

EXXON MOBIL CORP  
Form 10-Q  
November 03, 2016

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

**FORM 10-Q**

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

For the quarterly period ended September 30, 2016

**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**

(State or other jurisdiction of  
incorporation or organization)

**13-5409005**

(I.R.S. Employer  
Identification Number)

**5959 LAS COLINAS BOULEVARD, IRVING, TEXAS 75039-2298**

(Address of principal executive offices) (Zip Code)

**(972) 444-1000**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                           | Outstanding as of September 30, 2016 |
|---------------------------------|--------------------------------------|
| Common stock, without par value | 4,146,693,326                        |

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**EXXON MOBIL CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016**

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

|  | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|--|---------------------------|-------------|--------------------------|-------------|
|  | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|  | <b>2016</b>               | <b>2015</b> | <b>2016</b>              | <b>2015</b> |
| Revenues and other income  |                           |             |                          |             |
| Sales and other operating revenue <i>(1)</i>                               | 56,767                    | 65,679      | 160,232                  | 201,797     |
| Income from equity affiliates  | 1,103                     | 1,783       | 3,478                    | 6,125       |
| Other income   | 807                       | (118)       | 1,368                    | 1,153       |
| Total revenues and other income  | 58,677                    | 67,344      | 165,078                  | 209,075     |
| Costs and other deductions   |                           |             |                          |             |
| Crude oil and product purchases  | 28,035                    | 32,276      | 75,872                   | 102,286     |
| Production and manufacturing expenses                                      | 7,709                     | 8,614       | 23,346                   | 26,579      |
| Selling, general and administrative expenses                               | 2,736                     | 2,967       | 7,975                    | 8,511       |
| Depreciation and depletion   | 4,605                     | 4,542       | 14,191                   | 13,293      |
| Exploration expenses, including dry holes                                  | 327                       | 324         | 1,127                    | 1,005       |
| Interest expense   | 106                       | 78          | 258                      | 251         |
| Sales-based taxes <i>(1)</i>   | 5,437                     | 5,813       | 15,687                   | 17,308      |
| Other taxes and duties   | 6,496                     | 6,981       | 19,270                   | 20,504      |
| Total costs and other deductions   | 55,451                    | 61,595      | 157,726                  | 189,737     |
| Income before income taxes   | 3,226                     | 5,749       | 7,352                    | 19,338      |
| Income taxes   | 337                       | 1,365       | 1,001                    | 5,617       |
| Net income including noncontrolling interests                              | 2,889                     | 4,384       | 6,351                    | 13,721      |
| Net income attributable to noncontrolling interests                        | 239                       | 144         | 191                      | 351         |
| Net income attributable to ExxonMobil                                      | 2,650                     | 4,240       | 6,160                    | 13,370      |
| <br>   |                           |             |                          |             |
| Earnings per common share <i>(dollars)</i>                                 | 0.63                      | 1.01        | 1.47                     | 3.18        |
| <br>   |                           |             |                          |             |
| Earnings per common share - assuming dilution <i>(dollars)</i>             | 0.63                      | 1.01        | 1.47                     | 3.18        |
| <br>   |                           |             |                          |             |
| Dividends per common share <i>(dollars)</i>                                | 0.75                      | 0.73        | 2.23                     | 2.15        |
| <br>   |                           |             |                          |             |
| <i>(1) Sales-based taxes included in sales and other operating revenue</i> | 5,437                     | 5,813       | 15,687                   | 17,308      |

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



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

|   | <b>Three Months<br/>Ended<br/>September 30,</b> |             | <b>Nine Months<br/>Ended<br/>September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2016</b>                                     | <b>2015</b> | <b>2016</b>                                    | <b>2015</b> |
| Net income including noncontrolling interests                           | 2,889   | 4,384       | 6,351  | 13,721      |
| Other comprehensive income (net of income taxes)                        |   |             |  |             |
| Foreign exchange translation adjustment                                 | (107)   | (4,023)     | 2,506  | (8,379)     |
| Postretirement benefits reserves adjustment<br>(excluding amortization) | 34  | 484         | 25   | 1,111       |
| Amortization and settlement of postretirement benefits<br>reserves      |   |             |  |             |
| adjustment included in net periodic benefit costs                       | 278   | 367         | 859  | 1,075       |
| Unrealized change in fair value of stock investments                    | -   | 7           | -  | 26          |
| Realized (gain)/loss from stock investments included in<br>net income   | -   | 3           | -  | 15          |
| Total other comprehensive income  | 205   | (3,162)     | 3,390  | (6,152)     |
| Comprehensive income including noncontrolling interests                 | 3,094   | 1,222       | 9,741  | 7,569       |
| Comprehensive income attributable to<br>noncontrolling interests        | 166   | (175)       | 536  | (422)       |
| Comprehensive income attributable to ExxonMobil                         | 2,928   | 1,397       | 9,205  | 7,991       |

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



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

|  | <b>Sept. 30,<br/>2016</b> | <b>Dec. 31,<br/>2015</b> |
|--|---------------------------|--------------------------|
| <b>Assets</b>  |                           |                          |
| Current assets   |                           |                          |
| Cash and cash equivalents  | 5,093                     | 3,705                    |
| Notes and accounts receivable – net  | 20,388                    | 19,875                   |
| Inventories  |                           |                          |
| Crude oil, products and merchandise  | 10,981                    | 12,037                   |
| Materials and supplies   | 4,361                     | 4,208                    |
| Other current assets   | 2,122                     | 2,798                    |
| Total current assets   | 42,945                    | 42,623                   |
| Investments, advances and long-term receivables  | 35,553                    | 34,245                   |
| Property, plant and equipment – net  | 251,923                   | 251,605                  |
| Other assets, including intangibles – net  | 8,965                     | 8,285                    |
| Total assets   | 339,386                   | 336,758                  |
| <b>Liabilities</b>   |                           |                          |
| Current liabilities  |                           |                          |
| Notes and loans payable  | 17,239                    | 18,762                   |
| Accounts payable and accrued liabilities   | 30,027                    | 32,412                   |
| Income taxes payable   | 2,755                     | 2,802                    |
| Total current liabilities  | 50,021                    | 53,976                   |
| Long-term debt   | 28,916                    | 19,925                   |
| Postretirement benefits reserves   | 21,019                    | 22,647                   |
| Deferred income tax liabilities  | 34,857                    | 36,818                   |
| Long-term obligations to equity companies  | 5,340                     | 5,417                    |
| Other long-term obligations  | 22,223                    | 21,165                   |
| Total liabilities  | 162,376                   | 159,948                  |
| Commitments and contingencies (Note 3)   |                           |                          |
| <b>Equity</b>  |                           |                          |
| Common stock without par value   |                           |                          |
| (9,000 million shares authorized, 8,019 million shares issued)                             | 12,228                    | 11,612                   |
| Earnings reinvested  | 409,284                   | 412,444                  |
| Accumulated other comprehensive income   | (20,466)                  | (23,511)                 |
| Common stock held in treasury  |                           |                          |
| (3,872 million shares at September 30, 2016 and 3,863 million shares at December 31, 2015) | (230,449)                 | (229,734)                |
| ExxonMobil share of equity   | 170,597                   | 170,811                  |
| Noncontrolling interests   | 6,413                     | 5,999                    |
| Total equity   | 177,010                   | 176,810                  |
| Total liabilities and equity   | 339,386                   | 336,758                  |

