

EXXON MOBIL CORP  
Form 10-Q  
May 02, 2019

**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 March 31, 2019

**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) 940-6000**

(Registrant's telephone number, including area code)

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class                    | Trading Symbol | Name of Each Exchange<br>on Which Registered |
|----------------------------------------|----------------|----------------------------------------------|
| <b>Common Stock, without par value</b> | <b>XOM</b>     | <b>New York Stock<br/>Exchange</b>           |

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 every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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

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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.

**Class**  
**Common stock, without par**  
**value**

**Outstanding as of March 31, 2019**  
**4,231,093,914**

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**EXXON MOBIL CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019**

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

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

|                                                                | <b>Three Months Ended<br/>March 31,</b> |             |
|----------------------------------------------------------------|-----------------------------------------|-------------|
|                                                                | <b>2019</b>                             | <b>2018</b> |
| Revenues and other income                                      |                                         |             |
| Sales and other operating revenue                              | 61,646                                  | 65,436      |
| Income from equity affiliates                                  | 1,709                                   | 1,910       |
| Other income                                                   | 270                                     | 865         |
| Total revenues and other income                                | 63,625                                  | 68,211      |
| Costs and other deductions                                     |                                         |             |
| Crude oil and product purchases                                | 34,801                                  | 36,288      |
| Production and manufacturing expenses                          | 8,970                                   | 8,491       |
| Selling, general and administrative expenses                   | 2,770                                   | 2,747       |
| Depreciation and depletion                                     | 4,571                                   | 4,470       |
| Exploration expenses, including dry holes                      | 280                                     | 287         |
| Non-service pension and postretirement benefit expense         | 358                                     | 337         |
| Interest expense                                               | 181                                     | 204         |
| Other taxes and duties                                         | 7,405                                   | 8,147       |
| Total costs and other deductions                               | 59,336                                  | 60,971      |
| Income before income taxes                                     | 4,289                                   | 7,240       |
| Income taxes                                                   | 1,883                                   | 2,457       |
| Net income including noncontrolling interests                  | 2,406                                   | 4,783       |
| Net income attributable to noncontrolling interests            | 56                                      | 133         |
| Net income attributable to ExxonMobil                          | 2,350                                   | 4,650       |
| <br>Earnings per common share <i>(dollars)</i>                 | <br>0.55                                | <br>1.09    |
| Earnings per common share - assuming dilution <i>(dollars)</i> | 0.55                                    | 1.09        |

*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</b> |             |
|--------------------------------------------------------------------------------|---------------------------|-------------|
|                                                                                | <b>March 31,</b>          |             |
|                                                                                | <b>2019</b>               | <b>2018</b> |
| Net income including noncontrolling interests                                  | 2,406                     | 4,783       |
| Other comprehensive income (net of income taxes)                               |                           |             |
| Foreign exchange translation adjustment                                        | 749                       | (804)       |
| Adjustment for foreign exchange translation (gain)/loss included in net income | -                         | 168         |
| Postretirement benefits reserves adjustment (excluding amortization)           | (26)                      | (434)       |
| Amortization and settlement of postretirement benefits reserves adjustment     |                           |             |
| included in net periodic benefit costs                                         | 185                       | 237         |
| Total other comprehensive income                                               | 908                       | (833)       |
| Comprehensive income including noncontrolling interests                        | 3,314                     | 3,950       |
| Comprehensive income attributable to noncontrolling interests                  | 182                       | (9)         |
| Comprehensive income attributable to ExxonMobil                                | 3,132                     | 3,959       |

*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>Mar. 31,<br/>2019</b> | <b>Dec. 31,<br/>2018</b> |
|----------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Assets</b>                                                                          |                          |                          |
| Current assets                                                                         |                          |                          |
| Cash and cash equivalents                                                              | 4,586                    | 3,042                    |
| Notes and accounts receivable – net                                                    | 27,105                   | 24,701                   |
| Inventories                                                                            |                          |                          |
| Crude oil, products and merchandise                                                    | 13,979                   | 14,803                   |
| Materials and supplies                                                                 | 4,353                    | 4,155                    |
| Other current assets                                                                   | 1,553                    | 1,272                    |
| Total current assets                                                                   | 51,576                   | 47,973                   |
| Investments, advances and long-term receivables                                        | 42,068                   | 40,790                   |
| Property, plant and equipment – net                                                    | 248,563                  | 247,101                  |
| Other assets, including intangibles – net                                              | 13,982                   | 10,332                   |
| Total assets                                                                           | 356,189                  | 346,196                  |
| <b>Liabilities</b>                                                                     |                          |                          |
| Current liabilities                                                                    |                          |                          |
| Notes and loans payable                                                                | 21,794                   | 17,258                   |
| Accounts payable and accrued liabilities                                               | 42,090                   | 37,268                   |
| Income taxes payable                                                                   | 2,748                    | 2,612                    |
| Total current liabilities                                                              | 66,632                   | 57,138                   |
| Long-term debt                                                                         | 19,031                   | 20,538                   |
| Postretirement benefits reserves                                                       | 20,051                   | 20,272                   |
| Deferred income tax liabilities                                                        | 27,287                   | 27,244                   |
| Long-term obligations to equity companies                                              | 4,430                    | 4,382                    |
| Other long-term obligations                                                            | 20,737                   | 18,094                   |
| Total liabilities                                                                      | 158,168                  | 147,668                  |
| <b>Commitments and contingencies (Note 3)</b>                                          |                          |                          |
| <b>Equity</b>                                                                          |                          |                          |
| Common stock without par value                                                         |                          |                          |
| (9,000 million shares authorized, 8,019 million shares issued)                         | 15,476                   | 15,258                   |
| Earnings reinvested                                                                    | 420,498                  | 421,653                  |
| Accumulated other comprehensive income                                                 | (18,782)                 | (19,564)                 |
| Common stock held in treasury                                                          |                          |                          |
| (3,788 million shares at March 31, 2019 and 3,782 million shares at December 31, 2018) | (225,970)                | (225,553)                |
| ExxonMobil share of equity                                                             | 191,222                  | 191,794                  |
| Noncontrolling interests                                                               | 6,799                    | 6,734                    |
| Total equity                                                                           | 198,021                  | 198,528                  |
| Total liabilities and equity                                                           | 356,189                  | 346,196                  |



