

EXXON MOBIL CORP  
Form 10-Q  
November 01, 2017

**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, 2017

**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

**13-5409005**  
(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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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.

<b>Class</b>	<b>Outstanding as of September 30, 2017</b>
<b>Common stock, without par value</b>	<b>4,237,106,077</b>

---

**EXXON MOBIL CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017**

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Condensed Consolidated Statement of Income	3
Three and nine months ended September 30, 2017 and 2016	
Condensed Consolidated Statement of Comprehensive Income	4
Three and nine months ended September 30, 2017 and 2016	
Condensed Consolidated Balance Sheet	5
As of September 30, 2017 and December 31, 2016	
Condensed Consolidated Statement of Cash Flows	6
Nine months ended September 30, 2017 and 2016	
Condensed Consolidated Statement of Changes in Equity	7
Nine months ended September 30, 2017 and 2016	
Notes to Condensed Consolidated Financial Statements	8

<b>Item 2.</b>	<b>Management's Discussion and Analysis of Financial Condition and Results of Operations</b>	15
----------------	--	----

<b>Item 3.</b>	<b>Quantitative and Qualitative Disclosures About Market Risk</b>	24
----------------	---	----

<b>Item 4.</b>	<b>Controls and Procedures</b>	24
----------------	--------------------------------	----

**PART II. OTHER INFORMATION**

<b>Item 1.</b>	<b>Legal Proceedings</b>	25
----------------	--------------------------	----

<b>Item 2.</b>	<b>Unregistered Sales of Equity Securities and Use of Proceeds</b>	26
----------------	--	----

<b>Item 6.</b>	<b>Exhibits</b>	26
----------------	-----------------	----

<b>Index to Exhibits</b>		27
--------------------------	--	----

<b>Signature</b>		28
------------------	--	----

## 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>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues and other income				
Sales and other operating revenue (1)	64,415	56,767	186,330	160,232
Income from equity affiliates	1,472	1,103	4,707	3,478
Other income	278	807	1,291	1,368
Total revenues and other income	66,165	58,677	192,328	165,078
Costs and other deductions				
Crude oil and product purchases	31,432	28,035	91,985	75,872
Production and manufacturing expenses	8,334	7,709	24,586	23,346
Selling, general and administrative expenses	2,725	2,736	7,952	7,975
Depreciation and depletion	4,880	4,605	14,051	14,191
Exploration expenses, including dry holes	284	327	1,087	1,127
Interest expense	111	106	415	258
Sales-based taxes (1)	5,864	5,437	16,795	15,687
Other taxes and duties	6,952	6,496	19,800	19,270
Total costs and other deductions	60,582	55,451	176,671	157,726
Income before income taxes	5,583	3,226	15,657	7,352
Income taxes	1,498	337	4,218	1,001
Net income including noncontrolling interests	4,085	2,889	11,439	6,351
Net income attributable to noncontrolling interests	115	239	109	191
Net income attributable to ExxonMobil	3,970	2,650	11,330	6,160
Earnings per common share (dollars)	0.93	0.63	2.66	1.47
Earnings per common share - assuming dilution (dollars)	0.93	0.63	2.66	1.47
Dividends per common share (dollars)	0.77	0.75	2.29	2.23
(1) Sales-based taxes included in sales and other operating revenue	5,864	5,437	16,795	15,687

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

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net income including noncontrolling interests	4,085	2,889	11,439	6,351
Other comprehensive income (net of income taxes)				
Foreign exchange translation adjustment	2,342	(107)	5,424	2,506
Adjustment for foreign exchange translation (gain)/loss included in net income	-	-	234	-
Postretirement benefits reserves adjustment (excluding amortization)	(145)	34	(329)	25
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs	311	278	850	859
Total other comprehensive income	2,508	205	6,179	3,390
Comprehensive income including noncontrolling interests	6,593	3,094	17,618	9,741
Comprehensive income attributable to noncontrolling interests	372	166	700	536
Comprehensive income attributable to ExxonMobil	6,221	2,928	16,918	9,205

*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, 2017</b>	<b>Dec. 31, 2016</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	4,266	3,657
Notes and accounts receivable – net	23,263	21,394
Inventories		
Crude oil, products and merchandise	12,488	10,877
Materials and supplies	4,255	4,203
Other current assets	1,480	1,285
Total current assets	45,752	41,416
Investments, advances and long-term receivables	37,649	35,102
Property, plant and equipment – net	255,556	244,224
Other assets, including intangibles – net	10,470	9,572
Total assets	349,427	330,314
<b>Liabilities</b>		
Current liabilities		
Notes and loans payable	15,741	13,830
Accounts payable and accrued liabilities	34,698	31,193
Income taxes payable	3,338	2,615
Total current liabilities	53,777	47,638
Long-term debt	24,869	28,932
Postretirement benefits reserves	20,874	20,680
Deferred income tax liabilities	34,430	34,041
Long-term obligations to equity companies	5,003	5,124
Other long-term obligations	21,276	20,069
Total liabilities	160,229	156,484
Commitments and contingencies (Note 3)		
<b>Equity</b>		
Common stock without par value		
(9,000 million shares authorized, 8,019 million shares issued)	14,783	12,157
Earnings reinvested	409,449	407,831
Accumulated other comprehensive income	(16,651)	(22,239)
Common stock held in treasury		
(3,782 million shares at September 30, 2017 and 3,871 million shares at December 31, 2016)	(225,305)	(230,424)
ExxonMobil share of equity	182,276	167,325
Noncontrolling interests	6,922	6,505
Total equity	189,198	173,830