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

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

|   | <b>Nine Months Ended</b> |             |
|---|--------------------------|-------------|
|   | <b>September 30,</b>     |             |
|   | <b>2016</b>              | <b>2015</b> |
| Cash flows from operating activities  |                          |             |
| Net income including noncontrolling interests   | 6,351                    | 13,721      |
| Depreciation and depletion  | 14,191                   | 13,293      |
| Changes in operational working capital, excluding cash and debt   | (2,386)                  | (1,037)     |
| All other items – net   | (3,470)                  | (13)        |
| Net cash provided by operating activities   | 14,686                   | 25,964      |
| Cash flows from investing activities  |                          |             |
| Additions to property, plant and equipment  | (12,276)                 | (20,354)    |
| Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments | 2,182                    | 1,604       |
| Additional investments and advances   | (1,398)                  | (412)       |
| Other investing activities – net  | 761                      | 662         |
| Net cash used in investing activities   | (10,731)                 | (18,500)    |
| Cash flows from financing activities  |                          |             |
| Additions to long-term debt   | 11,964                   | 8,028       |
| Reductions in long-term debt  | -                        | (18)        |
| Additions/(reductions) in short-term debt – net   | (286)                    | (475)       |
| Additions/(reductions) in commercial paper, and debt with three months or less maturity <i>(1)</i>                  | (4,062)                  | (2,537)     |
| Cash dividends to ExxonMobil shareholders   | (9,320)                  | (9,036)     |
| Cash dividends to noncontrolling interests  | (122)                    | (127)       |
| Common stock acquired   | (727)                    | (3,285)     |
| Common stock sold   | 6                        | -           |
| Net cash used in financing activities   | (2,547)                  | (7,450)     |
| Effects of exchange rate changes on cash  | (20)                     | (334)       |
| Increase/(decrease) in cash and cash equivalents  | 1,388                    | (320)       |
| Cash and cash equivalents at beginning of period  | 3,705                    | 4,616       |
| Cash and cash equivalents at end of period  | 5,093                    | 4,296       |
| Supplemental Disclosures  |                          |             |
| Income taxes paid   | 3,049                    | 5,594       |
| Cash interest paid  | 709                      | 459         |

**2015 Non-Cash Transactions**

An asset exchange resulted in value received of approximately \$500 million including \$100 million in cash. The non-cash portion was not included in the “Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments” or the “All other items-net” lines on the Statement of Cash Flows. Capital leases of approximately \$800 million were not included in “Additions to long-term debt” or “Additions to

property, plant and equipment” lines on the Statement of Cash Flows.

*(1) Includes a net addition of commercial paper with a maturity of over three months of \$1.0 billion in 2016 and \$2.8 billion in 2015. The gross amount of commercial paper with a maturity of over three months issued was \$2.9 billion in 2016 and \$7.7 billion in 2015, while the gross amount repaid was \$1.9 billion in 2016 and \$4.9 billion in 2015.*

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

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

|  | <b>ExxonMobil Share of Equity</b> |                   |                |                 |                   |                    | <b>Total</b>  |
|--|-----------------------------------|-------------------|----------------|-----------------|-------------------|--------------------|---------------|
|  | <b>Accumulated</b>                |                   |                |                 |                   |                    |               |
|  | <b>Common</b>                     | <b>Earnings</b>   | <b>Other</b>   | <b>Common</b>   | <b>ExxonMobil</b> | <b>Non-</b>        |               |
|  | <b>Stock</b>                      | <b>Reinvested</b> | <b>Compre-</b> | <b>Stock</b>    | <b>Share of</b>   | <b>controlling</b> | <b>Equity</b> |
|  |                                   |                   | <b>hensive</b> | <b>Held in</b>  | <b>Equity</b>     | <b>Interests</b>   |               |
|  |                                   |                   | <b>Income</b>  | <b>Treasury</b> |                   |                    | <b>Equity</b> |
| Balance as of December 31, 2014            | 10,792                            | 408,384           | (18,957)       | (225,820)       | 174,399           | 6,665              | 181,064       |
| Amortization of stock-based awards         | 647                               | -                 | -              | -               | 647               | -                  | 647           |
| Tax benefits related to stock-based awards | 9                                 | -                 | -              | -               | 9                 | -                  | 9             |
| Other                                      | (5)                               | -                 | -              | -               | (5)               | -                  | (5)           |
| Net income for the period                  | -                                 | 13,370            | -              | -               | 13,370            | 351                | 13,721        |
| Dividends – common shares                  | -                                 | (9,036)           | -              | -               | (9,036)           | (127)              | (9,163)       |
| Other comprehensive income                 | -                                 | -                 | (5,379)        | -               | (5,379)           | (773)              | (6,152)       |
| Acquisitions, at cost                      | -                                 | -                 | -              | (3,285)         | (3,285)           | -                  | (3,285)       |
| Dispositions                               | -                                 | -                 | -              | 3               | 3                 | -                  | 3             |
| Balance as of September 30, 2015           | 11,443                            | 412,718           | (24,336)       | (229,102)       | 170,723           | 6,116              | 176,839       |
| Balance as of December 31, 2015            | 11,612                            | 412,444           | (23,511)       | (229,734)       | 170,811           | 5,999              | 176,810       |
| Amortization of stock-based awards         | 612                               | -                 | -              | -               | 612               | -                  | 612           |
| Tax benefits related to stock-based awards | 11                                | -                 | -              | -               | 11                | -                  | 11            |
| Other                                      | (7)                               | -                 | -              | -               | (7)               | -                  | (7)           |
| Net income for the period                  | -                                 | 6,160             | -              | -               | 6,160             | 191                | 6,351         |
| Dividends – common shares                  | -                                 | (9,320)           | -              | -               | (9,320)           | (122)              | (9,442)       |
| Other comprehensive income                 | -                                 | -                 | 3,045          | -               | 3,045             | 345                | 3,390         |
| Acquisitions, at cost                      | -                                 | -                 | -              | (727)           | (727)             | -                  | (727)         |
| Dispositions                               | -                                 | -                 | -              | 12              | 12                | -                  | 12            |
| Balance as of September 30, 2016           | 12,228                            | 409,284           | (20,466)       | (230,449)       | 170,597           | 6,413              | 177,010       |

| <b><u>Common Stock Share<br/>Activity</u></b> | <b>Nine Months Ended<br/>September 30, 2016<br/>Held in</b> |                 |                    | <b>Nine Months Ended<br/>September 30, 2015<br/>Held in</b> |                 |                    |
|---|---|-----------------|--------------------|---|-----------------|--------------------|
|   | <b>Issued</b>   | <b>Treasury</b> | <b>Outstanding</b> | <b>Issued</b>   | <b>Treasury</b> | <b>Outstanding</b> |
|   | <i>(millions of shares)</i>                                 |                 |                    | <i>(millions of shares)</i>                                 |                 |                    |
| Balance as of<br>December 31                  | 8,019   | (3,863)         | 4,156              | 8,019   | (3,818)         | 4,201              |
| Acquisitions                                  | -   | (9)             | (9)                | -   | (38)            | (38)               |
| Dispositions                                  | -   | -               | -                  | -   | -               | -                  |
| Balance as of<br>September 30                 | 8,019   | (3,872)         | 4,147              | 8,019   | (3,856)         | 4,163              |

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

## EXXON MOBIL CORPORATION

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Basis of Financial Statement Preparation

These unaudited condensed consolidated financial statements should be read in the context of the consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Corporation's 2015 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. Prior data has been reclassified in certain cases to conform to the current presentation basis.

The Corporation's exploration and production activities are accounted for under the "successful efforts" method.

#### 2. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements, and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2018. "Sales and other operating revenue" on the Consolidated Statement of Income includes sales, excise and value-added taxes on sales transactions. When the Corporation adopts the standard, revenue will exclude sales-based taxes collected on behalf of third parties. This change in reporting will not impact earnings. The Corporation continues to evaluate other areas of the standard and its effect on the Corporation's financial statements.

