (61) | 12,706 | (7,330) | 12,706 |
| Income taxes | (169) | (22) | 5,151 | | 4,960 |
| Net income including noncontrolling interests | 7,560 | (39) | 7,555 | (7,330) | 7,746 |
| Net income attributable to noncontrolling interests | | | 186 | | 186 |
| Net income attributable to ExxonMobil | \$ 7,560 | \$ (39) | \$ 7,369 | \$ (7,330) | \$ 7,560 |

Table of Contents

| | Exxon Mobil Corporation Parent Guarantor | SeaRiver Maritime Financial Holdings Inc. | All Other Subsidiaries <i>(millions of dollars)</i> | Consolidating and Eliminating Adjustments | Consolidated |
|---|---|---|---|--|----------------|
| <u>Condensed consolidated statement of income for three months ended June 30, 2009</u> | | | | | |
| Revenues and other income | | | | | |
| Sales and other operating revenue, | | | | | |
| including sales-based taxes | \$ 2,633 | \$ | \$ 69,534 | \$ | \$ 72,167 |
| Income from equity affiliates | 4,271 | (3) | 1,560 | (4,245) | 1,583 |
| Other income | 440 | | 267 | | 707 |
| Intercompany revenue | 7,441 | 1 | 64,665 | (72,107) | |
| Total revenues and other income | 14,785 | (2) | 136,026 | (76,352) | 74,457 |
| Costs and other deductions | | | | | |
| Crude oil and product purchases | 7,511 | | 98,426 | (69,034) | 36,903 |
| Production and manufacturing expenses | 1,913 | | 7,458 | (1,342) | 8,029 |
| Selling, general and administrative expenses | 560 | | 3,128 | (169) | 3,519 |
| Depreciation and depletion | 361 | | 2,643 | | 3,004 |
| Exploration expenses, including dry holes | 77 | | 413 | | 490 |
| Interest expense | 597 | 56 | 1,272 | (1,582) | 343 |
| Sales-based taxes | | | 6,216 | | 6,216 |
| Other taxes and duties | (43) | | 8,479 | | 8,436 |
| Total costs and other deductions | 10,976 | 56 | 128,035 | (72,127) | 66,940 |
| Income before income taxes | 3,809 | (58) | 7,991 | (4,225) | 7,517 |
| Income taxes | (141) | (21) | 3,733 | | 3,571 |
| Net income including noncontrolling interests | 3,950 | (37) | 4,258 | (4,225) | 3,946 |
| Net income attributable to noncontrolling interests | | | (4) | | (4) |
| Net income attributable to ExxonMobil | \$ 3,950 | \$ (37) | \$ 4,262 | \$ (4,225) | \$ 3,950 |
| <u>Condensed consolidated statement of income for six months ended June 30, 2010</u> | | | | | |
| Revenues and other income | | | | | |
| Sales and other operating revenue, including sales-based taxes | | | | | |
| | \$ 7,787 | \$ | \$ 168,943 | \$ | \$ 176,730 |
| Income from equity affiliates | 13,587 | | 4,729 | (13,535) | 4,781 |
| Other income | 297 | | 929 | | 1,226 |
| Intercompany revenue | 19,086 | 2 | 161,601 | (180,689) | |
| Total revenues and other income | 40,757 | 2 | 336,202 | (194,224) | 182,737 |
| Costs and other deductions | | | | | |
| Crude oil and product purchases | 20,341 | | 250,591 | (175,678) | 95,254 |
| Production and manufacturing expenses | 3,769 | | 15,653 | (2,611) | 16,811 |
| Selling, general and administrative expenses | 1,466 | | 6,001 | (346) | 7,121 |
| Depreciation and depletion | 858 | | 5,788 | | 6,646 |
| Exploration expenses, including dry holes | 128 | | 965 | | 1,093 |
| Interest expense | 132 | 123 | 1,929 | (2,089) | 95 |
| Sales-based taxes | | | 13,761 | | 13,761 |
| Other taxes and duties | 15 | | 17,167 | | 17,182 |
| Total costs and other deductions | 26,709 | 123 | 311,855 | (180,724) | 157,963 |

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| | | | | | |
|---|-----------|---------|-----------|-------------|-----------|
| Income before income taxes | 14,048 | (121) | 24,347 | (13,500) | 24,774 |
| Income taxes | 188 | (45) | 10,310 | | 10,453 |
| Net income including noncontrolling interests | 13,860 | (76) | 14,037 | (13,500) | 14,321 |
| Net income attributable to noncontrolling interests | | | 461 | | 461 |
| Net income attributable to ExxonMobil | \$ 13,860 | \$ (76) | \$ 13,576 | \$ (13,500) | \$ 13,860 |

