10-Q 1 r10q081303.txt 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, 2003 OR ( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _________ to _________ Commission File Number 1-2256 EXXON MOBIL CORPORATION ____ (Exact name of registrant as specified in its charter) NEW JERSEY 13-5409005 ______________________________ _____________________ (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 5959 Las Colinas Boulevard, Irving, Texas 75039-2298 ____ (Address of principal executive offices) (Zip Code) (972) 444-1000 ____ (Registrant's telephone number, including area code) Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___ ___ Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X 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 July 31, 2003 ______________________________ ______________________________ Common stock, without par value 6,636,854,594 EXXON MOBIL CORPORATION FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003 TABLE OF CONTENTS Page Number ______ PART I. FINANCIAL INFORMATION Item 1. Financial Statements Condensed Consolidated Statement of Income 3 Three and six months ended June 30, 2003 and 2002 Condensed Consolidated Balance Sheet 4 As of June 30, 2003 and December 31, 2002 Condensed Consolidated Statement of Cash Flows 5 Six months ended June 30, 2003 and 2002 Notes to Condensed Consolidated Financial Statements 6-17 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 18-23 Item 3. Quantitative and Qualitative Disclosures About Market Risk 24 Item 4. Controls and Procedures 24 PART II. OTHER INFORMATION Item 1. Legal Proceedings 24-25 Item 4. Submission of Matters to a Vote of Security Holders 25-27 Item 6. Exhibits and Reports on Form 8-K 28 Signature 29 Index to Exhibits 30 -2- PART I. FINANCIAL INFORMATION Item 1. Financial Statements EXXON MOBIL CORPORATION CONDENSED CONSOLIDATED STATEMENT OF INCOME (millions of dollars)

Three Months Ended Six Months Ended June 30, June 30,

____

____

2003 2002 2003 2002

____ ____ ____ ____

~~REVENUE Sales and other operating revenue, including excise taxes $ 56,167 $ 49,972 $116,355 $ 92,564 Earnings from equity interests and other revenue 998 832 4,590 1,633~~ ________ ________ ________ ________ ~~Total revenue 57,165 50,804 120,945 94,197~~

________ ________

________ ________

~~COSTS AND OTHER DEDUCTIONS Crude oil and product purchases 24,227 22,620 52,305 40,637 Operating expenses 5,320 4,211 10,660 7,984 Selling, general and administrative expenses 3,340 3,310 6,442 6,447 Depreciation and depletion 2,169 2,003 4,351 4,001 Exploration expenses, including dry holes 182~~

~~229 329 447 Merger related expenses 0 41 0 124 Interest expense 70 51 112 139 Excise taxes 5,896 5,650 11,727 10,441 Other taxes and duties 9,113 8,391 17,920 16,336 Income applicable to minority and preferred interests 100 17 473 32 -------- -------- -------- -------- Total costs and other deductions 50,417 46,523 104,319 86,588 -------- -------- -------- -------- INCOME BEFORE INCOME TAXES 6,748 4,281 16,626 7,609 Income taxes 2,578 1,652 5,966 2,917 -------- -------- -------- -------- INCOME FROM CONTINUING OPERATIONS 4,170 2,629 10,660 4,692 Discontinued operations, net of income tax 0 11 0 38 Cumulative effect of accounting change, net of income tax 0 0 550 0 -------- -------- -------- -------- NET INCOME $ 4,170 $ 2,640 $ 11,210 $ 4,730 ======== ======== ======== ======== NET INCOME PER COMMON SHARE (DOLLARS) Income from continuing operations $ 0.63 $ 0.39 $ 1.60 $ 0.69 Discontinued operations, net of income tax 0.00 0.01 0.00 0.01 Cumulative effect of accounting change, net of income tax 0.00 0.00 0.08 0.00 -------- -------- -------- --------~~

~~________ Net income $ 0.63 $ 0.40 $ 1.68 $ 0.70 ========= ========= ========= ========= NET INCOME PER COMMON SHARE - ASSUMING DILUTION (DOLLARS) Income from continuing operations $ 0.62 $ 0.38 $ 1.59 $ 0.68 Discontinued operations, net of income tax 0.00 0.01 0.00 0.01 Cumulative effect of accounting change, net of income tax 0.00 0.00 0.08 0.00 ________ ________ ________ ________ Net income $ 0.62 $ 0.39 $ 1.67 $ 0.69 ========= ========= ========= ========= DIVIDENDS PER COMMON SHARE $ 0.25 $ 0.23 $ 0.48 $ 0.46~~

-3- EXXON MOBIL CORPORATION CONDENSED CONSOLIDATED BALANCE SHEET (millions of dollars)

June 30, Dec. 31, 2003 2002

____

~~________ ASSETS Current assets Cash and cash equivalents $ 12,521 $ 7,229 Notes and accounts receivable - net 19,471 21,163 Inventories Crude oil, products and merchandise 8,783 6,827 Materials and supplies 1,252 1,241 Prepaid taxes and expenses 2,039 1,831 ________ ________ Total current assets 44,066 38,291 Property, plant and equipment - net 99,500 94,940 Investments and other assets 21,537 19,413 ________~~

~~________ TOTAL ASSETS $165,103 $152,644 ========= ========= LIABILITIES Current liabilities Notes and loans payable $ 4,327 $ 4,093 Accounts payable and accrued liabilities 26,530 25,186 Income taxes payable 5,791 3,896 ________ ________ Total current liabilities 36,648 33,175 Long-term debt 5,811 6,655 Deferred income tax liability 17,541 16,484 Other long-term liabilities 22,522 21,733 ________ ________ TOTAL LIABILITIES 82,522 78,047 ________ ________ ________ SHAREHOLDERS' EQUITY Benefit plan related balances (381) (450) Common stock, without par value: Authorized: 9,000 million shares Issued: 8,019 million shares 4,089 4,217 Earnings reinvested 108,963 100,961 Accumulated other nonowner changes in equity Cumulative foreign exchange translation adjustment (1,099) (3,015) Minimum pension liability adjustment (2,960) (2,960) Unrealized gains/(losses) on stock investments 74 (79) Common stock held in treasury: 1,367 million shares at June 30, 2003~~

~~(26,105) 1,319 million shares at December 31, 2002 (24,077)~~ ________ ________ ~~TOTAL SHAREHOLDERS' EQUITY 82,581 74,597~~ ________ ________ ~~TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY $165,103 $152,644~~
========
========

The number of shares of common stock issued and outstanding at June 30, 2003 and December 31, 2002 were 6,651,546,054 and 6,700,074,272, respectively. -4- EXXON MOBIL CORPORATION CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (millions of dollars)

Six Months Ended June 30,

____

2003 2002 ____ ____ ~~CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 11,210 $ 4,730 Depreciation and depletion 4,351 4,001 Changes in operational working capital, excluding cash and debt 2,470 88 All other items - net (2,036) (79)~~

________ ________

~~Net cash provided by operating activities 15,995 8,740~~

________ ________

~~CASH FLOWS FROM INVESTING ACTIVITIES Additions to property, plant and equipment (6,232) (5,263) Sales of subsidiaries, investments, and property, plant and equipment 1,581 878 Other investing activities - net 280 15~~

________ ________

~~Net cash used in investing activities (4,371) (4,370)~~

________ ________

~~NET CASH GENERATION BEFORE FINANCING ACTIVITIES 11,624~~

~~4,370 ________ ________ CASH FLOWS FROM FINANCING ACTIVITIES Additions to long-term debt 26 368 Reductions in long-term debt (632) (33) Additions/(reductions) in short-term debt - net (192) (146) Cash dividends to ExxonMobil shareholders (3,208) (3,121) Cash dividends to minority interests (311) (77) Changes in minority interests and sales/(purchases) of affiliate stock (160) (189) Net ExxonMobil shares acquired (2,211) (2,369) ________ ________ Net cash used in financing activities (6,688) (5,567) ________ ________ Effects of exchange rate changes on cash 356 350 ________ ________ Increase/(decrease) in cash and cash equivalents 5,292 (847) Cash and cash equivalents at beginning of period 7,229 6,547 ________ ________ CASH AND CASH EQUIVALENTS AT END OF PERIOD $ 12,521 $ 5,700 ========= ========= SUPPLEMENTAL DISCLOSURES Income taxes paid $ 3,970 $ 3,123 Cash interest paid $ 159 $ 208~~