Total liabilities and equity	349,427	330,314
------------------------------	---------	---------

*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>2017</b>	<b>2016</b>
Cash flows from operating activities		
Net income including noncontrolling interests	11,439	6,351
Depreciation and depletion	14,051	14,191
Changes in operational working capital, excluding cash and debt	(547)	(2,386)
All other items – net	(2,288)	(3,470)
Net cash provided by operating activities	22,655	14,686
Cash flows from investing activities		
Additions to property, plant and equipment	(10,901)	(12,276)
Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments	1,695	2,182
Additional investments and advances	(1,950)	(1,398)
Other investing activities including collection of advances	1,962	761
Net cash used in investing activities	(9,194)	(10,731)
Cash flows from financing activities		
Additions to long-term debt	60	11,964
Additions to short-term debt	1,735	-
Reductions in short-term debt	(4,971)	(286)
Additions/(reductions) in commercial paper, and debt with three months or less maturity <i>(1)</i>	339	(4,062)
Cash dividends to ExxonMobil shareholders	(9,712)	(9,320)
Cash dividends to noncontrolling interests	(139)	(122)
Changes in noncontrolling interests	(90)	-
Common stock acquired	(515)	(727)
Common stock sold	-	6
Net cash used in financing activities	(13,293)	(2,547)
Effects of exchange rate changes on cash	441	(20)
Increase/(decrease) in cash and cash equivalents	609	1,388
Cash and cash equivalents at beginning of period	3,657	3,705
Cash and cash equivalents at end of period	4,266	5,093
Supplemental Disclosures		
Income taxes paid	4,611	3,049
Cash interest paid	965	709

**2017 Non-Cash Transactions**

In the first nine months of 2017, the Corporation completed the acquisitions of InterOil Corporation and of companies that own certain oil and gas properties in the Permian Basin and other assets. These transactions included a significant non-cash component. Additional information is provided in Note 9.

*(1) Includes a net reduction of commercial paper with a maturity of over three months of \$0.5 billion in 2017 and a net addition of \$1.0 billion in 2016. The gross amount of commercial paper with a maturity of over three months issued was \$2.7 billion in 2017 and \$2.9 billion in 2016, while the gross amount repaid was \$3.2 billion in 2017 and \$1.9 billion in 2016.*

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

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

	ExxonMobil Share of Equity						Total Equity
	Accumulated			Common Stock Held in Treasury	ExxonMobil Share of Equity	Non- controlling Interests	
	Common Stock	Earnings Reinvested	Other Compre- hensive Income				
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
Balance as of December 31, 2016	12,157	407,831	(22,239)	(230,424)	167,325	6,505	173,830
Amortization of stock-based awards	635	-	-	-	635	-	635
Other	(87)	-	-	-	(87)	(54)	(141)
Net income for the period	-	11,330	-	-	11,330	109	11,439
Dividends – common shares	-	(9,712)	-	-	(9,712)	(139)	(9,851)
Other comprehensive income	-	-	5,588	-	5,588	591	6,179
Acquisitions, at cost	-	-	-	(596)	(596)	(90)	(686)
Issued for acquisitions	2,078	-	-	5,711	7,789	-	7,789
Dispositions	-	-	-	4	4	-	4
Balance as of September 30, 2017	14,783	409,449	(16,651)	(225,305)	182,276	6,922	189,198

Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
Held in			Held in		
Issued	Treasury	Outstanding	Issued	Treasury	Outstanding

**Common Stock Share**  
**Activity**

	<i>(millions of shares)</i>			<i>(millions of shares)</i>		
Balance as of December 31	8,019	(3,871)	4,148	8,019	(3,863)	4,156
Acquisitions	-	(7)	(7)	-	(9)	(9)
Issued for acquisitions	-	96	96	-	-	-
Dispositions	-	-	-	-	-	-
Balance as of September 30	8,019	(3,782)	4,237	8,019	(3,872)	4,147

*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 2016 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 expects to adopt the standard using the Modified Retrospective method, under which prior years' results are not restated, but supplemental information on the impact of the new standard is provided for 2018 results. The Corporation continues to evaluate other areas of the standard, which are not expected to have a material effect on the Corporation's financial statements.

In January 2016, the Financial Accounting Standards Board issued an updated standard, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard requires investments in equity securities other than consolidated subsidiaries and equity method investments to be measured at fair value with changes in the fair value recognized through net income. Companies can elect a modified approach for equity securities that do not have a readily determinable fair value. ExxonMobil is evaluating the standard and its

effect on the Corporation's financial statements and plans to adopt it in 2018.

In March 2017, the Financial Accounting Standards Board issued an Accounting Standards Update, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The update requires the service cost component of net benefit costs to be reported in the same line of the income statement as other compensation costs and the other components of net benefit costs (non-service costs) to be presented separately from the service cost component. Additionally, only the service cost component of net benefit costs will be eligible for capitalization. The update is required to be adopted beginning January 1, 2018. The Corporation expects to add a new line “Non-service pension and postretirement benefit expense” to its Consolidated Statement of Income. This line would reflect the non-service costs that were previously included in “Production and manufacturing expenses” and “Selling, general and administrative expenses”. The update is not expected to have a material impact on the Corporation's financial statements. Beginning January 1, 2018, the Corporation expects to include all of the non-service costs in its Corporate and financing segment.