*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>Three Months Ended<br/>March 31,</b> |             |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------|
|                                                                                                                     | <b>2019</b>                             | <b>2018</b> |
| Cash flows from operating activities                                                                                |                                         |             |
| Net income including noncontrolling interests                                                                       | 2,406                                   | 4,783       |
| Depreciation and depletion                                                                                          | 4,571                                   | 4,470       |
| Changes in operational working capital, excluding cash and debt                                                     | 2,257                                   | 351         |
| All other items – net                                                                                               | (896)                                   | (1,085)     |
| Net cash provided by operating activities                                                                           | 8,338                                   | 8,519       |
| Cash flows from investing activities                                                                                |                                         |             |
| Additions to property, plant and equipment                                                                          | (5,199)                                 | (3,349)     |
| Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments | 107                                     | 1,441       |
| Additional investments and advances                                                                                 | (910)                                   | (138)       |
| Other investing activities including collection of advances                                                         | 209                                     | 187         |
| Net cash used in investing activities                                                                               | (5,793)                                 | (1,859)     |
| Cash flows from financing activities                                                                                |                                         |             |
| Reductions in short-term debt                                                                                       | (3,777)                                 | (3,872)     |
| Additions/(reductions) in commercial paper, and debt with three months or less maturity <i>(1)</i>                  | 6,776                                   | 1,950       |
| Cash dividends to ExxonMobil shareholders                                                                           | (3,505)                                 | (3,291)     |
| Cash dividends to noncontrolling interests                                                                          | (43)                                    | (43)        |
| Changes in noncontrolling interests                                                                                 | (74)                                    | (59)        |
| Common stock acquired                                                                                               | (421)                                   | (427)       |
| Net cash used in financing activities                                                                               | (1,044)                                 | (5,742)     |
| Effects of exchange rate changes on cash                                                                            | 43                                      | 30          |
| Increase/(decrease) in cash and cash equivalents                                                                    | 1,544                                   | 948         |
| Cash and cash equivalents at beginning of period                                                                    | 3,042                                   | 3,177       |
| Cash and cash equivalents at end of period                                                                          | 4,586                                   | 4,125       |
| Supplemental Disclosures                                                                                            |                                         |             |
| Income taxes paid                                                                                                   | 1,793                                   | 2,117       |
| Cash interest paid                                                                                                  |                                         |             |
| Included in cash flows from operating activities                                                                    | 247                                     | 206         |
| Capitalized, included in cash flows from investing activities                                                       | 175                                     | 154         |
| Total cash interest paid                                                                                            | 422                                     | 360         |

*(1) Includes a net addition of commercial paper with a maturity of over three months of \$5.3 billion in 2019 and a net reduction of \$0.3 billion in 2018. The gross amount of commercial paper with a maturity of over three months issued was \$6.4 billion in 2019 and \$0.4 billion in 2018, while the gross amount repaid was \$1.1 billion in 2019 and \$0.7 billion in 2018.*

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

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

|                                        | <b>ExxonMobil Share of Equity</b> |                                |                                                 |                                                  |                                           |                                           |                         |
|----------------------------------------|-----------------------------------|--------------------------------|-------------------------------------------------|--------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------|
|                                        | <b>Accumulated</b>                |                                |                                                 | <b>Common<br/>Stock<br/>Held in<br/>Treasury</b> | <b>ExxonMobil<br/>Share of<br/>Equity</b> | <b>Non-<br/>controlling<br/>Interests</b> | <b>Total<br/>Equity</b> |
|                                        | <b>Common<br/>Stock</b>           | <b>Earnings<br/>Reinvested</b> | <b>Other<br/>Compre-<br/>hensive<br/>Income</b> |                                                  |                                           |                                           |                         |
| Balance as of December 31, 2017        | 14,656                            | 414,540                        | (16,262)                                        | (225,246)                                        | 187,688                                   | 6,812                                     | 194,500                 |
| Amortization of stock-based awards     | 237                               | -                              | -                                               | -                                                | 237                                       | -                                         | 237                     |
| Other                                  | (5)                               | -                              | -                                               | -                                                | (5)                                       | -                                         | (5)                     |
| Net income for the period              | -                                 | 4,650                          | -                                               | -                                                | 4,650                                     | 133                                       | 4,783                   |
| Dividends - common shares              | -                                 | (3,291)                        | -                                               | -                                                | (3,291)                                   | (43)                                      | (3,334)                 |
| Cumulative effect of accounting change | -                                 | 71                             | (39)                                            | -                                                | 32                                        | 15                                        | 47                      |
| Other comprehensive income             | -                                 | -                              | (691)                                           | -                                                | (691)                                     | (142)                                     | (833)                   |
| Acquisitions, at cost                  | -                                 | -                              | -                                               | (427)                                            | (427)                                     | (59)                                      | (486)                   |
| Dispositions                           | -                                 | -                              | -                                               | 2                                                | 2                                         | -                                         | 2                       |
| Balance as of March 31, 2018           | 14,888                            | 415,970                        | (16,992)                                        | (225,671)                                        | 188,195                                   | 6,716                                     | 194,911                 |
| Balance as of December 31, 2018        | 15,258                            | 421,653                        | (19,564)                                        | (225,553)                                        | 191,794                                   | 6,734                                     | 198,528                 |
| Amortization of stock-based awards     | 223                               | -                              | -                                               | -                                                | 223                                       | -                                         | 223                     |
| Other                                  | (5)                               | -                              | -                                               | -                                                | (5)                                       | -                                         | (5)                     |
| Net income for the period              | -                                 | 2,350                          | -                                               | -                                                | 2,350                                     | 56                                        | 2,406                   |
| Dividends - common shares              | -                                 | (3,505)                        | -                                               | -                                                | (3,505)                                   | (43)                                      | (3,548)                 |
| Other comprehensive income             | -                                 | -                              | 782                                             | -                                                | 782                                       | 126                                       | 908                     |
| Acquisitions, at cost                  | -                                 | -                              | -                                               | (421)                                            | (421)                                     | (83)                                      | (504)                   |
| Dispositions                           | -                                 | -                              | -                                               | 4                                                | 4                                         | 9                                         | 13                      |
| Balance as of March 31, 2019           | 15,476                            | 420,498                        | (18,782)                                        | (225,970)                                        | 191,222                                   | 6,799                                     | 198,021                 |