-5- 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 2002 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. Stock Option Accounting Effective January 1, 2003, the corporation adopted the recognition provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (FAS 123), "Accounting for Stock-Based Compensation" for all employee stock-based awards granted after that date. In accordance with FAS 123, compensation expense for future awards will be measured by the fair value of the award at the date of grant and recognized over the vesting period. The fair value of awards in the form of restricted stock is the market price of the stock. The fair value of awards in the form of stock options is estimated using an option-pricing model. As permitted by FAS 123, the corporation has retained its prior method of accounting for stock-based awards granted before January 1, 2003. Under this method, compensation expense for awards granted in the form of stock options is measured at the intrinsic value of the options (the difference between the market price of stock and the exercise price of the options) on the date of grant. Since these two prices are the same on the date of grant, no compensation expense was recognized in income for these awards. Additionally, compensation expense for awards granted in the form of restricted stock is based on the price of the stock when it is granted and is recognized over the vesting period, which is the same method of accounting as under FAS 123. If the provisions of FAS 123 had been adopted in the prior year, the impact on compensation expense, net income, and net income per share would have been as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(millions of dollars)			
Net income, as reported	$ 4,170	$ 2,640	$ 11,210	$ 4,730
Add: Stock-based compensation, net of tax, included in reported net income	20	4	42	7
Deduct: Stock-based compensation, net of tax, determined under fair value method	(22)	(51)	(46)	(104)
Pro forma net income	$ 4,168	$ 2,593	$ 11,206	$ 4,633
Net income per share:				
	(dollars per share)			
Basic - as reported	$ 0.63	$ 0.40	$ 1.68	$ 0.70
Basic - pro forma	0.63	0.39	1.68	0.69
Diluted - as reported	0.62	0.39	1.67	0.69
Diluted - pro forma	0.62	0.38	1.67	0.68

3. Discontinued Operations In 2002, the copper business in Chile and the coal operations in Colombia were sold. Prior periods include reclassifications to reflect the earnings of these businesses as discontinued operations. Income taxes related to discontinued operations in the second quarter of 2002 were $2 million and for the six months ended June 30, 2002 were $9 million. Revenues and earnings for these businesses were historically reported in the "All Other" line in the segment disclosures located in note 10 on page 12.

4. Accounting Change As of January 1, 2003 the corporation adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 143 (FAS 143), "Accounting for Asset Retirement Obligations." The primary impact of FAS 143 is to change the method of accruing for upstream site restoration costs. These costs were previously accrued ratably over the productive lives of the assets in accordance with Statement of Financial Accounting Standards No. 19 (FAS 19), "Financial Accounting and Reporting by Oil and Gas Producing Companies." At the end of 2002, the cumulative amount accrued under FAS 19 was approximately $3.5 billion. Under FAS 143, the fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically at the time the assets are installed. Amounts recorded for the related assets will be increased by the amount of these obligations. Over time the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depreciated over the

useful lives of the related assets. The cumulative adjustment for the change in accounting principle reported in the first quarter of 2003 was after-tax income of $550 million (net of $434 million of income tax effects, including ExxonMobil's share of related equity company income taxes of $51 million), or $0.08 per common share. The effect of this accounting change on the balance sheet was a $0.3 billion increase to property, plant and equipment, a $0.6 billion reduction to the accrued liability and a $0.4 billion increase in deferred income tax liabilities. This adjustment is due to the difference in the method of accruing site restoration costs under FAS 143 compared with the method required by FAS 19, the accounting standard that the corporation has been required to follow since 1978. Under FAS 19, site restoration costs are accrued on a unit-of-production basis of accounting as the oil and gas is produced. The FAS 19 method matches the accruals with the revenues generated from production and results in most of the costs being accrued early in field life, when production is at the highest level. Because FAS 143 requires accretion of the liability as a result of the passage of time using an interest method of allocation, the majority of the costs will be accrued towards the end of field life, when production is at the lowest level. The cumulative income adjustment described above resulted from reversing the higher liability accumulated under FAS 19 in order to adjust it to the lower present value amount resulting from transition to FAS 143. This amount being reversed in transition, which was previously charged to operating earnings under FAS 19, will again be charged to those earnings under FAS 143 in future years. If FAS 143 had been in effect in 2002, net income that would have been reported would not have been materially different from the net income that was reported under FAS 19. The effect of FAS 143 on net income in the current year period is also not material. -7- 5. Recently Issued Statements of Financial Accounting Standards In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," which provides guidance on when certain entities should be consolidated or the interests in those entities should be disclosed by enterprises that do not control them through majority voting interest. Under FIN 46, entities are required to be consolidated by enterprises that lack majority voting interest when equity investors of those entities have insignificant capital at risk or they lack voting rights, the obligation to absorb expected losses, or the right to receive expected returns. Entities identified with these characteristics are called variable interest entities and the interests that enterprises have in these entities are called variable interests. These interests can derive from certain guarantees, leases, loans or other arrangements that result in risks and rewards that are disproportionate to the voting interests in the entities. The provisions of FIN 46 must be immediately applied for variable interest entities created after January 31, 2003. For variable interest entities created before February 1, 2003, FIN 46 must be adopted in the first reporting period beginning after June 15, 2003. There have been no variable interest entities created after January 31, 2003 in which the corporation has an interest. The corporation is reviewing its financial arrangements entered into before February 1, 2003 to identify any that might qualify as variable interest entities. There is a reasonable possibility that certain joint ventures in which the corporation has an interest might be variable interest entities. These joint ventures are operating entities and the other equity investors are third parties independent from the corporation. The corporation's share of net income of these entities is included in the consolidated statement of income. The variable interests arise primarily because of certain guarantees extended by the corporation to the joint ventures. These guarantees are included in the guarantees disclosed on page 10 as part of note 7. The corporation does not expect any impact on net income if it is required to consolidate any of these possible variable interest entities because it already is recording its share of net income of these entities. The impact to the balance sheet would be an increase in both assets and liabilities, estimated to be in the range of $500 million to $750 million (less than one-half of 1 percent of total assets). However, there would be no change to the calculation of return on average capital employed because the corporation already includes its share of joint venture debt in the determination of average capital employed. 6. Merger of Exxon Corporation and Mobil Corporation On November 30, 1999, a wholly-owned subsidiary of Exxon Corporation merged with Mobil Corporation so that Mobil became a wholly-owned subsidiary of Exxon (the "Merger"). At the same time, Exxon changed its name to Exxon Mobil Corporation. There were no merger related expenses in 2003 reflecting the completion of the merger related activities in 2002. Merger related costs in the second quarter of 2002 were $41 million ($30 million after tax) and were $124 million ($90 million after tax) for the six months ended June 30, 2002. The severance reserve balance at the end of the second quarter of 2003 is expected to be expended mainly in 2003 and 2004. The following table summarizes the activity in the severance reserve for the six months ended June 30, 2003: Opening Balance at Balance Additions Deductions Period End _______ _________ _________ __________ (millions of dollars) 101 0 27 74 -8- 7. Litigation and Other Contingencies A number of lawsuits, including class actions, were brought in various courts against Exxon Mobil Corporation and certain of its subsidiaries relating to the accidental release of crude oil from the tanker Exxon Valdez in 1989. The vast majority of the claims have been resolved leaving a few compensatory damages cases to be resolved. All of the punitive damage claims were consolidated in the civil trial that began in May 1994. In that trial, on September 24, 1996, the United States District Court for the District of Alaska entered a judgment in the amount of $5 billion in punitive damages to a class composed of all persons and entities who asserted claims for punitive damages from the corporation as a result of the Exxon Valdez grounding. ExxonMobil appealed the judgment. On November 7, 2001, the United States Court of Appeals for the Ninth Circuit vacated the punitive damage award as being excessive under the Constitution and remanded the case to the District Court for it to determine the amount of the punitive damage award consistent with the Ninth Circuit's holding. On December 6, 2002, the District Court reduced the punitive damages award from $5 billion to $4 billion. Both ExxonMobil and the plaintiffs have appealed to the Ninth Circuit. The corporation has posted a $4.8 billion letter of credit. On January 29, 1997, a settlement agreement was concluded resolving all remaining matters between the corporation and various insurers arising from the Valdez accident. Under terms of this settlement, ExxonMobil received $480 million. Final income statement recognition of this settlement continues to be deferred in view of uncertainty regarding the ultimate cost to the corporation of the Valdez accident. The ultimate cost to ExxonMobil from the lawsuits arising from the Exxon Valdez grounding is not possible to predict and may not be resolved for a number of years. A dispute with a Dutch affiliate concerning an overlift of natural gas by a German affiliate was resolved by payments by the German affiliate pursuant to an arbitration award. The German affiliate had paid royalties on the excess gas and recovered the royalties in 2001. The only substantive issue remaining is the taxes payable on the final compensation for the overlift. Resolution of this issue will not have a materially adverse effect upon the corporation's operations or financial condition. On December 19, 2000, a jury in Montgomery County, Alabama, returned a verdict against the corporation in a contract dispute over royalties in the amount of $87.69 million in compensatory damages and $3.42 billion in punitive damages in the case of Exxon Corporation v. State of Alabama, et al. The verdict was upheld by the trial court on May 4, 2001. On December 20, 2002, the Alabama Supreme Court vacated the $3.5 billion jury verdict. The decision sends the case back to a lower court for a new trial, which is scheduled to begin on October 20, 2003. The ultimate outcome is not expected to have a materially adverse effect upon the corporation's operations or financial condition. On May 22, 2001, a state court jury in New Orleans, Louisiana, returned a verdict against the corporation and three other entities in a case brought by a landowner claiming damage to his property. The property had been leased by the landowner to a company that performed pipe cleaning and storage services for customers, including the corporation. The jury awarded the plaintiff $56 million in compensatory damages (90 percent to be paid by the corporation) and $1 billion in punitive damages (all to be paid by the corporation). The damage related to the presence of naturally occurring radioactive material (NORM) on the site resulting from pipe cleaning operations. The award has been upheld at the trial court. ExxonMobil has appealed the judgment to the Louisiana Fourth Circuit Court of Appeals and believes that the judgment should -9- be set aside or substantially reduced on factual and constitutional grounds. The ultimate outcome is not expected to have a materially adverse effect upon the corporation's operations or financial condition. The U.S. Tax Court has decided the issue with respect to the pricing of crude oil purchased from Saudi Arabia for the years 1979-1981 in favor of the corporation. This decision is subject to appeal. Certain other issues for the years 1979-1993 remain pending before the Tax Court. The ultimate resolution of these issues is not expected to have a materially adverse effect upon the corporation's operations or financial condition. Claims for substantial amounts have been made against ExxonMobil and certain of its consolidated subsidiaries in other pending lawsuits, the outcome of which is not expected to have a materially adverse effect upon the corporation's operations or financial condition. The corporation and certain of its consolidated subsidiaries were contingently liable at June 30, 2003, for $3.3 billion, primarily relating to guarantees for notes, loans and performance under contracts. This included $0.9 billion representing guarantees of non-U.S. excise taxes and customs duties of other companies, entered into as a normal business practice, under reciprocal arrangements. Also included in this amount were guarantees by consolidated affiliates of $2.0 billion, representing ExxonMobil's share of obligations of certain equity companies. 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, 2003 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. 8. Nonowner Changes in Shareholders' Equity

