10-Q 1 r10q2q02s.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, 2002 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Class Outstanding as of June 30, 2002 ______________________________ ______________________________ Common stock, without par value 6,757,441,303 EXXON MOBIL CORPORATION FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002 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, 2002 and 2001 Condensed Consolidated Balance Sheet 4 As of June 30, 2002 and December 31, 2001 Condensed Consolidated Statement of Cash Flows 5 Six months ended June 30, 2002 and 2001 Notes to Condensed Consolidated Financial Statements 6-16 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 17-23 Item 3. Quantitative and Qualitative Disclosures About Market Risk 24 PART II. OTHER INFORMATION Item 1. Legal Proceedings 24 Item 4. Submission of Matters to a Vote of Security Holders 25-26 Item 6. Exhibits and Reports on Form 8-K 26 Signature 27 Index to Exhibits 28 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,

2002 2001 2002 2001

~~REVENUE Sales and other operating revenue, including excise taxes $ 50,077 $ 55,101 $ 92,795 $111,177 Earnings from equity interests and other revenue 832 1,083 1,645 2,307~~

~~Total revenue 50,909 56,184 94,440 113,484~~

~~COSTS AND OTHER DEDUCTIONS Crude oil and product purchases 22,632 25,731 40,645 50,609 Operating expenses 4,274 4,626 8,132 9,615 Selling, general and administrative expenses 3,310 3,215 6,448 6,275 Depreciation and depletion 2,020 1,871 4,040 3,847 Exploration expenses,~~

~~including dry holes 229 266 447 546 Merger related expenses 41 167 124 288 Interest expense 51 70 139 147 Excise taxes 5,650 5,226 10,441 10,520 Other taxes and duties 8,391 8,057 16,336 16,250 Income applicable to minority and preferred interests 17 83 32 295~~

________ ________ ________ ________

~~Total costs and other deductions 46,615 49,312 86,784 98,392~~

________ ________ ________ ________

~~INCOME BEFORE INCOME TAXES 4,294 6,872 7,656 15,092 Income taxes 1,654 2,587 2,926 5,847~~

________ ________ ________ ________

~~INCOME BEFORE EXTRAORDINARY ITEM 2,640 4,285 4,730 9,245 Extraordinary gain, net of income tax 0 175 0 215~~

________ ________ ________ ________

~~NET INCOME $ 2,640 $ 4,460 $ 4,730 $ 9,460~~

======== ======== ======== ========

~~NET INCOME PER COMMON SHARE (DOLLARS) Before extraordinary gain $ 0.40 $ 0.64 $ 0.70 $ 1.35 Extraordinary gain, net of income tax 0.00 0.02 0.00 0.03~~

________ ________ ________ ________

~~Net income $ 0.40 $ 0.66 $ 0.70 $ 1.38~~

======== ======== ======== ========

~~NET INCOME PER COMMON SHARE -~~

~~ASSUMING DILUTION (DOLLARS) Before extraordinary gain \$ 0.39 \$ 0.63 \$ 0.69 \$ 1.33 Extraordinary gain, net of income tax 0.00 0.02 0.00 0.03~~

~~Net income \$ 0.39 \$ 0.65 \$ 0.69 \$ 1.36~~

~~DIVIDENDS PER COMMON SHARE \$ 0.23 \$ 0.23 \$ 0.46 \$ 0.45~~

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

June 30, Dec. 31, 2002 2001 ~~ASSETS Current assets Cash and cash equivalents \$ 5,700 \$ 6,547 Notes and accounts receivable - net 19,584 19,549 Inventories Crude oil, products and merchandise 7,412 6,743 Materials and supplies 1,254 1,161 Prepaid taxes and expenses 2,187 1,681~~ ~~Total current assets 36,137 35,681 Property, plant and equipment - net 93,190 89,602 Investments and other assets 18,905 17,891~~ ~~TOTAL ASSETS \$148,232 \$143,174~~

~~LIABILITIES Current liabilities Notes and loans payable \$ 3,702 \$ 3,703 Accounts payable and accrued liabilities 24,140 22,862 Income taxes~~

~~payable 3,400 3,549 ________ ________ Total current liabilities 31,242 30,114 Long-term debt 7,607 7,099 Deferred income tax liability 17,381 16,359 Other long-term liabilities 16,884 16,441 ________ ________ TOTAL LIABILITIES 73,114 70,013 ________ ________ ________ SHAREHOLDERS' EQUITY Benefit plan related balances (117) (159) Common stock, without par value: Authorized: 9,000 million shares Issued: 8,019 million shares 3,843 3,789 Earnings reinvested 97,327 95,718 Accumulated other nonowner changes in equity Cumulative foreign exchange translation adjustment (3,424) (5,947) Minimum pension liability adjustment (535) (535) Unrealized losses on stock investments (17) (108) Common stock held in treasury: 1,262 million shares at June 30, 2002 (21,959) 1,210 million shares at December 31, 2001 (19,597) ________ ________ TOTAL SHAREHOLDERS' EQUITY 75,118 73,161 ________ ________ TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY $148,232 $143,174~~

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The number of shares of common stock issued and outstanding at June 30, 2002 and December 31, 2001 were 6,757,441,303 and 6,808,565,611, respectively. -4- EXXON MOBIL CORPORATION CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (millions of dollars) CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 4,730 $ 9,460 Depreciation and depletion 4,040 3,847 Changes in operational working capital, excluding cash and debt 88 1,256 All other items - net (118) (319) ________ ________ Net cash provided by operating activities 8,740 14,244 ________ ________ CASH FLOWS FROM INVESTING ACTIVITIES Additions to property, plant and equipment (5,263) (4,370) Sales of subsidiaries, investments, and property, plant and equipment 878 745 Other investing activities - net 15 311 ________ ________ Net cash used in investing activities (4,370) (3,314) ________ ________ NET CASH GENERATION BEFORE FINANCING ACTIVITIES 4,370 10,930 ________ ________ CASH FLOWS FROM FINANCING ACTIVITIES Additions to long-term debt 368 341 Reductions in long-term debt (33) (357) Additions/(reductions) in short-term debt - net (146) (2,369) Cash dividends to ExxonMobil shareholders (3,121) (3,037) Cash dividends to minority interests (77) (94) Changes in minority interests and sales/(purchases) of affiliate stock (189) (274) Net ExxonMobil shares acquired (2,369) (2,776) ________ ________ Net cash used in financing activities (5,567) (8,566) ________ ________ Effects of exchange rate changes on cash 350 (146) ________ ________ Increase/(decrease) in cash and cash equivalents (847) 2,218 Cash and cash equivalents at beginning of period 6,547 7,080 ________ ________ CASH AND CASH EQUIVALENTS AT END OF PERIOD $ 5,700 $ 9,298 ======== ======== SUPPLEMENTAL DISCLOSURES Income taxes paid $ 3,123 $ 4,182 Cash interest paid $ 208 $ 244