| <u>Common Stock Share<br/>Activity</u> | Three Months Ended March 31,<br>2019<br>Held in |          |             | Three Months Ended March 31,<br>2018<br>Held in |          |             |
|----------------------------------------|-------------------------------------------------|----------|-------------|-------------------------------------------------|----------|-------------|
|                                        | Issued                                          | Treasury | Outstanding | Issued                                          | Treasury | Outstanding |
|                                        | (millions of shares)                            |          |             | (millions of shares)                            |          |             |
| Balance as of December 31              | 8,019                                           | (3,782)  | 4,237       | 8,019                                           | (3,780)  | 4,239       |
| Acquisitions                           | -                                               | (6)      | (6)         | -                                               | (5)      | (5)         |
| Dispositions                           | -                                               | -        | -           | -                                               | -        | -           |
| Balance as of March 31                 | 8,019                                           | (3,788)  | 4,231       | 8,019                                           | (3,785)  | 4,234       |

*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 2018 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. Accounting Changes

Effective January 1, 2019, the Corporation adopted the Financial Accounting Standards Board's Standard, *Leases (Topic 842)*, as amended. The standard requires all leases to be recorded on the balance sheet as a right of use asset and a lease liability. The Corporation used a transition method that applies the new lease standard at January 1, 2019. The Corporation applied a policy election to exclude short-term leases from balance sheet recognition and also elected certain practical expedients at adoption. As permitted, the Corporation did not reassess whether existing contracts are or contain leases, the lease classification for any existing leases, initial direct costs for any existing lease and whether existing land easements and rights of way, which were not previously accounted for as leases, are or contain a lease. At adoption on January 1, 2019, an operating lease liability of \$3.3 billion was recorded and the operating lease right of use asset was \$4.3 billion, including \$1.0 billion of previously recorded prepaid leases. There was no cumulative earnings effect adjustment.

Effective January 1, 2020, ExxonMobil will adopt the Financial Accounting Standards Board's update, *Financial Instruments – Credit Losses (Topic 326)*, as amended. The standard requires a valuation allowance for credit losses be recognized for certain financial assets that reflects the current expected credit loss over the asset's contractual life. The valuation allowance considers the risk of loss, even if remote, and considers past events, current conditions and expectations of the future. The Corporation is evaluating the standard and its effect on the Corporation's financial statements.

### **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 March 31, 2019, 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 March 31, 2019         |                                      |                                     |       |
|------------------------------|--------------------------------------|-------------------------------------|-------|
|                              | Equity<br>Company<br>Obligations (1) | Other<br>Third Party<br>Obligations | Total |
| <i>(millions of dollars)</i> |                                      |                                     |       |
| Guarantees                   |                                      |                                     |       |
| Debt-related                 | 612                                  | 79                                  | 691   |
| Other                        | 1,081                                | 4,288                               | 5,369 |
| Total                        | 1,693                                | 4,367                               | 6,060 |

(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 Venezuelan nationalization decree issued in February 2007, a subsidiary of the Venezuelan National Oil Company (PdVSA) assumed the operatorship of the Cerro Negro Heavy Oil 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. 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.

ExxonMobil collected awards of \$908 million in an arbitration against PdVSA under the rules of the International Chamber of Commerce in respect of an indemnity related to the Cerro Negro Project and \$260 million in an arbitration for compensation due for the La Ceiba Project and for export curtailments at the Cerro Negro Project under rules of International Centre for Settlement of Investment Disputes (ICSID). An ICSID arbitration award relating to the Cerro Negro Project's expropriation (\$1.4 billion) was annulled based on a determination that a 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. ExxonMobil filed a new claim seeking to restore the original award of damages for the Cerro Negro Project with ICSID on September 26, 2018.

The net impact of this matter 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. 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, 2017                                          | (9,482)                                                   | (6,780)                                             | (16,262)     |
| Current period change excluding amounts reclassified                     |                                                           |                                                     |              |
| from accumulated other comprehensive income                              | (686)                                                     | (440)                                               | (1,126)      |
| Amounts reclassified from accumulated other comprehensive income         | 168                                                       | 228                                                 | 396          |
| Total change in accumulated other comprehensive income                   | (518)                                                     | (212)                                               | (730)        |
| Balance as of March 31, 2018                                             | (10,000)                                                  | (6,992)                                             | (16,992)     |
| Balance as of December 31, 2018                                          | (13,881)                                                  | (5,683)                                             | (19,564)     |
| Current period change excluding amounts reclassified                     |                                                           |                                                     |              |
| from accumulated other comprehensive income                              | 627                                                       | (23)                                                | 604          |
| Amounts reclassified from accumulated other comprehensive income         | -                                                         | 178                                                 | 178          |
| Total change in accumulated other comprehensive income                   | 627                                                       | 155                                                 | 782          |
| Balance as of March 31, 2019                                             | (13,254)                                                  | (5,528)                                             | (18,782)     |

| <b><u>Amounts Reclassified Out of Accumulated Other Comprehensive Income - Before-tax Income/(Expense)</u></b>                                                                                       | <b>Three Months Ended March 31,</b> |             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------|
|                                                                                                                                                                                                      | <b>2019</b>                         | <b>2018</b> |
|                                                                                                                                                                                                      | <i>(millions of dollars)</i>        |             |
| Foreign exchange translation gain/(loss) included in net income (Statement of Income line: Other income)                                                                                             | -                                   | (168)       |
| Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs (Statement of Income line: Non-service pension and postretirement benefit expense) | (237)                               | (320)       |

| <b><u>Income Tax (Expense)/Credit For Components of Other Comprehensive Income</u></b> | <b>Three Months Ended March 31,</b> |             |
|----------------------------------------------------------------------------------------|-------------------------------------|-------------|
|                                                                                        | <b>2019</b>                         | <b>2018</b> |
|                                                                                        | <i>(millions of dollars)</i>        |             |
| Postretirement benefits reserves adjustment (excluding amortization)                   | 10                                  | 124         |