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. ExxonMobil is evaluating the standard and its effect on the Corporation's financial statements and plans to adopt it in 2019.



### 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, 2017, 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, 2017</b>		
	<b>Equity Company Obligations (1)</b>	<b>Other Third Party Obligations</b>	<b>Total</b>
	<i>(millions of dollars)</i>		
Guarantees			
Debt-related	107	30	137
Other	2,754	4,267	7,021

Total	2,861	4,297	7,158
-------	-------	-------	-------

(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 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 February 2, 2015, Venezuela filed a Request for Annulment of the ICSID award. On March 9, 2017, the ICSID Committee hearing the Request for Annulment issued a decision partially annulling the award of the Tribunal issued on October 9, 2014. The Committee affirmed the compensation due for the La Ceiba project and for export curtailments at the Cerro Negro project, but annulled the portion of the award relating to the Cerro Negro Project's expropriation (\$1.4 billion) based on its determination that the prior Tribunal failed to adequately explain why the cap on damages in the indemnity owed by PdVSA did not affect or limit the amount owed for the expropriation of the Cerro Negro project. As a result, ExxonMobil retains an award for \$260 million (including accrued interest). ExxonMobil reached an agreement with Venezuela for full payment of the \$260 million and Venezuela has begun performing on it. The agreement does not impact ExxonMobil's ability to re-arbitrate the issue that was the basis for the annulment in a new ICSID arbitration proceeding.

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. On July 11, 2017, the United States Court of Appeals for the Second Circuit rendered its opinion overturning the District Court's decision and vacating the judgment on the grounds that a different procedure should have been used to reduce the award to judgment. The Corporation is evaluating next steps.

A stay of the District Court's judgment has continued pending the completion of the Second Circuit appeal. 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. Following dismissal by this court, the Contractors appealed to the Nigerian Court of Appeal in June 2016. 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.

## 4. Other Comprehensive Income Information

<b><u>ExxonMobil Share of Accumulated Other Comprehensive Income</u></b>	<b>Cumulative Foreign Exchange Translation Adjustment</b>	<b>Post-retirement Benefits Reserves Adjustment</b>	<b>Total</b>
		<i>(millions of dollars)</i>	
Balance as of December 31, 2015	(14,170)	(9,341)	(23,511)
Current period change excluding amounts reclassified from accumulated other comprehensive income	2,189	23	2,212
Amounts reclassified from accumulated other comprehensive income	-	833	833
Total change in accumulated other comprehensive income	2,189	856	3,045
Balance as of September 30, 2016	(11,981)	(8,485)	(20,466)
Balance as of December 31, 2016	(14,501)	(7,738)	(22,239)
Current period change excluding amounts reclassified from accumulated other comprehensive income	4,925	(300)	4,625
Amounts reclassified from accumulated other comprehensive income	140	823	963
Total change in accumulated other comprehensive income	5,065	523	5,588
Balance as of September 30, 2017	(9,436)	(7,215)	(16,651)

<b><u>Amounts Reclassified Out of Accumulated Other Comprehensive Income - Before-tax Income/(Expense)</u></b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Foreign exchange translation gain/(loss) included in net income (Statement of Income line: Other income)	-	-	(234)	-
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs (1)	(450)	(415)	(1,215)	(1,248)

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 6 – Pension and Other Postretirement Benefits for additional details.)

<b>Income Tax (Expense)/Credit For Components of Other Comprehensive Income</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Foreign exchange translation adjustment	17	(9)	(9)	(6)
Postretirement benefits reserves adjustment (excluding amortization)	74	(11)	154	20
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs	(139)	(137)	(365)	(389)
<b>Total</b>	<b>(48)</b>	<b>(157)</b>	<b>(220)</b>	<b>(375)</b>

**5. Earnings Per Share**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Earnings per common share</b>				
Net income attributable to ExxonMobil ( <i>millions of dollars</i> )	3,970	2,650	11,330	6,160
Weighted average number of common shares outstanding ( <i>millions of shares</i> )	4,271	4,178	4,252	4,178
Earnings per common share ( <i>dollars</i> ) (1)	0.93	0.63	2.66	1.47

(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 Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<i>(millions of dollars)</i>				
<b>Components of net benefit cost</b>				
Pension Benefits - U.S.				
Service cost	200	200	583	606
Interest cost	199	198	598	594
Expected return on plan assets	(194)	(182)	(582)	(545)
Amortization of actuarial loss/(gain) and prior service cost	110	124	332	373
Net pension enhancement and curtailment/settlement cost	187	111	450	333
Net benefit cost	502	451	1,381	1,361
Pension Benefits - Non-U.S.				
Service cost	155	131	445	430
Interest cost	198	206	574	636
Expected return on plan assets	(260)	(227)	(743)	(701)
Amortization of actuarial loss/(gain) and prior				

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

service cost	135	151	388	452
Net pension enhancement and curtailment/settlement cost	-	-	(5)	-
Net benefit cost	228	261	659	817
Other Postretirement Benefits				
Service cost	36	38	92	115
Interest cost	88	85	227	258
Expected return on plan assets	(6)	(6)	(17)	(18)
Amortization of actuarial loss/(gain) and prior service cost	18	29	45	90
Net benefit cost	136	146	347	445



## 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 \$24,199 million at September 30, 2017, and \$27,968 million at December 31, 2016, as compared to recorded book values of \$23,523 million at September 30, 2017, and \$27,707 million at December 31, 2016.