-21-

Table of Contents

| | Exxon Mobil Corporation Parent Guarantor | SeaRiver Maritime Financial Holdings Inc. | All Other Subsidiaries <i>(millions of dollars)</i> | Consolidating and Eliminating Adjustments | Consolidated |
|--|---|---|---|--|----------------|
| <u>Condensed consolidated statement of income for six months ended June 30, 2009</u> | | | | | |
| Revenues and other income | | | | | |
| Sales and other operating revenue, including sales-based taxes | \$ 4,800 | \$ | \$ 129,495 | \$ | \$ 134,295 |
| Income from equity affiliates | 9,023 | 4 | 3,010 | (8,984) | 3,053 |
| Other income | 585 | | 552 | | 1,137 |
| Intercompany revenue | 13,306 | 2 | 117,300 | (130,608) | |
| Total revenues and other income | 27,714 | 6 | 250,357 | (139,592) | 138,485 |
| Costs and other deductions | | | | | |
| Crude oil and product purchases | 12,585 | | 176,277 | (124,165) | 64,697 |
| Production and manufacturing expenses | 3,879 | | 14,752 | (2,623) | 16,008 |
| Selling, general and administrative expenses | 1,218 | | 6,096 | (347) | 6,967 |
| Depreciation and depletion | 728 | | 5,069 | | 5,797 |
| Exploration expenses, including dry holes | 132 | | 709 | | 841 |
| Interest expense | 958 | 111 | 2,894 | (3,513) | 450 |
| Sales-based taxes | | | 12,122 | | 12,122 |
| Other taxes and duties | (34) | | 16,270 | | 16,236 |
| Total costs and other deductions | 19,466 | 111 | 234,189 | (130,648) | 123,118 |
| Income before income taxes | 8,248 | (105) | 16,168 | (8,944) | 15,367 |
| Income taxes | (252) | (41) | 7,012 | | 6,719 |
| Net income including noncontrolling interests | 8,500 | (64) | 9,156 | (8,944) | 8,648 |
| Net income attributable to noncontrolling interests | | | 148 | | 148 |
| Net income attributable to ExxonMobil | \$ 8,500 | \$ (64) | \$ 9,008 | \$ (8,944) | \$ 8,500 |

Table of Contents

| | Exxon Mobil Corporation Parent Guarantor | SeaRiver Maritime Financial Holdings Inc. | All Other Subsidiaries <i>(millions of dollars)</i> | Consolidating and Eliminating Adjustments | Consolidated |
|---|---|---|---|--|-------------------|
| Condensed consolidated balance sheet as of June 30, 2010 | | | | | |
| Cash and cash equivalents | \$ 603 | \$ | \$ 12,649 | \$ | \$ 13,252 |
| Marketable securities | | | 15 | | 15 |
| Notes and accounts receivable - net | 2,608 | 25 | 27,389 | (816) | 29,206 |
| Inventories | 1,576 | | 11,863 | | 13,439 |
| Other current assets | 427 | | 5,877 | | 6,304 |
| Total current assets | 5,214 | 25 | 57,793 | (816) | 62,216 |
| Property, plant and equipment - net | 18,327 | | 169,742 | | 188,069 |
| Investments and other assets | 231,569 | 473 | 454,154 | (645,413) | 40,783 |
| Intercompany receivables | 22,621 | 2,407 | 444,579 | (469,607) | |
| Total assets | \$ 277,731 | \$ 2,905 | \$ 1,126,268 | \$ (1,115,836) | \$ 291,068 |
| Notes and loan payables | \$ 6 | \$ 13 | \$ 2,927 | \$ | \$ 2,946 |
| Accounts payable and accrued liabilities | 2,874 | | 42,580 | | 45,454 |
| Income taxes payable | | | 10,237 | (816) | 9,421 |
| Total current liabilities | 2,880 | 13 | 55,744 | (816) | 57,821 |
| Long-term debt | 296 | 2,280 | 14,910 | | 17,486 |
| Postretirement benefits reserves | 8,961 | | 8,182 | | 17,143 |
| Deferred income tax liabilities | 869 | 131 | 33,283 | | 34,283 |
| Other long-term obligations | 5,163 | | 13,805 | | 18,968 |
| Intercompany payables | 119,390 | 382 | 349,835 | (469,607) | |
| Total liabilities | 137,559 | 2,806 | 475,759 | (470,423) | 145,701 |
| Earnings reinvested | 286,745 | (770) | 117,827 | (117,057) | 286,745 |
| Other ExxonMobil equity | (146,573) | 869 | 527,487 | (528,356) | (146,573) |
| ExxonMobil share of equity | 140,172 | 99 | 645,314 | (645,413) | 140,172 |
| Noncontrolling interests | | | 5,195 | | 5,195 |
| Total equity | 140,172 | 99 | 650,509 | (645,413) | 145,367 |
| Total liabilities and equity | \$ 277,731 | \$ 2,905 | \$ 1,126,268 | \$ (1,115,836) | \$ 291,068 |
| Condensed consolidated balance sheet as of December 31, 2009 | | | | | |
| Cash and cash equivalents | \$ 449 | \$ | \$ 10,244 | \$ | \$ 10,693 |
| Marketable securities | | | 169 | | 169 |
| Notes and accounts receivable - net | 2,050 | | 25,858 | (263) | 27,645 |
| Inventories | 1,202 | | 10,351 | | 11,553 |
| Other current assets | 313 | | 4,862 | | 5,175 |
| Total current assets | 4,014 | | 51,484 | (263) | 55,235 |
| Property, plant and equipment - net | 18,015 | | 121,101 | | 139,116 |
| Investments and other assets | 199,317 | 473 | 446,788 | (607,606) | 38,972 |
| Intercompany receivables | 19,637 | 2,257 | 442,903 | (464,797) | |
| Total assets | \$ 240,983 | \$ 2,730 | \$ 1,062,276 | \$ (1,072,666) | \$ 233,323 |