-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 2001 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. Recently Issued Statements of Financial Accounting Standards In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 (FAS 143), "Accounting for Asset Retirement Obligations". FAS 143 is required to be adopted by the corporation no later than January 1, 2003 and its primary impact will be to change the method of accruing for upstream site restoration costs. These costs are currently accrued ratably over the productive lives of the assets. At the end of 2001, the cumulative amount accrued under this policy was approximately $3.2 billion. Under FAS 143, the fair value of asset retirement obligations will be recorded as liabilities when they are incurred, which are 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 corporation is evaluating the impact of adopting FAS 143. 3. 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. The Merger was accounted for as a pooling of interests. In the second quarter of 2002, in association with the Merger, $41 million of before tax costs ($30 million after tax) were recorded as merger related expenses, including costs for rationalization of facilities and systems. In the second quarter of 2001, merger related costs were $167 million before tax ($95 million after tax). For the six months ended June 30, 2002, merger related expenses totaled $124 million before tax ($90 million after tax). For the six months ended June 30, 2001, merger related expenses totaled $288 million before tax ($185 million after tax). -6- The severance reserve balance at the end of the second quarter of 2002 is expected to be expended in 2002. The following table summarizes the activity in the severance reserve for the six months ended June 30, 2002: Opening Balance at Balance Additions Deductions Period End _______ _________ __________ __________ (millions of dollars) 197 0 116 81 4. Extraordinary Gain Second quarter 2002 results included no extraordinary gains. Second quarter 2001 included a net after tax gain of $175 million (including an income tax credit of $6 million), or $0.02 per common share, from asset divestment activities in the chemicals segment. Results for the six months ended June 30, 2002, included no extraordinary gains. For the six months ended June 30, 2001, the net after tax gain from asset management activities and required asset divestitures totaled $215 million (including an income tax credit of $21 million), or $0.03 per common share. These net gains from asset management activities in the chemicals segment and from required asset divestitures have been reported as extraordinary items in accordance with accounting requirements for business combinations accounted for as a pooling of interests. 5. 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 tried. 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 $5.058 billion. The District Court awarded approximately $19.6 million in compensatory damages to fisher plaintiffs, $38 million in prejudgment interest on the compensatory damages and $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. The District Court also ordered that these awards shall bear interest from and after entry of the judgment. The District Court stayed execution on the judgment pending appeal based on a $6.75 billion letter of credit posted by the corporation. 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. The Ninth Circuit upheld the compensatory damage award which has been paid. The letter of credit was terminated on February 1, 2002. -7- 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. ExxonMobil has appealed the judgment and believes it should be set aside or substantially reduced on factual and constitutional grounds. The Alabama Supreme Court heard oral arguments on the appeal on April 25, 2002. 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 will appeal the judgment to the Louisiana Fourth Circuit Court of Appeals and believes that the judgment should 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. -8- The corporation and certain of its consolidated subsidiaries are directly and indirectly contingently liable for amounts similar to those at the prior year-end relating to guarantees for notes, loans and performance under contracts, including guarantees of non-U.S. excise taxes and customs duties of other companies, entered into as a normal business practice, under reciprocal arrangements. 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, 2002 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. 6. Nonowner Changes in Shareholders' Equity (millions of dollars) Net income $ 2,640 $ 4,460 $ 4,730 $ 9,460 Changes in other nonowner changes in equity Foreign exchange translation adjustment 2,653 (514) 2,523 (1,519) Minimum pension liability adjustment 0 0 0 0 Unrealized gains/(losses) on stock investments 39 80 91 73 _______ _______ _______ _______ Total nonowner changes in shareholders' equity $ 5,332 $ 4,026 $ 7,344 $ 8,014 ======= ======= ======= =======

-9- 7. Earnings Per Share

Three Months Ended

Six Months Ended June

30, June 30,

____

____

2002 2001 2002 2001

____ ____ ____ ____

~~NET INCOME PER COMMON SHARE Income before extraordinary item (millions of dollars) $ 2,640 $ 4,285 $ 4,730 $ 9,245 Weighted average number of common shares outstanding (millions of shares) 6,767 6,883 6,780 6,898 Net income per common share (dollars) Before extraordinary gain $ 0.40 $ 0.64 $ 0.70 $ 1.35 Extraordinary gain, net of income tax 0.00 0.02 0.00 0.03 _______ _______ _______ _______ Net income $ 0.40 $ 0.66 $~~

~~0.70 $ 1.38~~

~~NET INCOME PER COMMON SHARE - ASSUMING DILUTION Income before extraordinary item (millions of dollars) $ 2,640 $ 4,285 $ 4,730 $ 9,245 Adjustment for assumed dilution 0 1 0 (2)~~

~~Income available to common shares $ 2,640 $ 4,286 $ 4,730 $ 9,243~~

~~Weighted average number of common shares outstanding (millions of shares) 6,767 6,883 6,780 6,898 Plus: Issued on assumed exercise of stock options 64 80 64 76~~

