

EXXON MOBIL CORP  
Form 10-Q  
November 06, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D. C. 20549**

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2012**

**or**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 1-2256**

**EXXON MOBIL CORPORATION**  
**(Exact name of registrant as specified in its charter)**

**NEW JERSEY**

**13-5409005**

**(State or other jurisdiction of  
incorporation or organization)**

**(I.R.S. Employer  
Identification Number)**

**5959 Las Colinas Boulevard, Irving, Texas**

**75039-2298**

**(Address of principal executive offices)**

**(Zip Code)**

**(972) 444-1000**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant 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.

| <u>Class</u>                    | <u>Outstanding as of September 30, 2012</u> |
|---------------------------------|---|
| Common stock, without par value | 4,559,342,639                               |

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**EXXON MOBIL CORPORATION**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012**

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

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

|   | <b>Three Months Ended</b> |                    | <b>Nine Months Ended</b> |                    |
|---|---------------------------|--------------------|--------------------------|--------------------|
|   | <b>September 30,</b>      |                    | <b>September 30,</b>     |                    |
|   | <b><u>2012</u></b>        | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
| <b>REVENUES AND OTHER INCOME</b>                        |                           |                    |                          |                    |
| Sales and other operating revenue (1)                   | \$ 111,554                | \$ 120,475         | \$ 343,488               | \$ 351,120         |
| Income from equity affiliates                           | 3,386                     | 3,915              | 11,247                   | 11,462             |
| Other income  | 766                       | 940                | 12,387                   | 2,238              |
| Total revenues and other income                         | 115,706                   | 125,330            | 367,122                  | 364,820            |
| <b>COSTS AND OTHER DEDUCTIONS</b>                       |                           |                    |                          |                    |
| Crude oil and product purchases                         | 65,180                    | 69,289             | 201,349                  | 199,233            |
| Production and manufacturing expenses                   | 9,128                     | 10,199             | 28,765                   | 30,041             |
| Selling, general and administrative expenses            | 3,468                     | 3,764              | 10,555                   | 11,072             |
| Depreciation and depletion                              | 4,037                     | 3,866              | 11,778                   | 11,508             |
| Exploration expenses, including dry holes               | 494                       | 728                | 1,388                    | 1,654              |
| Interest expense  | 59                        | 98                 | 216                      | 172                |
| Sales-based taxes (1)                                   | 8,137                     | 8,484              | 24,657                   | 25,013             |
| Other taxes and duties                                  | 7,883                     | 10,222             | 27,388                   | 29,911             |
| Total costs and other deductions                        | 98,386                    | 106,650            | 306,096                  | 308,604            |
| Income before income taxes                              | 17,320                    | 18,680             | 61,026                   | 56,216             |
| Income taxes  | 7,394                     | 8,009              | 23,647                   | 23,734             |
| Net income including noncontrolling interests           | 9,926                     | 10,671             | 37,379                   | 32,482             |
| Net income attributable to noncontrolling interests     | 356                       | 341                | 2,449                    | 822                |
| Net income attributable to ExxonMobil                   | \$ 9,570                  | \$ 10,330          | \$ 34,930                | \$ 31,660          |
| Earnings per common share (dollars)                     | \$ 2.09                   | \$ 2.13            | \$ 7.50                  | \$ 6.46            |
| Earnings per common share - assuming dilution (dollars) | \$ 2.09                   | \$ 2.13            | \$ 7.50                  | \$ 6.45            |

|  |    |              |    |              |    |               |    |               |
|--|----|--------------|----|--------------|----|---------------|----|---------------|
| Dividends per common share (dollars)                                       | \$ | 0.57         | \$ | 0.47         | \$ | 1.61          | \$ | 1.38          |
| <i>(1) Sales-based taxes included in sales and other operating revenue</i> | \$ | <i>8,137</i> | \$ | <i>8,484</i> | \$ | <i>24,657</i> | \$ | <i>25,013</i> |

*The information in the Notes to Condensed Consolidated Financial Statements*

*is an integral part of these statements.*

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

|   | <b>Three Months Ended</b> |                    | <b>Nine Months Ended</b> |                    |
|---|---------------------------|--------------------|--------------------------|--------------------|
|   | <b>September 30,</b>      |                    | <b>September 30,</b>     |                    |
|   | <b><u>2012</u></b>        | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
| Net income including noncontrolling interests   | \$ 9,926                  | \$ 10,671          | \$ 37,379                | \$ 32,482          |
| Other comprehensive income (net of income taxes)  |                           |                    |                          |                    |
| Foreign exchange translation adjustment   | 1,620                     | (3,336)            | 1,298                    | (1,224)            |
| Adjustment for foreign exchange translation (gain)/loss included in net income                                    | (119)                     | -                  | (4,354)                  | -                  |
| Postretirement benefits reserves adjustment (excluding amortization)  | (224)                     | 272                | (404)                    | (293)              |
| Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs | 454                       | 298                | 2,083                    | 929                |
| Change in fair value of cash flow hedges  | -                         | 14                 | -                        | 24                 |
| Realized (gain)/loss from settled cash flow hedges included in net income   | -                         | (17)               | -                        | (50)               |
| Total other comprehensive income  | 1,731                     | (2,769)            | (1,377)                  | (614)              |
| Comprehensive income including noncontrolling interests   | 11,657                    | 7,902              | 36,002                   | 31,868             |
| Comprehensive income attributable to noncontrolling interests   | 541                       | 101                | 1,062                    | 713                |
| Comprehensive income attributable to ExxonMobil   | \$ 11,116                 | \$ 7,801           | \$ 34,940                | \$ 31,155          |

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



**EXXON MOBIL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(millions of dollars)

|   | <b>Sept. 30,</b>   |    | <b>Dec. 31,</b>    |
|---|--------------------|----|--------------------|
|   | <b><u>2012</u></b> |    | <b><u>2011</u></b> |
| <b>ASSETS</b>                                   |                    |    |                    |
| Current assets                                  |                    |    |                    |
| Cash and cash equivalents                       | \$ 13,055          | \$ | 12,664             |
| Cash and cash equivalents – restricted          | 206                |    | 404                |
| Notes and accounts receivable – net             | 36,635             |    | 38,642             |
| Inventories                                     |                    |    |                    |
| Crude oil, products and merchandise             | 13,010             |    | 11,665             |
| Materials and supplies                          | 3,565              |    | 3,359              |
| Other current assets                            | 5,667              |    | 6,229              |
| Total current assets                            | 72,138             |    | 72,963             |
| Investments, advances and long-term receivables | 35,105             |    | 34,333             |
| Property, plant and equipment – net             | 220,330            |    | 214,664            |
| Other assets, including intangibles – net       | 7,618              |    | 9,092              |
| Total assets                                    | \$ 335,191         | \$ | 331,052            |
| <b>LIABILITIES</b>                              |                    |    |                    |
| Current liabilities                             |                    |    |                    |
| Notes and loans payable                         | \$ 3,496           | \$ | 7,711              |
| Accounts payable and accrued liabilities        | 53,516             |    | 57,067             |
| Income taxes payable                            | 13,049             |    | 12,727             |
| Total current liabilities                       | 70,061             |    | 77,505             |
| Long-term debt                                  | 8,928              |    | 9,322              |
| Postretirement benefits reserves                | 21,652             |    | 24,994             |
| Deferred income tax liabilities                 | 37,642             |    | 36,618             |
| Other long-term obligations                     | 24,553             |    | 21,869             |
| Total liabilities                               | 162,836            |    | 170,308            |
| Commitments and contingencies (Note 2)          |                    |    |                    |
| <b>EQUITY</b>                                   |                    |    |                    |
| Common stock, without par value:                |                    |    |                    |
| Authorized: 9,000 million shares                |                    |    |                    |
| Issued: 8,019 million shares                    | 9,645              |    | 9,512              |
| Earnings reinvested                             | 358,369            |    | 330,939            |
| Accumulated other comprehensive income          | (9,113)            |    | (9,123)            |
| Common stock held in treasury:                  |                    |    |                    |
| 3,460 million shares at September 30, 2012      | (192,188)          |    |                    |
| 3,285 million shares at December 31, 2011       |                    |    | (176,932)          |
| ExxonMobil share of equity                      | 166,713            |    | 154,396            |

