

Exxon Mobil's Profits Fall 41%

By REUTERS

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NEW YORK (Reuters) - [Exxon Mobil Corp.](#) (XOM.N), the world's No. 1 publicly traded oil company, on Thursday reported a worse-than-expected 41 percent drop in earnings alongside a downturn in profit margins in its oil refining business.

Exxon Mobil became the latest oil company to report a sharp drop in second-quarter earnings as profit from producing fuels such as gasoline, heating oil and jet fuel was undercut by the economic slowdown and the decline in travel after the Sept. 11 attacks on the United States.

The company's net income fell to \$2.64 billion, or 39 cents a diluted share, from \$4.46 billion, or 65 cents a diluted share, a year earlier. It was the fourth consecutive quarter of lower year-on-year earnings for the energy giant after a string of record-breaking results.

For one of the few times in recent memory, the Irving, Texas-based company -- renowned for its worldwide reach and profitability -- reported quarterly earnings that were far below Wall Street expectations. Its shares dropped more than 3 percent in early trade on the New York Stock Exchange.

"The earnings power of this corporation in this environment is clearly not as strong as we thought," said Michael Young, an analyst with Gerard Klauer Mattison & Co. "We're talking about missing consensus (earnings) estimates by about a half billion dollars."

Exxon Mobil, the last major oil company to report second-quarter results, followed much the same course as rivals [ChevronTexaco Corp.](#) (CVX.N), [BP Plc](#) (BP.L) and [Royal Dutch/Shell](#) Group (RD.AS) (SHEL.L). All saw relatively strong oil prices offset by a poor refining business.

Oil prices were down slightly from a year earlier in the second quarter, but at an average of \$26 a barrel they were still well above historical standards thanks to a built-in "war premium."

The "war premium" came amid President Bush's war on terrorism and the Israeli-Palestinian conflict. Additional strength was found in tough supply curbs by the OPEC producer cartel.

But as oil prices found support, natural gas prices saw a big drop from a year ago because of the slow economy and the lingering effects of a mild winter in the United States.

Over the course of the second quarter, natural gas prices averaged 22 percent less than they did in the same period a year ago.

But the weak refining business was the main culprit behind the drop in profits at Exxon Mobil and the world's other top oil companies.

Exxon Mobil's refining, marketing, and transportation earnings fell 70 percent from a year earlier, to \$382 million, during a quarter defined by what Exxon Mobil Chairman Lee Raymond called "significantly weaker refining margins."

Overall revenue totaled \$50.91 billion, down from \$56.18 billion in the 2001 second quarter.

Shares of Exxon Mobil, a component of the Dow Jones industrial average, fell \$1.26 to \$35.50 on the NYSE after the release of its second-quarter results.

The shares fell about 7 percent in the second quarter but outperformed many other blue-chip stocks, which have been hurt by broad concerns about corporate accounting and the slow economy. The Dow Jones industrials (.DJI) dropped about 11 percent during the quarter.