Three Months Ended
Six Months Ended June
30, June 30,

2003 2002 2003 2002

~~(millions of dollars) Net income $ 4,170 $ 2,640 $ 11,210 $ 4,730 Changes in other nonowner changes in equity Foreign exchange translation adjustment 1,444 2,653 1,916 2,523 Minimum pension liability adjustment 0 0 0 0 Unrealized gains/(losses) on stock investments 99 39 153 91 Total nonowner changes in shareholders' equity $ 5,713 $ 5,332 $ 13,279 $ 7,344~~

-10- 9. Earnings Per Share
Three Months Ended
Six Months Ended June
30, June 30,

2003 2002 2003 2002
____ ____ ____ ____
~~NET INCOME PER COMMON SHARE Income from continuing operations (millions of dollars) $ 4,170 $ 2,629 $ 10,660 $ 4,692 Weighted average number of common shares outstanding (millions of shares) 6,654 6,767 6,669 6,780 Net income per common share (dollars) Income from continuing operations $ 0.63 $ 0.39 $ 1.60 $ 0.69 Discontinued operations, net of income tax 0.00 0.01 0.00 0.01 Cumulative effect of accounting change, net of income tax 0.00 0.00 0.08 0.00 ________ ________ ________ ________ Net income $ 0.63 $ 0.40 $ 1.68 $ 0.70 ======== ======== ======== ======== NET INCOME PER COMMON SHARE - ASSUMING DILUTION Income from continuing operations (millions of dollars) $ 4,170 $ 2,629 $ 10,660 $ 4,692 Weighted average number of common shares outstanding - assuming dilution (millions of shares) 6,654 6,767 6,669 6,780 Effect of employee stock-based awards 33 64 32 64 ________ ________ ________ ________ Weighted average number of common shares outstanding - assuming dilution 6,687 6,831 6,701 6,844 Net income per common share - assuming dilution (dollars) Income from continuing~~

~~operations $ 0.62 $ 0.38 $ 1.59 $ 0.68 Discontinued operations, net of income tax 0.00 0.01 0.00 0.01 Cumulative effect of accounting change, net of income tax 0.00 0.00 0.08 0.00~~ ________ ________ ________ ________ ~~Net income $ 0.62 $ 0.39 $ 1.67 $ 0.69~~ ========= ========= ========= =========

-11- 10. Disclosures about Segments and Related Information Consistent with a change in internal organization in 2002, earnings from the electric power business and U.S. coal operations, previously reported in the All Other line, are now shown in the U.S. upstream for coal and non-U.S. upstream for electric power. Earnings from the coal and minerals businesses divested in 2002, reported as discontinued operations, are included in the All Other line. Earnings and revenues for prior periods have been reclassified to reflect these 2002 events consistent with current period reporting.

Three Months Ended Six Months Ended June 30, June 30,

__________________ __________________

2003 2002 2003 2002

____ ____ ____ ____

~~(millions of dollars) EARNINGS AFTER INCOME TAX Upstream United States $ 907 $ 677 $ 2,166 $ 1,125 Non-U.S. 1,931 1,553 6,365 3,194 Downstream United States 419 234 593 248 Non-U.S. 727 148 1,276 106 Chemicals United States 128 87 144 157 Non-U.S. 311 182 582 244 All other (253) (241) 84 (344)~~ ________ ________ ________ ________ ~~Corporate total $ 4,170 $ 2,640 $ 11,210 $ 4,730~~ ========= ========= ========= ========= ~~Included in All Other above Discontinued operations $ 0 $ 11 $ 0 $ 38 Cumulative effect of accounting change $ 0 $ 0 $ 550 $ 0 SALES AND OTHER OPERATING~~

~~REVENUE Upstream United States $ 1,440 $ 1,002 $ 3,208 $ 1,820 Non-U.S. 3,623 2,803 7,696 5,726 Downstream United States 13,225 12,642 27,423 22,210 Non-U.S. 32,933 29,259 67,909 55,039 Chemicals United States 1,924 1,895 3,953 3,371 Non-U.S. 3,014 2,364 6,149 4,382 All other 8 7 17 16~~