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|                              |    |         |    |         |
|------------------------------|----|---------|----|---------|
| Noncontrolling interests     |    | 5,642   |    | 6,348   |
| Total equity                 |    | 172,355 |    | 160,744 |
| Total liabilities and equity | \$ | 335,191 | \$ | 331,052 |

The number of shares of common stock issued and outstanding at September 30, 2012 and December 31, 2011 were 4,559,342,639 and 4,733,948,268, respectively.

*The information in the Notes to Condensed Consolidated Financial Statements*

*is an integral part of these statements.*

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

|   | <b>Nine Months Ended</b> |                    |
|---|--------------------------|--------------------|
|   | <b>September 30,</b>     |                    |
|   | <b><u>2012</u></b>       | <b><u>2011</u></b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |                    |
| Net income including noncontrolling interests   | \$ 37,379                | \$ 32,482          |
| Depreciation and depletion  | 11,778                   | 11,508             |
| Changes in operational working capital, excluding cash and debt   | 3,119                    | 2,154              |
| Net (gain) on asset sales   | (11,693)                 | (1,269)            |
| All other items – net   | 2,363                    | (281)              |
| Net cash provided by operating activities   | 42,946                   | 44,594             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |                    |
| Additions to property, plant and equipment  | (24,214)                 | (22,341)           |
| Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments | 6,850                    | 4,246              |
| Additional investments and advances   | (768)                    | (3,122)            |
| Additions to marketable securities  | -                        | (1,754)            |
| Sales of marketable securities  | -                        | 1,674              |
| Other investing activities – net  | 1,533                    | 1,144              |
| Net cash used in investing activities   | (16,599)                 | (20,153)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                          |                    |
| Additions to long-term debt   | 597                      | 457                |
| Reductions in long-term debt  | (15)                     | (236)              |
| Additions/(reductions) in short-term debt – net   | (3,506)                  | 1,414              |
| Cash dividends to ExxonMobil shareholders   | (7,500)                  | (6,773)            |
| Cash dividends to noncontrolling interests  | (287)                    | (264)              |
| Changes in noncontrolling interests   | 198                      | (12)               |
| Tax benefits related to stock-based awards  | -                        | 220                |
| Common stock acquired   | (15,814)                 | (16,633)           |
| Common stock sold   | 184                      | 616                |
| Net cash used in financing activities   | (26,143)                 | (21,211)           |
| Effects of exchange rate changes on cash  | 187                      | (33)               |
| Increase/(decrease) in cash and cash equivalents  | 391                      | 3,197              |
| Cash and cash equivalents at beginning of period  | 12,664                   | 7,825              |

|  |    |        |    |        |
|--|----|--------|----|--------|
| Cash and cash equivalents at end of period | \$ | 13,055 | \$ | 11,022 |
| <b>SUPPLEMENTAL DISCLOSURES</b>            |    |        |    |        |
| Income taxes paid                          | \$ | 17,895 | \$ | 20,349 |
| Cash interest paid                         | \$ | 387    | \$ | 390    |

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

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

|  | ExxonMobil Share of Equity<br>Accumulated |                        |                                       |  |                                  |                                  |            | Total<br>Equity |
|--|---|------------------------|---------------------------------------|--|----------------------------------|----------------------------------|------------|-----------------|
|  | Common<br>Stock                           | Earnings<br>Reinvested | Other<br>Compre-<br>hensive<br>Income | Common<br>Stock<br>Held in<br>Treasury | ExxonMobil<br>Share of<br>Equity | Non-<br>controlling<br>Interests |            |                 |
| Balance as of<br>December 31, 2010               | \$ 9,371                                  | \$ 298,899             | \$ (4,823)                            | \$ (156,608)                           | \$ 146,839                       | \$ 5,840                         | \$ 152,679 |                 |
| Amortization of<br>stock-based<br>awards         | 572                                       | -                      | -                                     | -                                      | 572                              | -                                | 572        |                 |
| Tax benefits related to<br>stock-based awards    | 159                                       | -                      | -                                     | -                                      | 159                              | -                                | 159        |                 |
| Other  | (596)                                     | -                      | -                                     | -                                      | (596)                            | (4)                              | (600)      |                 |
| Net income for the<br>period                     | -   | 31,660                 | -                                     | -                                      | 31,660                           | 822                              | 32,482     |                 |
| Dividends – common<br>shares                     | -   | (6,773)                | -                                     | -                                      | (6,773)                          | (264)                            | (7,037)    |                 |
| Other<br>comprehensive<br>income                 | -   | -                      | (505)                                 | -                                      | (505)                            | (109)                            | (614)      |                 |
| Acquisitions, at cost                            | -   | -                      | -                                     | (16,633)                               | (16,633)                         | (12)                             | (16,645)   |                 |
| Dispositions                                     | -   | -                      | -                                     | 1,216                                  | 1,216                            | -                                | 1,216      |                 |
| Balance as of<br>September 30,<br>2011           | \$ 9,506                                  | \$ 323,786             | \$ (5,328)                            | \$ (172,025)                           | \$ 155,939                       | \$ 6,273                         | \$ 162,212 |                 |
| Balance as of<br>December 31, 2011               | \$ 9,512                                  | \$ 330,939             | \$ (9,123)                            | \$ (176,932)                           | \$ 154,396                       | \$ 6,348                         | \$ 160,744 |                 |
| Amortization of<br>stock-based<br>awards         | 618                                       | -                      | -                                     | -                                      | 618                              | -                                | 618        |                 |
| Tax benefits related<br>to stock-based<br>awards | 252                                       | -                      | -                                     | -                                      | 252                              | -                                | 252        |                 |
| Other  | (737)                                     | -                      | -                                     | -                                      | (737)                            | (1,450)                          | (2,187)    |                 |
|  | -   | 34,930                 | -                                     | -                                      | 34,930                           | 2,449                            | 37,379     |                 |