~~Weighted average number of common shares outstanding 6,831 6,963 6,844 6,974~~

~~Net income per common share - assuming dilution (dollars) Before extraordinary gain $ 0.39 $ 0.63 $ 0.69 $ 1.33 Extraordinary gain, net of income tax 0.00 0.02 0.00 0.03~~

~~Net income $ 0.39 $ 0.65 $ 0.69 $ 1.36~~

-10- 8. Disclosures about Segments and Related Information

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

2002 2001 2002 2001

~~(millions of dollars)~~

~~EARNINGS AFTER INCOME TAX Upstream United States $ 674 $ 1,111 $ 1,118 $ 2,739 Non-U.S. 1,479 1,739 3,044 3,889 Downstream United States 234 844 248 1,253 Non-U.S. 148 423 106 1,013 Chemicals United States 87 149 157 194 Non-U.S. 182 168 244 323 All other (164) 26 (187) 49~~

~~Corporate total $ 2,640 $ 4,460 $ 4,730 $ 9,460~~

~~Extraordinary gains included above: Chemicals United States $ 0 $ 100 $ 0 $ 100 Non-U.S. 0 75 0 75 All other 0 0 0 40~~

~~Corporate total $ 0 $ 175 $ 0 $ 215~~

~~SALES AND OTHER OPERATING REVENUE Upstream United States $ 982 $ 1,415 $ 1,779 $ 3,701 Non-U.S. 2,803 3,404 5,726 7,901 Downstream United States 12,642 14,375 22,210 27,104 Non-U.S. 29,259 31,514 55,039 63,442 Chemicals United States 1,895 1,841 3,371 3,806 Non-U.S. 2,364 2,354 4,382 4,799 All other 132 198 288 424~~

~~Corporate total $ 50,077 $ 55,101 $ 92,795 $111,177~~

~~INTERSEGMENT REVENUE Upstream United States $ 1,306 $ 1,510 $ 2,419 $ 3,074 Non-U.S. 3,298 3,350 6,046 6,777 Downstream United States 1,553 1,092 2,762 2,384 Non-U.S. 4,326 4,813 8,216 8,845 Chemicals United States 676 646 1,217 1,344 Non-U.S. 684 516 1,184 1,102 All other 76 43 142 94~~

-11- 9. 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, 2002) and the 6.125% notes due 2008 ($160 million) of Exxon Capital Corporation and the deferred interest debentures due 2012 ($955 million) and the debt securities due 2003-2011 ($105 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.

SeaRiver Exxon 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 $ - $ - $ 47,728 $ - $ 50,077 Earnings from equity interests and other revenue 2,680 - (3) 716 (2,561) 832 Intercompany revenue 3,644 10 7 28,338 (31,999) - Total revenue 8,673 10 4 76,782 (34,560) 50,909 Costs and other deductions Crude oil and product purchases 3,524 - - 48,550 (29,442) 22,632 Operating expenses 1,321 1 1 4,264 (1,313) 4,274 Selling, general and administrative expenses 476 - - 2,832 2 3,310 Depreciation and depletion 386 2 - 1,632 - 2,020 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 72,687 (31,997) 46,615 Income before income taxes 2,785 2 (25) 4,095 (2,563) 4,294 Income taxes 145 1 (7) 1,515 - 1,654 Income before extraordinary item 2,640 1 (18) 2,580 (2,563) 2,640 Extraordinary gain, net of income tax - - - - - - Net income $ 2,640 $ 1 $ (18) $ 2,580 $ (2,563) $ 2,640~~

SeaRiver Exxon 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, 2001~~

~~Revenue Sales and other operating revenue, including excise taxes $ 9,477 $ - $ - $ 45,624 $ - $ 55,101 Earnings from equity interests and other revenue 3,687 - 11 960 (3,575) 1,083 Intercompany revenue 1,234 254 17 27,537 (29,042) -~~ ~~Total revenue 14,398 254 28 74,121 (32,617) 56,184~~ ~~Costs and other deductions Crude oil and product purchases 6,062 - - 45,691 (26,022) 25,731 Operating expenses 1,499 - 1 4,361 (1,235) 4,626 Selling, general and administrative expenses 547 1 - 2,667 - 3,215 Depreciation and depletion 388 1 - 1,482 - 1,871~~

~~Exploration expenses, including dry holes 39 - - 227 - 266 Merger related expenses 36 - - 131 - 167 Interest expense 323 238 28 1,266 (1,785) 70 Excise taxes 650 - - 4,576 - 5,226 Other taxes and duties 3 - - 8,054 - 8,057 Income applicable to minority and preferred interests - - - 83 - 83~~ ~~Total costs and other deductions 9,547 240 29 68,538 (29,042) 49,312~~ ~~Income before income taxes 4,851 14 (1) 5,583 (3,575) 6,872 Income taxes 566 6 (4) 2,019 - 2,587~~ ~~Income before extraordinary item 4,285 8 3 3,564 (3,575) 4,285 Extraordinary gain, net of income tax 175 - - (25) 25 175~~ ~~Net income $ 4,460 $ 8 $ 3 $ 3,539 $ (3,550) $ 4,460~~ ~~Condensed consolidated statement of income for six months ended June 30, 2002~~

~~Revenue Sales and other operating revenue, including excise taxes $ 4,193 $ - $ - $ 88,602 $ - $ 92,795 Earnings from equity interests and other revenue 4,891 5 1 1,343 (4,595) 1,645 Intercompany revenue 6,468 21 14 53,111 (59,614) -~~ ~~Total revenue 15,552 26 15 143,056 (64,209) 94,440~~ ~~Costs and other deductions Crude oil and product purchases 6,098 - - 89,401 (54,854) 40,645 Operating expenses 2,444 1 1 8,072 (2,386) 8,132 Selling, general and administrative expenses 934 1 - 5,513 - 6,448 Depreciation and depletion 776 3 1 3,260 - 4,040 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 58 135,691 (59,614) 86,784~~ ~~Income before income taxes 4,919 10 (43) 7,365 (4,595) 7,656 Income taxes 189 4 (15) 2,748 - 2,926~~ ~~Income before extraordinary item 4,730 6 (28) 4,617 (4,595) 4,730 Extraordinary gain, net of income tax - - - - - -~~ ~~Net income $ 4,730 $ 6 $ (28) $ 4,617 $ (4,595) $ 4,730~~