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| | | | | | |
|--|------------|----------|--------------|----------------|------------|
| Notes and loan payables | \$ 43 | \$ 13 | \$ 2,420 | \$ | \$ 2,476 |
| Accounts payable and accrued liabilities | 2,779 | | 38,496 | | 41,275 |
| Income taxes payable | | 2 | 8,571 | (263) | 8,310 |
| Total current liabilities | 2,822 | 15 | 49,487 | (263) | 52,061 |
| Long-term debt | 279 | 2,157 | 4,693 | | 7,129 |
| Postretirement benefits reserves | 8,673 | | 9,269 | | 17,942 |
| Deferred income tax liabilities | 818 | 151 | 22,179 | | 23,148 |
| Other long-term obligations | 5,286 | | 12,365 | | 17,651 |
| Intercompany payables | 112,536 | 382 | 351,879 | (464,797) | |
| Total liabilities | 130,414 | 2,705 | 449,872 | (465,060) | 117,931 |
| Earnings reinvested | 276,937 | (694) | 109,603 | (108,909) | 276,937 |
| Other ExxonMobil equity | (166,368) | 719 | 497,978 | (498,697) | (166,368) |
| ExxonMobil share of equity | 110,569 | 25 | 607,581 | (607,606) | 110,569 |
| Noncontrolling interests | | | 4,823 | | 4,823 |
| Total equity | 110,569 | 25 | 612,404 | (607,606) | 115,392 |
| Total liabilities and equity | \$ 240,983 | \$ 2,730 | \$ 1,062,276 | \$ (1,072,666) | \$ 233,323 |

-23-

Table of Contents

| | Exxon Mobil Corporation Parent Guarantor | SeaRiver Maritime Financial Holdings Inc. | All Other Subsidiaries <i>(millions of dollars)</i> | Consolidating and Eliminating Adjustments | Consolidated |
|---|---|--|--|--|---------------------|
| <u>Condensed consolidated statement of cash flows for six months ended June 30, 2010</u> | | | | | |
| Cash provided by/(used in) operating activities | \$ 30,671 | \$ 1 | \$ (3,039) | \$ (5,352) | \$ 22,281 |
| Cash flows from investing activities | | | | | |
| Additions to property, plant and equipment | (1,234) | | (10,166) | | (11,400) |
| Sales of long-term assets | 319 | | 533 | | 852 |
| Net intercompany investing | (21,586) | (151) | 21,383 | 354 | |
| All other investing, net | | | 303 | | 303 |
| Net cash provided by/(used in) investing activities | (22,501) | (151) | 12,053 | 354 | (10,245) |
| Cash flows from financing activities | | | | | |
| Additions to long-term debt | | | 33 | | 33 |
| Reductions in long-term debt | | | (16) | | (16) |
| Additions/(reductions) in short-term debt - net | (40) | | (657) | | (697) |
| Cash dividends | (4,052) | | (5,352) | 5,352 | (4,052) |
| Net ExxonMobil shares sold/(acquired) | (3,952) | | | | (3,952) |
| Net intercompany financing activity | | | 204 | (204) | |
| All other financing, net | 28 | 150 | (141) | (150) | (113) |
| Net cash provided by/(used in) financing activities | (8,016) | 150 | (5,929) | 4,998 | (8,797) |
| Effects of exchange rate changes on cash | | | (680) | | (680) |
| Increase/(decrease) in cash and cash equivalents | \$ 154 | \$ | \$ 2,405 | \$ | \$ 2,559 |
| <u>Condensed consolidated statement of cash flows for six months ended June 30, 2009</u> | | | | | |
| Cash provided by/(used in) operating activities | \$ (2,130) | \$ 1 | \$ 13,424 | \$ (188) | \$ 11,107 |
| Cash flows from investing activities | | | | | |
| Additions to property, plant and equipment | (1,321) | | (8,917) | | (10,238) |
| Sales of long-term assets | 97 | | 814 | | 911 |
| Net intercompany investing | 17,178 | (151) | (17,349) | 322 | |
| All other investing, net | | | (386) | | (386) |
| Net cash provided by/(used in) investing activities | 15,954 | (151) | (25,838) | 322 | (9,713) |
| Cash flows from financing activities | | | | | |
| Additions to long-term debt | | | 145 | | 145 |
| Reductions in long-term debt | | | (20) | | (20) |
| Additions/(reductions) in short-term debt - net | 3 | | (353) | | (350) |
| Cash dividends | (4,020) | | (188) | 188 | (4,020) |
| Net ExxonMobil shares sold/(acquired) | (12,913) | | | | (12,913) |
| Net intercompany financing activity | | | 172 | (172) | |
| All other financing, net | 55 | 150 | (257) | (150) | (202) |
| Net cash provided by/(used in) financing activities | (16,875) | 150 | (501) | (134) | (17,360) |
| Effects of exchange rate changes on cash | | | 105 | | 105 |