|                                  |          |            |            |              |            |          |            |
|----------------------------------|----------|------------|------------|--------------|------------|----------|------------|
| Net income for the period        |          |            |            |              |            |          |            |
| Dividends – common shares        | -        | (7,500)    | -          | -            | (7,500)    | (287)    | (7,787)    |
| Other comprehensive income       | -        | -          | 10         | -            | 10         | (1,387)  | (1,377)    |
| Acquisitions, at cost            | -        | -          | -          | (15,814)     | (15,814)   | (31)     | (15,845)   |
| Dispositions                     | -        | -          | -          | 558          | 558        | -        | 558        |
| Balance as of September 30, 2012 | \$ 9,645 | \$ 358,369 | \$ (9,113) | \$ (192,188) | \$ 166,713 | \$ 5,642 | \$ 172,355 |

| <u>Common Stock Share Activity</u> | Nine Months Ended September 30, 2012 |          |             | Nine Months Ended September 30, 2011 |          |             |
|------------------------------------|--------------------------------------|----------|-------------|--------------------------------------|----------|-------------|
|                                    | Issued                               | Treasury | Outstanding | Issued                               | Treasury | Outstanding |
|                                    | <i>(millions of shares)</i>          |          |             | <i>(millions of shares)</i>          |          |             |
| Balance as of December 31          | 8,019                                | (3,285)  | 4,734       | 8,019                                | (3,040)  | 4,979       |
| Acquisitions                       | -                                    | (185)    | (185)       | -                                    | (209)    | (209)       |
| Dispositions                       | -                                    | 10       | 10          | -                                    | 23       | 23          |
| Balance as of September 30         | 8,019                                | (3,460)  | 4,559       | 8,019                                | (3,226)  | 4,793       |

*The information in the Notes to Condensed Consolidated Financial Statements*

*is an integral part of these statements.*

## EXXON MOBIL CORPORATION

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Basis of Financial Statement Preparation

These unaudited condensed consolidated financial statements should be read in the context of the consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Corporation's 2011 Annual Report on Form 10-K. In the opinion of the Corporation, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The Corporation's exploration and production activities are accounted for under the "successful efforts" method.

#### 2. Litigation and Other Contingencies

##### Litigation

A variety of claims have been made against ExxonMobil and certain of its consolidated subsidiaries in a number of pending lawsuits. Management has regular litigation reviews, including updates from corporate and outside counsel, to assess the need for accounting recognition or disclosure of these contingencies. The Corporation accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Corporation does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and which are significant, the Corporation discloses the nature of the contingency and, where feasible, an estimate of the possible loss. For purposes of our contingency disclosures, "significant" includes material matters as well as other matters which management believes should be disclosed. ExxonMobil will continue to defend itself vigorously in these matters. Based on a consideration of all relevant facts and circumstances, the Corporation does not believe the ultimate outcome of any currently pending lawsuit against ExxonMobil will have a material adverse effect upon the Corporation's operations, financial condition, or financial statements taken as a whole.

On June 30, 2011, a state district court jury in Baltimore County, Maryland returned a verdict against Exxon Mobil Corporation in *Allison, et al v. Exxon Mobil Corporation*, a case involving an accidental 26,000 gallon gasoline leak at a suburban Baltimore service station. The verdict included approximately \$497 million in compensatory damages and approximately \$1.0 billion in punitive damages in a finding that ExxonMobil fraudulently misled the plaintiff-residents about the events leading up to the leak, the leak's discovery, and the nature and extent of any groundwater contamination. ExxonMobil believes the verdict is not justified by the evidence and that the amount of the compensatory award is grossly excessive and the imposition of punitive damages is improper and unconstitutional. The trial court denied a post-trial motion that ExxonMobil filed to overturn the punitive damages verdict and entered a final judgment in the amount of \$1,488 million. ExxonMobil has appealed the verdict and judgment. The appeal is pending before the Maryland Court of Appeals. In an earlier trial involving the same leak and different plaintiffs, the jury awarded compensatory damages but rejected the plaintiffs' punitive damages claims. Those plaintiffs did not appeal the jury's denial of punitive damages. On February 9, 2012, the Maryland Court of Special Appeals reversed in part and affirmed in part the trial court's decision on compensatory damages in that case. The Maryland Court of Appeals granted writs of certiorari to both parties in response to their separate petitions seeking reversals of portions of the Court of Special Appeals' decision. The appeals in both of these cases were consolidated before the Maryland Court of Appeals and arguments were held on November 5, 2012. The ultimate outcome of all of this litigation is not expected to have a material adverse effect upon the Corporation's operations, financial condition, or financial statements taken as a whole.

### **Other Contingencies**

The Corporation and certain of its consolidated subsidiaries were contingently liable at September 30, 2012, for guarantees relating to notes, loans and performance under contracts. These guarantees are not reasonably likely to have a material effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.



## As of September 30, 2012

|              | <b>Equity<br/>Company<br/>Obligations<br/>(1)</b> | <b>Other<br/>Third Party<br/>Obligations</b> | <b>Total</b> |
|--------------|---|--|--------------|
|              | <i>(millions of dollars)</i>                      |  |              |
| Guarantees   |   |  |              |
| Debt-related | \$ 2,224  | \$ 56  | \$ 2,280     |
| Other        | 3,243   | 4,211  | 7,454        |
| Total        | \$ 5,467  | \$ 4,267                                     | \$ 9,734     |

(1) ExxonMobil share

Additionally, the Corporation and its affiliates have numerous long-term sales and purchase commitments in their various business activities, all of which are expected to be fulfilled with no adverse consequences material to the Corporation's operations or financial condition. The Corporation's outstanding unconditional purchase obligations at September 30, 2012, were similar to those at the prior year-end period. Unconditional purchase obligations as defined by accounting standards are those long-term commitments that are noncancelable or cancelable only under certain conditions, and that third parties have used to secure financing for the facilities that will provide the contracted goods or services.

The operations and earnings of the Corporation and its affiliates throughout the world have been, and may in the future be, affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Corporation vary greatly from country to country and are not predictable.

In accordance with a nationalization decree issued by Venezuela's president in February 2007, by May 1, 2007 a subsidiary of the Venezuelan National Oil Company (PdVSA) assumed the operatorship of the Cerro Negro Heavy Oil Project. This Project had been operated and owned by ExxonMobil affiliates holding a 41.67 percent ownership interest in the Project. The decree also required conversion of the Cerro Negro Project into a "mixed enterprise" and an increase in PdVSA's or one of its affiliate's ownership interest in the Project, with the stipulation that if ExxonMobil refused to accept the terms for the formation of the mixed enterprise within a specified period of time, the government would "directly assume the activities" carried out by the joint venture. ExxonMobil refused to accede to the terms proffered by the government, and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest in the Cerro Negro Project.

ExxonMobil's remaining net book investment in Cerro Negro producing assets is about \$750 million.