~~Corporate total $ 56,167 $ 49,972 $116,355 $ 92,564~~

~~INTERSEGMENT REVENUE Upstream United States $ 1,255 $ 1,306 $ 2,855 $ 2,419 Non-U.S. 3,581 3,298 7,846 6,046 Downstream United States 1,447 1,553 3,107 2,762 Non-U.S. 4,916 4,326 10,380 8,216 Chemicals United States 776 676 1,510 1,217 Non-U.S. 776 684 1,614 1,184 All other 77 76 154 142~~

11. Condensed Consolidating Financial Information Related to Guaranteed Securities Issued by Subsidiaries Exxon Mobil Corporation has fully and unconditionally guaranteed the 6.0% notes due 2005 ($106 million of long-term debt at June 30, 2003) and the 6.125% notes due 2008 ($160 million) of Exxon Capital Corporation and the deferred interest debentures due 2012 ($1,064 million) and the debt securities due 2004-2011 ($95 million long-term and $10 million short-term) of SeaRiver Maritime Financial Holdings, Inc. Exxon Capital Corporation and SeaRiver Maritime Financial Holdings, Inc. are 100 percent owned subsidiaries of Exxon Mobil Corporation. The following condensed consolidating financial information is provided for Exxon Mobil Corporation, as guarantor, and for Exxon Capital Corporation and SeaRiver Maritime Financial Holdings, Inc., as issuers, as an alternative to providing separate financial statements for the issuers. The accounts of Exxon Mobil Corporation, Exxon Capital Corporation and SeaRiver Maritime Financial Holdings, Inc. are presented utilizing the equity method of accounting for investments in subsidiaries.

Condensed consolidated statement of income for three months ended June 30, 2003

(millions of dollars)

	Exxon Mobil Corporation Parent Guarantor	SeaRiver Maritime Financial Corporation	Exxon Capital Corporation	All Other Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenue						
Sales and other operating revenue, including excise taxes	$ 2,782	$ -	$ -	$ 53,385	$ -	$ 56,167
Earnings from equity interests and other revenue	4,127	-	2	878	(4,009)	998
Intercompany revenue	4,069	8	5	32,827	(36,909)	-
Total revenue	10,978	8	7	87,090	(40,918)	57,165
Costs and other deductions						
Crude oil and product purchases	3,802	-	-	55,115	(34,690)	24,227
Operating expenses	1,663	-	-	4,731	(1,074)	5,320
Selling, general and administrative expenses	464	1	-	2,912	(37)	3,340
Depreciation and depletion	382	2	-	1,785	-	2,169
Exploration expenses, including dry holes	34	-	-	148	-	182
Merger related expenses	-	-	-	-	-	-
Interest expense	162	5	31	1,032	(1,160)	70
Excise taxes	-	-	-	5,896	-	5,896
Other taxes and duties	2	-	-	9,111	-	9,113
Income applicable to minority and preferred interests	-	-	-	100	-	100
Total costs and other deductions	6,509	8	31	80,830	(36,961)	50,417
Income before income taxes	4,469	-	(24)	6,260	(3,957)	6,748
Income taxes	299	-	(9)	2,288	-	2,578
Income from continuing operations	4,170	-	(15)	3,972	(3,957)	4,170
Discontinued operations	-	-	-	-	-	-
Accounting change	-	-	-	-	-	-
Net income	$ 4,170	$ -	$ (15)	$ 3,972	$ (3,957)	$ 4,170

Exxon SeaRiver Mobil Maritime Consolidating Corporation Exxon Financial and Parent Capital Holdings, All Other Eliminating Guarantor Corporation Inc. Subsidiaries Adjustments Consolidated ___________ ___________ __________ ___________ ____________ ___________ (millions of dollars)

Condensed consolidated statement of income for three months ended June 30, 2002

Revenue Sales and other operating revenue,including excise taxes $ 2,349 $ - $ - $ 47,623 $ - $ 49,972 Earnings from equity interests and other revenue 2,669 - (3) 716 (2,550) 832 Intercompany revenue 3,644 10 7 28,338 (31,999) - ________ ________ ________ ________ ________ ________ Total revenue 8,662 10 4 76,677 (34,549) 50,804 ________ ________ ________ ________ ________ ________ Costs and other deductions Crude oil and product purchases 3,524 - - 48,538 (29,442) 22,620 Operating expenses 1,321 1 1 4,207 (1,319) 4,211 Selling, general and administrative expenses 476 - - 2,832 2 3,310 Depreciation and depletion 386 2 - 1,615 - 2,003 Exploration expenses, including dry holes 38 - - 191 - 229 Merger related expenses 20 - - 28 (7) 41 Interest expense 117 5 28 1,138 (1,237) 51 Excise taxes - - - 5,650 - 5,650 Other taxes and duties 6 - - 8,385 - 8,391 Income applicable to minority and preferred interests - - - 17 - 17 ________ ________ ________ ________ ________ ________ Total costs and other deductions 5,888 8 29 72,601 (32,003) 46,523 ________ ________ ________ ________ ________ ________ Income before income taxes 2,774 2 (25) 4,076 (2,546) 4,281 Income taxes 145 1 (7) 1,513 - 1,652 ________ ________ ________ ________ ________ ________ Income from continuing operations 2,629 1 (18) 2,563 (2,546) 2,629 Discontinued operations 11 - - 11 (11) 11 Accounting change - - - - - ________ ________ ________ ________ ________ ________ Net income $ 2,640 $ 1 $ (18) $ 2,574 $ (2,557) $ 2,640 ________ ________ ________ ________ ________ ________ Condensed consolidated statement of income for six months ended June 30, 2003

Revenue Sales and other operating revenue,including excise taxes $ 5,843 $ - $ - $110,512 $ - $116,355 Earnings from equity interests and other revenue 10,899 - 4 4,354 (10,667) 4,590 Intercompany revenue 8,708 17 10 70,188 (78,923) - ________ ________ ________ ________ ________ ________ Total revenue 25,450 17 14 185,054 (89,590) 120,945 ________ ________ ________ ________ ________ ________ Costs and other deductions Crude oil and product purchases 8,490 - - 118,402 (74,587) 52,305 Operating expenses 3,337 1 - 9,361 (2,039) 10,660 Selling, general and administrative expenses 890 1 - 5,588 (37) 6,442 Depreciation and depletion 767 3 1 3,580 - 4,351 Exploration expenses, including dry holes 64 - - 265 - 329 Merger related expenses - - - - - - Interest expense 323 10 61 2,032 (2,314) 112 Excise taxes - - - 11,727 - 11,727 Other taxes and duties 3 - - 17,917 - 17,920 Income applicable to minority and preferred interests - - - 473 - 473 ________ ________ ________ ________ ________ ________ Total costs and other deductions 13,874 15 62 169,345 (78,977) 104,319 ________ ________ ________ ________ ________ ________ Income before income taxes 11,576 2 (48) 15,709 (10,613) 16,626 Income taxes 916 1 (18) 5,067 - 5,966 ________ ________ ________ ________ ________ ________ Income from continuing operations 10,660 1 (30) 10,642 (10,613) 10,660 Discontinued operations - - - - - - Accounting change 550 - - 481 (481) 550 ________ ________ ________ ________ ________ ________ Net income $ 11,210 $ 1 $ (30) $ 11,123 $(11,094) $ 11,210 ________ ________ ________ ________ ________ ________

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

(millions of dollars) Condensed consolidated statement of income for six months ended June 30, 2002