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| | | | | | |
|--|------------|----|-------------|----|-------------|
| Increase/(decrease) in cash and cash equivalents | \$ (3,051) | \$ | \$ (12,810) | \$ | \$ (15,861) |
|--|------------|----|-------------|----|-------------|

Table of Contents

EXXON MOBIL CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
FUNCTIONAL EARNINGS SUMMARY

| Earnings (U.S. GAAP) | Second Quarter | | First Six Months | |
|--|-----------------------|-----------------|------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Upstream | | | | |
| United States | \$ 865 | \$ 813 | \$ 1,956 | \$ 1,173 |
| Non-U.S. | 4,471 | 2,999 | 9,194 | 6,142 |
| Downstream | | | | |
| United States | 440 | (15) | 380 | 337 |
| Non-U.S. | 780 | 527 | 877 | 1,308 |
| Chemical | | | | |
| United States | 685 | 79 | 1,224 | 162 |
| Non-U.S. | 683 | 288 | 1,393 | 555 |
| Corporate and financing | (364) | (741) | (1,164) | (1,177) |
| Net Income attributable to ExxonMobil (U.S. GAAP) | \$ 7,560 | \$ 3,950 | \$ 13,860 | \$ 8,500 |
| Earnings per common share (dollars) | \$ 1.61 | \$ 0.82 | \$ 2.94 | \$ 1.74 |
| Earnings per common share - assuming dilution (dollars) | \$ 1.60 | \$ 0.81 | \$ 2.93 | \$ 1.73 |
| <u>Special items included in earnings</u> | | | | |
| Corporate and financing | | | | |
| Valdez litigation | \$ 0 | \$ (140) | \$ 0 | \$ (140) |

References in this discussion to total corporate earnings mean net income attributable to ExxonMobil (U.S. GAAP) from the income statement. Unless otherwise indicated, references to earnings, special items, Upstream, Downstream, Chemical and Corporate and Financing segment earnings, and earnings per share are ExxonMobil's share after excluding amounts attributable to noncontrolling interests.

REVIEW OF SECOND QUARTER 2010 RESULTS

ExxonMobil's focus on operational excellence continues to deliver strong results. Second quarter earnings were \$7.6 billion, up 91 percent from second quarter of last year reflecting higher crude oil realizations, improved downstream margins, and strong chemical results. Second quarter 2009 earnings included a special charge of \$140 million for interest related to the Valdez punitive damages award. Earnings for the second quarter of 2010 did not include any special items.

The Corporation's second quarter 2010 earnings and production volumes included de minimis amounts for the period from June 25 to June 30 resulting from the merger with XTO Energy Inc. which closed on June 25, 2010.

We continued our focus on investing for the future with capital and exploration spending of \$13.4 billion year to date, up 9 percent from the first half of last year.

Over \$3 billion was returned to shareholders in the second quarter through dividends and share purchases to reduce shares outstanding.

Earnings in the first six months of 2010 of \$13,860 million (\$2.93 per share) increased \$5,360 million from 2009.

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Earnings were up 63 percent from 2009. Earnings for 2009 included a special charge of \$140 million for interest related to the Valdez punitive damages award. Earnings for the first half of 2010 did not include any special items.

-25-

Table of Contents

| | Second Quarter | | First Six Months | |
|--------------------------|-----------------------|----------|------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Upstream earnings | | | | |
| United States | \$ 865 | \$ 813 | \$ 1,956 | \$ 1,173 |
| Non-U.S. | 4,471 | 2,999 | 9,194 | 6,142 |
| Total | \$ 5,336 | \$ 3,812 | \$ 11,150 | \$ 7,315 |

Upstream earnings in the second quarter of 2010 were \$5,336 million, up \$1,524 million from the second quarter of 2009. Higher crude oil and natural gas realizations drove the improvement and increased earnings by \$1.6 billion.

On an oil-equivalent basis, production increased 8 percent from the second quarter of 2009. Excluding the impacts of entitlement volumes, OPEC quota effects and divestments, production was up about 10 percent.

Liquids production totaled 2,325 kbd (thousands of barrels per day), down 21 kbd from the second quarter of 2009. Excluding the impacts of entitlement volumes, OPEC quota effects and divestments, liquids production was up 1 percent, as increased production from projects in Qatar and Kazakhstan more than offset net field decline.

Second quarter natural gas production was 10,025 mcf (millions of cubic feet per day), up 1,984 mcf from 2009, driven by project ramp-ups in Qatar and higher demand in Europe, partly offset by net field decline.

Earnings from U.S. Upstream operations were \$865 million, \$52 million higher than the second quarter of 2009. Non-U.S. Upstream earnings were \$4,471 million, up \$1,472 million from last year.

Upstream earnings in the first six months of 2010 were \$11,150 million, up \$3,835 million from 2009. Higher net realizations increased earnings approximately \$4 billion. The favorable impact of higher volumes of \$0.4 billion was partially offset by higher operating costs of \$0.3 billion.

On an oil-equivalent basis, production for the first six months of 2010 was up 6 percent compared to the same period in 2009. Excluding the impacts of entitlement volumes, OPEC quota effects and divestments, production was up 8 percent.