(millions of dollars)

Condensed consolidated statement of income for six months ended June 30, 2001

	Exxon Mobil Corporation Parent Guarantor	SeaRiver Maritime Financial Holdings, Inc.	Exxon Capital Corporation	All Other Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenue						
Sales and other operating revenue, including excise taxes	$ 18,733	$ -	$ -	$ 92,444	$ -	$111,177
Earnings from equity interests and other revenue	8,039	-	27	2,023	(7,782)	2,307
Intercompany revenue	2,362	548	38	54,883	(57,831)	-
Total revenue	29,134	548	65	149,350	(65,613)	113,484
Costs and other deductions						
Crude oil and product purchases	11,550	-	-	91,093	(52,034)	50,609
Operating expenses	3,178	1	1	8,601	(2,166)	9,615
Selling, general and administrative expenses	1,056	1	-	5,218	-	6,275
Depreciation and depletion	764	2	1	3,080	-	3,847
Exploration expenses, including dry holes	83	-	-	463	-	546
Merger related expenses	71	-	-	217	-	288
Interest expense	703	513	59	2,503	(3,631)	147
Excise taxes	1,258	-	-	9,262	-	10,520
Other taxes and duties	7	-	-	16,243	-	16,250
Income applicable to minority and preferred interests	-	-	-	295	-	295
Total costs and other deductions	18,670	517	61	136,975	(57,831)	98,392
Income before income taxes	10,464	31	4	12,375	(7,782)	15,092
Income taxes	1,219	12	(8)	4,624	-	5,847
Income before extraordinary item	9,245	19	12	7,751	(7,782)	9,245
Extraordinary gain, net of income tax	215	-	-	-	-	215
Net income	$ 9,460	$ 19	$ 12	$ 7,751	$ (7,782)	$ 9,460

SeaRiver Exxon 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, 2002

Cash and cash equivalents $ 754 $ - $ - $ 4,946 $ - $ 5,700 Notes and accounts receivable - net 2,528 - - 17,056 - 19,584 Inventories 1,040 - - 7,626 - 8,666 Prepaid taxes and expenses 126 - 21 2,040 - 2,187 Total current assets 4,448 - 21 31,668 - 36,137 Property, plant and equipment - net 16,815 106 5 76,264 - 93,190 Investments and other assets 99,084 - 553 325,316 (406,048) 18,905 Intercompany receivables 9,431 1,377 1,439 271,368 (283,615) - Total assets $129,778 $ 1,483 $ 2,018 $704,616 $(689,663) $148,232 Notes and loan payables $ - $ 10 $ 10 $ 3,682 $ - $ 3,702 Accounts payable and accrued liabilities 2,665 11 - 21,464 - 24,140 Income taxes payable 486 - - 2,914 - 3,400 Total current liabilities 3,151 21 10 28,060 - 31,242 Long-term debt 1,285 266 1,060 4,996 - 7,607 Deferred income tax liabilities 2,931 32 300 14,118 - 17,381 Other long-term liabilities 4,442 - - 12,442 - 16,884 Intercompany payables 42,851 267 382 240,115 (283,615) - Total liabilities 54,660 586 1,752 299,731 (283,615) 73,114 Earnings reinvested 97,327 91 (128) 53,241 (53,204) 97,327 Other shareholders' equity (22,209) 806 394 351,644 (352,844) (22,209) Total shareholders' equity 75,118 897 266 404,885 (406,048) 75,118 Total liabilities and shareholders' equity $129,778 $ 1,483 $ 2,018 $704,616 $(689,663) $148,232

Condensed consolidated balance sheet as of December 31, 2001

Cash and cash equivalents $ 1,375 $ - $ - $ 5,172 $ - $ 6,547 Notes and accounts receivable - net 2,458 - - 17,091 - 19,549 Inventories 996 - - 6,908 - 7,904 Prepaid taxes and expenses 155 5 8 1,513 - 1,681 Total current assets 4,984 5 8 30,684 - 35,681 Property, plant and equipment - net 16,843 108 6 72,645 - 89,602 Investments and other assets 92,844 - 552 323,689 (399,194) 17,891 Intercompany receivables 8,466 1,365 1,431 266,527 (277,789) - Total assets $123,137 $ 1,478 $ 1,997 $693,545 $(676,983) $143,174 Notes and loan payables $ - $ 35 $ 10 $ 3,658 $ - $ 3,703 Accounts payable and accrued liabilities 2,735 6 1 20,120 - 22,862 Income taxes payable 767 - - 2,782 - 3,549 Total current liabilities 3,502 41 11 26,560 - 30,114 Long-term debt 1,258 266 1,008 4,567 - 7,099 Deferred income tax liabilities 2,989 33 302 13,035 - 16,359 Other long-term liabilities 4,373 - - 12,068 - 16,441 Intercompany payables 37,854 248 382 239,305 (277,789) - Total liabilities 49,976 588 1,703 295,535 (277,789) 70,013 Earnings reinvested 95,718 84 (100) 48,907 (48,891) 95,718 Other shareholders' equity (22,557) 806 394 349,103 (350,303) (22,557) Total shareholders' equity 73,161 890 294 398,010 (399,194) 73,161 Total liabilities and shareholders' equity $123,137 $ 1,478 $ 1,997 $693,545 $(676,983) $143,174

SeaRiver Exxon 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 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) Condensed consolidated statement of cash flows for six months ended June 30, 2001