In February 2016, the Financial Accounting Standards Board issued a new standard, *Leases*. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. The standard is required to be adopted beginning January 1, 2019. ExxonMobil is evaluating the standard and its effect on the Corporation's financial statements.

Effective September 30, 2016, the Corporation early adopted Accounting Standard Update no. 2015-17 *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* on a prospective basis. This update eliminates the

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requirement to classify deferred tax assets and liabilities as current and noncurrent, and instead requires all deferred tax assets and liabilities to be classified as noncurrent. The balance sheet classification of deferred income tax is shown below.

|   | <b>Sept. 30,<br/>2016</b>    | <b>Dec. 31,<br/>2015</b> |
|---|------------------------------|--------------------------|
|   | <i>(millions of dollars)</i> |                          |
| Balance sheet classification: deferred tax (assets)/liabilities |                              |                          |
| Other current assets  | -                            | (1,329)                  |
| Other assets, including intangibles - net                       | (4,334)                      | (3,421)                  |
| Accounts payable and accrued liabilities                        | -                            | 546                      |
| Deferred income tax liabilities                                 | 34,857                       | 36,818                   |
| Net deferred tax liabilities                                    | 30,523                       | 32,614                   |



### 3. Litigation and Other Contingencies

#### Litigation

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

#### Other Contingencies

The Corporation and certain of its consolidated subsidiaries were contingently liable at September 30, 2016, for guarantees relating to notes, loans and performance under contracts. Where guarantees for environmental remediation and other similar matters do not include a stated cap, the amounts reflect management's estimate of the maximum potential exposure. These guarantees are not reasonably likely to have a material effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

|              | <b>As of September 30, 2016</b>               |  |              |
|--------------|---|--|--------------|
|              | <b>Equity<br/>Company<br/>Obligations (1)</b> | <b>Other<br/>Third Party<br/>Obligations</b> | <b>Total</b> |
|              | <i>(millions of dollars)</i>                  |  |              |
| Guarantees   |   |  |              |
| Debt-related | 126   | 35   | 161          |
| Other        | 2,418   | 4,208  | 6,626        |
| Total        | 2,544   | 4,243  | 6,787        |

*(1) ExxonMobil share*

Additionally, the Corporation and its affiliates have numerous long-term sales and purchase commitments in their various business activities, all of which are expected to be fulfilled with no adverse consequences material to the Corporation's operations or financial condition. The Corporation's outstanding unconditional purchase obligations at September 30, 2016, were similar to those at the prior year-end period. Unconditional purchase obligations as defined by accounting standards are those long-term commitments that are noncancelable or cancelable only under certain conditions, and that third parties have used to secure financing for the facilities that will provide the contracted goods or services.

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

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

venture. ExxonMobil refused to accede to the terms proffered by the government, and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest in the Cerro Negro Project.

On September 6, 2007, affiliates of ExxonMobil filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (ICSID). The ICSID Tribunal issued a decision on June 10, 2010, finding that it had jurisdiction to proceed on the basis of the Netherlands-Venezuela Bilateral Investment Treaty. On October 9, 2014, the ICSID Tribunal issued its final award finding in favor of the ExxonMobil affiliates and awarding \$1.6 billion as of the date of expropriation, June 27, 2007, and interest from that date at 3.25% compounded annually until the date of payment in full. The Tribunal also noted that one of the Cerro Negro Project agreements provides a mechanism to prevent double recovery between the ICSID award and all or part of an earlier award of \$908 million to an ExxonMobil affiliate, Mobil Cerro Negro, Ltd., against PdVSA and a PdVSA affiliate, PdVSA CN, in an arbitration under the rules of the International Chamber of Commerce.

On June 12, 2015, the Tribunal rejected in its entirety Venezuela's October 23, 2014, application to revise the ICSID award. The Tribunal also lifted the associated stay of enforcement that had been entered upon the filing of the application to revise.

Still pending is Venezuela's February 2, 2015, application to ICSID seeking annulment of the ICSID award. That application alleges that, in issuing the ICSID award, the Tribunal exceeded its powers, failed to state reasons on which the ICSID award was based, and departed from a fundamental rule of procedure. A separate stay of the ICSID award was entered following the filing of the annulment application. On July 7, 2015, the ICSID Committee considering the annulment application heard arguments from the parties on whether to lift the stay of the award associated with that application. On July 28, 2015, the Committee issued an order that would lift the stay of enforcement unless, within 30 days, Venezuela delivered a commitment to pay the award if the application to annul is denied. On September 17, 2015, the Committee ruled that Venezuela had complied with the requirement to submit a written commitment to pay the award and so left the stay of enforcement in place. A hearing on Venezuela's application for annulment was held March 8-9, 2016.

The United States District Court for the Southern District of New York entered judgment on the ICSID award on October 10, 2014. Motions filed by Venezuela to vacate that judgment on procedural grounds and to modify the judgment by reducing the rate of interest to be paid on the ICSID award from the entry of the court's judgment, until the date of payment, were denied on February 13, 2015, and March 4, 2015, respectively. On March 9, 2015, Venezuela filed a notice of appeal of the court's actions on the two motions. Oral arguments on this appeal were held before the United States Court of Appeals for the Second Circuit on January 7, 2016.

The District Court's judgment on the ICSID award is currently stayed until such time as ICSID's stay of the award entered following Venezuela's filing of its application to annul has been lifted. The net impact of these matters on the Corporation's consolidated financial results cannot be reasonably estimated. Regardless, the Corporation does not expect the resolution to have a material effect upon the Corporation's operations or financial condition.

An affiliate of ExxonMobil is one of the Contractors under a Production Sharing Contract (PSC) with the Nigerian National Petroleum Corporation (NNPC) covering the Erha block located in the offshore waters of Nigeria. ExxonMobil's affiliate is the operator of the block and owns a 56.25 percent interest under the PSC. The Contractors are in dispute with NNPC regarding NNPC's lifting of crude oil in excess of its entitlement under the terms of the PSC. In accordance with the terms of the PSC, the Contractors initiated arbitration in Abuja, Nigeria, under the Nigerian Arbitration and Conciliation Act. On October 24, 2011, a three-member arbitral Tribunal issued an award upholding the Contractors' position in all material respects and awarding damages to the Contractors jointly in an amount of approximately \$1.8 billion plus \$234 million in accrued interest. The Contractors petitioned a Nigerian federal court for enforcement of the award, and NNPC petitioned the same court to have the award set aside. On May 22, 2012, the court set aside the award. The Contractors appealed that judgment to the Court of Appeal, Abuja Judicial Division. On July 22, 2016, the Court of Appeal upheld the decision of the lower court setting aside the award. On October 21, 2016, the Contractors appealed the decision to the Supreme Court of Nigeria. In June 2013, the Contractors filed a lawsuit against NNPC in the Nigerian federal high court in order to preserve their ability to seek enforcement of the PSC in the courts if necessary. In October 2014, the Contractors filed suit in the United States District Court for the Southern District of New York to enforce, if necessary, the arbitration award against NNPC assets residing within that jurisdiction. NNPC has moved to dismiss the lawsuit. The stay in the proceedings in the Southern District of New York has been lifted. At this time, the net impact of this matter on the Corporation's consolidated financial results cannot be reasonably estimated. However, regardless of the outcome of enforcement proceedings, the Corporation does not expect the proceedings to have a material effect upon the Corporation's operations or financial condition.