Liquids production for the first six months of 2010 of 2,370 kbd decreased 41 kbd compared with 2009. Excluding the impacts of entitlement volumes, OPEC quota effects and divestments, liquids production was flat with 2009, as new volumes from project ramp-ups in Qatar and Kazakhstan were offset by net field decline.

Natural gas production for the first six months of 2010 of 10,852 mcf increased 1,744 mcf from 2009, driven by higher volumes from Qatar projects and higher demand in Europe.

Earnings for the first six months of 2010 from U.S. Upstream operations were \$1,956 million, an increase of \$783 million. Earnings outside the U.S. were \$9,194 million, up \$3,052 million.

| | Second Quarter | | First Six Months | |
|----------------------------|-----------------------|---------|------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Downstream earnings | | | | |
| United States | \$ 440 | \$ (15) | \$ 380 | \$ 337 |
| Non-U.S. | 780 | 527 | 877 | 1,308 |
| Total | \$ 1,220 | \$ 512 | \$ 1,257 | \$ 1,645 |

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Second quarter 2010 Downstream earnings of \$1,220 million were up \$708 million from second quarter of 2009. Higher industry refining and marketing margins increased earnings by \$780 million. Volumes and product mix effects increased earnings by \$170 million while other factors, mainly unfavorable foreign exchange impacts, decreased earnings by \$240 million. Petroleum product sales of 6,241 kbd were 246 kbd lower than last year's second quarter, mainly reflecting lower demand.

Earnings from the U.S. Downstream were \$440 million, up \$455 million from the second quarter of 2009. Non-U.S. Downstream earnings of \$780 million were \$253 million higher than last year.

Table of Contents

Downstream earnings for the first six months of 2010 of \$1,257 million were \$388 million lower than 2009. Lower refining margins decreased earnings by \$0.5 billion. Unfavorable foreign exchange impacts of \$0.4 billion were offset by improved marketing margins, and favorable sales volume mix and refining operations effects. Petroleum product sales of 6,193 kbd decreased 268 kbd, mainly reflecting lower demand.

U.S. Downstream earnings were \$380 million, up \$43 million from first six months of 2009. Non-U.S. Downstream earnings were \$877 million, \$431 million lower than last year.

| | Second Quarter | | First Six Months | |
|--------------------------|-----------------------|--------|------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Chemical earnings | | | | |
| United States | \$ 685 | \$ 79 | \$ 1,224 | \$ 162 |
| Non-U.S. | 683 | 288 | 1,393 | 555 |
| Total | \$ 1,368 | \$ 367 | \$ 2,617 | \$ 717 |

Second quarter 2010 Chemical earnings of \$1,368 million were \$1,001 million higher than the second quarter of 2009. Stronger margins improved earnings by \$840 million and higher sales volumes increased earnings by \$120 million. Second quarter prime product sales of 6,496 kt (thousands of metric tons) were 229 kt higher than the prior year primarily due to improved global demand.

Chemical earnings of \$2,617 million increased \$1,900 million from the first six months of 2009. Stronger margins increased earnings by approximately \$1.4 billion while higher volumes increased earnings about \$0.3 billion. Prime product sales of 12,984 kt were up 1,190 kt from 2009.

| | Second Quarter | | First Six Months | |
|---|-----------------------|----------|------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Corporate and financing earnings | \$ (364) | \$ (741) | \$ (1,164) | \$ (1,177) |
| Special items included in earnings | | | | |
| Corporate and financing | | | | |
| Valdez litigation | \$ 0 | \$ (140) | \$ 0 | \$ (140) |

Corporate and financing expenses were \$364 million during the second quarter of 2010, down \$377 million due mainly to favorable tax items and the absence of the Valdez litigation charge.

Corporate and financing expenses were \$1,164 million for the first six months of 2010, down \$13 million from 2009 due to the absence of the Valdez litigation charge offset by a tax charge related to the U.S. health care legislation during the first half of 2010.

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

| | Second Quarter | | First Six Months | |
|--|-----------------------|----------|------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Net cash provided by/(used in) | | | | |
| Operating activities | | | \$ 22,281 | \$ 11,107 |
| Investing activities | | | (10,245) | (9,713) |
| Financing activities | | | (8,797) | (17,360) |
| Effect of exchange rate changes | | | (680) | 105 |
| Increase/(decrease) in cash and cash equivalents | | | \$ 2,559 | \$ (15,861) |
| Cash and cash equivalents (at end of period) | | | \$ 13,252 | \$ 15,576 |
| Cash flow from operations and asset sales | | | | |
| Net cash provided by operating activities (U.S. GAAP) | \$ 9,235 | \$ 2,197 | \$ 22,281 | \$ 11,107 |
| Sales of subsidiaries, investments and property, plant and equipment | 428 | 770 | 852 | 911 |
| Cash flow from operations and asset sales | \$ 9,663 | \$ 2,967 | \$ 23,133 | \$ 12,018 |

Because of the ongoing nature of our asset management and divestment program, we believe it is useful for investors to consider asset sales proceeds together with cash provided by operating activities when evaluating cash available for investment in the business and financing activities.