The fair value of long-term debt by hierarchy level at September 30, 2017, is: Level 1 \$24,021 million; Level 2 \$172 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Earnings After Income Tax</b>	<i>(millions of dollars)</i>			
Upstream				
United States	(238)	(477)	(439)	(1,823)
Non-U.S.	1,805	1,097	5,442	2,661
Downstream				
United States	391	225	1,030	824
Non-U.S.	1,141	1,004	3,003	2,136
Chemical				
United States	403	434	1,413	1,524
Non-U.S.	689	737	1,835	2,219
All other	(221)	(370)	(954)	(1,381)
Corporate total	3,970	2,650	11,330	6,160
<b>Sales and Other Operating Revenue (1)</b>				
Upstream				
United States	2,282	2,152	6,955	5,373
Non-U.S.	3,736	3,177	10,865	9,371
Downstream				
United States	16,312	14,930	47,059	40,981
Non-U.S.	34,837	29,969	99,978	85,135
Chemical				
United States	2,589	2,474	8,119	7,377
Non-U.S.	4,646	4,049	13,313	11,970

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

All other	13	16	41	25
Corporate total	64,415	56,767	186,330	160,232

(1) *Includes sales-based taxes*

**Intersegment Revenue**

Upstream				
United States	1,365	875	3,937	2,598
Non-U.S.	5,734	4,401	16,356	12,843
Downstream				
United States	3,134	2,775	10,621	8,057
Non-U.S.	5,866	4,903	16,048	13,514
Chemical				
United States	1,675	1,615	5,290	4,805
Non-U.S.	1,482	1,043	3,776	3,073
All other	51	60	154	174

## 9. InterOil Corporation and Permian Basin Properties Acquisitions

### InterOil Corporation

On February 22, 2017, the Corporation completed the acquisition of InterOil Corporation (IOC) for \$2.7 billion. The IOC acquisition was unproved properties in Papua New Guinea. Consideration included 28 million shares of Exxon Mobil Corporation common stock having a value on the acquisition date of \$2.2 billion, a Contingent Resource Payment (CRP) with a fair value of \$0.3 billion and cash of \$0.2 billion. The CRP provides IOC shareholders \$7.07 per share in cash for each incremental independently certified Trillion Cubic Feet Equivalent (TCFE) of resources above 6.2 TCFE, up to 11.0 TCFE. IOC's assets include a contingent 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. The fair value of the contingent receivable was \$1.1 billion at the acquisition date. Fair values of contingent amounts were based on assumptions about the outcome of the resource certification, future business plans and appropriate discount rates.

On September 6, 2017, the resource certification was finalized triggering both payment of the CRP to former IOC shareholders and receipt of the current portion of the contingent receivable. The earnings impact from settlement of the CRP and the related contingent receivable was not material.

### Permian Basin Properties

On February 28, 2017, the Corporation completed the acquisition for \$6.2 billion of a number of companies from the Bass family in Fort Worth, Texas, that indirectly own mostly unproved oil and gas properties in the Permian Basin and other assets. Consideration included 68 million shares of Exxon Mobil Corporation common stock having a value on the acquisition date of \$5.5 billion, together with additional contingent cash payments tied to future drilling and completion activities (up to a maximum of \$1.02 billion). The fair value of the contingent payment was \$0.7 billion as of the acquisition date and is expected to be paid beginning in 2020 and ending no later than 2032 commensurate with the development of the resource. Fair value of the contingent payment was based on assumptions including drilling and completion activities, appropriate discount rates and tax rates.

Below is a summary of the net assets acquired for each acquisition.

	<b>IOC</b>	<b>Permian</b>
	<i>(billions of dollars)</i>	
Current assets	0.6	-
Property, plant and equipment	2.9	6.3
Other	0.6	-
Total assets	4.1	6.3

Current liabilities	0.5	-
Long-term liabilities	0.9	0.1
Total liabilities	1.4	0.1
<b>Net assets acquired</b>	<b>2.7</b>	<b>6.2</b>

**10. Accounting for Suspended Exploratory Well Costs**

For the category of exploratory well costs at year-end 2016 that were suspended more than one year, a total of \$240 million was expensed in the first nine months of 2017.

## 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>	Third Quarter		First Nine Months	
	2017	2016	2017	2016
	<i>(millions of dollars)</i>			
Upstream				
United States	(238)	(477)	(439)	(1,823)
Non-U.S.	1,805	1,097	5,442	2,661
Downstream				
United States	391	225	1,030	824
Non-U.S.	1,141	1,004	3,003	2,136
Chemical				
United States	403	434	1,413	1,524
Non-U.S.	689	737	1,835	2,219
Corporate and financing	(221)	(370)	(954)	(1,381)
Net income attributable to ExxonMobil (U.S. GAAP)	3,970	2,650	11,330	6,160
Earnings per common share <i>(dollars)</i>	0.93	0.63	2.66	1.47
Earnings per common share - assuming dilution <i>(dollars)</i>	0.93	0.63	2.66	1.47

*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 2017 RESULTS

ExxonMobil's third quarter 2017 earnings of \$4 billion, or \$0.93 per diluted share, compared with \$2.7 billion a year earlier, as commodity prices improved and performance in the Upstream and Downstream strengthened.