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

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

### 3. Other Comprehensive Income Information

|   | <b>ExxonMobil Share of Accumulated<br/>Other Comprehensive Income</b>     |  |  |              |
|---|---|--|--|--------------|
|   | <b>Cumulative<br/>Foreign<br/>Exchange<br/>Translation<br/>Adjustment</b> | <b>Post-<br/>retirement<br/>Benefits<br/>Reserves<br/>Adjustment</b> | <b>Unrealized<br/>Change in<br/>Fair Value<br/>on Cash<br/>Flow<br/>Hedges</b> | <b>Total</b> |
|   | <i>(millions of dollars)</i>  |  |  |              |
| Balance as of December 31, 2010   | \$ 5,011  | \$ (9,889)   | \$ 55  | \$ (4,823)   |
| Current period change excluding<br>amounts reclassified<br>from accumulated other<br>comprehensive income | (1,110)   | (252)  | 24   | (1,338)      |
| Amounts reclassified from accumulated<br>other<br>comprehensive income                                    | -   | 883  | (50)   | 833          |
| Total change in accumulated other<br>comprehensive<br>income  | (1,110)   | 631  | (26)   | (505)        |
| Balance as of September 30, 2011  | \$ 3,901  | \$ (9,258)   | \$ 29  | \$ (5,328)   |
| Balance as of December 31, 2011   | \$ 4,168  | \$ (13,291)  | \$ -   | \$ (9,123)   |
| Current period change excluding<br>amounts reclassified<br>from accumulated other<br>comprehensive income | 1,159   | (351)  | -  | 808          |
| Amounts reclassified from accumulated<br>other<br>comprehensive income                                    | (2,603)   | 1,805  | -  | (798)        |
| Total change in accumulated other<br>comprehensive<br>income  | (1,444)   | 1,454  | -  | 10           |
| Balance as of September 30, 2012  | \$ 2,724  | \$ (11,837)  | \$ -   | \$ (9,113)   |

|   | <b>Three Months Ended</b>    |                    | <b>Nine Months Ended</b> |                    |
|---|------------------------------|--------------------|--------------------------|--------------------|
|   | <b>September 30,</b>         |                    | <b>September 30,</b>     |                    |
|   | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|   | <i>(millions of dollars)</i> |                    |                          |                    |
| <b>Income Tax (Expense)/Credit For</b>                          |                              |                    |                          |                    |
| <b><u>Components of Other</u></b>                               |                              |                    |                          |                    |
| <b><u>Comprehensive Income</u></b>                              |                              |                    |                          |                    |
| Foreign exchange translation adjustment                         | \$ (55)                      | \$ 121             | \$ (92)                  | \$ 34              |
| Postretirement benefits reserves adjustment                     |                              |                    |                          |                    |
| Postretirement benefits reserves adjustment                     |                              |                    |                          |                    |
| (excluding amortization)  | 100                          | (111)              | 190                      | 126                |
| Amortization and settlement of postretirement benefits reserves |                              |                    |                          |                    |
| adjustment included in net periodic benefit costs               | (200)                        | (132)              | (1,132)                  | (433)              |
| Unrealized change in fair value on cash flow hedges             |                              |                    |                          |                    |
| Change in fair value of cash flow hedges                        | -                            | (9)                | -                        | (14)               |
| Realized (gain)/loss from settled cash flow hedges              |                              |                    |                          |                    |
| included in net income  | -                            | 11                 | -                        | 31                 |
| Total   | \$ (155)                     | \$ (120)           | \$ (1,034)               | \$ (256)           |

**4. Earnings Per Share**

|   | <b>Three Months Ended</b> |                    | <b>Nine Months Ended</b> |                    |
|---|---------------------------|--------------------|--------------------------|--------------------|
|   | <b>September 30,</b>      |                    | <b>September 30,</b>     |                    |
|   | <b><u>2012</u></b>        | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
| <b>Earnings per common share</b>  |                           |                    |                          |                    |
| Net income attributable to ExxonMobil (millions of dollars)               | \$ 9,570                  | \$ 10,330          | \$ 34,930                | \$ 31,660          |
| Weighted average number of common shares outstanding (millions of shares) | 4,597                     | 4,839              | 4,657                    | 4,902              |
| Earnings per common share (dollars)                                       | \$ 2.09                   | \$ 2.13            | \$ 7.50                  | \$ 6.46            |
| <b>Earnings per common share - assuming dilution</b>                      |                           |                    |                          |                    |
| Net income attributable to ExxonMobil (millions of dollars)               | \$ 9,570                  | \$ 10,330          | \$ 34,930                | \$ 31,660          |
| Weighted average number of common shares outstanding (millions of shares) | 4,597                     | 4,839              | 4,657                    | 4,902              |
| Effect of employee stock-based awards                                     | -                         | 4                  | -                        | 6                  |
| Weighted average number of common shares outstanding - assuming dilution  | 4,597                     | 4,843              | 4,657                    | 4,908              |
| Earnings per common share - assuming dilution (dollars)                   | \$ 2.09                   | \$ 2.13            | \$ 7.50                  | \$ 6.45            |

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## 5. Pension and Other Postretirement Benefits

|   | <b>Three Months Ended</b>    |                    | <b>Nine Months Ended</b> |                    |
|---|------------------------------|--------------------|--------------------------|--------------------|
|   | <b>September 30,</b>         |                    | <b>September 30,</b>     |                    |
|   | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|   | <i>(millions of dollars)</i> |                    |                          |                    |
| <b>Pension Benefits - U.S.</b>                          |                              |                    |                          |                    |
| Components of net benefit cost                          |                              |                    |                          |                    |
| Service cost  | \$ 173                       | \$ 148             | \$ 489                   | \$ 397             |
| Interest cost   | 205                          | 198                | 615                      | 594                |
| Expected return on plan assets                          | (196)                        | (192)              | (590)                    | (577)              |
| Amortization of actuarial loss/(gain) and prior         |                              |                    |                          |                    |
| service cost  | 146                          | 123                | 436                      | 370                |
| Net pension enhancement and curtailment/settlement cost | 123                          | 64                 | 369                      | 266                |
| Net benefit cost  | \$ 451                       | \$ 341             | \$ 1,319                 | \$ 1,050           |
| <b>Pension Benefits - Non-U.S.</b>                      |                              |                    |                          |                    |
| Components of net benefit cost                          |                              |                    |                          |                    |
| Service cost  | \$ 156                       | \$ 147             | \$ 490                   | \$ 432             |
| Interest cost   | 279                          | 317                | 859                      | 956                |
| Expected return on plan assets                          | (269)                        | (293)              | (831)                    | (879)              |
| Amortization of actuarial loss/(gain) and prior         |                              |                    |                          |                    |
| service cost  | 228                          | 189                | 719                      | 566                |
| Net pension enhancement and curtailment/settlement cost | 109                          | 7                  | 1,538                    | 7                  |
| (1)   |                              |                    |                          |                    |
| Net benefit cost  | \$ 503                       | \$ 367             | \$ 2,775                 | \$ 1,082           |
| <b>Other Postretirement Benefits</b>                    |                              |                    |                          |                    |
| Components of net benefit cost                          |                              |                    |                          |                    |
| Service cost  | \$ 31                        | \$ 30              | \$ 100                   | \$ 94              |
| Interest cost   | 89                           | 96                 | 293                      | 300                |
| Expected return on plan assets                          | (9)                          | (10)               | (30)                     | (32)               |
| Amortization of actuarial loss/(gain) and prior         |                              |                    |                          |                    |
| service cost  | 48                           | 47                 | 156                      | 153                |
| Net benefit cost  | \$ 159                       | \$ 163             | \$ 519                   | \$ 515             |