Total cash and cash equivalents of \$13.3 billion at the end of the second quarter of 2010 compared to \$15.6 billion at the end of the second quarter of 2009.

Cash provided by operating activities totaled \$22.3 billion for the first six months of 2010, \$11.2 billion higher than 2009. The major source of funds was net income including noncontrolling interests of \$14.3 billion, adjusted for the noncash provision of \$6.6 billion for depreciation and depletion, both of which increased. Changes in operational working capital added to cash flows in 2010. All other items net in 2009 included \$3.9 billion of pension fund contributions. For additional details, see the Condensed Consolidated Statement of Cash Flows on page 5.

Investing activities for the first six months of 2010 used net cash of \$10.2 billion compared to \$9.7 billion in the prior year. Spending for additions to property, plant and equipment increased \$1.2 billion to \$11.4 billion.

Cash flow from operations and asset sales in the second quarter of 2010 of \$9.7 billion, including asset sales of \$0.4 billion, increased \$6.7 billion from the comparable 2009 period. Cash flow from operations and asset sales in the first six months of 2010 of \$23.1 billion, including asset sales of \$0.9 billion, were up \$11.1 billion from 2009.

Net cash used in financing activities of \$8.8 billion in the first six months of 2010 was \$8.6 billion lower reflecting a lower level of purchases of shares of ExxonMobil stock. The Corporation's acquisition of all the outstanding equity of XTO Energy Inc. was a non-cash, all-stock transaction valued at \$24.7 billion.

During the second quarter of 2010, Exxon Mobil Corporation purchased 24 million shares of its common stock for the treasury at a gross cost of \$1.6 billion. These purchases included over \$1 billion to reduce the number of shares outstanding, with the balance used to offset shares issued in conjunction with the company's benefit plans and programs. As a result of regulatory requirements, no open market purchases of shares were made during the proxy solicitation period for the XTO transaction. Including 416 million shares issued in connection with the XTO merger, shares outstanding increased from 4,698 million at the end of the first quarter to 5,092 million at the end of the second quarter. Purchases may be made in both the open market and through negotiated transactions, and may be increased, decreased or discontinued at any time without prior notice.

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The Corporation distributed to shareholders a total of over \$3 billion in the second quarter of 2010 through dividends and share purchases to reduce shares outstanding.

Total debt of \$20.4 billion at June 30, 2010, which included \$11.4 billion of debt in connection with the XTO acquisition, compared to \$9.6 billion at year-end 2009. The Corporation's debt to total capital ratio was 12.3 percent at the end of the second quarter of 2010 compared to 7.7 percent at year-end 2009.

-28-

Table of Contents

Although the Corporation issues long-term debt from time to time and maintains a revolving commercial paper program, internally generated funds are expected to cover the majority of its net near-term financial requirements. Effective with the closing of the merger, XTO's long-term debt securities were unconditionally guaranteed by ExxonMobil. The guarantees may be revoked by the Corporation under certain conditions. Following the end of the second quarter, XTO term loans of \$600 million were repaid and XTO fixed-rate bonds with a book value of \$2.5 billion were repurchased via tender offers. The Corporation expects to consider additional opportunities to restructure XTO debt where economic.

The Corporation, as part of its ongoing asset management program, continues to evaluate its mix of assets for potential upgrade. Because of the ongoing nature of this program, dispositions will continue to be made from time to time which will result in either gains or losses.

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.

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. An affiliate of 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. Both arbitration proceedings continue. 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.

TAXES

| | Second Quarter | | First Six Months | |
|----------------------------|-----------------------|------------------|------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Income taxes | \$ 4,960 | \$ 3,571 | \$ 10,453 | \$ 6,719 |
| Effective income tax rate | 43% | 50% | 46% | 47% |
| Sales-based taxes | 6,946 | 6,216 | 13,761 | 12,122 |
| All other taxes and duties | 9,244 | 9,124 | 18,593 | 17,713 |
| Total | \$ 21,150 | \$ 18,911 | \$ 42,807 | \$ 36,554 |

Income, sales-based and all other taxes and duties for the second quarter of 2010 of \$21,150 million were higher than 2009. In the second quarter of 2010 income tax expense increased to \$4,960 million reflecting the higher level of earnings and the effective income tax rate was 43 percent, compared to \$3,571 million and 50 percent, respectively, in the prior year period. Sales-based taxes and all other taxes and duties increased in 2010 reflecting higher prices and foreign exchange effects.

Income, sales-based and all other taxes and duties for the first six months of 2010 of \$42,807 million were higher than 2009. In the first six months of 2010 income tax expense increased to \$10,453 million reflecting the higher level of earnings and the effective income tax rate was 46 percent, compared to \$6,719 million and 47 percent, respectively, in the prior year period. Sales-based taxes and all other taxes and duties increased in 2010 reflecting higher prices and foreign exchange effects.