Cash provided by/(used in) operating activities $ 3,214 $ 31 $ 37 $ 11,446 $ (484) $ 14,244 Cash flows from investing activities Additions to property, plant and equipment (1,040) - - (3,330) - (4,370) Sales of long-term assets 514 - - 231 - 745 Net intercompany investing 2,268 (1,559) (8) (680) (21) - All other investing, net (23) - - 334 - 311 Net cash provided by/(used in)investing activities 1,719 (1,559) (8) (3,445) (21) (3,314) Cash flows from financing activities Additions to long-term debt - - - 341 - 341 Reductions in long-term debt (1) (15) - (341) - (357) Additions/(reductions) in short-term debt - net (60) (51) - (2,258) - (2,369) Cash dividends (3,037) - - (484) 484 (3,037) Net ExxonMobil shares sold/(acquired) (2,776) - - - - (2,776) Net intercompany financing activity - 1,594 (29) (1,586) 21 - All other financing, net - - - (368) - (368) Net cash provided by/(used in) financing activities (5,874) 1,528 (29) (4,696) 505 (8,566) Effects of exchange rate changes on cash - - - (146) - (146) Increase/(decrease) in cash and cash equivalents $ (941) $ - $ - $ 3,159 $ - $ 2,218

 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 ______________ ________________ 2002 2001 2002 2001 ____ ____ ____ ____ ~~(millions of dollars) Earnings including merger effects and special items~~

~~Upstream United States $ 674 $ 1,111 $ 1,118 $ 2,739 Non-U.S. 1,479 1,739 3,044 3,889 Downstream United States 234 844 248 1,253 Non-U.S. 148 423 106 1,013 Chemicals United States 87 149 157 194 Non-U.S. 182 168 244 323 Other operations 86 128 239 269 Corporate and financing (220) (7) (336) (75) Merger expenses (30) (95) (90) (185) Gain from required asset divestitures 0 0 0 40~~ _______ _______ _______ _______ ~~NET INCOME $ 2,640 $ 4,460 $ 4,730 $ 9,460~~ ======= ======= ======= ======= ~~Net income per common share $ 0.40 $ 0.66 $ 0.70 $ 1.38 Net income per common share - assuming dilution $ 0.39 $ 0.65 $ 0.69 $ 1.36 Merger effects and special items~~ ______________________________ ~~Chemicals United States (extraordinary item) $ 0 $ 100 $ 0 $ 100 Non-U.S. (extraordinary item) 0 75 0 75 Merger expenses (30) (95) (90) (185) Gain from required asset divestitures (extraordinary item) 0 0 0 40~~ _______ _______ _______ _______ ~~TOTAL $ (30) $ 80 $ (90) $ 30~~ ======= ======= ======= ======= ~~Earnings excluding merger effects and special items~~

~~Upstream United States $ 674 $ 1,111 $ 1,118 $ 2,739 Non-U.S. 1,479 1,739 3,044 3,889 Downstream United States 234 844 248 1,253 Non-U.S. 148 423 106 1,013 Chemicals United States 87 49 157 94 Non-U.S. 182 93 244 248 Other operations 86 128 239 269 Corporate and financing (220) (7) (336) (75)~~ _______ _______ _______ _______ ~~TOTAL $ 2,670 $ 4,380 $ 4,820 $ 9,430~~ ======= ======= ======= ======= ~~Earnings per common share $ 0.40 $ 0.65 $ 0.71 $ 1.38 Earnings per common share - assuming dilution $ 0.39 $ 0.64 $ 0.70 $ 1.36~~