*(1) Non-U.S. net pension enhancement and curtailment/settlement cost for the nine months ended September 30, 2012, includes \$1,420 million (on a consolidated company, before tax basis) of accumulated other comprehensive income for the postretirement benefit reserves adjustment that was recycled into earnings and included in the Japan restructuring gain reported in "Other income" (See Note 9).*

## 6. Financial Instruments

The fair value of financial instruments is determined by reference to observable market data and other valuation techniques as appropriate. The only category of financial instruments where the difference between fair value and recorded book value is notable is long-term debt. The estimated fair value of total long-term debt, including capitalized lease obligations, was \$9.5 billion at September 30, 2012, and \$9.8 billion at December 31, 2011, as compared to recorded book values of \$8.9 billion at September 30, 2012, and \$9.3 billion at December 31, 2011. The fair value of long-term debt by hierarchy level at September 30, 2012, is shown below:

|                           | <b>As of September 30, 2012</b> |   |                       | <b><u>Total</u></b> |
|---------------------------|---------------------------------|---|-----------------------|---------------------|
|                           | <b><u>Level 1</u></b>           | <b><u>Level 2</u></b><br><i>(millions of dollars)</i> | <b><u>Level 3</u></b> |                     |
| Long-term debt fair value | \$ 6,594                        | \$ 2,609  | \$ 322                | \$ 9,525            |

The fair value hierarchy for long-term debt is primarily Level 1 and represents quoted prices in active markets. Level 2 includes debt whose fair value is based upon a publicly available index. The Level 3 amount is primarily capitalized leases whose value is typically determined through the use of present value and specific contract terms.



## 7. Disclosures about Segments and Related Information

|                                  | Three Months Ended |             | Nine Months Ended |             |
|----------------------------------|--------------------|-------------|-------------------|-------------|
|                                  | September 30,      |             | September 30,     |             |
|                                  | <u>2012</u>        | <u>2011</u> | <u>2012</u>       | <u>2011</u> |
| <i>(millions of dollars)</i>     |                    |             |                   |             |
| <b>EARNINGS AFTER INCOME TAX</b> |                    |             |                   |             |
| Upstream                         |                    |             |                   |             |
| United States                    | \$ 633             | \$ 1,184    | \$ 2,321          | \$ 3,912    |
| Non-U.S.                         | 5,340              | 7,210       | 19,812            | 21,698      |
| Downstream                       |                    |             |                   |             |
| United States                    | 1,441              | 810         | 2,878             | 2,238       |
| Non-U.S. (1)                     | 1,749              | 769         | 8,544             | 1,796       |
| Chemical                         |                    |             |                   |             |
| United States                    | 565                | 538         | 1,492             | 1,832       |
| Non-U.S. (1)                     | 225                | 465         | 1,448             | 2,008       |
| All other                        | (383)              | (646)       | (1,565)           | (1,824)     |
| Corporate total                  | \$ 9,570           | \$ 10,330   | \$ 34,930         | \$ 31,660   |

(1) *Nine months ended September 30, 2012, includes the gain associated with the Japan restructuring (See Note 9) of \$5.3 billion in the non-U.S. Downstream and \$0.6 billion in the non-U.S. Chemical segments.*

**SALES AND OTHER OPERATING REVENUE (2)**

|                 |            |            |            |            |
|-----------------|------------|------------|------------|------------|
| Upstream        |            |            |            |            |
| United States   | \$ 2,830   | \$ 3,686   | \$ 8,404   | \$ 10,601  |
| Non-U.S.        | 7,208      | 7,101      | 22,163     | 24,684     |
| Downstream      |            |            |            |            |
| United States   | 31,621     | 31,329     | 92,991     | 90,904     |
| Non-U.S.        | 60,763     | 67,591     | 190,590    | 192,742    |
| Chemical        |            |            |            |            |
| United States   | 3,493      | 4,053      | 11,167     | 11,829     |
| Non-U.S.        | 5,634      | 6,711      | 18,157     | 20,345     |
| All other       | 5          | 4          | 16         | 15         |
| Corporate total | \$ 111,554 | \$ 120,475 | \$ 343,488 | \$ 351,120 |

(2) *Includes sales-based taxes*

**INTERSEGMENT REVENUE**

|               |          |          |          |          |
|---------------|----------|----------|----------|----------|
| Upstream      |          |          |          |          |
| United States | \$ 1,935 | \$ 2,232 | \$ 6,538 | \$ 7,189 |
| Non-U.S.      | 11,105   | 12,527   | 35,171   | 37,705   |
| Downstream    |          |          |          |          |

|           |               |        |        |        |        |
|-----------|---------------|--------|--------|--------|--------|
|           | United States | 5,422  | 4,426  | 16,214 | 14,071 |
|           | Non-U.S.      | 15,309 | 17,854 | 47,215 | 53,987 |
| Chemical  |               |        |        |        |        |
|           | United States | 3,301  | 2,884  | 9,429  | 9,202  |
|           | Non-U.S.      | 2,292  | 2,960  | 7,565  | 8,095  |
| All other |               | 75     | 66     | 212    | 192    |

## 8. Accounting for Suspended Exploratory Well Costs

For the category of exploratory well costs at year-end 2011 that were suspended more than one year, a total of \$95 million was expensed in the first nine months of 2012.

## 9. Japan Restructuring

On June 1, 2012, the Corporation completed the restructuring of its Downstream and Chemical holdings in Japan. Under the restructuring, TonenGeneral Sekiyu K. K. (TG), a consolidated subsidiary owned 50 percent by the Corporation, purchased for \$3.9 billion the Corporation's shares of a wholly-owned affiliate in Japan, EMG Marketing Godo Kaisha (previously known as ExxonMobil Yugen Kaisha), which resulted in TG acquiring approximately 200 million of its shares owned by the Corporation along with other assets. As a result of the restructuring, the Corporation's effective ownership of TG was reduced to approximately 22 percent and a net gain of \$6.5 billion was recognized. The gain is included in "Other income" partially offset by amounts included in "Income tax expense" and "Net income attributable to noncontrolling interests."

The gain includes \$1.9 billion of the Corporation's share of other comprehensive income recycled into earnings (see note 3 below). The gain also includes remeasurement of TG's shares that the Corporation continues to own to \$0.7 billion, based on TG's share price on the Tokyo Stock Exchange. The Corporation accounts for its remaining investment using the equity method.