Earnings of \$11.3 billion for the first nine months of 2017 increased 84 percent from \$6.2 billion in 2016.

Earnings per share assuming dilution were \$2.66.

Capital and exploration expenditures were \$14.1 billion, down 3 percent from 2016.

Oil equivalent production was 4 million barrels per day, down 1 percent from the prior year. Excluding entitlement effects and divestments, oil equivalent production was up 1 percent from the prior year.

The Corporation distributed \$9.7 billion in dividends to shareholders.

	Third Quarter		First Nine Months	
	2017	2016	2017	2016
	<i>(millions of dollars)</i>			
<b><u>Upstream earnings</u></b>				
United States	(238)	(477)	(439)	(1,823)
Non-U.S.	1,805	1,097	5,442	2,661
Total	1,567	620	5,003	838

Upstream earnings were \$1,567 million in the third quarter of 2017, up \$947 million from the third quarter of 2016. Higher liquids and gas realizations increased earnings by \$860 million. Higher volume and mix effects increased earnings by \$20 million. All other items increased earnings by \$70 million as lower expenses were partly offset by unfavorable foreign exchange effects.

On an oil-equivalent basis, production increased 2 percent from the third quarter of 2016. Liquids production totaled 2.3 million barrels per day, up 69,000 barrels per day as lower downtime and higher project volumes were partly offset by field decline. Natural gas production was 9.6 billion cubic feet per day, down 16 million cubic feet per day from 2016 as field decline and lower demand were partly offset by project ramp up, primarily in Australia, and work programs.

U.S. Upstream results were a loss of \$238 million in the third quarter of 2017, compared to a loss of \$477 million in the third quarter of 2016. Non U.S. Upstream earnings were \$1,805 million, up \$708 million from the prior year.

Upstream earnings were \$5,003 million in the first nine months of 2017, up \$4,165 million from 2016. Higher realizations increased earnings by \$4.1 billion. Unfavorable volume and mix effects decreased earnings by \$300 million. All other items increased earnings by \$380 million, primarily due to lower expenses partly offset by unfavorable tax items in the current year.

On an oil equivalent basis, production of 4 million barrels per day was down 1 percent compared to 2016. Liquids production of 2.3 million barrels per day decreased 65,000 barrels per day as field decline and lower entitlements were partly offset by increased project volumes and work programs. Natural gas production of 10.1 billion cubic feet per day increased 106 million cubic feet per day from 2016 as project ramp up, primarily in Australia, was partly offset by field decline.

U.S. Upstream results were a loss of \$439 million in 2017, compared to a loss of \$1,823 million in 2016. Non U.S. Upstream earnings were \$5,442 million, up \$2,781 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>		
2016	3,811	4,030
Entitlements - Net Interest	(1)	-
Entitlements - Price / Spend / Other	(14)	(68)
Quotas	-	-
Divestments	(5)	(6)
Growth / Other	87	27
2017	3,878	3,983

(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	
	2017	2016	2017	2016

*(millions of dollars)*

**Downstream earnings**

United States	391	225	1,030	824
Non-U.S.	1,141	1,004	3,003	2,136
Total	1,532	1,229	4,033	2,960

Downstream earnings were \$1,532 million, up \$303 million from the third quarter of 2016. Higher refining margins increased earnings by \$1 billion. Volume and mix effects decreased earnings by \$160 million. All other items decreased earnings by \$550 million, reflecting the absence of favorable asset management gains of \$380 million in the prior year from the sale of Canadian retail assets and higher expenses related to Hurricane Harvey. Petroleum product sales of 5.5 million barrels per day were 43,000 barrels per day lower than last year's third quarter.

Earnings from the U.S. Downstream were \$391 million, up \$166 million from the third quarter of 2016. Non U.S. Downstream earnings of \$1,141 million were \$137 million higher than prior year.

Downstream earnings of \$4,033 million in the first nine months of 2017 increased \$1,073 million from 2016. Stronger refining and marketing margins increased earnings by \$1.3 billion, while volume and mix effects increased earnings by \$110 million. All other items decreased earnings by \$290 million, mainly reflecting the absence of the Canadian retail assets sale. Petroleum product sales of 5.5 million barrels per day were 26,000 barrels per day higher than 2016.

U.S. Downstream earnings were \$1,030 million, an increase of \$206 million from 2016. Non U.S. Downstream earnings were \$3,003 million, up \$867 million from the prior year.

	Third Quarter		First Nine Months	
	2017	2016	2017	2016

*(millions of dollars)*

**Chemical earnings**

United States	403	434	1,413	1,524
Non-U.S.	689	737	1,835	2,219
Total	1,092	1,171	3,248	3,743

Chemical earnings of \$1,092 million were \$79 million lower than the third quarter of 2016. Weaker margins decreased earnings by \$200 million. Volume and mix effects increased earnings by \$120 million. Third quarter prime product sales of 6.4 million metric tons were 313,000 metric tons or 5 percent higher than the prior year, despite

Hurricane Harvey impacts.