| <b>Income Tax (Expense)/Credit For<br/>Components of Other Comprehensive Income</b>                                     | <b>Three Months<br/>Ended<br/>September 30,</b> |              | <b>Nine Months<br/>Ended<br/>September 30,</b> |              |
|---|---|--------------|--|--------------|
|   | <b>2016</b>                                     | <b>2015</b>  | <b>2016</b>                                    | <b>2015</b>  |
|   | <i>(millions of dollars)</i>                    |              |  |              |
| Foreign exchange translation adjustment   | (9)   | 82           | (6)  | 147          |
| Postretirement benefits reserves adjustment<br>(excluding amortization)   | (11)  | (225)        | 20   | (527)        |
| Amortization and settlement of postretirement benefits reserves<br>adjustment included in net periodic benefit<br>costs | (137)   | (167)        | (389)  | (477)        |
| Unrealized change in fair value of stock investments  | -   | (3)          | -  | (14)         |
| Realized change in fair value of stock investments<br>included in net income  | -   | (2)          | -  | (8)          |
| <b>Total</b>  | <b>(157)</b>                                    | <b>(315)</b> | <b>(375)</b>                                   | <b>(879)</b> |

**5. Earnings Per Share**

|   | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2016</b>                                 | <b>2015</b> | <b>2016</b>                                | <b>2015</b> |
| <b>Earnings per common share</b>  |   |             |  |             |
| Net income attributable to ExxonMobil ( <i>millions of dollars</i> )                  | 2,650                                       | 4,240       | 6,160                                      | 13,370      |
| Weighted average number of common shares<br>outstanding ( <i>millions of shares</i> ) | 4,178                                       | 4,190       | 4,178                                      | 4,201       |
| Earnings per common share ( <i>dollars</i> ) (1)                                      | 0.63  | 1.01        | 1.47                                       | 3.18        |

(1) The calculation of earnings per common share and earnings per common share – assuming dilution are the same in each period shown.

**6. Pension and Other Postretirement Benefits**

|   | <b>Three Months<br/>Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2016</b>                                     | <b>2015</b> | <b>2016</b>                                | <b>2015</b> |
| <i>(millions of dollars)</i>                                    |   |             |  |             |
| <b>Components of net benefit cost</b>                           |   |             |  |             |
| Pension Benefits - U.S.   |   |             |  |             |
| Service cost  | 200   | 231         | 606  | 625         |
| Interest cost   | 198   | 196         | 594  | 589         |
| Expected return on plan assets                                  | (182)   | (208)       | (545)                                      | (622)       |
| Amortization of actuarial loss/(gain) and prior<br>service cost | 124   | 137         | 373  | 411         |
| Net pension enhancement and<br>curtailment/settlement cost      | 111   | 117         | 333  | 351         |
| Net benefit cost  | 451   | 473         | 1,361                                      | 1,354       |
| Pension Benefits - Non-U.S.                                     |   |             |  |             |
| Service cost  | 131   | 170         | 430  | 518         |
| Interest cost   | 206   | 206         | 636  | 636         |
| Expected return on plan assets                                  | (227)   | (268)       | (701)                                      | (819)       |
| Amortization of actuarial loss/(gain) and prior<br>service cost | 151   | 198         | 452  | 617         |
| Net pension enhancement and                                     |   |             |  |             |

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|   |     |     |      |      |
|---|-----|-----|------|------|
| curtailment/settlement cost                                     | -   | 24  | -    | 24   |
| Net benefit cost  | 261 | 330 | 817  | 976  |
| Other Postretirement Benefits                                   |     |     |      |      |
| Service cost  | 38  | 42  | 115  | 127  |
| Interest cost   | 85  | 86  | 258  | 259  |
| Expected return on plan assets                                  | (6) | (7) | (18) | (21) |
| Amortization of actuarial loss/(gain) and prior<br>service cost | 29  | 46  | 90   | 137  |
| Net benefit cost  | 146 | 167 | 445  | 502  |



## 7. Financial Instruments

The fair value of financial instruments is determined by reference to observable market data and other valuation techniques as appropriate. The only category of financial instruments where the difference between fair value and recorded book value is notable is long-term debt. The estimated fair value of total long-term debt, excluding capitalized lease obligations, was \$28,834 million at September 30, 2016, and \$18,854 million at December 31, 2015, as compared to recorded book values of \$27,687 million at September 30, 2016, and \$18,687 million at December 31, 2015. The increase in the estimated fair value and book value of long-term debt reflects the Corporation's issuance of \$12.0 billion of long-term debt in the first quarter of 2016. The \$12.0 billion of long term debt is comprised of \$750 million of floating-rate notes due in 2018, \$250 million of floating-rate notes due in 2019, \$1,000 million of 1.439% notes due in 2018, \$1,250 million of 1.708% notes due in 2019, \$2,500 million of 2.222% notes due in 2021, \$1,250 million of 2.726% notes due in 2023, \$2,500 million of 3.043% notes due in 2026 and \$2,500 million of 4.114% notes due in 2046.

The fair value of long-term debt by hierarchy level at September 30, 2016, is: Level 1 \$28,722 million; Level 2 \$106 million; and Level 3 \$6 million. Level 1 represents quoted prices in active markets. Level 2 includes debt whose fair value is based upon a publicly available index. Level 3 involves using internal data augmented by relevant market indicators if available.

## 8. Disclosures about Segments and Related Information

|  | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |         |
|--|-------------------------------------|-------|------------------------------------|---------|
|  | 2016                                | 2015  | 2016                               | 2015    |
| <b>Earnings After Income Tax</b>             | <i>(millions of dollars)</i>        |       |                                    |         |
| Upstream                                     |                                     |       |                                    |         |
| United States                                | (477)                               | (442) | (1,823)                            | (541)   |
| Non-U.S.                                     | 1,097                               | 1,800 | 2,661                              | 6,785   |
| Downstream                                   |                                     |       |                                    |         |
| United States                                | 225                                 | 487   | 824                                | 1,466   |
| Non-U.S.                                     | 1,004                               | 1,546 | 2,136                              | 3,740   |
| Chemical                                     |                                     |       |                                    |         |
| United States                                | 434                                 | 526   | 1,524                              | 1,866   |
| Non-U.S.                                     | 737                                 | 701   | 2,219                              | 1,589   |
| All other                                    | (370)                               | (378) | (1,381)                            | (1,535) |
| Corporate total                              | 2,650                               | 4,240 | 6,160                              | 13,370  |
| <b>Sales and Other Operating Revenue (1)</b> |                                     |       |                                    |         |
| Upstream                                     |                                     |       |                                    |         |
| United States                                | 2,152                               | 2,115 | 5,373                              | 6,471   |
| Non-U.S.                                     | 3,177                               | 3,760 | 9,371                              | 12,268  |
| Downstream                                   |                                     |       |                                    |         |

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|                 |               |        |        |         |         |
|-----------------|---------------|--------|--------|---------|---------|
|                 | United States | 14,930 | 18,737 | 40,981  | 57,920  |
|                 | Non-U.S.      | 29,969 | 34,033 | 85,135  | 103,691 |
| Chemical        |               |        |        |         |         |
|                 | United States | 2,474  | 2,718  | 7,377   | 8,298   |
|                 | Non-U.S.      | 4,049  | 4,314  | 11,970  | 13,143  |
| All other       |               | 16     | 2      | 25      | 6       |
| Corporate total |               | 56,767 | 65,679 | 160,232 | 201,797 |

(1) *Includes sales-based taxes*

**Intersegment Revenue**

|            |               |       |       |        |        |
|------------|---------------|-------|-------|--------|--------|
| Upstream   |               |       |       |        |        |
|            | United States | 875   | 982   | 2,598  | 3,386  |
|            | Non-U.S.      | 4,401 | 5,266 | 12,843 | 16,209 |
| Downstream |               |       |       |        |        |
|            | United States | 2,775 | 3,075 | 8,057  | 9,700  |
|            | Non-U.S.      | 4,903 | 5,424 | 13,514 | 17,224 |
| Chemical   |               |       |       |        |        |
|            | United States | 1,615 | 1,858 | 4,805  | 5,765  |
|            | Non-U.S.      | 1,043 | 1,380 | 3,073  | 4,063  |
| All other  |               | 60    | 74    | 174    | 212    |

## **9. Accounting for Suspended Exploratory Well Costs**

For the category of exploratory well costs at year-end 2015 that were suspended more than one year, a total of \$111 million was expensed in the first nine months of 2016.