Summarized balance sheet for the Japan entities subject to the restructuring follows:

|                              |                                   | <i>(millions of dollars)</i> |        |
|------------------------------|-----------------------------------|------------------------------|--------|
| Assets                       |                                   |                              |        |
|                              | Current assets (1)                | \$                           | 6,391  |
|                              | Net property, plant and equipment |                              | 4,700  |
|                              | Other assets                      |                              | 989    |
| Total assets                 |                                   | \$                           | 12,080 |
| Liabilities                  |                                   |                              |        |
|                              | Current liabilities (2)           | \$                           | 7,398  |
|                              | Long-term debt                    |                              | 22     |
|                              | Postretirement benefits reserves  |                              | 2,066  |
|                              | Other long-term obligations       |                              | 826    |
| Total liabilities            |                                   | \$                           | 10,312 |
| Equity                       |                                   |                              |        |
|                              | ExxonMobil share of equity (3)    | \$                           | (256)  |
|                              | Noncontrolling interests          |                              | 2,024  |
| Total equity                 |                                   | \$                           | 1,768  |
| Total liabilities and equity |                                   | \$                           | 12,080 |

- (1) *The aggregate replacement cost of inventories exceeded the LIFO carrying values by \$2.4 billion at June 1, 2012.*
- (2) *On June 1, 2012, Japan's unused credit lines for short-term financing were \$1.0 billion.*
- (3) *The accumulated other comprehensive income associated with the Japan restructuring was recycled into earnings. At June 1, 2012, ExxonMobil's share of accumulated other comprehensive income was a benefit of \$1.9 billion, including \$2.5 billion related to cumulative translation adjustments offset by \$0.6 billion related to postretirement benefits reserves adjustments.*

## EXXON MOBIL CORPORATION

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## FUNCTIONAL EARNINGS SUMMARY

| <u>Earnings (U.S. GAAP)</u>                              | <u>Third Quarter</u>         |                  | <u>First Nine Months</u> |                  |
|--|------------------------------|------------------|--------------------------|------------------|
|  | <u>2012</u>                  | <u>2011</u>      | <u>2012</u>              | <u>2011</u>      |
|  | <i>(millions of dollars)</i> |                  |                          |                  |
| Upstream   |                              |                  |                          |                  |
| United States  | \$ 633                       | \$ 1,184         | \$ 2,321                 | \$ 3,912         |
| Non-U.S.   | 5,340                        | 7,210            | 19,812                   | 21,698           |
| Downstream   |                              |                  |                          |                  |
| United States  | 1,441                        | 810              | 2,878                    | 2,238            |
| Non-U.S.   | 1,749                        | 769              | 8,544                    | 1,796            |
| Chemical   |                              |                  |                          |                  |
| United States  | 565                          | 538              | 1,492                    | 1,832            |
| Non-U.S.   | 225                          | 465              | 1,448                    | 2,008            |
| Corporate and financing                                  | (383)                        | (646)            | (1,565)                  | (1,824)          |
| <b>Net income attributable to ExxonMobil (U.S. GAAP)</b> | <b>\$ 9,570</b>              | <b>\$ 10,330</b> | <b>\$ 34,930</b>         | <b>\$ 31,660</b> |
| Earnings per common share (dollars)                      | \$ 2.09                      | \$ 2.13          | \$ 7.50                  | \$ 6.46          |
| Earnings per common share - assuming dilution (dollars)  | \$ 2.09                      | \$ 2.13          | \$ 7.50                  | \$ 6.45          |

*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 THIRD QUARTER 2012 RESULTS

ExxonMobil results for the third quarter of 2012 reflect our ongoing commitment to help deliver the energy needed to underpin economic recovery and growth while maintaining our strong focus on safety and environmental performance.

Third quarter 2012 earnings were \$9.6 billion, down 7 percent from the third quarter of 2011.

Capital and exploration expenditures were \$9.2 billion in the third quarter of 2012.

The Corporation distributed \$7.6 billion to shareholders in the third quarter through dividends and share purchases to reduce shares outstanding.

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Earnings of \$34,930 million in the first nine months of 2012 increased \$3,270 million from 2011.

Earnings per share – assuming dilution increased 16 percent to \$7.50.

|                                 | <b>Third Quarter</b>         |                    | <b>First Nine Months</b> |                    |
|---------------------------------|------------------------------|--------------------|--------------------------|--------------------|
|                                 | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|                                 | <i>(millions of dollars)</i> |                    |                          |                    |
| <b><u>Upstream earnings</u></b> |                              |                    |                          |                    |
| United States                   | \$ 633                       | \$ 1,184           | \$ 2,321                 | \$ 3,912           |
| Non-U.S.                        | 5,340                        | 7,210              | 19,812                   | 21,698             |
| Total                           | \$ 5,973                     | \$ 8,394           | \$ 22,133                | \$ 25,610          |

Upstream earnings were \$5,973 million in the third quarter of 2012, down \$2,421 million from the third quarter of 2011. Production volume and mix effects reduced earnings by \$700 million. Lower liquids and natural gas realizations decreased earnings by \$130 million. All other items, including the absence of prior year asset sales (\$1.0 billion), unfavorable tax items and foreign exchange impacts, decreased earnings by a total of \$1.6 billion.

On an oil-equivalent basis, production decreased 7.5 percent from the third quarter of 2011. Excluding the impacts of entitlement volumes, OPEC quota effects and divestments, production decreased 2.9 percent.

Liquids production totaled 2,116 kbd (thousands of barrels per day), down 133 kbd from the third quarter of 2011. Excluding the impacts of entitlement volumes, OPEC quota effects and divestments, liquids production was down 3.1 percent, as field decline was partially offset by project ramp-up in Angola and Nigeria.

Third quarter natural gas production was 11,061 mcf (millions of cubic feet per day), down 1,136 mcf from 2011. Excluding the impacts of entitlement volumes and divestments, natural gas production was down 2.7 percent, due primarily to field decline.

Earnings from U.S. Upstream operations were \$633 million, \$551 million lower than the third quarter of 2011. Non-U.S. Upstream earnings were \$5,340 million, down \$1,870 million from the prior year.

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Upstream earnings for the first nine months of 2012 were \$22,133 million, down \$3,477 million from 2011. Production volume and mix effects decreased earnings by \$1.9 billion. Liquids and natural gas realizations

decreased earnings by \$80 million. All other items, including higher operating expenses and unfavorable tax effects, reduced earnings by \$1.5 billion.

On an oil-equivalent basis, production was down 6.2 percent compared to the same period in 2011. Excluding the impacts of entitlement volumes, OPEC quota effects and divestments, production was down 1.6 percent.

Liquids production of 2,179 kbd decreased 153 kbd compared with 2011. Excluding the impacts of entitlement volumes, OPEC quota effects and divestments, liquids production was down 1.8 percent, as field decline was partly offset by project ramp-up in Angola and Nigeria.

Natural gas production of 12,249 mcf decreased 739 mcf from 2011. Excluding the impacts of entitlement volumes and divestments, natural gas production was down 1.3 percent, as field decline was partially offset by higher demand and lower downtime.