Revenue						
Sales and other operating revenue, including excise taxes	$ 4,193	$ -	$ -	$ 88,371	$ -	$ 92,564
Earnings from equity interests and other revenue	4,853	5	1	1,331	(4,557)	1,633
Intercompany revenue	6,468	21	14	53,111	(59,614)	-
Total revenue	15,514	26	15	142,813	(64,171)	94,197
Costs and other deductions						
Crude oil and product purchases	6,098	-	-	89,393	(54,854)	40,637
Operating expenses	2,444	1	1	7,930	(2,392)	7,984
Selling, general and administrative expenses	934	1	-	5,512	-	6,447
Depreciation and depletion	776	3	1	3,221	-	4,001
Exploration expenses, including dry holes	81	-	-	366	-	447
Merger related expenses	36	-	-	98	(10)	124
Interest expense	255	11	56	2,181	(2,364)	139
Excise taxes	-	-	-	10,441	-	10,441
Other taxes and duties	9	-	-	16,327	-	16,336
Income applicable to minority and preferred interests	-	-	-	32	-	32
Total costs and other deductions	10,633	16	58	135,501	(59,620)	86,588
Income before income taxes	4,881	10	(43)	7,312	(4,551)	7,609
Income taxes	189	4	(15)	2,739	-	2,917
Income from continuing operations	4,692	6	(28)	4,573	(4,551)	4,692
Discontinued operations	38	-	-	38	(38)	38
Accounting change	-	-	-	-	-	-
Net income	$ 4,730	$ 6	$ (28)	$ 4,611	$ (4,589)	$ 4,730

Exxon SeaRiver Mobil Maritime Consolidating Corporation Exxon Financial and Parent Capital Holdings, All Other Eliminating Guarantor Corporation Inc. Subsidiaries Adjustments Consolidated ___________ ___________ __________ ___________ ____________ ___________ (millions of dollars) Condensed consolidated balance sheet as of June 30, 2003

Cash and cash equivalents $ 2,245 $ - $ - $ 10,276 $ - $ 12,521 Notes and accounts receivable - net 3,996 - - 15,475 - 19,471 Inventories 1,208 - - 8,827 - 10,035 Prepaid taxes and expenses 86 - 23 1,930 - 2,039 ________ ________ ________ ________ ________ ________ Total current assets 7,535 - 23 36,508 - 44,066 Property, plant and equipment - net 17,042 101 2 82,355 - 99,500 Investments and other assets 116,330 - 524 341,455 (436,772) 21,537 Intercompany receivables 7,495 1,359 1,496 315,955 (326,305) - ________ ________ ________ ________ ________ ________ Total assets $148,402 $ 1,460 $ 2,045 $776,273 $(763,077) $165,103 ________ ________ ________ ________ ________ ________ Notes and loan payables $ - $ - $ 10 $ 4,317 $ - $ 4,327 Accounts payable and accrued liabilities 3,008 11 - 23,511 - 26,530 Income taxes payable 1,254 2 - 4,535 - 5,791 ________ ________ ________ ________ ________ ________ Total current liabilities 4,262 13 10 32,363 - 36,648 Long-term debt 1,338 266 1,159 3,048 - 5,811 Deferred income tax liabilities 3,007 30 305 14,199 - 17,541 Other long-term liabilities 6,017 22 - 16,483 - 22,522 Intercompany payables 51,197 343 382 274,383 (326,305) - ________ ________ ________ ________ ________ ________ Total liabilities 65,821 674 1,856 340,476 (326,305) 82,522 Earnings reinvested 108,963 1 (205) 64,830 (64,626) 108,963 Other shareholders' equity (26,382) 785 394 370,967 (372,146) (26,382) ________ ________ ________ ________ ________ ________ Total shareholders' equity 82,581 786 189 435,797 (436,772) 82,581 ________ ________ ________ ________ ________ ________ Total liabilities and shareholders' equity $148,402 $ 1,460 $ 2,045 $776,273 $(763,077) $165,103 ________ ________ ________ ________ ________ ________ Condensed consolidated balance sheet as of December 31, 2002

Cash and cash equivalents $ 710 $ - $ - $ 6,519 $ - $ 7,229 Notes and accounts receivable - net 3,827 - - 17,336 - 21,163 Inventories 964 - - 7,104 - 8,068 Prepaid taxes and expenses 65 - - 1,766 - 1,831 ________ ________ ________ ________ ________ ________ Total current assets 5,566 - - 32,725 - 38,291 Property, plant and equipment - net 16,922 104 3 77,911 - 94,940 Investments and other assets 104,115 - 521 340,821 (426,044) 19,413 Intercompany receivables 16,234 1,395 1,490 295,909 (315,028) - ________ ________ ________ ________ ________ ________ Total assets $142,837 $ 1,499 $ 2,014 $747,366 $(741,072) $152,644 ________ ________ ________ ________ ________ ________ Notes and loan payables $ - $ 6 $ 10 $ 4,077 $ - $ 4,093 Accounts payable and accrued liabilities 2,844 6 - 22,336 - 25,186 Income taxes payable 916 1 - 2,979 - 3,896 ________ ________ ________ ________ ________ ________ Total current liabilities 3,760 13 10 29,392 - 33,175 Long-term debt 1,311 266 1,101 3,977 - 6,655 Deferred income tax liabilities 3,163 31 301 12,989 - 16,484 Other long-term liabilities 5,820 - - 15,913 - 21,733 Intercompany payables 54,186 290 382 260,170 (315,028) - ________ ________ ________ ________ ________ ________ Total liabilities 68,240 600 1,794 322,441 (315,028) 78,047 Earnings reinvested 100,961 93 (174) 54,547 (54,466) 100,961 Other shareholders' equity (26,364) 806 394 370,378 (371,578) (26,364) ________ ________ ________ ________ ________ ________ Total shareholders' equity 74,597 899 220 424,925 (426,044) 74,597 ________ ________ ________ ________ ________ ________ Total liabilities and shareholders' equity $142,837 $ 1,499 $ 2,014 $747,366 $(741,072) $152,644 ________ ________ ________ ________ ________ ________

	Exxon Mobil Corporation Parent Guarantor	SeaRiver Maritime Financial Holdings, Inc.	Exxon Capital Corporation	All Other Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
	(millions of dollars)					
Condensed consolidated statement of cash flows for six months ended June 30, 2003						
Cash provided by/(used in) operating activities	$ 2,116	$ 31	$ 6	$ 14,776	$ (934)	$ 15,995
Cash flows from investing activities						
Additions to property, plant and equipment	(908)	-	-	(5,324)	-	(6,232)
Sales of long-term assets	29	-	-	1,552	-	1,581
Net intercompany investing	5,717	36	(6)	(5,687)	(60)	-
All other investing, net	-	-	-	280	-	280
Net cash provided by /(used in) investing activities	4,838	36	(6)	(9,179)	(60)	(4,371)
Cash flows from financing activities						
Additions to long-term debt	-	-	-	26	-	26
Reductions in long-term debt	-	-	-	(632)	-	(632)
Additions/(reductions) in short-term debt - net	-	(6)	-	(186)	-	(192)
Cash dividends	(3,208)	(93)	-	(841)	934	(3,208)
Net ExxonMobil shares sold/(acquired)	(2,211)	-	-	-	-	(2,211)
Net intercompany financing activity	-	53	-	(92)	39	-
All other financing, net	-	(21)	-	(471)	21	(471)
Net cash provided by/ (used in) financing activities	(5,419)	(67)	-	(2,196)	994	(6,688)
Effects of exchange rate changes on cash	-	-	-	356	-	356
Increase/(decrease) in cash and cash equivalents	$ 1,535	$ -	$ -	$ 3,757	$ -	$ 5,292

	Exxon Mobil Corporation Parent Guarantor	SeaRiver Maritime Financial Holdings, Inc.	Exxon Capital Corporation	All Other Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Condensed consolidated statement of cash flows for six months ended June 30, 2002						
Cash provided by/(used in) operating activities	$ 1,575	$ (22)	$ 8	$ 7,456	$ (277)	$ 8,740
Cash flows from investing activities						
additions to property, plant and equipment	(833)	-	-	(4,430)	-	(5,263)
Sales of long-term assets	74	-	-	804	-	878
Net intercompany investing	4,053	(12)	(8)	(4,114)	81	-
All other investing, net	-	-	-	15	-	15
Net cash provided by/ (used in)investing activities	3,294	(12)	(8)	(7,725)	81	(4,370)
Cash flows from financing activities						
Additions to long-term debt	-	-	-	368	-	368
Reductions in long-term debt	-	-	-	(33)	-	(33)
Additions/(reductions) in short-term debt - net	-	(25)	-	(121)	-	(146)
Cash dividends	(3,121)	-	-	(277)	277	(3,121)
Net ExxonMobil shares sold/(acquired)	(2,369)	-	-	-	-	(2,369)
Net intercompany financing activity	-	59	-	22	(81)	-
All other financing, net	-	-	-	(266)	-	(266)
Net cash provided by/ (used in) financing activities	(5,490)	34	-	(307)	196	(5,567)
Effects of exchange rate changes on cash	-	-	-	350	-	350
Increase/(decrease) in cash and cash equivalents	$ (621)	$ -	$ -	$ (226)	$ -	$ (847)