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|                                                                 |      |      |
|-----------------------------------------------------------------|------|------|
| Amortization and settlement of postretirement benefits reserves |      |      |
| adjustment included in net periodic benefit costs               | (52) | (83) |
| Total                                                           | (42) | 41   |

**5. Earnings Per Share**

**Three Months Ended  
March 31,  
2019                      2018**

**Earnings per common share**

|                                                                                    |       |       |
|------------------------------------------------------------------------------------|-------|-------|
| Net income attributable to ExxonMobil ( <i>millions of dollars</i> )               | 2,350 | 4,650 |
| Weighted average number of common shares outstanding ( <i>millions of shares</i> ) | 4,270 | 4,270 |
| Earnings per common share ( <i>dollars</i> ) (1)                                   | 0.55  | 1.09  |
| Dividends paid per common share ( <i>dollars</i> )                                 | 0.82  | 0.77  |

(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  
March 31,  
2019                      2018**  
(*millions of dollars*)

**Components of net benefit cost****Pension Benefits - U.S.**

|                                                              |       |       |
|--------------------------------------------------------------|-------|-------|
| Service cost                                                 | 175   | 209   |
| Interest cost                                                | 193   | 180   |
| Expected return on plan assets                               | (142) | (182) |
| Amortization of actuarial loss/(gain) and prior service cost | 77    | 91    |
| Net pension enhancement and curtailment/settlement cost      | 54    | 63    |
| Net benefit cost                                             | 357   | 361   |

**Pension Benefits - Non-U.S.**

|                                                              |       |       |
|--------------------------------------------------------------|-------|-------|
| Service cost                                                 | 139   | 158   |
| Interest cost                                                | 192   | 200   |
| Expected return on plan assets                               | (197) | (252) |
| Amortization of actuarial loss/(gain) and prior service cost | 103   | 118   |
| Net pension enhancement and curtailment/settlement cost      | -     | 33    |
| Net benefit cost                                             | 237   | 257   |

**Other Postretirement Benefits**

|                                                              |     |     |
|--------------------------------------------------------------|-----|-----|
| Service cost                                                 | 33  | 36  |
| Interest cost                                                | 79  | 75  |
| Expected return on plan assets                               | (4) | (6) |
| Amortization of actuarial loss/(gain) and prior service cost | 3   | 17  |

Net benefit cost

111

122

**7. Financial Instruments and Derivatives**

**Financial Instruments.** The estimated fair value of financial instruments at March 31, 2019 and December 31, 2018, and the related hierarchy level for the fair value measurement is as follows:

| <b>At March 31, 2019</b><br><i>(millions of dollars)</i> |                   |                |                |                                                             |                                               |                                             |                                                                        |                                   |
|----------------------------------------------------------|-------------------|----------------|----------------|-------------------------------------------------------------|-----------------------------------------------|---------------------------------------------|------------------------------------------------------------------------|-----------------------------------|
|                                                          | <b>Fair Value</b> |                |                | <b>Total<br/>Gross<br/>Assets<br/>&amp;<br/>Liabilities</b> | <b>Effect of<br/>Counterparty<br/>Netting</b> | <b>Effect of<br/>Collateral<br/>Netting</b> | <b>Difference<br/>in<br/>Carrying<br/>Value and<br/>Fair<br/>Value</b> | <b>Net<br/>Carrying<br/>Value</b> |
|                                                          | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |                                                             |                                               |                                             |                                                                        |                                   |
| <b>Assets</b>                                            |                   |                |                |                                                             |                                               |                                             |                                                                        |                                   |
| Derivative assets (1)                                    | 145               | 24             | -              | 169                                                         | (145)                                         | -                                           | -                                                                      | 24                                |
| Advances to/receivables from equity companies (2)(7)     | -                 | 2,157          | 6,703          | 8,860                                                       | -                                             | -                                           | 54                                                                     | 8,914                             |
| Other long-term financial assets (3)                     | 914               | -              | 806            | 1,720                                                       | -                                             | -                                           | 93                                                                     | 1,813                             |
| <b>Liabilities</b>                                       |                   |                |                |                                                             |                                               |                                             |                                                                        |                                   |
| Derivative liabilities (4)                               | 213               | 13             | -              | 226                                                         | (145)                                         | (68)                                        | -                                                                      | 13                                |
| Long-term debt (5)                                       | 18,088            | 111            | 4              | 18,203                                                      | -                                             | -                                           | (473)                                                                  | 17,730                            |
| Long-term obligations to equity companies (7)            | -                 | -              | 4,526          | 4,526                                                       | -                                             | -                                           | (96)                                                                   | 4,430                             |
| Other long-term financial liabilities (6)                | -                 | -              | 1,039          | 1,039                                                       | -                                             | -                                           | 3                                                                      | 1,042                             |