## **10. Acquisition of InterOil Corporation**

On July 21, 2016, the Corporation entered into an agreement to acquire InterOil Corporation (IOC) for more than \$2.5 billion. IOC is an exploration and production business with focus in Papua New Guinea. Consideration includes \$2.1 billion of Exxon Mobil Corporation shares, a Contingent Resource Payment (CRP) and cash. The CRP provides IOC shareholders approximately \$7.07 per share in cash for each incremental certified Trillion Cubic Feet Equivalent (TCFE) of resources above 6.2 up to 10.0. IOC's assets include a receivable related to the same resource base for volumes in excess of 3.5 TCFE at amounts ranging from \$0.24 - \$0.40 per thousand cubic feet equivalent. Closing is pending the outcome of an appeal by an IOC shareholder of the Yukon Supreme Court decision approving the transaction.

## EXXON MOBIL CORPORATION

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

#### FUNCTIONAL EARNINGS SUMMARY

| <u>Earnings (U.S. GAAP)</u>                                    | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|--|------------------------------|-------------|--------------------------|-------------|
|  | <b>2016</b>                  | <b>2015</b> | <b>2016</b>              | <b>2015</b> |
|  | <i>(millions of dollars)</i> |             |                          |             |
| Upstream   |                              |             |                          |             |
| United States  | (477)                        | (442)       | (1,823)                  | (541)       |
| Non-U.S.   | 1,097                        | 1,800       | 2,661                    | 6,785       |
| Downstream   |                              |             |                          |             |
| United States  | 225                          | 487         | 824                      | 1,466       |
| Non-U.S.   | 1,004                        | 1,546       | 2,136                    | 3,740       |
| Chemical   |                              |             |                          |             |
| United States  | 434                          | 526         | 1,524                    | 1,866       |
| Non-U.S.   | 737                          | 701         | 2,219                    | 1,589       |
| Corporate and financing  | (370)                        | (378)       | (1,381)                  | (1,535)     |
| Net income attributable to ExxonMobil (U.S. GAAP)              | 2,650                        | 4,240       | 6,160                    | 13,370      |
| Earnings per common share <i>(dollars)</i>                     | 0.63                         | 1.01        | 1.47                     | 3.18        |
| Earnings per common share - assuming dilution <i>(dollars)</i> | 0.63                         | 1.01        | 1.47                     | 3.18        |

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

#### REVIEW OF THIRD QUARTER 2016 RESULTS

ExxonMobil's third quarter 2016 earnings were \$2.7 billion, or \$0.63 per diluted share, compared with \$4.2 billion a year earlier. Results reflect lower refining margins and commodity prices.

ExxonMobil's integrated business continues to deliver solid results. While the operating environment remains challenging, the company continues to focus on capturing efficiencies, advancing strategic investments, and creating long-term shareholder value.

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Earnings in the first nine months of 2016 were \$6.2 billion, down \$7.2 billion, or 54 percent, from 2015.

Earnings per share assuming dilution were \$1.47.

Capital and exploration expenditures were \$14.5 billion, down 39 percent from 2015.

Oil-equivalent production was essentially unchanged at 4 million oil-equivalent barrels per day, with liquids up 2.6 percent and natural gas down 4.4 percent.

The corporation distributed \$9.3 billion in dividends to shareholders.

|  | Third Quarter |      | First Nine Months |      |
|--|---------------|------|-------------------|------|
|  | 2016          | 2015 | 2016              | 2015 |

*(millions of dollars)*

**Upstream earnings**

|               |       |       |         |       |
|---------------|-------|-------|---------|-------|
| United States | (477) | (442) | (1,823) | (541) |
| Non-U.S.      | 1,097 | 1,800 | 2,661   | 6,785 |
| Total         | 620   | 1,358 | 838     | 6,244 |

Upstream earnings were \$620 million in the third quarter of 2016, down \$738 million from the third quarter of 2015. Lower liquids and gas realizations decreased earnings by \$880 million, while volume and mix effects increased earnings by \$80 million. All other items, including lower expenses partly offset by unfavorable foreign exchange effects, increased earnings by \$60 million.

On an oil-equivalent basis, production was down compared with the third quarter of 2015. Liquids production totaled 2.2 million barrels per day, down 120,000 barrels per day. Higher downtime, mainly in Nigeria, and field decline were partly offset by project start-ups. Natural gas production was 9.6 billion cubic feet per day, up 77 million cubic feet per day from 2015 as project start-ups more than offset field decline and divestment impacts.

U.S. Upstream earnings declined \$35 million from the third quarter of 2015 to a loss of \$477 million in the third quarter of 2016. Non-U.S. Upstream earnings were \$1,097 million, down \$703 million from the prior year.

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Upstream earnings were \$838 million, down \$5,406 million from the first nine months of 2015. Lower realizations decreased earnings by \$5.8 billion. Favorable volume and mix effects increased earnings by \$130 million. All other items increased earnings by \$260 million, primarily due to lower expenses partly offset by the absence of asset management gains.

On an oil-equivalent basis, production of 4 million barrels per day was essentially flat compared to the same period in 2015. Liquids production of 2.4 million barrels per day increased 59,000 barrels per day, with project start-ups partly offset by field decline, the Canadian wildfires, and downtime mainly in Nigeria. Natural gas production of 10 billion cubic feet per day decreased 458 million cubic feet per day from 2015 as regulatory restrictions in the Netherlands, field decline and divestment impacts were partly offset by project start-ups.

U.S. Upstream earnings declined \$1,282 million from 2015 to a loss of \$1,823 million in 2016. Earnings outside the U.S. were \$2,661 million, down \$4,124 million from the prior year.



|  | <b>Third Quarter</b>                | <b>First Nine Months</b> |
|--|-------------------------------------|--------------------------|
|  | <i>(thousands of barrels daily)</i> |                          |
| <b><u>Upstream additional information</u></b>                |                                     |                          |
| <b>Volumes reconciliation (Oil-equivalent production)(1)</b> |                                     |                          |
| 2015   | 3,918                               | 4,047                    |
| Entitlements - Net Interest                                  | 12                                  | 7                        |
| Entitlements - Price / Spend / Other                         | (41)                                | 1                        |
| Quotas   | -                                   | -                        |
| Divestments  | (32)                                | (37)                     |
| Growth / Other   | (46)                                | 12                       |
| 2016   | 3,811                               | 4,030                    |

(1) Gas converted to oil-equivalent at 6 million cubic feet = 1 thousand barrels.

Listed below are descriptions of ExxonMobil's volumes reconciliation factors which are provided to facilitate understanding of the terms.