EXXON MOBIL CORPORATION Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FUNCTIONAL EARNINGS SUMMARY Second Quarter First Six Months ______________ ________________ 2003 2002 2003 2002 ____ ____ ____ ____ ~~(millions of dollars) Net Income (U.S. GAAP) ______________________ ______________________ Upstream United States $ 907 $ 677 $ 2,166 $ 1,125 Non-U.S. 1,931 1,553 6,365 3,194 Downstream United States 419 234 593 248 Non-U.S. 727 148 1,276 106 Chemicals United States 128 87 144 157 Non-U.S. 311 182 582 244 Corporate and financing (253) (222) (466) (292) Merger expenses 0 (30) 0 (90) _______ _______ ________ _______ Income from continuing operations 4,170 2,629 10,660 4,692 Discontinued operations 0 11 0 38 Accounting change 0 0 550 0 _______ ________ _______ ________ ________ Net Income (U.S. GAAP) $ 4,170 $ 2,640 $ 11,210 $ 4,730 ======= ======= ======== ======== Net income per common share $ 0.63 $ 0.40 $ 1.68 $ 0.70 Net income per common share - assuming dilution $ 0.62 $ 0.39 $ 1.67 $ 0.69 Other special items included in net income Upstream Non-U.S. (gain on transfer of Ruhrgas shares) $ 0 $ 0 $ 1,700 $ 0~~