At December 31, 2018

(millions of dollars)

|                                                      | Fair Value |         |         | Total<br>Gross<br>Assets<br>&<br>Liabilities | Effect of<br>Counterparty<br>Netting | Effect of<br>Collateral<br>Netting | Difference<br>in<br>Carrying<br>Value and<br>Fair<br>Value | Net<br>Carrying<br>Value |
|------------------------------------------------------|------------|---------|---------|----------------------------------------------|--------------------------------------|------------------------------------|------------------------------------------------------------|--------------------------|
|                                                      | Level 1    | Level 2 | Level 3 |                                              |                                      |                                    |                                                            |                          |
| <b>Assets</b>                                        |            |         |         |                                              |                                      |                                    |                                                            |                          |
| Derivative assets (1)                                | 297        | -       | -       | 297                                          | (151)                                | (146)                              | -                                                          | -                        |
| Advances to/receivables from equity companies (2)(7) | -          | 2,100   | 6,293   | 8,393                                        | -                                    | -                                  | 215                                                        | 8,608                    |
| Other long-term financial assets (3)                 | 848        | -       | 974     | 1,822                                        | -                                    | -                                  | 112                                                        | 1,934                    |
| <b>Liabilities</b>                                   |            |         |         |                                              |                                      |                                    |                                                            |                          |
| Derivative liabilities (4)                           | 151        | -       | -       | 151                                          | (151)                                | -                                  | -                                                          | -                        |
| Long-term debt (5)                                   | 19,029     | 117     | 4       | 19,150                                       | -                                    | -                                  | 85                                                         | 19,235                   |
| Long-term obligations to equity companies (7)        | -          | -       | 4,330   | 4,330                                        | -                                    | -                                  | 52                                                         | 4,382                    |
| Other long-term financial liabilities (6)            | -          | -       | 1,046   | 1,046                                        | -                                    | -                                  | (3)                                                        | 1,043                    |

(1) Included in the Balance Sheet line: Notes and accounts receivable, less estimated doubtful amounts

(2) Included in the Balance Sheet line: Investments, advances and long-term receivables

(3) Included in the Balance Sheet lines: Investments, advances and long-term receivables and Other assets, including intangibles, net

*(4) Included in the Balance Sheet line: Accounts payable and accrued liabilities*

*(5) Excluding finance lease obligations*

*(6) Included in the Balance Sheet line: Other long-term obligations*

*(7) Advances to/receivables from equity companies and long-term obligations to equity companies are mainly designated as hierarchy level 3 inputs.*

*The fair value is calculated by discounting the remaining obligations by a rate consistent with the credit quality and industry of the equity company.*



**Derivative Instruments.** The Corporation's size, strong capital structure, geographic diversity and the complementary nature of the Upstream, Downstream and Chemical businesses reduce the Corporation's enterprise-wide risk from changes in commodity prices, currency rates and interest rates. In addition, the Corporation uses commodity-based contracts, including derivatives, to manage commodity price risk and for trading purposes. Commodity contracts held for trading purposes are presented in the Consolidated Statement of Income on a net basis in the line "Sales and other operating revenue." The Corporation's commodity derivatives are not accounted for under hedge accounting. At times, the Corporation also enters into forward currency and interest rate derivatives, none of which are material to the Corporation's financial position as of March 31, 2019 and December 31, 2018, or results of operations for the periods ended March 31, 2019 and 2018.

Credit risk associated with the Corporation's derivative position is mitigated by several factors, including the use of derivative clearing exchanges and the quality of and financial limits placed on derivative counterparties. The Corporation maintains a system of controls that includes the authorization, reporting and monitoring of derivative activity.

At March 31, 2019, the net notional long/(short) position of derivative instruments was (35) million barrels for crude oil, was (36) million barrels for products, and was (10) million MMBtus of natural gas. At December 31, 2018, the net notional long/(short) position of derivative instruments was (19) million barrels for crude oil and was (9) million barrels for products.

Realized and unrealized gains/(losses) on derivative instruments that were recognized in the Consolidated Statement of Income are included in the following lines on a before-tax basis:

|                                   | <b>Three Months Ended<br/>March 31,</b> |             |
|-----------------------------------|-----------------------------------------|-------------|
|                                   | <b>2019</b>                             | <b>2018</b> |
|                                   | <i>(millions of dollars)</i>            |             |
| Sales and other operating revenue | (275)                                   | 8           |
| Crude oil and product purchases   | (18)                                    | (81)        |
| Total                             | (293)                                   | (73)        |

**8. Disclosures about Segments and Related Information**

|                                          |               | Three Months Ended<br>March 31, |        |
|------------------------------------------|---------------|---------------------------------|--------|
|                                          |               | 2019                            | 2018   |
|                                          |               | (millions of dollars)           |        |
| <b>Earnings After Income Tax</b>         |               |                                 |        |
| Upstream                                 |               |                                 |        |
|                                          | United States | 96                              | 429    |
|                                          | Non-U.S.      | 2,780                           | 3,068  |
| Downstream                               |               |                                 |        |
|                                          | United States | (161)                           | 319    |
|                                          | Non-U.S.      | (95)                            | 621    |
| Chemical                                 |               |                                 |        |
|                                          | United States | 161                             | 503    |
|                                          | Non-U.S.      | 357                             | 508    |
| Corporate and financing                  |               | (788)                           | (798)  |
| Corporate total                          |               | 2,350                           | 4,650  |
| <b>Sales and Other Operating Revenue</b> |               |                                 |        |
| Upstream                                 |               |                                 |        |
|                                          | United States | 2,693                           | 2,361  |
|                                          | Non-U.S.      | 3,804                           | 3,628  |
| Downstream                               |               |                                 |        |
|                                          | United States | 15,642                          | 16,995 |
|                                          | Non-U.S.      | 32,297                          | 34,372 |
| Chemical                                 |               |                                 |        |
|                                          | United States | 2,505                           | 2,989  |
|                                          | Non-U.S.      | 4,695                           | 5,078  |
| Corporate and financing                  |               | 10                              | 13     |
| Corporate total                          |               | 61,646                          | 65,436 |
| <b>Intersegment Revenue</b>              |               |                                 |        |
| Upstream                                 |               |                                 |        |
|                                          | United States | 2,311                           | 2,062  |
|                                          | Non-U.S.      | 7,129                           | 6,871  |
| Downstream                               |               |                                 |        |
|                                          | United States | 4,761                           | 4,944  |
|                                          | Non-U.S.      | 6,169                           | 7,089  |
| Chemical                                 |               |                                 |        |
|                                          | United States | 1,889                           | 2,194  |
|                                          | Non-U.S.      | 1,547                           | 1,843  |
| Corporate and financing                  |               | 53                              | 49     |

