

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

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)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
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
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
Dividends per common share <i>(dollars)</i>	0.75	0.73	2.23	2.15
<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)

	Three Months Ended September 30, 2016 2015		Nine Months Ended September 30, 2016 2015	
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 (excluding amortization)	34	484	25	1,111
Amortization and settlement of postretirement benefits 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 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 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)

	Sept. 30, 2016	Dec. 31, 2015
Assets		
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
Liabilities		
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)		
Equity		
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)

	Nine Months Ended	
	September 30,	
	2016	2015
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)

	ExxonMobil Share of Equity						Total Equity
	Common Stock	Earnings Reinvested	Other Compre- hensive Income	Common Stock Held in Treasury	ExxonMobil Share of Equity	Non- controlling Interests	
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

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

	Sept. 30, 2016	Dec. 31, 2015
	<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.

	As of September 30, 2016		
	Equity Company Obligations (1)	Other Third Party Obligations	Total
	<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.

4. Other Comprehensive Income Information

<u>ExxonMobil Share of Accumulated Other Comprehensive Income</u>	Cumulative Foreign Exchange Translation Adjustment	Post-retirement Benefits Reserves Adjustment	Unrealized Change in Stock Investments	Total
		<i>(millions of dollars)</i>		
Balance as of December 31, 2014	(5,952)	(12,945)	(60)	(18,957)
Current period change excluding amounts reclassified				
from accumulated other comprehensive income	(7,497)	1,036	26	(6,435)
Amounts reclassified from accumulated other comprehensive income	-	1,041	15	1,056
Total change in accumulated other comprehensive income	(7,497)	2,077	41	(5,379)
Balance as of September 30, 2015	(13,449)	(10,868)	(19)	(24,336)
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)
		Three Months Ended		Nine Months Ended
		September 30,		September 30,
<u>Amounts Reclassified Out of Accumulated Other Comprehensive Income - Before-tax Income/(Expense)</u>		2016	2015	2016
		<i>(millions of dollars)</i>		2015
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs (1)		(415)	(534)	(1,248)
Realized change in fair value of stock investments included in net income (Statement of Income line: Other income)		-	(5)	(23)

(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.)

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

5. Earnings Per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Earnings per common share				
Net income attributable to ExxonMobil (<i>millions of dollars</i>)	2,650	4,240	6,160	13,370
Weighted average number of common shares 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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<i>(millions of dollars)</i>				
Components of net benefit cost				
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 service cost	124	137	373	411
Net pension enhancement and 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 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 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Earnings After Income Tax	<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
Sales and Other Operating Revenue (1)				
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>	Third Quarter		First Nine Months	
	2016	2015	2016	2015
	<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.

	Third Quarter	First Nine Months
	<i>(thousands of barrels daily)</i>	
<u>Upstream additional information</u>		
Volumes reconciliation (Oil-equivalent production)(1)		
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.

	Third Quarter		First Nine Months	
	2016	2015	2016	2015

(millions of dollars)

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

	Third Quarter		First Nine Months	
	2016	2015	2016	2015
	<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, 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

	Third Quarter		First Nine Months	
	2016	2015	2016	2015
	<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

	Third Quarter		First Nine Months	
	2016	2015	2016	2015
	<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		