REVIEW OF SECOND QUARTER 2003 RESULTS Exxon Mobil Corporation estimated net income of $4,170 million ($0.62 per share) in the second quarter of 2003, an increase of $1,530 million from the second quarter of 2002. Second quarter earnings remained strong and improved in all parts of the business versus last year. Chemicals earnings were at their highest level since 1998. Revenue for the second quarter of 2003 totaled $57,165 million compared with $50,804 million in the second quarter of 2002. Upstream earnings were $2,838 million, up $608 million from the second quarter 2002, reflecting higher crude oil and natural gas realizations. Oil-equivalent production was flat versus the second quarter of last year. Higher European gas demand and contributions from new projects and work programs were offset by natural field declines and operational outages in the North Sea and West Africa. Operational problems were largely resolved by the end of the quarter. -18- Liquids production of 2,478 kbd (thousands of barrels per day) decreased from 2,495 kbd in the second quarter of 2002. Higher production in Nigeria and Canada, and reduced OPEC quota restrictions in Abu Dhabi, were more than offset by natural field declines in mature areas and by the operational outages in the North Sea and West Africa. Second quarter natural gas production increased to 9,259 mcfd (millions of cubic feet per day), compared with 9,192 mcfd last year. Higher demand in Europe and contributions from new projects and work programs more than offset natural field decline in mature areas and the impacts of operational problems in the North Sea. Earnings from U.S. upstream operations were $907 million, up $230 million. Non-U.S. upstream earnings of $1,931 million were $378 million higher than last year's second quarter. Downstream earnings were $1,146 million, an increase of $764 million from last year's second quarter, reflecting stronger worldwide refining and marketing margins. Margins were particularly strong at the beginning of the quarter but have since weakened significantly. Petroleum product sales were 7,800 kbd, 231 kbd higher than last year's second quarter. U.S. downstream earnings were $419 million, up $185 million. Non-U.S. downstream earnings of $727 million were $579 million higher than last year's second quarter. Chemicals earnings of $439 million were up $170 million from the same quarter a year ago due to improved margins during the first part of the period and favorable foreign exchange effects. Prime product sales of 6,369 kt (thousands of metric tons) were down 333 kt, reflecting lower industry demand. Corporate and financing expenses of $253 million increased by $31 million mainly due to higher U.S. pension costs. FIRST SIX MONTHS 2003 COMPARED WITH FIRST SIX MONTHS 2002 Net income of $11,210 million ($1.67 per share) for the first half of 2003 increased $6,480 million from the first half of 2002. Net income for the first half of 2003 included a $550 million positive impact for the required adoption of FAS 143 relating to accounting for asset retirement obligations. First half net income in 2003 also included a one-time gain of $1,700 million from the transfer of shares in Ruhrgas AG, a German gas transmission company. First half net income in 2002 included $90 million of after-tax merger expenses and $38 million in earnings from discontinued operations. Revenue for the first half of 2003 totaled $120,945 million compared to $94,197 million in the first half of 2002 reflecting significantly higher prices. Upstream earnings, including were $8,531 million, an increase of $4,212 million due to higher liquids and natural gas realizations and the Ruhrgas gain. Total oil and natural gas producible volumes increased 2 percent versus the first half of last year as higher European gas demand and contributions from new projects and work programs more than offset natural field decline. Taking into account the effects of the national strike in Venezuela, and the operational outages in the second quarter, actual oil-equivalent production was flat. -19- Liquids production of 2,491 kbd decreased 27 kbd from 2002. Higher production in Nigeria and Canada, and lower OPEC-driven quota constraints, were offset by natural field decline and the impact of operational problems in the North Sea and West Africa. First half 2003 natural gas production of 10,652 mcfd increased 193 mcfd from 2002. Higher demand in Europe and contributions from new projects and work programs more than offset natural field decline and the operational outages in the North Sea. Excluding the impacts of the national strike in Venezuela and the second quarter operational outages, total oil and natural gas producible volumes increased 2 percent versus the first half of last year. Plans for long-term capacity increases remain on track as reflected by higher capital spending. Earnings from U.S. upstream operations for the first half of 2003 were $2,166 million, an increase of $1,041 million. Earnings outside the U.S. were $6,365 million, $3,171 million higher than last year. Downstream earnings of $1,869 million increased by $1,515 million from a weak first half of 2002 reflecting higher worldwide refining and marketing margins. Petroleum product sales of 7,830 kbd compared with 7,622 kbd in the first half of 2002. U.S. downstream earnings were $593 million, up $345 million. Non-U.S. downstream earnings of $1,276 million were $1,170 million higher than last year. Chemicals earnings of $726 million were up $325 million from the first half of 2002 due to improved margins and favorable foreign exchange effects. Prime product sales of 13,260 kt were down 76 kt, reflecting lower demand. Corporate and financing expenses of $466 million increased by $174 million mainly due to higher U.S. pension costs. MERGER OF EXXON CORPORATION AND MOBIL CORPORATION On November 30, 1999, a wholly-owned subsidiary of Exxon Corporation merged with Mobil Corporation so that Mobil became a wholly-owned subsidiary of Exxon (the "Merger"). At the same time, Exxon changed its name to Exxon Mobil Corporation. There were no merger related expenses in 2003 reflecting the completion of the merger related activities in 2002. Merger related costs in the second quarter of 2002 were $41 million ($30 million after tax) and were $124 million ($90 million after tax) for the six months ended June 30, 2002. The severance reserve balance at the end of the second quarter of 2003 is expected to be expended mainly in 2003 and 2004. The following table summarizes the activity in the severance reserve for the six months ended June 30, 2003: Opening Balance at Balance Additions Deductions Period End _______ _________ _________ _________ (millions of dollars) 101 0 27 74 -20- LIQUIDITY AND CAPITAL RESOURCES Net cash generation before financing activities was $11,624 million in the first six months of 2003 versus $4,370 million in the same period last year. Operating activities provided net cash of $15,995 million, an increase of $7,255 million from the prior year, influenced by higher net income. Investing activities used net cash of $4,371 million, comparable to the prior year, including higher additions to property, plant, and equipment and higher proceeds from asset divestments. Net income in 2003 included a one-time gain of $1,700 million from the transfer of ExxonMobil's interests in the Ruhrgas AG shares. The shares were valued at approximately $2.6 billion. In the third quarter of 2002, a loan of $1.5 billion was received in connection with the restructuring of BEB Erdgas und Erdoel GmbH that allowed for the transfer of the Ruhrgas shares. The remainder was received upon completion of the share transaction and has been reported as proceeds from sales of investments in the current period. The "All other items -- net" line in the current year includes an adjustment of the non-cash net income gain included in first quarter 2003 for the cash received and reported in the third quarter of 2002 and the cash received and reported in cash flows from investing activities in the first quarter of 2003. Net cash used in financing activities was $6,688 million in the first half of 2003 versus $5,567 million in the same period last year reflecting debt reductions in the current year. During the second quarter, the corporation acquired 33 million shares at a gross cost of $1,194 million to offset the dilution associated with benefit plans and to reduce common stock outstanding. During the first half of 2003, Exxon Mobil Corporation purchased 68 million shares of its common stock for the treasury at a gross cost of $2,385 million. Shares outstanding were reduced from 6,700 million at the end of 2002 to 6,652 million at the end of the second quarter 2003. 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. Due to the strong earnings through the first half of the year and the resulting significant cash flow, the corporation increased its rate of share purchases in July. During the month of July, the corporation purchased 15 million shares for the treasury at a gross cost of $539 million. Total debt of $10.1 billion at June 30, 2003 was $0.6 billion lower than at year-end 2002. The corporation's debt to total capital ratio was 10.6 percent at the end of the second quarter of 2003, compared to 12.2 percent at year-end 2002. Although the corporation issues long-term debt from time to time and maintains a revolving commercial paper program, internally generated funds cover the majority of its financial requirements. All funded U.S. pension plans were fully funded in 2002 under the standards set by the Department of Labor and the Internal Revenue Service. In addition to the $0.5 billion contributed to pension funds in the first six months of 2003, the corporation expects to make contributions totaling about $2 billion during the second half of 2003 from existing cash in order to maintain the funded status of the U.S. plans and to meet regulatory requirements for non-U.S. plans. -21- Litigation and other contingencies are discussed in note 7 to the unaudited condensed consolidated financial statements. There are no events or uncertainties known to management beyond those already included in reported financial information that would indicate a material change in future operating results or future financial condition. 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. TAXES Income, excise and all other taxes for the first half of 2003 of $36,867 million were up $6,088 million compared to last year. First half 2003 income tax expense was $5,966 million and the effective tax rate was 37.8 percent, compared to $2,917 million and 41.3 percent, respectively, in the prior year period. The increase in income tax expense reflects higher pre-tax income. Excluding the income tax effects of the gain on the Ruhrgas share transfer in the first quarter, the effective rate in the first half of 2003 was similar to the prior year. During both periods, the corporation continued to benefit from the favorable resolution of tax related issues. CAPITAL AND EXPLORATION EXPENDITURES Capital and exploration expenditures continued to grow consistent with ExxonMobil's long-term investment plans. In the second quarter, ExxonMobil continued its active investment program, spending $3,831 million on capital and exploration projects, compared with $3,393 million last year, reflecting continued growth in upstream spending. Capital and exploration expenditures were $7,327 million in the first half of 2003 compared to $6,367 million in last year's first half. In 2003, capital and exploration investments are expected to increase to about $15 billion reflecting the continued spending on ExxonMobil's large portfolio of upstream projects and foreign exchange effects. REPORTING INVESTMENTS IN MINERAL INTERESTS IN OIL AND GAS PROPERTIES Statements of Financial Accounting Standards No. 141 (FAS 141), "Business Combinations" and No. 142 (FAS 142), "Goodwill and Other Intangible Assets" were issued by the Financial Accounting Standards Board (FASB) in June 2001 and became effective for the corporation on July 1, 2001 and January 1, 2002, respectively. The Securities and Exchange Commission (SEC) has requested the Emerging Issues Task Force (EITF) to consider the issue of whether FAS 141 and 142 require interests held under oil, gas and mineral leases to be separately classified as intangible assets on the balance sheets of companies in the extractive industries. If such interests were deemed to be intangible assets by the EITF, mineral rights to extract oil and gas for both undeveloped and developed leaseholds would be classified separately from oil and gas properties as intangible assets on the corporation's balance sheet. Historically, in accordance with Statement of Financial Accounting Standards No. 19 (FAS 19), "Financial Accounting and Reporting by Oil and