**Geographic**

| <b>Sales and Other Operating Revenue</b>          |                | <b>Three Months Ended<br/>March 31,</b> |             |
|---------------------------------------------------|----------------|-----------------------------------------|-------------|
|                                                   |                | <b>2019</b>                             | <b>2018</b> |
|                                                   |                | <i>(millions of dollars)</i>            |             |
| United States                                     |                | 20,840                                  | 22,345      |
| Non-U.S.                                          |                | 40,806                                  | 43,091      |
|                                                   | Total          | 61,646                                  | 65,436      |
| Significant Non-U.S. revenue sources include: (1) |                |                                         |             |
|                                                   | Canada         | 4,850                                   | 5,375       |
|                                                   | United Kingdom | 4,421                                   | 4,672       |
|                                                   | Belgium        | 3,529                                   | 3,977       |
|                                                   | Singapore      | 3,121                                   | 3,427       |
|                                                   | France         | 3,074                                   | 3,245       |
|                                                   | Italy          | 2,645                                   | 3,154       |
|                                                   | Germany        | 1,897                                   | 2,231       |

*(1) Revenue is determined by primary country of operations. Excludes certain sales and other operating revenues in Non U.S. operations where attribution to a specific country is not practicable.*

## 9. Leases

The Corporation and its consolidated affiliates generally purchase the property, plant and equipment used in operations, but there are situations where assets are leased, primarily for drilling equipment, tankers, office buildings, railcars, and other moveable equipment. Right of use assets and lease liabilities are established on the balance sheet for leases with an expected term greater than one year, by discounting the amounts fixed in the lease agreement for the duration of the lease which is reasonably certain, considering the probability of exercising any early termination and extension options. The portion of the fixed payment related to service costs for drilling equipment and tankers is excluded from the calculation of right of use assets and lease liabilities. Generally assets are leased only for a portion of their useful lives, and are accounted for as operating leases. In limited situations assets are leased for nearly all of their useful lives, and are accounted for as finance leases.

Variable payments under these lease agreements are not significant. Residual value guarantees, restrictions, or covenants related to leases, and transactions with related parties are also not significant. In general, leases are capitalized using the incremental borrowing rate of the leasing affiliate. The Corporation's activities as a lessor are not significant.

At adoption of the lease accounting change (see Note 2), on January 1, 2019, an operating lease liability of \$3.3 billion was recorded and the operating lease right of use asset was \$4.3 billion, including \$1.0 billion of previously recorded prepaid leases. There was no cumulative earnings effect adjustment.

|                                                       | <b>Operating Leases</b>                  |              |              |                |
|-------------------------------------------------------|------------------------------------------|--------------|--------------|----------------|
|                                                       | <b>Drilling</b>                          |              |              |                |
|                                                       | <b>Rigs</b>                              |              |              |                |
|                                                       | <b>and</b>                               |              |              |                |
|                                                       | <b>Related</b>                           |              |              | <b>Finance</b> |
|                                                       | <b>Equipment</b>                         | <b>Other</b> | <b>Total</b> | <b>Leases</b>  |
|                                                       | <i>(millions of dollars)</i>             |              |              |                |
| <b>Lease Cost</b>                                     | <b>Three Months Ended March 31, 2019</b> |              |              |                |
| Operating lease cost                                  | 40                                       | 255          | 295          |                |
| Short-term and other (net of sublease rental income)  | 195                                      | 273          | 468          |                |
| Amortization of right of use assets                   |                                          |              |              | 31             |
| Interest on lease liabilities                         |                                          |              |              | 31             |
| Total                                                 | 235                                      | 528          | 763          | 62             |
| <b>Balance Sheet</b>                                  | <b>March 31, 2019</b>                    |              |              |                |
| Right of use assets                                   |                                          |              |              |                |
| Included in Other assets, including intangibles - net | 539                                      | 3,901        | 4,440        |                |

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|                                                       |     |       |       |       |
|-------------------------------------------------------|-----|-------|-------|-------|
| Included in Property, plant and equipment - net       |     |       |       | 1,554 |
| Total right of use assets                             | 539 | 3,901 | 4,440 | 1,554 |
| Lease liability due within one year                   |     |       |       |       |
| Included in Accounts payable and accrued liabilities  | 167 | 699   | 866   | 34    |
| Included in Notes and loans payable                   |     |       |       | 174   |
| Long-term lease liability                             |     |       |       |       |
| Included in Other long-term obligations               | 373 | 2,238 | 2,611 |       |
| Included in Long-term debt                            |     |       |       | 1,301 |
| Included in Long-term obligations to equity companies |     |       |       | 146   |
| Total lease liability                                 | 540 | 2,937 | 3,477 | 1,655 |

|                                               | <b>Operating Leases</b>                    |              |              | <b>Finance Leases</b> |
|-----------------------------------------------|--------------------------------------------|--------------|--------------|-----------------------|
|                                               | <b>Drilling Rigs and Related Equipment</b> | <b>Other</b> | <b>Total</b> |                       |
|                                               | <i>(millions of dollars)</i>               |              |              |                       |
| <b>Maturity Analysis of Lease Liabilities</b> | <b>March 31, 2019</b>                      |              |              |                       |
| 2019 remaining months                         | 137                                        | 608          | 745          | 293                   |
| 2020                                          | 154                                        | 622          | 776          | 204                   |
| 2021                                          | 96                                         | 441          | 537          | 180                   |
| 2022                                          | 57                                         | 290          | 347          | 173                   |
| 2023                                          | 40                                         | 253          | 293          | 171                   |
| 2024                                          | 29                                         | 213          | 242          | 172                   |
| 2025 and beyond                               | 70                                         | 924          | 994          | 2,411                 |
| Total lease payments                          | 583                                        | 3,351        | 3,934        | 3,604                 |
| Discount to present value                     | (43)                                       | (414)        | (457)        | (1,949)               |
| Total lease liability                         | 540                                        | 2,937        | 3,477        | 1,655                 |
| Weighted average remaining lease term - years | 5                                          | 8            | 7            | 25                    |
| Weighted average discount rate - percent      | 3.0%                                       | 3.2%         | 3.1%         | 9.7%                  |