Table of Contents**CAPITAL AND EXPLORATION EXPENDITURES**

| | Second Quarter | | First Six Months | |
|---|-----------------------|-----------------|------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (millions of dollars) | | | |
| Upstream (including exploration expenses) | \$ 5,342 | \$ 4,905 | \$ 10,888 | \$ 9,271 |
| Downstream | 584 | 817 | 1,258 | 1,463 |
| Chemical | 558 | 830 | 1,172 | 1,588 |
| Other | 35 | 10 | 78 | 14 |
| Total | \$ 6,519 | \$ 6,562 | \$ 13,396 | \$ 12,336 |

Capital and exploration expenditures in the second quarter 2010 were \$6.5 billion, down 1 percent from the second quarter of 2009. The capital and exploration expenditures related to XTO included in the Corporation's second quarter 2010 results were de minimis.

ExxonMobil continued its focus on investing for the future with capital and exploration spending of \$13.4 billion in the first six months of 2010, up 9 percent from 2009. Capital and exploration expenditures for full year 2009 were \$27.1 billion. Capital and exploration expenditures are expected to range from \$25 billion to \$30 billion for the next several years. Actual spending could vary depending on the progress of individual projects.

ACQUISITION OF XTO ENERGY INC.

On June 25, 2010, following approval by the stockholders of XTO Energy Inc. (XTO), ExxonMobil acquired XTO by merging a wholly-owned subsidiary of ExxonMobil with and into XTO (the merger), with XTO continuing as the surviving corporation and wholly-owned subsidiary of ExxonMobil.

At the effective time of the merger, each share of XTO common stock was converted into the right to receive 0.7098 shares of common stock of ExxonMobil (the Exchange Ratio), with cash being payable in lieu of any fractional shares of ExxonMobil stock. Also at the effective time, each outstanding option to purchase XTO common stock was converted into an option to purchase a number of shares of ExxonMobil stock based on the Exchange Ratio, and each outstanding restricted stock award and performance stock award of XTO was converted into a restricted stock award or performance stock award, as applicable, of ExxonMobil stock based on the Exchange Ratio. In connection with the merger, 416 million shares were issued at closing. An additional 12 million shares were reserved for issuance for stock option awards.

XTO's reported year-end 2009 proved reserves of 2.5 billion oil-equivalent barrels include shale gas, tight gas, coal-bed methane and shale oil, in addition to conventional oil and gas. ExxonMobil reported year-end 2009 proved reserves of 23.0 billion oil-equivalent barrels. The XTO portfolio complements ExxonMobil's unconventional gas resource and acreage holdings in the United States, Canada, Germany, Poland, Indonesia and Argentina.

XTO's reported 2009 production was 2,342 mcf/d gas and 87 kbd liquids. ExxonMobil's reported 2009 production was 9,273 mcf/d gas and 2,387 kbd liquids. Through the first half of 2010, XTO's production has averaged 2,423 mcf/d gas and 85 kbd liquids.

FORWARD-LOOKING STATEMENTS

Statements in this report relating to future plans, projections, events or conditions are forward-looking statements. Actual results, including benefits resulting from the XTO transaction; project plans, costs, timing, and capacities; capital and exploration expenditures; and share purchase levels, could differ materially due to factors including: our ability to integrate the businesses of XTO and ExxonMobil effectively; changes in long-term oil or gas prices or other market or economic conditions affecting the oil and gas industry; unforeseen technical difficulties; political events or disturbances; reservoir performance; the outcome of commercial negotiations; wars and acts of terrorism or sabotage; changes in technical or operating conditions; and other factors discussed under the heading Factors Affecting Future Results in the

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investors section of our website and in Item 1A of ExxonMobil's 2009 Form 10-K and Form 10-Q for the quarterly period ended June 30, 2010. We assume no duty to update these statements as of any future date.

-30-

Table of Contents**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Information about market risks for the six months ended June 30, 2010, does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2009. With respect to derivatives activities, the Corporation believes that there are no material market or credit risks to the Corporation's financial position, results of operations or liquidity as a result of the derivatives activities described in Note 7. The Corporation does not engage in speculative derivative activities or derivative trading activities and does not use derivatives with leveraged features. Credit risk associated with the Corporation's derivative position is mitigated by several factors including the number, quality and financial limits placed on derivative counterparties. Additionally, the XTO derivative contracts are expected to be substantially reduced by year-end 2010.

Item 4. Controls and Procedures

As indicated in the certifications in Exhibit 31 of this report, the Corporation's chief executive officer, principal financial officer and principal accounting officer have evaluated the Corporation's disclosure controls and procedures as of June 30, 2010. Based on that evaluation, these officers have concluded that the Corporation's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Corporation in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to them in a manner that allows for timely decisions regarding required disclosures and are effective in ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There were no changes during the Corporation's last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

In April 2010, the Texas Commission on Environmental Quality (TCEQ) demanded a penalty of \$135,000 for Notices of Violation issued in January and February 2010 relating to six alleged violations of air emission regulations at the Beaumont Refinery. Settlement discussions are ongoing with the TCEQ.

On December 21, 2009, prior to the Corporation's acquisition of XTO Energy Inc., the Texas Commission on Environmental Quality issued a Notice of Violation to XTO alleging violations of air emission regulations as a result of an unauthorized flaring of natural gas at XTO facilities in Yoakum County, Texas, between July 29, 2008 and May 4, 2009 and the untimely filing of a report of the event. TCEQ has proposed a penalty of \$237,247. Settlement discussions with TCEQ are ongoing.