Gas Producing Companies", the corporation has capitalized the cost of oil and gas leasehold interests and, consistent with industry practice, reported these assets as part of tangible oil and gas property, plant and equipment. -22- This interpretation of FAS 141 and 142 would only affect the classification of oil and gas leaseholds on the corporation's balance sheet, and would not affect total assets, net worth or cash flows. The corporation's results of operations would not be affected, since these leasehold costs would continue to be amortized in accordance with FAS 19. At June 30, 2003, the corporation had leasehold costs for mineral interests of approximately $4.3 billion, net of accumulated depletion, that would be classified on the balance sheet as "leasehold costs for the right to extract oil and gas" if the interpretation the SEC requested the EITF to consider was applied. The corporation will continue to classify its leasehold costs for mineral interests as tangible oil and gas property, plant and equipment assets until further guidance is provided by the EITF. FORWARD-LOOKING STATEMENTS Statements in this discussion regarding expectations, plans and future events or conditions are forward-looking statements. Actual future results; production and capacity growth; financing sources; the resolution of contingencies; the effect of changes in prices, interest rates and other market conditions; and environmental and capital and exploration expenditures could differ materially depending on a number of factors, such as the outcome of commercial negotiations; changes in the supply of and demand for crude oil, natural gas and petroleum and petrochemical products; changes in technical or operating conditions or rates of natural field decline; and other factors discussed above and discussed under the caption "Factors Affecting Future Results" in Item 1 of ExxonMobil's 2002 Form 10-K. -23- EXXON MOBIL CORPORATION Item 3. Quantitative and Qualitative Disclosures About Market Risk Information about market risks for the six months ended June 30, 2003 does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2002. Item 4. Controls and Procedures As indicated in the certifications in Exhibit 31 of this report, the corporation's principal executive officer, principal accounting officer and principal financial officer have evaluated the corporation's disclosure controls and procedures as of June 30, 2003. Based on that evaluation, these officers have concluded that the corporation's disclosure controls and procedures are effective for the purpose of ensuring that material information required to be in this quarterly report is made known to them by others on a timely basis. There have not been changes in the corporation's internal control over financial reporting that occurred during the corporation's last fiscal quarter that have 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 a previously reported matter, on June 5, 2003 the Texas Commission on Environmental Quality ("TCEQ") withdrew its Notice of Enforcement Action dated March 27, 2003, relating to alleged violations of certain reporting, calculation, and documentation requirements under the Texas Clean Air Act (and related implementing and operating permit regulations) in connection with upset events at the corporation's Means Gas Conditioning Facility in Andrews County, Texas. These administrative issues had been corrected. After reviewing the evidence, the TCEQ conceded this enforcement action was not warranted, and all claims were withdrawn. No penalties or other actions on the part of the corporation are required. In another previously reported matter, ExxonMobil Oil Corporation ("EMOC") has entered into a final consent order with the New York State Department of Environmental Conservation ("NYSDEC") whereby EMOC has agreed to a scope of work at its New Windsor, New York distribution terminal. The original Notices of Hearing and Complaint alleged discharges of petroleum into waters of the state which were allegedly neither timely reported nor immediately contained, in violation of the Navigation Law and the Environmental Conservation Law. The consent order does not address penalties, and the NYSDEC reserves the right to seek penalties at a later date. Also in a previously reported matter, the Massachusetts Department of Environmental Protection ("MADEP") issued a revised Administrative Consent Order ("ACO") on May 19, 2003, which addressed four of the 55 sites referenced in its original Notice of Enforcement ("NOE") received by the corporation on January 22, 2003. The original NOE alleged that certain reports relating to remediation activities at the sites were not submitted by the relevant deadlines under the Massachusetts Contingency Plan. Pursuant to the revised ACO, MADEP now seeks an administrative penalty of $60,000 to settle its claims regarding -24- these four sites, but settlement discussions are underway. The 51 other sites mentioned in the original NOE are not presently the subject of a current NOE. The South Coast Air Quality Management District (the "District") issued ten Notices of Violation ("NOVs") between March and October of 2002 relating to alleged violations at EMOC's Torrance, California refinery of District rules regarding above-ground storage tanks. The primary rule at issue regulates fugitive emissions from above-ground storage tanks of organic liquids through a compliance program requiring refineries to self-inspect, repair and report tank integrity issues. Inspections and audits of the refinery by the District have resulted in the issuance of the NOVs, which allege deficiencies in the condition of tank seals/gaps, insufficient recordkeeping and untimely reporting. The NOVs do not specify the amount of penalties sought. However, the District has recently indicated it will seek penalties that may exceed $100,000, and settlement discussions are underway. On May 23, 2003, the Louisiana Department of Environmental Quality ("LDEQ") issued a Consolidated Compliance Order and Notice of Potential Penalty ("NOPP") in a proceeding captioned "In re: Chalmette Refining, LLC." The facility involved is a refinery in Chalmette, Louisiana that is operated and 50 percent-owned by wholly owned subsidiaries of the corporation. The NOPP alleges non-compliance with Louisiana's environmental laws and regulations, including unauthorized discharges of pollutants to the air or water and violations of related release reporting requirements, fugitive emissions and other monitoring irregularities, and the failure to adequately maintain and utilize certain pollution control devices. The facility owner has requested a hearing and is continuing to pursue discussions with the LDEQ to resolve these NOPP issues as well as issues raised in earlier NOPPs and other self-reported potential compliance issues. The LDEQ has not made a demand for specific penalties. Refer to the relevant portions of note 7 on pages 9 and 10 of this Quarterly Report on Form 10-Q for further information on legal proceedings. Item 4. Submission of Matters to a Vote of Security Holders At the annual meeting of shareholders on May 28, 2003, the following proposals were voted upon. Percentages are based on the total of the shares voted for and against. Concerning Election of Directors ______________________________ Votes Votes Nominees Cast For Withheld ________ ________ ________ Michael J. Boskin 5,455,679,135 97,953,681 Donald V. Fites 5,449,280,769 104,352,047 James R. Houghton 5,390,063,160 163,569,656 William R. Howell 5,379,571,509 174,061,307 Helene L. Kaplan 5,381,513,904 172,118,912 Reatha Clark King 5,388,487,175 165,145,641 Philip E. Lippincott 5,455,081,699 98,551,117 Harry J. Longwell 5,456,029,983 97,602,833 Henry A. McKinnell, Jr. 5,450,078,289 103,554,527 Marilyn Carlson Nelson 5,374,777,614 178,855,202 Lee R. Raymond 5,431,439,372 122,193,444 Walter V. Shipley 5,458,471,879 95,160,937 -25- Concerning Ratification of Independent Auditors ____ Votes Cast For: 5,301,719,630 96.4% Votes Cast Against: 197,918,425 3.6% Abstentions: 53,994,761 Broker Non-Votes: 0 Concerning Approval of 2003 Incentive Program ____ Votes Cast For: 5,097,022,404 93.1% Votes Cast Against: 376,292,694 6.9% Abstentions: 80,317,718 Broker Non-Votes: 0 Concerning Political Nonpartisanship __________________________________ Votes Cast For: 261,248,318 6.4% Votes Cast Against: 3,847,365,625 93.6% Abstentions: 298,429,094 Broker Non-Votes: 1,146,589,779 Concerning Auditor Services _________________________ Votes Cast For: 496,498,189 11.5% Votes Cast Against: 3,808,310,906 88.5% Abstentions: 102,306,474 Broker Non-Votes: 1,146,517,247 Concerning Additional Board Nominees __________________________________ Votes Cast For: 176,660,436 4.1% Votes Cast Against: 4,124,737,701 95.9% Abstentions: 105,717,435 Broker Non-Votes: 1,146,517,244 Concerning Non-employee Director Compensation ____ Votes Cast For: 309,773,587 7.2% Votes Cast Against: 4,000,001,919 92.8% Abstentions: 97,340,067 Broker Non-Votes: 1,146,517,243 Concerning Poison Pill ____________________ Votes Cast For: 1,387,152,487 32.2% Votes Cast Against: 2,917,098,973 67.8% Abstentions: 102,864,108 Broker Non-Votes: 1,146,517,248 Concerning Board Chairman and CEO ________________________________ Votes Cast For: 883,190,885 21.5% Votes Cast Against: 3,215,950,510 78.5% Abstentions: 307,974,475 Broker Non-Votes: 1,146,516,946 -26- Concerning Report on Health in Africa ___________________________________ Votes Cast For: 324,217,712 7.9% Votes Cast Against: 3,773,663,374 92.1% Abstentions: 309,234,527 Broker Non-Votes: 1,146,517,203 Concerning Investment Program Report __________________________________ Votes Cast For: 289,356,215 7.2% Votes Cast Against: 3,745,455,855 92.8% Abstentions: 372,303,505 Broker Non-Votes: 1,146,517,241 Concerning Human Rights Report ____________________________ Votes Cast For: 323,957,371 8.0% Votes Cast Against: 3,709,631,480 92.0% Abstentions: 373,526,723 Broker Non-Votes: 1,146,517,242 Concerning Amendment of EEO Policy ________________________________ Votes Cast For: 1,118,365,426 27.3% Votes Cast Against: 2,981,006,546 72.7% Abstentions: 307,743,603 Broker Non-Votes: 1,146,517,241 Concerning Climate Change Report ______________________________ Votes Cast For: 910,374,979 22.2% Votes Cast Against: 3,187,416,124 77.8% Abstentions: 309,324,474 Broker Non-Votes: 1,146,517,239 Concerning Renewable Energy Report ________________________________ Votes Cast For: 870,170,718 21.3% Votes Cast Against: 3,223,227,762 78.7% Abstentions: 313,717,098 Broker Non-Votes: 1,146,517,238 See also pages 4 through 8, the section entitled "Director Relationships" on page 9, and pages 24 through 55 of the registrant's definitive proxy statement dated April 17, 2003. -27- Item 6. Exhibits and Reports on Form 8-K a) Exhibits 10(iii)(a) 2003 Incentive Program (incorporated by reference to Appendix B to the Proxy Statement of Exxon Mobil Corporation dated April 17, 2003). 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 Accounting Officer. 31.3 Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Financial 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 Accounting Officer. 32.3 Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Financial Officer. b) Reports on Form 8-K On May 1, 2003, the registrant filed a Current Report on Form 8-K furnishing under Item 9, and also pursuant to Item 12, its News Release, dated May 1, 2003, announcing first quarter results and the information in the related 1Q03 Investor Relations Data Summary. On May 7, 2003, the registrant filed a Current Report on Form 8-K furnishing under Item 9, and also pursuant to Item 12, its 2002 Financial and Operating Review. On July 31, 2003, the registrant filed a Current Report on Form 8-K furnishing under Item 9, and Item 12, its News Release, dated July 31, 2003, announcing second quarter results and the information in the related 2Q03 Investor Relations Data Summary. Reports listed above as "furnished" under Item 9 and Item 12 are not deemed "filed" with the SEC and are not incorporated by reference herein or in any other SEC filings. -28- 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 13, 2003 By: /s/ DONALD D. HUMPHREYS __________________________ Name: Donald D. Humphreys Title: Vice President, Controller and Principal Accounting Officer -29- INDEX TO EXHIBITS Exhibit No. Description __________ ___________ 10(iii)(a) 2003 Incentive Program (incorporated by reference to Appendix B to the Proxy Statement of Exxon Mobil Corporation dated April 17, 2003). 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 Accounting Officer. 31.3 Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Financial 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 Accounting Officer. 32.3 Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Financial Officer. -30-