U.S. Chemical earnings of \$403 million were \$31 million lower than the third quarter of 2016. Non U.S. Chemical earnings of \$689 million were \$48 million lower than prior year.

Chemical earnings of \$3,248 million for the first nine months of 2017 decreased \$495 million from 2016. Weaker margins decreased earnings by \$320 million. Volume and mix effects increased earnings by \$70 million. All other items decreased earnings by \$250 million, primarily due to higher expenses from increased turnaround activity and new business growth. Prime product sales of 18.6 million metric tons were up 22,000 metric tons from the first nine months of 2016.

U.S. Chemical earnings were \$1,413 million, down \$111 million from 2016. Non U.S. Chemical earnings of \$1,835 million were \$384 million lower than prior year.

	<b>Third Quarter</b>		<b>First Nine Months</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
<b><u>Corporate and financing earnings</u></b>	(221)	(370)	(954)	(1,381)

Corporate and financing expenses were \$221 million for the third quarter of 2017, down \$149 million from the third quarter of 2016 mainly due to favorable impacts from the resolution of long standing tax items.

Corporate and financing expenses were \$954 million in the first nine months of 2017 compared to \$1,381 million in 2016, with the decrease mainly due to favorable impacts from the resolution of long standing tax items.

**LIQUIDITY AND CAPITAL RESOURCES**

	<b>Third Quarter</b>		<b>First Nine Months</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Net cash provided by/(used in)				
Operating activities			22,655	14,686
Investing activities			(9,194)	(10,731)
Financing activities			(13,293)	(2,547)
Effect of exchange rate changes			441	(20)
Increase/(decrease) in cash and cash equivalents			609	1,388
Cash and cash equivalents (at end of period)			4,266	5,093
Cash flow from operations and asset sales				
Net cash provided by operating activities (U.S. GAAP)	7,535	5,355	22,655	14,686
Proceeds associated with sales of subsidiaries, property, plant & equipment, and sales and returns of investments	854	976	1,695	2,182
Cash flow from operations and asset sales	8,389	6,331	24,350	16,868

*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 2017 was \$8.4 billion, including asset sales of \$0.9 billion, an increase of \$2.1 billion from the comparable 2016 period primarily due to higher earnings.

Cash provided by operating activities totaled \$22.7 billion for the first nine months of 2017, \$8.0 billion higher than 2016. The major source of funds was net income including noncontrolling interests of \$11.4 billion, an increase of \$5.1 billion from the prior year period. The adjustment for the non-cash provision of \$14.1 billion for depreciation and depletion decreased by \$0.1 billion. Changes in operational working capital decreased cash flows by \$0.5 billion in 2017 versus a reduction of \$2.4 billion in 2016. All other items net decreased cash flows by \$2.3 billion in 2017 compared to a reduction of \$3.5 billion in 2016. See the Condensed Consolidated Statement of Cash Flows for additional details.

Investing activities for the first nine months of 2017 used net cash of \$9.2 billion, a decrease of \$1.5 billion compared to the prior year. Spending for additions to property, plant and equipment of \$10.9 billion was \$1.4 billion lower than 2016. Proceeds from asset sales of \$1.7 billion decreased \$0.5 billion. Additional investments and advances were \$2.0 billion, an increase of \$0.6 billion, and principally reflect the deposit into escrow of the maximum potential contingent consideration payable as a result of the acquisition of InterOil Corporation. Other investing activities including collection of advances increased cash flows by \$2.0 billion, including the return of unused contingent consideration from the InterOil acquisition escrow, and were up \$1.2 billion from the previous year.

Cash flow from operations and asset sales in the first nine months of 2017 was \$24.4 billion, including asset sales of \$1.7 billion, an increase of \$7.5 billion from the comparable 2016 period primarily due to higher earnings.

Net cash used by financing activities was \$13.3 billion in the first nine months of 2017, an increase of \$10.7 billion from 2016 mainly reflecting the absence of the Corporation's issuance of \$12.0 billion in long-term debt in the prior year.

During the first nine months of 2017, Exxon Mobil Corporation purchased 6 million shares of its common stock for the treasury at a gross cost of \$0.5 billion. These purchases were made to offset shares or units settled in shares issued in conjunction with the company's benefit plans and programs. Shares outstanding increased from 4,148 million at year-end to 4,237 million at the end of the third quarter of 2017, mainly due to shares issued for the acquisitions of InterOil Corporation and of companies that hold acreage in the Permian Basin. Purchases may be made both in the open market and through negotiated transactions, and may be increased, decreased or discontinued at any time without prior notice.

The Corporation distributed a total of \$3.3 billion to shareholders in the third quarter of 2017 through dividends.

Total cash and cash equivalents of \$4.3 billion at the end of the third quarter of 2017 compared to \$5.1 billion at the end of the third quarter of 2016.

Total debt at the end of the third quarter of 2017 was \$40.6 billion compared to \$42.8 billion at year-end 2016. The Corporation's debt to total capital ratio was 17.7 percent at the end of the third quarter of 2017 compared to 19.7 percent at year-end 2016.