-17- REVIEW OF SECOND QUARTER 2002 RESULTS Excluding merger effects and special items, estimated second quarter 2002 earnings were $2,670 million ($0.39 per share), a decrease of $1,710 million from the record second quarter of 2001. Including merger effects and special items, estimated net income of $2,640 million ($0.39 per share) decreased $1,820 million. Revenue for the second quarter of 2002 totaled $50,909 million compared with $56,184 million in 2001. Capital and exploration expenditures of $3,393 million in the second quarter of 2002 were up $559 million, or 20 percent, compared with $2,834 million last year and were 14 percent higher than in the first quarter. Excluding merger effects, ExxonMobil's second quarter 2002 earnings of $2,670 million were up $520 million from first quarter 2002 earnings of $2,150 million. Upstream earnings improved $144 million from the first quarter, reflecting an upward trend in crude oil prices, which more than offset seasonal reductions in natural gas volumes. Downstream earnings increased $410 million from the very weak first quarter of 2002. Industry refining and marketing margins improved in some geographic areas, but remained depressed overall. Chemicals earnings were double the first quarter of 2002. Prime product sales volumes set a quarterly record, which along with improved margins led to the earnings increase. First half operating expenses declined $1.4 billion versus the same period last year. The decline was related to lower energy prices and additional efficiencies captured in all business lines partially offset by expenses related to new business opportunities. Compared with last year's record second quarter, ExxonMobil's second quarter 2002 earnings, excluding merger effects and special items, were $2,670 million, down $1,710 million. The reduction in earnings reflected weakened conditions in most business segments, including lower price levels of crude oil and natural gas, significantly weaker refining margins and adverse foreign exchange effects. Upstream earnings were $2,153 million, a decrease of $697 million from the record second quarter 2001 results. Average realizations on crude oil sales were lower than the prior year, and natural gas prices fell as well, especially in North America. Liquids production, excluding the impact of OPEC-driven quota restrictions, was up slightly with new production from fields in the Gulf of Mexico, Canada and Angola offset by natural field decline. Natural gas volumes were up 1 percent, reflecting the net result of resumed operations at the Arun field in Indonesia partly offset by weather-related demand in Europe which reduced gas volumes by about 5 percent. On an oil-equivalent basis, excluding the effect of OPEC-driven quota restrictions and reduced weather-related demand in Europe, production increased 3 percent. Project schedules for long-term volume increases remain on track as reflected by higher capital spending. Downstream earnings were $382 million, down $885 million from last year's record second quarter, reflecting weak industry-wide margins. Refining margins dropped in most areas worldwide, with the sharpest declines in the U.S. and Europe. Improved refining operations provided a partial offset to the margin decline. Marketing margins remained weak. -18- Excluding $175 million of net gains on asset management activities reported as a special item last year, chemicals earnings of $269 million were nearly double last year's second quarter due mainly to record sales volumes. Earnings from other operations of $86 million decreased $42 million from last year, primarily reflecting the absence of coal operations in Colombia which were sold during the first quarter of 2002. Second quarter results were negatively affected by movement in foreign exchange rates. The impact was more than $100 million, or $0.02 per share versus the same period last year. Second quarter 2002 net income of $2,640 million included after-tax merger expenses of $30 million. In the second quarter, ExxonMobil continued its active investment program, spending $3,393 million on capital and exploration projects, compared with $2,834 million last year, reflecting continued growth in upstream spending. Capital and exploration expenditures of $6,367 million for the first half of 2002 were up $1,017 million, or 19 percent, compared with $5,350 million last year. Upstream capital spending was up 25 percent, consistent with long term investment plans which result in expanding profitable production. First half 2002 cash flow from operations, including asset management activities, was $9.6 billion, below last year's record $15 billion level reflecting lower earnings, but sufficiently large to exceed cash requirements to fund the corporation's growing capital expenditure program and shareholder dividends. During the quarter, the corporation acquired 27 million shares at a gross cost of $1,105 million to offset the dilution associated with benefit plans and to reduce common stock outstanding. Shares outstanding were reduced from 6,782 million at the end of the first quarter of 2002 to 6,757 million at the end of the second quarter. Since the post-merger program was started in August 2000, the corporation has acquired 255 million shares at a gross cost of $10.6 billion. Purchases may be made in both the open market and through negotiated transactions and may be discontinued at any time. ExxonMobil's financial results for the second quarter fairly reflect our straightforward business model and have been prepared with the same rigor and discipline that have been consistently applied to our financial statements and disclosures. The company's comprehensive, well-controlled financial reporting process positions appropriate senior management to make the newly required certifications. Certifications meeting the requirements of the Securities and Exchange Commission's Order No. 4-460 were filed on August 1, 2002 with regard to ExxonMobil's 2001 Form 10-K, first quarter 2002 Form 10-Q and 2002 Proxy Statement. Written statements complying with Section 906 of the Sarbanes-Oxley Act of 2002 accompany this second quarter 2002 Form 10-Q. OTHER COMMENTS ON SECOND QUARTER 2002 COMPARED TO SECOND QUARTER 2001 Upstream earnings were $2,153 million, down $697 million from the second quarter record achieved in 2001 reflecting a 6 percent decline in crude oil realizations, a 35 percent reduction in North American natural gas prices and lower natural gas liquids realizations. -19- Liquids production