Regarding a matter previously reported in the Corporation's Form 10-Q for the second quarter of 2008, two ExxonMobil affiliates, Mobil Oil Guam, Inc. and Mobil Oil Mariana Islands, Inc., have entered into a Consent Decree with the U.S. Environmental Protection Agency and the U.S. Department of Justice (DOJ) to resolve certain alleged violations of the Clean Air Act air permitting requirements and air quality rules associated with certain storage tanks and loading racks at the Cabras Terminal (Guam) and Saipan Terminal (Saipan). The DOJ lodged the executed Consent Decree in federal District Court in Guam on April 16, 2010, and the court entered the Consent Decree on July 27, 2010. The parties have agreed to a \$2.4 million cash settlement and corrective action to resolve the case.

Regarding a matter previously reported in the Corporation's Form 10-Q for the second quarter of 2009, on June 28, 2010, the Corporation and two of its affiliates (ExxonMobil Oil Corporation and ExxonMobil Pipeline Company) entered into a Settlement Agreement with the Massachusetts Department of Environmental Protection and the State Attorney General regarding certain allegations of violations of air permit requirements and provisions of the Clean Air Act between 2000 and 2008 at the Everett and Springfield terminals in Massachusetts. The settlement includes a penalty payment of \$2.9 million and a \$200,000 cash payment to the Chelsea Collaborative for a supplemental environmental project. Certain corrective actions also will be undertaken at the Everett and Springfield terminals.

Table of Contents

As reported the Corporation's Form 10-Q for the first quarter of 2010, in the matter, *In re Exxon Mobil, Corp. Derivative Litigation*, on April 30, 2010, the District Court of Dallas County, Texas, granted the defendants' special exceptions due to the plaintiffs' failure 1) to make a pre-suit demand on the Board of Directors, or 2) to plead facts sufficient to excuse such a demand. The trial court gave the plaintiffs until June 1, 2010, to re-file their pleading to allege with specificity a legally sufficient basis to excuse the plaintiffs' failure to make a pre-suit demand on the Board. The plaintiffs failed to timely replead and agreed that the case should be dismissed. On July 20, 2010, the court issued an order dismissing the case.

Refer to the relevant portions of note 3 on pages 8 and 9 of this Quarterly Report on Form 10-Q for further information on legal proceedings.

Item 1A. Risk Factors

Information about risk factors does not differ materially from the discussion found in Item 1A of the registrant's Annual Report on Form 10-K for 2009. Recent events in the Gulf of Mexico illustrate the magnitude of the operational risks inherent in oil and gas exploration and production activities, as well as the potential to incur substantial financial liabilities if those risks are not effectively managed. The ability to insure such risks is limited by the capacity of the applicable insurance markets, which may not be sufficient to cover the likely cost of a major adverse operating event such as a deepwater well blowout. Accordingly, ExxonMobil's primary focus is on prevention, including through our rigorous Operations Integrity Management System. Our future results will depend on the continued effectiveness of these efforts.

The Gulf of Mexico spill may result in changes to U.S. federal and state laws and regulations which would have the effect of increasing the cost of, and reducing available opportunities for, offshore exploration and production.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities for Quarter Ended June 30, 2010

| Period | Total Number Of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number Of Shares that May Yet Be Purchased Under the Plans or Programs |
|-------------|--|------------------------------------|---|--|
| April, 2010 | 12,961,778 | 68.52 | 12,961,778 | |
| May, 2010 | 8,659,639 | 64.40 | 8,659,639 | |
| June, 2010 | 2,090,627 | 58.43 | 2,090,627 | |
| Total | 23,712,044 | 66.12 | 23,712,044 | (See Note 1) |

Note 1 On August 1, 2000, the Corporation announced its intention to resume purchases of shares of its common stock for the treasury both to offset shares issued in conjunction with company benefit plans and programs and to gradually reduce the number of shares outstanding. The announcement did not specify an amount or expiration date. The Corporation has continued to purchase shares since this announcement and to report purchased volumes in its quarterly earnings releases. In its most recent earnings release dated July 29, 2010, the Corporation stated that third quarter 2010 share purchases to reduce shares outstanding are anticipated to equal \$3 billion. Purchases may be made in both the open market and through negotiated transactions, and purchases may be increased,

decreased or discontinued at any time without prior notice.

Table of Contents

Item 6. Exhibits

| Exhibit | Description |
|----------------|--|
| 31.1 | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Chief Executive Officer. |
| 31.2 | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Financial Officer. |
| 31.3 | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Accounting Officer. |
| 32.1 | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Chief Executive Officer. |
| 32.2 | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Financial Officer. |
| 32.3 | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Accounting Officer. |
| 101 | Interactive Data Files. |

Table of Contents

EXXON MOBIL CORPORATION

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXXON MOBIL CORPORATION

Date: August 4, 2010

By: /s/ Patrick T. Mulva
Name: Patrick T. Mulva

Title: Vice President, Controller and Principal Accounting
Officer

-34-

Table of Contents

INDEX TO EXHIBITS

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