In addition to the operating lease liabilities in the table immediately above, at March 31, 2019, additional undiscounted commitments for leases not yet commenced totaled \$2.6 billion. Included among these commitments is \$1.7 billion for crude oil pipeline transportation that is expected to commence later in 2019. The underlying assets for these leases were primarily designed by, and are being constructed by, the lessors. These unrecorded lease commitments are the primary difference between the operating lease liabilities reflected in the table above and the \$6.1 billion disclosed at December 31, 2018, for minimum lease commitments under the prior lease accounting standard.

|                                                                        | <b>Operating Leases</b>                    |              |              | <b>Finance Leases</b> |
|------------------------------------------------------------------------|--------------------------------------------|--------------|--------------|-----------------------|
|                                                                        | <b>Drilling Rigs and Related Equipment</b> | <b>Other</b> | <b>Total</b> |                       |
|                                                                        | <i>(millions of dollars)</i>               |              |              |                       |
| <b>Other Information</b>                                               | <b>Three Months Ended March 31, 2019</b>   |              |              |                       |
| Cash paid for amounts included in the measurement of lease liabilities |                                            |              |              |                       |
| Cash flows from operating activities                                   |                                            | 228          | 228          | 14                    |
| Cash flows from investing activities                                   | 40                                         |              | 40           |                       |
| Cash flows from financing activities                                   |                                            |              |              | 16                    |
| Noncash right of use assets recorded for lease liabilities             |                                            |              |              |                       |
| For January 1 adoption of <i>Topic 842</i>                             | 445                                        | 2,818        | 3,263        |                       |
| In exchange for new lease liabilities during the period                | 125                                        | 320          | 445          |                       |



At December 31, 2018, the Corporation and its consolidated subsidiaries held noncancelable operating leases and charters covering drilling equipment, tankers and other assets with minimum undiscounted lease commitments totaling \$6,112 million as indicated in the table. Estimated related sublease rental income from noncancelable subleases totals \$22 million.

| <b>Lease Payments<br/>Under Minimum Commitments<br/>As of December 31, 2018</b> |                              |              |              |
|---------------------------------------------------------------------------------|------------------------------|--------------|--------------|
| <b>Drilling Rigs<br/>and Related</b>                                            |                              |              |              |
|                                                                                 | <b>Equipment</b>             | <b>Other</b> | <b>Total</b> |
|                                                                                 | <i>(millions of dollars)</i> |              |              |
| 2019                                                                            | 222                          | 934          | 1,156        |
| 2020                                                                            | 166                          | 819          | 985          |
| 2021                                                                            | 107                          | 658          | 765          |
| 2022                                                                            | 43                           | 506          | 549          |
| 2023                                                                            | 32                           | 422          | 454          |
| 2024 and beyond                                                                 | 53                           | 2,150        | 2,203        |
| Total                                                                           | 623                          | 5,489        | 6,112        |

Net rental cost under both cancelable and noncancelable operating leases incurred during 2018, 2017 and 2016 were as follows:

| <b>For full year</b>                  |                              |             |             |
|---------------------------------------|------------------------------|-------------|-------------|
|                                       | <b>2018</b>                  | <b>2017</b> | <b>2016</b> |
|                                       | <i>(millions of dollars)</i> |             |             |
| Rental cost                           |                              |             |             |
| Drilling rigs and related equipment   | 723                          | 792         | 1,274       |
| Other (net of sublease rental income) | 1,992                        | 1,826       | 1,817       |
| Total                                 | 2,715                        | 2,618       | 3,091       |



## 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>                                    |                                                   | First Three Months           |       |
|----------------------------------------------------------------|---------------------------------------------------|------------------------------|-------|
|                                                                |                                                   | 2019                         | 2018  |
|                                                                |                                                   | <i>(millions of dollars)</i> |       |
| Upstream                                                       |                                                   |                              |       |
|                                                                | United States                                     | 96                           | 429   |
|                                                                | Non-U.S.                                          | 2,780                        | 3,068 |
| Downstream                                                     |                                                   |                              |       |
|                                                                | United States                                     | (161)                        | 319   |
|                                                                | Non-U.S.                                          | (95)                         | 621   |
| Chemical                                                       |                                                   |                              |       |
|                                                                | United States                                     | 161                          | 503   |
|                                                                | Non-U.S.                                          | 357                          | 508   |
| Corporate and financing                                        |                                                   | (788)                        | (798) |
|                                                                | Net income attributable to ExxonMobil (U.S. GAAP) | 2,350                        | 4,650 |
| Earnings per common share <i>(dollars)</i>                     |                                                   | 0.55                         | 1.09  |
| Earnings per common share - assuming dilution <i>(dollars)</i> |                                                   | 0.55                         | 1.09  |

*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 FIRST QUARTER 2019 RESULTS

ExxonMobil's first quarter 2019 earnings were \$2.4 billion, or \$0.55 per diluted share, compared with \$4.7 billion a year earlier. The decrease in earnings was primarily the result of lower Downstream and Chemical margins and higher scheduled maintenance activity.

Oil equivalent production was 4.0 million barrels per day, up 2 percent from the prior year. Excluding entitlement effects and divestments, oil equivalent production was up 3 percent from the prior year.

The Corporation distributed \$3.5 billion in dividends to shareholders.

|                                 |               | <b>First Three Months</b>    |             |
|---------------------------------|---------------|------------------------------|-------------|
|                                 |               | <b>2019</b>                  | <b>2018</b> |
|                                 |               | <i>(millions of dollars)</i> |             |
| <b><u>Upstream earnings</u></b> |               |                              |             |
|                                 | United States | 96                           | 429         |
|                                 | Non-U.S.      | 2,780                        | 3,068       |
|                                 | Total         | 2,876                        | 3,497       |

Upstream earnings were \$2,876 million in the first quarter of 2019, down \$621 million from the first quarter of 2018.