of 2,492 kbd (thousands of barrels per day) decreased from 2,539 kbd in the second quarter of 2001. Higher production in Angola, Venezuela, Malaysia and Canada was offset by OPEC-driven quota restrictions and natural field declines in mature areas. Second quarter natural gas production of 9,169 mcfd (millions of cubic feet per day) compared with 9,090 mcfd last year. Improvements in Asia-Pacific volumes, mainly from the return to full production levels at the Arun field in Indonesia following last year's curtailments due to security concerns, were partly offset by reduced weather- related demand in Europe and natural field decline in the U.S. Total oil and natural gas producible volumes increased 3 percent versus the second quarter of last year, as resumption of production at Arun and contributions from new projects and work programs more than offset natural field declines. Taking into account OPEC-driven quota restrictions and weather-related demand changes in Europe, actual oil-equivalent production was down 1 percent. Earnings from U.S. upstream operations were $674 million, a decrease of $437 million from the prior year, reflecting the sharp decline in natural gas prices. Upstream earnings outside the U.S. were $1,479 million, a decrease of $260 million, reflecting lower crude oil and natural gas prices. Downstream earnings of $382 million decreased substantially from the record second quarter of last year, reflecting significantly lower refining margins in the U.S. and Europe, with continued weakness in Asia-Pacific. Marketing margins remained depressed. Petroleum product sales were 7,571 kbd, 362 kbd lower than last year's second quarter in large part due to reduced demand for aviation fuel and lower fuel oil sales. U.S. downstream earnings were $234 million, down $610 million. Non-U.S. downstream earnings of $148 million were $275 million lower than last year's second quarter. Excluding special items reported last year, chemicals earnings of $269 million were up $127 million from the same quarter a year ago reflecting higher volumes. Prime product sales volumes of 6,785 kt (thousands of metric tons) established a new quarterly record, supported by recent capacity additions in Singapore, and reflected higher demand in key commodity businesses across most regions which led to higher capacity utilization rates. Earnings from other operations, including coal, minerals and power, totaled $86 million, down $42 million from last year, due to the absence of Colombian coal operations which were sold in the first quarter of 2002 and higher insurance costs. Corporate and financing expenses of $220 million increased primarily due to the impact of foreign exchange losses and also from higher pension costs. Corporate-wide, the negative impact of foreign exchange movement on second quarter earnings, including the continuing currency devaluations in Argentina and Venezuela and the effect of a weaker U.S. dollar on financing activities, was more than $100 million, or $0.02 per share, versus the same period last year. During the period, the company continued to benefit from the favorable resolution of tax related issues, although such benefits were greater in last year's second quarter. With a larger portion of the corporation's earnings from the non-U.S. upstream, which is subject to higher tax rates, the corporation's effective tax rate in the second quarter of 2002 showed a modest increase. Higher upstream taxes in the U.K. will result from the recent North Sea tax rate increase. The impact of the U.K. 10 percent supplementary tax will be reported in the third quarter consistent with U.S. accounting standards. -20- Second quarter net income included $30 million of after-tax merger expenses, including costs for rationalization of facilities and systems. FIRST SIX MONTHS 2002 COMPARED WITH FIRST SIX MONTHS 2001 Excluding merger effects and special items, first half 2002 earnings of $4,820 million ($0.70 per share) decreased $4,610 million from the record first half of last year. Including merger effects and special items, first half net income of $4,730 million ($0.69 per share) decreased $4,730 million. Included in this year's first half net income was $90 million in after-tax merger expenses, while last year's first half included net favorable merger effects and special items of $30 million after-tax. Upstream earnings decreased primarily due to lower natural gas realizations, particularly in North America, which reached historical highs at the beginning of 2001. Crude oil realizations were also lower. Liquids production of 2,515 kbd decreased 64 kbd from the first half of 2001. Higher production in Angola, Venezuela and Malaysia was offset by OPEC-driven quota restrictions and natural field declines in mature areas. Excluding the effect of OPEC-driven quota restrictions, liquids production in 2002 was flat with the first half of 2001. First half 2002 worldwide natural gas production of 10,450 mcfd compared with 10,596 mcfd in 2001. Improvements in Asia-Pacific volumes, mainly from the return to full production levels at the Arun field in Indonesia following last year's curtailments due to security concerns, were more than offset by reduced weather-related demand in Europe and natural field decline in the U.S. Weather-related demand in Europe reduced volumes by about 4 percent. Total oil and natural gas producible volumes increased 1 percent versus the first half of last year, as resumption of production at Arun and contributions from new projects and work programs more than offset natural field declines. Taking into account OPEC-driven quota restrictions and weather-related demand changes in Europe, actual oil-equivalent production was down 2 percent. Earnings from U.S. upstream operations for the first half of 2002 were $1,118 million, a decrease of $1,621 million. Earnings outside the U.S. were $3,044 million, $845 million lower than last year. Downstream earnings decreased substantially from the first half of 2001, reflecting significantly lower refining margins in the U.S. and Europe, and continued weakness in marketing margins. Petroleum product sales of 7,623 kbd compared with 7,959 kbd in the first half of 2001. U.S. downstream earnings were $248 million, down $1,005 million. Earnings outside the U.S. of $106 million were $907 million lower than last year. Excluding special items recorded in 2001, first half chemicals earnings of $401 million were $59 million higher than last year reflecting increased prime product sales volumes.