Earnings from U.S. Upstream operations for 2012 were \$2,321 million, down \$1,591 million from 2011. Earnings outside the U.S. were \$19,812 million, down \$1,886 million.

|                                   | <b>Third Quarter</b>         |                    | <b>First Nine Months</b> |                    |
|-----------------------------------|------------------------------|--------------------|--------------------------|--------------------|
|                                   | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|                                   | <i>(millions of dollars)</i> |                    |                          |                    |
| <b><u>Downstream earnings</u></b> |                              |                    |                          |                    |
| United States                     | \$ 1,441                     | \$ 810             | \$ 2,878                 | \$ 2,238           |
| Non-U.S.                          | 1,749                        | 769                | 8,544                    | 1,796              |
| Total                             | \$ 3,190                     | \$ 1,579           | \$ 11,422                | \$ 4,034           |



Downstream earnings were \$3,190 million in the third quarter of 2012, up \$1,611 million from the third quarter of 2011. Downstream margins, mainly refining, increased earnings by \$850 million, while volume and mix effects were essentially flat. All other items, including higher gains on asset sales of \$360 million, favorable foreign exchange effects, and lower operating expenses, increased earnings by \$780 million. Petroleum product sales of 6,105 kbd were 453 kbd lower than last year's third quarter due mainly to divestments and the Japan restructuring.

Earnings from the U.S. Downstream were \$1,441 million, up \$631 million from the third quarter of 2011. Non-U.S. Downstream earnings of \$1,749 million were \$980 million higher than last year.

Downstream earnings of \$11,422 million in the first nine months of 2012 increased \$7,388 million from 2011. Higher refining margins increased earnings by \$1.4 billion, while volume and mix effects increased earnings by \$140 million. All other items increased earnings by \$5.8 billion due primarily to a \$5.3 billion gain associated with the Japan restructuring and other divestment gains. Petroleum product sales of 6,197 kbd decreased 189 kbd from 2011 due mainly to divestments and the Japan restructuring.

U.S. Downstream earnings were \$2,878 million, up \$640 million from 2011. Non-U.S. Downstream earnings were \$8,544 million, an increase of \$6,748 million from last year.

|                                 | <b>Third Quarter</b>         |                    | <b>First Nine Months</b> |                    |
|---------------------------------|------------------------------|--------------------|--------------------------|--------------------|
|                                 | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|                                 | <i>(millions of dollars)</i> |                    |                          |                    |
| <b><u>Chemical earnings</u></b> |                              |                    |                          |                    |
| United States                   | \$ 565                       | \$ 538             | \$ 1,492                 | \$ 1,832           |
| Non-U.S.                        | 225                          | 465                | 1,448                    | 2,008              |
| Total                           | \$ 790                       | \$ 1,003           | \$ 2,940                 | \$ 3,840           |

Chemical earnings of \$790 million in the third quarter of 2012 were \$213 million lower than the third quarter of 2011. Lower margins decreased earnings by \$150 million. All other items, mainly unfavorable foreign exchange effects, decreased earnings by \$60 million. Third quarter prime product sales of 5,947 kt (thousands of metric tons) were 285 kt lower than last year's third quarter due mainly to the Japan

restructuring.

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Chemical earnings of \$2,940 million for the first nine months of 2012 were \$900 million lower than 2011. Margins decreased earnings by \$920 million. Volume and mix effects lowered earnings by \$60 million. All other items increased earnings by \$80 million, as a \$630 million gain associated with the Japan restructuring was mostly offset by unfavorable foreign exchange effects and higher operating expenses. Prime product sales of 18,256 kt were down 479 kt from 2011.

|  | <b>Third Quarter</b>         |                    | <b>First Nine Months</b> |                    |
|--|------------------------------|--------------------|--------------------------|--------------------|
|  | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|  | <i>(millions of dollars)</i> |                    |                          |                    |
| <b><u>Corporate and financing earnings</u></b> | \$ (383)                     | \$ (646)           | \$ (1,565)               | \$ (1,824)         |

Corporate and financing expenses were \$383 million for the third quarter of 2012, down \$263 million from the third quarter of 2011, due mainly to favorable tax items.

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Corporate and financing expenses were \$1,565 million for the first nine months of 2012, down \$259 million from 2011 due primarily to the Japan restructuring.

**LIQUIDITY AND CAPITAL RESOURCES**

|   | <b>Third Quarter</b>         |                    | <b>First Nine Months</b> |                    |
|---|------------------------------|--------------------|--------------------------|--------------------|
|   | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|   | <i>(millions of dollars)</i> |                    |                          |                    |
| Net cash provided by/(used in)  |                              |                    |                          |                    |
| Operating activities  |                              |                    | \$ 42,946                | \$ 44,594          |
| Investing activities  |                              |                    | (16,599)                 | (20,153)           |
| Financing activities  |                              |                    | (26,143)                 | (21,211)           |
| Effect of exchange rate changes   |                              |                    | 187                      | (33)               |
| Increase/(decrease) in cash and cash equivalents  |                              |                    | \$ 391                   | \$ 3,197           |
| Cash and cash equivalents (at end of period)  |                              |                    | \$ 13,055                | \$ 11,022          |
| Cash and cash equivalents – restricted (at end of period)   |                              |                    | 206                      | 233                |
| Total cash and cash equivalents (at end of period)  |                              |                    | \$ 13,261                | \$ 11,255          |
| Cash flow from operations and asset sales   |                              |                    |                          |                    |
| Net cash provided by operating activities (U.S. GAAP)   | \$ 13,442                    | \$ 14,849          | \$ 42,946                | \$ 44,594          |
| Proceeds associated with sales of subsidiaries, property, plant & equipment, and sales and returns of investments | 607                          | 1,408              | 6,850                    | 4,246              |
| Cash flow from operations and asset sales   | \$ 14,049                    | \$ 16,257          | \$ 49,796                | \$ 48,840          |

*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 third quarter of 2012 compared to \$11.3 billion at the end of the third quarter of 2011.

Cash provided by operating activities totaled \$42.9 billion for the first nine months of 2012, \$1.6 billion lower than 2011. The major source of funds was net income including noncontrolling interests of \$37.4

billion, an increase of \$4.9 billion from the prior year period. The adjustment for the noncash provision of \$11.8 billion for depreciation and depletion was essentially flat with 2011. Changes in operational working capital added to cash flows in both periods. These items were partially offset by the net gain on asset sales of \$11.7 billion in 2012 and \$1.3 billion in 2011. For additional details, see the Condensed Consolidated Statement of Cash Flows on page 6.

Investing activities for the first nine months of 2012 used net cash of \$16.6 billion, a decrease of \$3.6 billion compared to the prior year. Spending for additions to property, plant and equipment increased \$1.9 billion to \$24.2 billion. Proceeds from asset sales of \$6.9 billion, increased \$2.6 billion reflecting the impact of the Japan restructuring. Additional investment and advances decreased by \$2.4 billion to \$0.8 billion.

Cash flow from operations and asset sales in the third quarter of 2012 of \$14.0 billion, including asset sales of \$0.6 billion, decreased \$2.2 billion from the comparable 2011 period. Cash flow from operations and asset sales in the first nine months of 2012 of \$49.8 billion, including asset sales of \$6.9 billion, increased \$1.0 billion from the comparable 2011 period.

Net cash used in financing activities of \$26.1 billion in the first nine months of 2012 was \$4.9 billion higher than 2011, reflecting the maturing of the deferred interest debentures in 2012 and the absence of 2011 net short-term debt issuance.