*Entitlements - Net Interest* are changes to ExxonMobil's share of production volumes caused by non-operational changes to volume-determining factors. These factors consist of net interest changes specified in Production Sharing Contracts (PSCs) which typically occur when cumulative investment returns or production volumes achieve defined thresholds, changes in equity upon achieving pay-out in partner investment carry situations, equity redeterminations as specified in venture agreements, or as a result of the termination or expiry of a concession. Once a net interest change has occurred, it typically will not be reversed by subsequent events, such as lower crude oil prices.

*Entitlements - Price, Spend and Other* are changes to ExxonMobil's share of production volumes resulting from temporary changes to non-operational volume-determining factors. These factors include changes in oil and gas prices or spending levels from one period to another. According to the terms of contractual arrangements or government royalty regimes, price or spending variability can increase or decrease royalty burdens and/or volumes attributable to ExxonMobil. For example, at higher prices, fewer barrels are required for ExxonMobil to recover its costs. These effects generally vary from period to period with field spending patterns or market prices for oil and natural gas. Such factors can also include other temporary changes in net interest as dictated by specific provisions in production agreements.

*Quotas* are changes in ExxonMobil's allowable production arising from production constraints imposed by countries which are members of the Organization of the Petroleum Exporting Countries (OPEC). Volumes reported in this category would have been readily producible in the absence of the quota.

*Divestments* are reductions in ExxonMobil's production arising from commercial arrangements to fully or partially reduce equity in a field or asset in exchange for financial or other economic consideration.



*Growth and Other* factors comprise all other operational and non-operational factors not covered by the above definitions that may affect volumes attributable to ExxonMobil. Such factors include, but are not limited to, production enhancements from project and work program activities, acquisitions including additions from asset exchanges, downtime, market demand, natural field decline, and any fiscal or commercial terms that do not affect entitlements.

|  | Third Quarter |      | First Nine Months |      |
|--|---------------|------|-------------------|------|
|  | 2016          | 2015 | 2016              | 2015 |

*(millions of dollars)*

**Downstream earnings**

|               |       |       |       |       |
|---------------|-------|-------|-------|-------|
| United States | 225   | 487   | 824   | 1,466 |
| Non-U.S.      | 1,004 | 1,546 | 2,136 | 3,740 |
| Total         | 1,229 | 2,033 | 2,960 | 5,206 |

Downstream earnings were \$1,229 million, down \$804 million from the third quarter of 2015. Weaker margins, mainly in refining, decreased earnings by \$1.6 billion while favorable volume and mix effects increased earnings by \$170 million. All other items increased earnings by \$580 million, including lower maintenance expenses and gains from divestments in Canada. Petroleum product sales of 5.6 million barrels per day were 203,000 barrels per day lower than the prior year mainly due to divestment of the Torrance, California, and Chalmette, Louisiana, refineries.

Earnings from the U.S. Downstream were \$225 million, down \$262 million from the third quarter of 2015. Non-U.S. Downstream earnings of \$1,004 million were \$542 million lower than prior year.

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Downstream earnings of \$2,960 million in the first nine months of the year decreased \$2,246 million from 2015. Weaker refining margins decreased earnings by \$3.3 billion, while volume and mix effects increased earnings by \$330 million. All other items increased earnings by \$680 million, mainly reflecting lower maintenance expense and gains from divestments. Petroleum product sales of 5.5 million barrels per day were 306,000 barrels per day lower than 2015 mainly due to divestment of the Torrance and Chalmette refineries.

U.S. Downstream earnings were \$824 million, a decrease of \$642 million from 2015. Non-U.S. Downstream earnings were \$2,136 million, down \$1,604 million from the prior year.

|  | Third Quarter |      | First Nine Months |      |
|--|---------------|------|-------------------|------|
|  | 2016          | 2015 | 2016              | 2015 |

*(millions of dollars)*

**Chemical earnings**

|               |       |       |       |       |
|---------------|-------|-------|-------|-------|
| United States | 434   | 526   | 1,524 | 1,866 |
| Non-U.S.      | 737   | 701   | 2,219 | 1,589 |
| Total         | 1,171 | 1,227 | 3,743 | 3,455 |

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Chemical earnings of \$1,171 million were \$56 million lower than the third quarter of 2015. Margins decreased earnings by \$10 million. Volume and mix effects increased earnings by \$20 million. All other items decreased earnings by \$70 million due primarily to higher maintenance expenses. Third quarter prime product sales of 6.1 million metric tons were 51,000 metric tons higher than the prior year's third quarter.

U.S. Chemical earnings of \$434 million were \$92 million lower than the third quarter of 2015. Non-U.S. Chemical earnings of \$737 million were \$36 million higher than prior year.

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Chemical earnings of \$3,743 million in the first nine months of the year increased \$288 million from 2015. Stronger margins increased earnings by \$440 million. Favorable volume and mix effects increased earnings by \$130 million. All other items decreased earnings by \$280 million, including the absence of asset management gains in the U.S. partly offset by lower expenses. Prime product sales of 18.6 million metric tons were up 387,000 metric tons from 2015.

U.S. Chemical earnings were \$1,524 million, down \$342 million from the first nine months of 2015 reflecting the absence of asset management gains. Non-U.S. Chemical earnings of \$2,219 million were \$630 million higher than prior year.

|  | <b>Third Quarter</b> |             | <b>First Nine Months</b> |             |
|--|----------------------|-------------|--------------------------|-------------|
|  | <b>2016</b>          | <b>2015</b> | <b>2016</b>              | <b>2015</b> |

*(millions of dollars)*

|  |       |       |         |         |
|--|-------|-------|---------|---------|
| <b><u>Corporate and financing earnings</u></b> | (370) | (378) | (1,381) | (1,535) |
|--|-------|-------|---------|---------|

Corporate and financing expenses were \$370 million for the third quarter of 2016, compared to \$378 million in the third quarter of 2015.

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Corporate and financing expenses were \$1,381 million in the first nine months of 2016, compared to \$1,535 million in 2015.

**LIQUIDITY AND CAPITAL RESOURCES**

|  | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|--|------------------------------|-------------|--------------------------|-------------|
|  | <b>2016</b>                  | <b>2015</b> | <b>2016</b>              | <b>2015</b> |
|  | <i>(millions of dollars)</i> |             |                          |             |
| Net cash provided by/(used in)   |                              |             |                          |             |
| Operating activities   |                              |             | 14,686                   | 25,964      |
| Investing activities   |                              |             | (10,731)                 | (18,500)    |
| Financing activities   |                              |             | (2,547)                  | (7,450)     |
| Effect of exchange rate changes  |                              |             | (20)                     | (334)       |
| Increase/(decrease) in cash and cash equivalents   |                              |             | 1,388                    | (320)       |
| Cash and cash equivalents (at end of period)   |                              |             | 5,093                    | 4,296       |
| Cash flow from operations and asset sales  |                              |             |                          |             |
| Net cash provided by operating activities (U.S. GAAP)  | 5,355                        | 9,174       | 14,686                   | 25,964      |
| Proceeds associated with sales of subsidiaries, property,<br>plant & equipment, and sales and returns of investments | 976                          | 491         | 2,182                    | 1,604       |
| Cash flow from operations and asset sales  | 6,331                        | 9,665       | 16,868                   | 27,568      |

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

Cash flow from operations and asset sales in the third quarter of 2016 was \$6.3 billion, including asset sales of \$1.0 billion, a decrease of \$3.3 billion from the comparable 2015 period primarily due to lower earnings.