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

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>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Income taxes	1,498	337	4,218	1,001
<i>Effective income tax rate</i>	<i>33%</i>	<i>20%</i>	<i>34%</i>	<i>26%</i>
Sales-based taxes	5,864	5,437	16,795	15,687
All other taxes and duties	7,488	7,054	21,561	21,076
Total	14,850	12,828	42,574	37,764

Income, sales-based and all other taxes and duties totaled \$14.8 billion for the third quarter of 2017, an increase of \$2.0 billion from 2016. Income tax expense increased by \$1.2 billion to \$1.5 billion reflecting higher pre-tax income. The effective income tax rate was 33 percent compared to 20 percent in the prior year period reflecting the effect of one-time tax items and a higher share of earnings in high tax jurisdictions. Sales-based taxes and all other taxes and duties increased by \$0.8 billion to \$13.3 billion as a result of higher sales realizations.



Income, sales-based and all other taxes and duties totaled \$42.6 billion for the first nine months of 2017, an increase of \$4.8 billion from 2016. Income tax expense increased by \$3.2 billion to \$4.2 billion reflecting higher pre-tax income. The effective income tax rate was 34 percent compared to 26 percent in the prior year period due a higher share of earnings in high tax jurisdictions. Sales-based taxes and all other taxes and duties increased by \$1.6 billion to \$38.4 billion as a result of higher sales realizations.

In the United States, the Corporation has various ongoing U.S. federal income tax positions at issue with the Internal Revenue Service (IRS) for tax years beginning in 2006. The IRS has asserted penalties associated with several of those positions. The Corporation has not recognized the penalties as an expense because the Corporation does not expect the penalties to be sustained 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 would not have a materially adverse effect on the Corporation's net income or liquidity.

**CAPITAL AND EXPLORATION EXPENDITURES**

	<b>Third Quarter</b>		<b>First Nine Months</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<i>(millions of dollars)</i>		
Upstream (including exploration expenses)	3,175	3,072	9,080	10,970
Downstream	611	589	1,742	1,759
Chemical	2,183	503	3,215	1,677
Other	18	26	44	69
Total	5,987	4,190	14,081	14,475

Capital and exploration expenditures in the third quarter of 2017 were \$6 billion, including the Jurong aromatics plant acquisition.

Capital and exploration expenditures in the first nine months of 2017 were \$14.1 billion, down 3 percent from the first nine months of 2016 due primarily to lower upstream major project spending partially offset by the Jurong aromatics plant acquisition. The Corporation anticipates an investment level of \$22 billion in 2017. Actual spending could vary depending on the progress of individual projects and property acquisitions.

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. See Part II. Other Information, Item 1. Legal Proceedings in this report for information concerning a civil penalty assessment related to this matter which the Corporation is contesting.

**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 expects to adopt the standard using the Modified Retrospective method, under which prior years' results are not restated, but supplemental information on the impact of the new standard is provided for 2018 results. The Corporation continues to evaluate other areas of the standard, which are not expected to have a material effect on the Corporation's financial statements.

In January 2016, the Financial Accounting Standards Board issued an updated standard, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard requires investments in equity securities other than consolidated subsidiaries and equity method investments to be measured at fair value with changes in the fair value recognized through net income. Companies can elect a modified approach for equity securities that do not have a readily determinable fair value. ExxonMobil is evaluating the standard and its effect on the Corporation's financial statements and plans to adopt it in 2018.

In March 2017, the Financial Accounting Standards Board issued an Accounting Standards Update, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The update requires the service cost component of net benefit costs to be reported in the same line of the income statement as other compensation costs and the other components of net benefit costs (non-service costs) to be presented separately from the service cost component. Additionally, only the service cost component of net benefit costs will be eligible for capitalization. The update is required to be adopted beginning January 1, 2018. The Corporation expects to add a new line “Non-service pension and postretirement benefit expense” to its Consolidated Statement of Income. This line would reflect the non-service costs that were previously included in “Production and manufacturing expenses” and “Selling, general and administrative expenses”. The update is not expected to have a material impact on the Corporation's financial statements. Beginning January 1, 2018, the Corporation expects to include all of the non-service costs in its Corporate and financing segment.

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. ExxonMobil is evaluating the standard and its effect on the Corporation's financial statements and plans to adopt it in 2019.

## **CRITICAL ACCOUNTING ESTIMATES**

As part of its annual planning and budgeting cycle which is completed in the fourth quarter each year, the Corporation develops crude and natural gas price outlooks as well as estimates of future costs and other factors necessary to complete its plan. Management's price outlook and other factors, including factors such as operating costs, resource productivity, and capital efficiency, are re-assessed when facts and circumstances warrant but no less often than annually. To the extent any impairment testing may be required, management uses assumptions that are reasonable in relation to these factors in developing estimates of future cash flows. 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. 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, and an important component of the estimate is management's outlook on prices and other factors as noted above.

The Corporation has identified emerging trends such as increasing estimates of available natural gas supplies and ongoing reductions in costs of supply for natural gas. In the fourth quarter of 2017, the Corporation will incorporate the impacts of these trends and the resulting lower price outlook in its annual planning and budgeting cycle. Once complete, the Corporation expects to perform an impairment assessment for its North American natural gas asset groups utilizing the information developed as part of the planning and budgeting process. It is not practicable at this time to estimate the impact these trends would have on the undiscounted cash flows for individual asset groups or any resulting impairment charges. However these trends are likely to place the Corporation's North American natural gas asset groups at risk for potential impairment. The Corporation will complete its analysis of relevant factors as discussed above and perform any necessary impairment testing in connection with the preparation of the Corporation's year-end financial statements for inclusion in its 2017 Form 10-K.