Sales volumes of 13,505 kt were 4 percent above last year's level. Earnings from other operations totaled $239 million, a decrease of $30 million due primarily to the absence of Colombian coal operations which were sold in the first quarter of 2002. Corporate and financing expenses increased $261 million to $336 million, reflecting unfavorable foreign exchange effects and higher pension expenses. -21- 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. The Merger was accounted for as a pooling of interests. In the second quarter of 2002, in association with the Merger, $41 million of before tax costs ($30 million after tax) were recorded as merger related expenses, including costs for rationalization of facilities and systems. In the second quarter of 2001, merger related expenses were $167 million before tax ($95 million after tax). For the six months ended June 30, 2002, merger related expenses totaled $124 million before tax ($90 million after tax). For the six months ended June 30, 2001, merger related expenses totaled $288 million before tax ($185 million after tax). The severance reserve balance at the end of the second quarter of 2002 is expected to be expended in 2002. The following table summarizes the activity in the severance reserve for the six months ended June 30, 2002: Opening Balance at Balance Additions Deductions Period End _______ _________ __________ __________ (millions of dollars) 197 0 116 81 Cumulative merger related expenses total $2.9 billion before tax. Additional expense for facilities rationalization and systems are anticipated in the second half of 2002. Merger synergy initiatives are on track. Results for the six months ended June 30, 2002, included no extraordinary gains. For the six months ended June 30, 2001, the net after tax gain from required asset divestments, all in the first quarter, totaled $40 million (including an income tax credit of $15 million), or $0.01 per common share. These net gains from required asset divestments have been reported as extraordinary items in accordance with accounting requirements for business combinations accounted for as a pooling of interests. LIQUIDITY AND CAPITAL RESOURCES Net cash generation before financing activities was $4,370 million in the first six months of 2002 versus $10,930 million in the same period last year. Operating activities provided net cash of $8,740 million, a decrease of $5,504 million from the prior year, influenced by lower net income. Investing activities used net cash of $4,370 million, compared to cash used of $3,314 million in the prior year, reflecting higher additions to property, plant and equipment. Net cash used in financing activities was $5,567 million in the first half of 2002 versus $8,566 million in the same period last year reflecting the absence of debt reductions in the prior year. -22- During the first half of 2002, Exxon Mobil Corporation purchased 63 million shares of its common stock for the treasury at a gross cost of $2,555 million. These purchases were to offset shares issued in conjunction with company benefit plans and programs and to reduce the number of shares outstanding. Purchases may be made in both the open market and through negotiated transactions, and may be discontinued at any time. Revenue for the first half of 2002 totaled $94,440 million compared to $113,484 million in the first half of 2001 reflecting lower prices. Capital and exploration expenditures were $6,367 million in the first half 2002 compared to $5,350 million in last year's first half. In 2002, capital and exploration investments are expected to increase by 10 percent over 2001 primarily driven by ExxonMobil's large portfolio of upstream projects. Total debt of $11.3 billion at June 30, 2002 increased $0.5 billion from year-end 2001. The corporation's debt to total capital ratio was 12.7 percent at the end of the first half of 2002, compared to 12.4 percent at year-end 2001. 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. Litigation and other contingencies are discussed in note 5 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. Asset management activities in the first half of 2002 included the sale of coal operations in Colombia in the first quarter. On May 2, 2002, the corporation announced that it has reached agreement to sell its affiliated companies that hold all of the interests in Compania Minera Disputada de las Condes Limitada (a Chile copper mining business) for $1.3 billion, plus future contingent payments in the event of higher future copper prices. The sale is subject to the completion of outstanding due diligence, the completion of a definitive sale and purchase agreement and required regulatory approvals, with such work continuing into the third quarter 2002. FORWARD-LOOKING STATEMENTS Statements in this discussion regarding expectations, plans and future events or conditions are forward-looking statements. Actual future results, including merger related expenses and synergies; financing sources; the resolution of contingencies; the effect of changes in prices, interest rates and other market conditions; and environmental and capital 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; and other factors discussed above and discussed under the caption "Factors Affecting Future Results" in Item 1 of ExxonMobil's 2001 Form 10-K. We assume no duty to update these statements as of any future date. -23- EXXON MOBIL CORPORATION Item 3. Quantitative and Qualitative Disclosures About Market Risk Information about market risks for the six months ended June 30, 2002 does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2001. PART II. OTHER INFORMATION Item 1. Legal Proceedings On July 25, 2002, ExxonMobil Oil Corporation ("EMOC") entered into a settlement agreement with the California South Coast Air Quality Management District (the "District") relating to allegations that EMOC failed to properly calculate and/or timely transmit daily air emissions data for EMOC's Torrance refinery for compliance years 1995 through 2000, resulting in violations of various District regulations. The settlement agreement provides for the payment of a civil fine in the amount of $1.75 million. The New York State Department of Environmental Conservation ("NYSDEC") has issued multiple Notices of Hearing and Complaint ("Notices"). The NYSDEC served a Notice on EMOC on June 21, 2002 with respect to a distribution terminal in New Windsor, New York. The Notice alleges 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 NYSDEC is seeking payment of a civil penalty in the amount of $750,000. The NYSDEC served a Notice on EMOC on June 14, 2002 with respect to a service station in Smithtown, New York. The NYSDEC alleges that petroleum was discharged from the station into waters of the state. EMOC entered into a stipulation agreement in 1999 providing for performance of remedial activities at the site. The NYSDEC is now seeking a penalty of $1,500,000 for alleged violations of the New York Navigation Law and of the stipulation agreement. On June 5, 2002, the NYSDEC served 23 identical Notices on EMOC, one for each of 23 service stations in New York. The NYSDEC alleges that all of the subject stations operated without being properly registered for a period of two days, in violation of the Environmental Conservation Law, and it seeks civil penalties of between $10,000 and $15,000 for each station. The NYSDEC served a Notice on EMOC on January 14, 2002 with respect to a service station in New York, New York. The NYSDEC alleges that the service station discharged petroleum into the waters of the state and failed to provide, test and maintain cathodic protection for underground tanks and piping, in violation of the Navigation Law and the Environmental Conservation Law. The NYSDEC is seeking payment of a civil penalty in the amount of $200,000. Settlement discussions with the NYSDEC to resolve all these matters are ongoing. The amounts of the penalties for which the corporation might ultimately be liable are unknown at this time. Refer to the relevant portions of Note 5 on pages 7 through 9 of this Quarterly Report on Form 10-Q for additional information on legal proceedings. -24- Item 4. Submission of Matters to a Vote of Security Holders At the annual meeting of shareholders on May 29, 2002, 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 for Directors Cast for Withheld ______________________ __________ __________ Michael J. Boskin 5,520,822,890 58,194,731 William T. Esrey 5,489,925,001 89,092,620 Donald V. Fites 5,517,743,793 61,273,828 James R. Houghton 5,489,281,262 89,736,359 William R. Howell 5,485,665,488 93,352,133 Helene L. Kaplan 5,465,399,826 113,617,795 Reatha Clark King 5,489,135,076 89,882,545 Philip E. Lippincott 5,520,915,608 58,102,013 Harry J. Longwell 5,522,372,394 56,645,227 Marilyn Carlson Nelson 5,489,851,766 89,165,855 Lee R. Raymond 5,519,271,164 59,746,457 Walter V. Shipley 5,521,582,462 57,435,159 Concerning Ratification of Independent Auditors Votes Cast For: 5,333,006,315 96.2% Votes Cast Against: 208,760,975 3.8% Abstentions: 37,250,331 Broker Non-Votes: 0 Concerning Government Service Votes Cast For: 113,815,749 2.5% Votes Cast Against: 4,506,322,570 97.5% Abstentions: 124,553,855 Broker Non-Votes: 834,325,447 Concerning Policy on Board Diversity Votes Cast For: 334,527,021 7.2% Votes Cast Against: 4,288,990,427 92.8% Abstentions: 121,184,726 Broker Non-Votes: 834,315,447 Concerning Human Rights Policy Votes Cast For: 306,767,747 6.8% Votes Cast Against: 4,228,298,424 93.2% Abstentions: 209,626,003 Broker Non-Votes: 834,325,447 -25- Concerning Executive Compensation Factors Votes Cast For: 363,389,223 7.9% Votes Cast Against: 4,248,497,358 92.1% Abstentions: 132,805,593 Broker Non-Votes: 834,325,447 Concerning Additional Report on ANWR Drilling Votes Cast For: 302,960,394 6.6% Votes Cast Against: 4,285,054,813 93.4% Abstentions: 156,676,967 Broker Non-Votes: 834,325,447 Concerning Renewable Energy Sources Votes Cast For: 930,638,438 20.2% Votes Cast Against: 3,679,226,275 79.8% Abstentions: 134,827,461 Broker Non-Votes: 834,325,447 Concerning Amendment of EEO Policy Votes Cast For: 1,089,160,651 23.9% Votes Cast Against: 3,471,805,525 76.1% Abstentions: 183,725,998 Broker Non-Votes: 834,325,447 Concerning Shareholder Vote on Poison Pills Votes Cast For: 2,087,168,148 44.9% Votes Cast Against: 2,564,477,371 55.1% Abstentions: 93,046,655 Broker Non-Votes: 834,325,447 See also pages 3 through 7 and pages 24 through 44 of the registrant's definitive proxy statement dated April 17, 2002. Item 6. Exhibits and Reports on Form 8-K a) Exhibits Exhibit 3(ii) - By-Laws, as revised to July 31, 2002. b) Reports on Form 8-K On August 1, 2002, the registrant filed a Current Report on Form 8-K about the sworn statements filed with the Securities and Exchange Commission by the principal executive officer and principal financial officer in accordance with Order No. 4-460 and pursuant to Section 21(a)(1) of the Securities Exchange Act of 1934. -26- 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, 2002 /s/ DONALD D. HUMPHREYS ____ Donald D. Humphreys, Vice President, Controller and Principal Accounting Officer -27- EXXON MOBIL CORPORATION FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002 INDEX TO EXHIBITS 3(ii). By-Laws, as revised to July 31, 2002. -28-