During the third quarter of 2012, Exxon Mobil Corporation purchased 58 million shares of its common stock for the treasury at a gross cost of \$5.1 billion. These purchases included \$5 billion to reduce the number of shares outstanding with the balance used to acquire shares in conjunction with the company's benefit plans and programs. Shares outstanding decreased from 4,616 million at the end of the second quarter to 4,559 million at the end of the third quarter 2012. 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.

The Corporation distributed to shareholders a total of \$7.6 billion in the third quarter of 2012 through dividends and share purchases to reduce shares outstanding.

Total debt of \$12.4 billion compared to \$17.0 billion at year-end 2011. The decrease is due to the maturing of the deferred interest debentures and the impact of divestments. The Corporation's debt to total capital ratio was 6.7 percent at the end of the third quarter of 2012 compared to 9.6 percent at year-end 2011.

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.

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. Additionally, the Corporation continues to evaluate opportunities to enhance its business portfolio through acquisitions of assets or companies, and enters into such transactions from time to time. Key criteria for evaluating acquisitions include potential for future growth and attractive current valuations. Acquisitions may be made with cash, shares of the Corporation's common stock, or both.

Litigation and other contingencies are discussed in Note 2 to the unaudited condensed consolidated financial statements.

## TAXES

|                                  | <b>Third Quarter</b>         |                    | <b>First Nine Months</b> |                    |
|----------------------------------|------------------------------|--------------------|--------------------------|--------------------|
|                                  | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|                                  | <i>(millions of dollars)</i> |                    |                          |                    |
| Income taxes                     | \$ 7,394                     | \$ 8,009           | \$ 23,647                | \$ 23,734          |
| <i>Effective income tax rate</i> | <i>47 %</i>                  | <i>47 %</i>        | <i>43 %</i>              | <i>46 %</i>        |
| Sales-based taxes                | 8,137                        | 8,484              | 24,657                   | 25,013             |
| All other taxes and duties       | 8,652                        | 11,084             | 29,891                   | 32,575             |
| Total                            | \$ 24,183                    | \$ 27,577          | \$ 78,195                | \$ 81,322          |

Income, sales-based and all other taxes and duties totaled \$24.2 billion for the third quarter of 2012, a decrease of \$3.4 billion from 2011. Income tax expense decreased by \$0.6 billion to \$7.4 billion reflecting the lower level of earnings. The effective income tax rate was 47 percent in both periods. Sales-based taxes and all other taxes and duties decreased by \$2.8 billion to \$16.8 billion reflecting the Japan restructuring.

Income, sales-based and all other taxes and duties totaled \$78.2 billion for the first nine months of 2012, a decrease of \$3.1 billion from 2011. Income tax expense decreased by \$0.1 billion to \$23.6 billion with the impact of higher earnings offset by the lower effective tax rate. The effective income tax rate was 43 percent compared to 46 percent in the prior year due to a lower effective tax rate on divestments. Sales-based and all other taxes decreased by \$3.0 billion reflecting the Japan restructuring.

## CAPITAL AND EXPLORATION EXPENDITURES

|   | <b>Third Quarter</b>         |                    | <b>First Nine Months</b> |                    |
|---|------------------------------|--------------------|--------------------------|--------------------|
|   | <b><u>2012</u></b>           | <b><u>2011</u></b> | <b><u>2012</u></b>       | <b><u>2011</u></b> |
|   | <i>(millions of dollars)</i> |                    |                          |                    |
| Upstream (including exploration expenses) | \$ 8,248                     | \$ 7,752           | \$ 24,720                | \$ 24,088          |
| Downstream                                | 583                          | 541                | 1,591                    | 1,475              |
| Chemical                                  | 350                          | 321                | 1,031                    | 1,122              |
| Other                                     | 2                            | 6                  | 14                       | 62                 |
| Total                                     | \$ 9,183                     | \$ 8,620           | \$ 27,356                | \$ 26,747          |

Capital and exploration expenditures in the third quarter of 2012 were \$9.2 billion, up 7 percent from the third quarter of 2011.

Capital and exploration expenditures were a record \$27.4 billion for the first nine months of 2012, up 2 percent, as ExxonMobil continues pursuing opportunities to find and produce new supplies of oil and natural gas to meet global demand for energy. The Corporation anticipates an investment profile of about \$37 billion per year over the next five years. Actual spending could vary depending on the progress of individual projects and property acquisitions.



## **FORWARD-LOOKING STATEMENTS**

Statements relating to future plans, projections, events or conditions are forward-looking statements. Actual results, including project plans, costs, timing, and capacities; capital and exploration expenditures; resource recoveries; and share purchase levels, could differ materially due to factors including: changes in oil or gas prices or other market or economic conditions affecting the oil and gas industry, including the scope and duration of economic recessions; the outcome of exploration and development efforts; changes in law or government regulation, including tax and environmental requirements; the outcome of commercial negotiations; changes in technical or operating conditions; and other factors discussed under the heading "Factors Affecting Future Results" in the "Investors" section of our website and in Item 1A of ExxonMobil's 2011 Form 10-K. We assume no duty to update these statements as of any future date.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Information about market risks for the nine months ended September 30, 2012, does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2011.

### **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 September 30, 2012. 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**

Regarding a matter previously reported in the Corporation's 2010 Form 10-K involving the issuance of a notice of violation (NOV) and likely enforcement action by the Pennsylvania Department of Environmental Protection relating to the discharge of fluids at the Marquardt Well Site of XTO Energy Inc. (XTO) in Penn Township, Pennsylvania, on July 19, 2012, the United States Department of Justice (DOJ) and the United States Environmental Protection Agency (EPA) proposed a settlement with XTO for alleged violations of the Federal Water Pollution Control Act arising from the same event. As part of the possible settlement, EPA/DOJ is seeking in excess of \$100,000 to resolve the alleged violations of federal law.

Refer to the relevant portions of Note 2 of this Quarterly Report on Form 10-Q for further information on legal proceedings.

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

## Issuer Purchase of Equity Securities for Quarter Ended September 30, 2012

| Period          | Total Number<br>Of Shares<br>Purchased | Average<br>Price<br>Paid<br>per Share | Total Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans<br>or Programs | Maximum<br>Number<br>Of Shares that<br>May<br>Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|-----------------|--|---------------------------------------|---|--|
| July, 2012      | 19,393,880                             | \$85.30                               | 19,393,880  |  |
| August, 2012    | 21,837,573                             | \$87.79                               | 21,837,573  |  |
| September, 2012 | 16,843,181                             | \$90.63                               | 16,843,181  |  |
| Total           | 58,074,634                             | \$87.78                               | 58,074,634  | (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 November 1, 2012, the Corporation stated that fourth quarter 2012 share purchases to reduce shares outstanding are anticipated to equal \$5 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.

**Item 6. Exhibits**

| Exhibit              | Description  |
|----------------------|--|
| 10(iii)(f.2)<br>31.1 | Standing resolution for non-employee director restricted grants dated, September 26, 2007. |

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- 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.

**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: November 6, 2012

By:

/s/ Patrick T. Mulva

Name:

Patrick T. Mulva

Title:

Vice President, Controller and  
Principal Accounting Officer

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**INDEX TO EXHIBITS**

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