## **FORWARD-LOOKING STATEMENTS**

Statements relating to future plans, projections, events or conditions are forward-looking statements. Future results, including project plans, costs, timing, and capacities; efficiency gains; capital and exploration expenditures; production rates; resource recoveries; the impact of new technologies; potential impairment charges; and share purchase levels, could differ materially due to factors including: changes in oil, gas or petrochemical prices or other market or economic conditions affecting the oil, gas or petrochemical industries, 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 and outcome of commercial negotiations; the results of research programs; changes in technical or operating conditions; actions of competitors; 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 2016 Form 10-K. 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, 2017, does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2016.

**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, 2017. 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

As last reported in the Corporation's Form 10-Q for the second quarter of 2016, in a matter related to the discharge of crude oil from the Pegasus Pipeline in Mayflower, Faulkner County, Arkansas, the Pipeline and Hazardous Materials Safety Administration (PHMSA) on October 1, 2015, issued a Final Order arising from a November 2013 Notice of Probable Violation alleging that ExxonMobil Pipeline Company (EMPCo) violated multiple federal Pipeline Safety Regulations. The Final Order imposed a penalty of \$2,630,400, which EMPCo paid on April 21, 2016. On June 27, 2016, EMPCo filed an appeal with the U.S. Court of Appeals for the Fifth Circuit, contesting PHMSA's regulatory findings and compliance order directives and seeking a refund of the penalty paid. On August 14, 2017, the Fifth Circuit dismissed five of the six violations EMPCo challenged from PHMSA's final administrative order, and vacated \$1,634,100 in associated penalties, which PHMSA must now refund to EMPCo. The Fifth Circuit also remanded the remaining violation back to PHMSA for re-calculation of the civil penalty previously imposed.

As reported in the Corporation's Form 10-Q for the second quarter of 2017, the United States District Court for the Southern District of Texas entered a revised judgment on April 26, 2017, in a citizen suit captioned *Environment Texas Citizen Lobby, Inc. et al. v. Exxon Mobil Corporation*, awarding approximately \$20 million in civil penalties, payable to the United States Treasury. In the suit filed in December 2010, Environment Texas Citizen Lobby, Inc. and the Sierra Club, Lone Star Chapter, filed a citizen suit seeking declaratory and injunctive relief, penalties, attorney fees and litigation costs associated with alleged violations of Title V of the Clean Air Act. Plaintiffs alleged that ExxonMobil repeatedly violated, and will continue to violate, its air operating permits, the Texas State Implementation Plan and the Clean Air Act by emitting air pollutants into the atmosphere from the Baytown complex in excess of applicable emission limitations or otherwise without authorization at the Baytown, Texas, refinery, chemical plant and olefins plant. ExxonMobil filed its appeal of the judgment in the U.S. Court of Appeals for the Fifth Circuit on August 25, 2017.

As reported in the Corporation's Form 10-Q for the first quarter of 2016, the company has been in discussions with the United States Department of Justice (DOJ) and the Environmental Protection Agency (EPA) to resolve claims of non-compliance with the Clean Air Act related to flaring at its eight U.S. chemical facilities with flares. The EPA has alleged the sites failed to properly operate and monitor flares. ExxonMobil Chemical Company has reached a settlement agreement with the DOJ, the EPA and the Louisiana Department of Environmental Quality to resolve these claims. The complaint and the consent decree are expected to be filed in the U.S. District Court for the Southern District of Texas. The company has agreed to pay a penalty of \$2,500,000, and to pay \$2,572,000 to fund supplemental environmental projects. The company has also agreed to make investments in new equipment at the facilities.

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

As reported in the Corporation's Form 10-Q for the second quarter of 2017, on July 20, 2017, the United States Department of Treasury, Office of Foreign Assets Control (OFAC) assessed a civil penalty against Exxon Mobil Corporation, ExxonMobil Development Company and ExxonMobil Oil Corporation for violating the Ukraine-Related Sanctions Regulations, 31 C.F.R. part 589. The assessed civil penalty is in the amount of \$2,000,000. ExxonMobil and its affiliates have been and continue to be in compliance with all sanctions and disagree that any violation has occurred. ExxonMobil and its affiliates have filed a complaint in the United States Federal District Court, Northern District of Texas seeking judicial review of, and to enjoin, the civil penalty under the Administrative Procedures Act and the United States Constitution, including on the basis that it represents an arbitrary and capricious action by OFAC and a violation of the Company's due process rights.

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****Issuer Purchase of Equity Securities for Quarter Ended September 30, 2017**

<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 2017	-		-	
August 2017	-		-	
September 2017	-		-	
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**

See Index to Exhibits of this report.

**INDEX TO EXHIBITS**

<b>Exhibit</b>	<b>Description</b>
<u>3(ii)</u>	By-Laws, as revised effective November 1, 2017 (incorporated by reference to Exhibit 3(ii) to the Registrant's Report on Form 8-K of October 31, 2017).
<u>31.1</u>	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Chief Executive Officer.
<u>31.2</u>	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Financial Officer.
<u>31.3</u>	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Accounting Officer.
<u>32.1</u>	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Chief Executive Officer.
<u>32.2</u>	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Financial Officer.
<u>32.3</u>	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 1, 2017

By:

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