Cash provided by operating activities totaled \$14.7 billion for the first nine months of 2016, \$11.3 billion lower than 2015. The major source of funds was net income including noncontrolling interests of \$6.4 billion, a decrease of \$7.4 billion from the prior year period. The adjustment for the noncash provision of \$14.2 billion for depreciation and depletion increased by \$0.9 billion. Changes in operational working capital decreased cash flows by \$2.4 billion in 2016 and \$1.0 billion in 2015. All other items net decreased cash flows by \$3.5 billion in 2016 and had no impact on cash in 2015. For additional details, see the Condensed Consolidated Statement of Cash Flows on page 6.

Investing activities for the first nine months of 2016 used net cash of \$10.7 billion, a decrease of \$7.8 billion compared to the prior year. Spending for additions to property, plant and equipment of \$12.3 billion was \$8.1 billion lower than 2015. Proceeds from asset sales of \$2.2 billion increased \$0.6 billion. Additional investment and advances were \$1.4 billion, an increase of \$1.0 billion.

Cash flow from operations and asset sales in the first nine months of 2016 was \$16.9 billion, including asset sales of \$2.2 billion, and decreased \$10.7 billion from the comparable 2015 period primarily due to lower earnings.

During the first quarter of 2016, the Corporation issued \$12.0 billion of long-term debt and used part of the proceeds to reduce short-term debt. Net cash used by financing activities was \$2.5 billion in the first nine months of 2016, \$4.9 billion lower than 2015 reflecting the 2016 debt issuance and a lower level of purchases of shares of ExxonMobil stock in 2016.

During the first nine months of 2016, Exxon Mobil Corporation purchased 9 million shares of its common stock for the treasury at a gross cost of \$0.7 billion. These purchases were made to acquire shares in conjunction with the company's benefit plans and programs. Shares outstanding decreased from 4,156 million at year-end to 4,147 million at the end of the third quarter 2016. Purchases may be made in both the open market and through negotiated transactions, and may be increased, decreased or discontinued at any time without prior notice.

The Corporation distributed to shareholders a total of \$9.3 billion in the first nine months of 2016 through dividends. This included \$3.1 billion for the third quarter of 2016.

Total cash and cash equivalents of \$5.1 billion at the end of the third quarter of 2016 compared to \$4.3 billion at the end of the third quarter of 2015.

Total debt of \$46.2 billion compared to \$38.7 billion at year-end 2015. The Corporation's debt to total capital ratio was 20.7 percent at the end of the third quarter of 2016 compared to 18.0 percent at year-end 2015.

The Corporation has access to significant capacity of long-term and short-term liquidity. Internally generated funds are expected to cover the majority of financial requirements, supplemented by long-term and short-term debt.

The Corporation, as part of its ongoing asset management program, continues to evaluate its mix of assets for potential upgrade. Because of the ongoing nature of this program, dispositions will continue to be made from time to time which will result in either gains or losses. Additionally, the Corporation continues to evaluate opportunities to enhance its business portfolio through acquisitions of assets or companies, and enters into such transactions from time to time. Key criteria for evaluating acquisitions include potential for future growth and attractive current valuations. Acquisitions may be made with cash, shares of the Corporation's common stock, or both.

Litigation and other contingencies are discussed in Note 3 to the unaudited condensed consolidated financial statements.

## TAXES

|                                  | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|----------------------------------|------------------------------|-------------|--------------------------|-------------|
|                                  | <b>2016</b>                  | <b>2015</b> | <b>2016</b>              | <b>2015</b> |
|                                  | <i>(millions of dollars)</i> |             |                          |             |
| Income taxes                     | 337                          | 1,365       | 1,001                    | 5,617       |
| <i>Effective income tax rate</i> | <i>20%</i>                   | <i>32%</i>  | <i>26%</i>               | <i>37%</i>  |
| Sales-based taxes                | 5,437                        | 5,813       | 15,687                   | 17,308      |
| All other taxes and duties       | 7,054                        | 7,585       | 21,076                   | 22,454      |
| Total                            | 12,828                       | 14,763      | 37,764                   | 45,379      |

Income, sales-based and all other taxes and duties totaled \$12.8 billion for the third quarter of 2016, a decrease of \$1.9 billion from 2015. Income tax expense decreased by \$1.0 billion to \$0.3 billion reflecting lower pre-tax income. The effective income tax rate was 20 percent compared to 32 percent in the prior year period due to a higher share of earnings in lower tax jurisdictions. Sales-based taxes and all other taxes and duties decreased by \$0.9 billion to \$12.5 billion as a result of lower sales realizations.

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Income, sales-based and all other taxes and duties totaled \$37.8 billion for the first nine months of 2016, a decrease of \$7.6 billion from 2015. Income tax expense decreased by \$4.6 billion to \$1.0 billion reflecting lower earnings. The effective income tax rate was 26 percent compared to 37 percent in the prior year period due to a higher share of earnings in lower tax jurisdictions. Sales-based and all other taxes decreased by \$3.0 billion to \$36.8 billion as a result of lower sales realizations.

In the United States, the Corporation has various U.S. federal income tax positions at issue with the Internal Revenue Service (IRS) for tax years 2006-2011. The IRS has asserted penalties for all years associated with several of those positions. The Corporation has not recognized the penalties as an expense because, in the Corporation's judgment, the IRS should not be able to sustain the penalties under applicable law. The Corporation has filed a refund suit for tax years 2006-2009 in a U.S. federal district court with respect to the positions at issue for those years. Unfavorable resolution of all positions at issue with the IRS for 2006-2011 would not have a materially adverse effect on the Corporation's net income or liquidity. The IRS has not completed its audit of tax years after 2011.



**CAPITAL AND EXPLORATION EXPENDITURES**

|   | <b>Third Quarter</b>         |             | <b>First Nine Months</b> |             |
|---|------------------------------|-------------|--------------------------|-------------|
|   | <b>2016</b>                  | <b>2015</b> | <b>2016</b>              | <b>2015</b> |
|   | <i>(millions of dollars)</i> |             |                          |             |
| Upstream (including exploration expenses) | 3,072                        | 6,374       | 10,970                   | 19,537      |
| Downstream                                | 589                          | 586         | 1,759                    | 1,834       |
| Chemical                                  | 503                          | 669         | 1,677                    | 2,151       |
| Other                                     | 26                           | 41          | 69                       | 113         |
| Total                                     | 4,190                        | 7,670       | 14,475                   | 23,635      |

Capital and exploration expenditures in the third quarter of 2016 were \$4.2 billion, down 45 percent from the third quarter of 2015.

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Capital and exploration expenditures in the first nine months of 2016 were \$14.5 billion, down 39 percent from the first nine months of 2015 due primarily to lower major project spending. Given continuing efficiencies, market capture, and project selectivity, the Corporation anticipates a 2016 investment level between \$20 and \$21 billion.

In 2014, the European Union and United States imposed sanctions relating to the Russian energy sector. ExxonMobil continues to comply with all sanctions and regulatory licenses applicable to its affiliates' investments in the Russian Federation.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

In May 2014, the Financial Accounting Standards Board issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements, and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2018. "Sales and other operating revenue" on the Consolidated Statement of Income includes sales, excise and value-added taxes on sales transactions. When the Corporation adopts the standard, revenue will exclude sales-based taxes collected on behalf of third parties. This change in reporting will not impact earnings. The Corporation continues to evaluate other areas of the standard and its effect on the Corporation's financial statements.

In February 2016, the Financial Accounting Standards Board issued a new standard, *Leases*. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. The standard is required to be adopted beginning January 1, 2019. ExxonMobil is evaluating the standard and its effect on the Corporation's financial statements.

## CRITICAL ACCOUNTING ESTIMATES

As disclosed in ExxonMobil's 2015 Form 10-K, low crude oil and natural gas prices can impact the Corporation's reserves as reported under Securities and Exchange Commission (SEC) rules. Average year-to-date crude prices have been significantly affected by the very low prices experienced during the first quarter of 2016, but have recovered considerably since that time. If the average prices seen during the first nine months of 2016 persist for the remainder of the year, under the SEC definition of proved reserves, certain quantities of oil, such as those associated with the Kearl oil sands operations in Canada, will not qualify as proved reserves at year-end 2016. In addition, if these average prices persist, the projected end-of-field-life for estimating reserves will accelerate for certain liquids and natural gas operations in North America, resulting in a reduction of proved reserves at year-end 2016. Quantities that could be required to be de-booked as proved reserves on an SEC basis amount to approximately 3.6 billion barrels of bitumen at Kearl, and about 1 billion oil-equivalent barrels in other North America operations. Among the factors that would result in these reserves being re-booked as proved reserves at some point in the future are a recovery in average price levels, a further decline in costs, and / or operating efficiencies. Under the terms of certain contractual arrangements or government royalty regimes, lower prices can also increase proved reserves attributable to ExxonMobil. We do not expect the de-booking of reported proved reserves under SEC definitions to affect the operation of the underlying projects or to alter our outlook for future production volumes.

In light of continued weakness in the upstream industry environment during 2016, and as part of its annual planning and budgeting process which is currently in progress, the Corporation will perform an assessment of its major long-lived assets, similar to the exercise undertaken in late 2015, including North America natural gas assets and certain other assets across the remainder of its operations. The assessment will reflect crude and natural gas price outlooks consistent with those that management uses to evaluate investment opportunities and generally consistent with the long-term price forecasts published by third-party industry and government experts. Development of future undiscounted cash flow estimates requires significant management judgment, particularly in cases where an asset's life is expected to extend decades into the future. An asset group would be impaired if its estimated undiscounted cash flows were less than the asset's carrying value, and impairment would be measured by the amount by which the carrying value exceeds fair value. The Corporation will complete its asset recoverability assessment and analyze the conclusions of that assessment in connection with the preparation and review of the Corporation's year-end financial statements for inclusion in its 2016 Form 10-K. Until these activities are complete, it is not practicable to reasonably estimate the existence or range of potential future impairments related to the Corporation's long-lived assets.

## **FORWARD-LOOKING STATEMENTS**

Statements relating to future plans, projections, events or conditions are forward-looking statements. Actual financial and operating results, including project plans, costs, timing, and capacities; capital and exploration expenditures; asset carrying values; reported reserves; resource recoveries; and share purchase levels, could differ materially due to factors including: changes in oil or gas prices or other market or economic conditions affecting the oil and gas industry, including the scope and duration of economic recessions; the outcome of exploration and development efforts; changes in law or government regulation, including tax and environmental requirements; the impact of fiscal and commercial terms; changes in technical or operating conditions; and other factors discussed under the heading "Factors Affecting Future Results" in the "Investors" section of our website and in Item 1A of ExxonMobil's 2015 Form 10-K. Closing of pending acquisitions is also subject to satisfaction of the conditions precedent provided in the applicable agreement. We assume no duty to update these statements as of any future date.

The term "project" as used in this report can refer to a variety of different activities and does not necessarily have the same meaning as in any government payment transparency reports.

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

Information about market risks for the nine months ended September 30, 2016, does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2015.

## **Item 4. Controls and Procedures**

As indicated in the certifications in Exhibit 31 of this report, the Corporation's Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer have evaluated the Corporation's disclosure controls and procedures as of September 30, 2016. Based on that evaluation, these officers have concluded that the Corporation's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Corporation in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to them in a manner that allows for timely decisions regarding required disclosures and are effective in ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There were no changes during the Corporation's last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

Regarding the criminal charges filed against XTO Energy Inc. (XTO) by the Pennsylvania Attorney General's Office pertaining to XTO's Marquardt Well Site in Penn Township, Pennsylvania, reported most recently in the Corporation's Form 10-Q for the first quarter of 2015, on August 3, 2016, the Lycoming County District Court entered an order approving an Accelerated Rehabilitative Disposition (ARD) settlement of the case. Consistent with the settlement, XTO contributed \$100,000 to the Susquehanna Greenway Partnership for a project in the Lycoming County area, agreed to comply with the existing Environmental Protection Agency (EPA) consent decree, and paid a civil penalty of \$300,000 to the Pennsylvania Department of Environmental Protection resolving all civil penalty claims. The ARD term expires two years from the date of the court's order or upon satisfaction of the EPA consent decree, whichever is sooner. Upon successful completion of the ARD, all criminal charges will be dismissed and the record will be expunged.

Refer to the relevant portions of Note 3 of this Quarterly Report on Form 10-Q for further information on legal proceedings.

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

On July 21, 2016, the Corporation entered into an Arrangement Agreement to acquire all of the issued and outstanding common stock of InterOil Corporation (IOC) in exchange for consideration including shares of Exxon Mobil Corporation common stock having a value at the time of closing of \$45 for each IOC share. The value of the Corporation's common stock for this purpose will be determined based on the Corporation's volume-weighted average trading price over a 10-day period ending on the second trading date immediately preceding the closing date. As of the date of this filing the transaction has not closed, but had the transaction closed on September 30, 2016, the number of shares of common stock of the Corporation issuable in connection with the transaction would have been approximately 24.7 million. With respect to the shares of common stock to be issued in connection with the transaction, the Corporation is relying on the exemption from registration provided by Section 3(a)(10) of the Securities Act of 1933 in light of the approval of the Plan of Arrangement by the Supreme Court of Yukon, Canada. See "Acquisition of InterOil Corporation" on page 14 for more information regarding the transaction.

**Issuer Purchase of Equity Securities for Quarter Ended September 30, 2016**

| <b>Period</b>  | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b> | <b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b> |
|----------------|---|-------------------------------------|---|---|
| July 2016      | -                                       | -                                   | -   |   |
| August 2016    | -                                       | -                                   | -   |   |
| September 2016 | -                                       | -                                   | -   |   |
| Total          | -                                       | -                                   | -   | (See Note 1)  |

During the third quarter, the Corporation did not purchase any shares of its common stock for the treasury.

Note 1 - On August 1, 2000, the Corporation announced its intention to resume purchases of shares of its common stock for the treasury both to offset shares issued in conjunction with company benefit plans and programs and to gradually reduce the number of shares outstanding. The announcement did not specify an amount or expiration date. The Corporation has continued to purchase shares since this announcement and to report purchased volumes in its quarterly earnings releases. In its earnings release dated February 2, 2016, the Corporation stated it will continue to acquire shares to offset dilution in conjunction with benefit plans and programs, but had suspended making purchases to reduce shares outstanding effective beginning the first quarter of 2016.

**Item 6. Exhibits**

| <b>Exhibit</b> | <b>Description</b>   |
|----------------|--|
| 3(ii)          | By-laws, as revised to October 26, 2016 (incorporated by reference to Exhibit 3(ii) to the Registrant's Current Report on Form 8-K filed on November 1, 2016). |
| 31.1           | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Chief Executive Officer.   |
| 31.2           | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Financial Officer.   |
| 31.3           | Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Accounting Officer.  |
| 32.1           | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Chief Executive Officer.  |
| 32.2           | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Financial Officer.  |
| 32.3           | Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Accounting Officer.   |
| 101            | Interactive Data Files.  |

**EXXON MOBIL CORPORATION**

**SIGNATURE**

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

**EXXON MOBIL CORPORATION**

Date: November 2, 2016

By:

/s/ DAVID S. ROSENTHAL  
David S. Rosenthal  
Vice President, Controller and  
Principal Accounting Officer



**INDEX TO EXHIBITS**

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