- Realizations decreased earnings by \$30 million due to lower liquids realizations of \$360 million, partly offset by higher gas realizations of \$330 million.
- Higher volume and mix effects increased earnings by \$80 million due to higher liquids volumes of \$230 million, partly offset by lower gas volumes of \$150 million.
- All other items decreased earnings by \$670 million due to the absence of a gain on the Scarborough asset sale of \$366 million, higher growth-related expenses and asset impairment charges.
- U.S. Upstream earnings were \$96 million, down \$333 million from the prior year quarter.
- Non U.S. Upstream earnings were \$2,780 million, down \$288 million from the prior year quarter.
- On an oil equivalent basis, production increased 2 percent from the first quarter of 2018.
- Liquids production totaled 2.3 million barrels per day, up 111,000 barrels per day due to U.S. growth and improved reliability, partly offset by decline.
- Natural gas production was 9.9 billion cubic feet per day, down 114 million cubic feet per day due to lower demand, decline and divestments, partly offset by lower maintenance and growth.

| <b>Upstream additional information</b>                        |                                      | <b>First Quarter</b>         |
|---------------------------------------------------------------|--------------------------------------|------------------------------|
| <b>Volumes reconciliation</b> (Oil-equivalent production) (1) |                                      | (thousands of barrels daily) |
| 2018                                                          |                                      | 3,889                        |
|                                                               | Entitlements - Net Interest          | -                            |
|                                                               | Entitlements - Price / Spend / Other | 10                           |
|                                                               | Quotas                               | -                            |
|                                                               | Divestments                          | (27)                         |
|                                                               | Growth / Other                       | 109                          |
| 2019                                                          |                                      | 3,981                        |

(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.

|                                   |               | <b>First Three Months</b>    |             |
|-----------------------------------|---------------|------------------------------|-------------|
|                                   |               | <b>2019</b>                  | <b>2018</b> |
|                                   |               | <i>(millions of dollars)</i> |             |
| <b><u>Downstream earnings</u></b> |               |                              |             |
|                                   | United States | (161)                        | 319         |
|                                   | Non-U.S.      | (95)                         | 621         |
|                                   | Total         | (256)                        | 940         |

Downstream earnings were (\$256) million in the first quarter of 2019, down \$1,196 million from the first quarter of 2018.

- Margins decreased earnings by \$860 million.
- Volume and mix effects remained essentially flat due to higher scheduled maintenance, offset by improved yield / sales mix impacts.
- All other items decreased earnings by \$340 million due to higher scheduled maintenance and unfavorable yield / sales mix impacts.
- U.S. Downstream earnings were (\$161) million, down \$480 million from the prior year quarter.
- Non U.S. Downstream earnings were (\$95) million, down \$716 million from the prior year quarter.
- Petroleum product sales of 5.4 million barrels per day were 17,000 barrels per day lower than the prior year quarter.

|                          |               | First Three Months    |       |
|--------------------------|---------------|-----------------------|-------|
|                          |               | 2019                  | 2018  |
|                          |               | (millions of dollars) |       |
| <u>Chemical earnings</u> |               |                       |       |
|                          | United States | 161                   | 503   |
|                          | Non-U.S.      | 357                   | 508   |
|                          | Total         | 518                   | 1,011 |

Chemical earnings of \$518 million in the first quarter of 2019 were \$493 million lower than the first quarter of 2018.

- Lower margins decreased earnings by \$360 million.
- Volume and mix effects increased earnings by \$60 million.
- All other items decreased earnings by \$190 million, mainly due to higher growth-related expenses and unfavorable foreign exchange impacts.
- U.S. Chemical earnings were \$161 million, down \$342 million from the prior year quarter.

- Non U.S. Chemical earnings were \$357 million, down \$151 million from the prior year quarter.
- First quarter prime product sales of 6.8 million metric tons were 104,000 metric tons higher than the prior year quarter due to growth.

|                                                | <b>First Three Months</b>    |             |
|------------------------------------------------|------------------------------|-------------|
|                                                | <b>2019</b>                  | <b>2018</b> |
|                                                | <i>(millions of dollars)</i> |             |
| <b><u>Corporate and financing earnings</u></b> | (788)                        | (798)       |

Corporate and financing expenses were \$788 million for the first quarter of 2019, down \$10 million from the prior year quarter.

**LIQUIDITY AND CAPITAL RESOURCES**

|                                                                              | <b>First Three Months</b>    |             |
|------------------------------------------------------------------------------|------------------------------|-------------|
|                                                                              | <b>2019</b>                  | <b>2018</b> |
|                                                                              | <i>(millions of dollars)</i> |             |
| Net cash provided by/(used in)                                               |                              |             |
| Operating activities                                                         | 8,338                        | 8,519       |
| Investing activities                                                         | (5,793)                      | (1,859)     |
| Financing activities                                                         | (1,044)                      | (5,742)     |
| Effect of exchange rate changes                                              | 43                           | 30          |
| Increase/(decrease) in cash and cash equivalents                             | 1,544                        | 948         |
| Cash and cash equivalents (at end of period)                                 | 4,586                        | 4,125       |
| Cash flow from operations and asset sales                                    |                              |             |
| Net cash provided by operating activities (U.S. GAAP)                        | 8,338                        | 8,519       |
| Proceeds associated with sales of subsidiaries, property, plant & equipment, |                              |             |
| and sales and returns of investments                                         | 107                          | 1,441       |
| Cash flow from operations and asset sales                                    | 8,445                        | 9,960       |

*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 first quarter of 2019 was \$8.4 billion, including asset sales of \$0.1 billion, a decrease of \$1.5 billion from the comparable 2018 period primarily reflecting lower asset sale proceeds.

Cash provided by operating activities totaled \$8.3 billion for the first three months of 2019, \$0.2 billion lower than 2018. The major source of funds was net income including noncontrolling interests of \$2.4 billion, a decrease of \$2.4 billion from the prior year period. The adjustment for the noncash provision of \$4.6 billion for depreciation and depletion was up \$0.1 billion from 2018. Changes in operational working capital contributed \$2.3 billion, up \$1.9 billion from the prior year period. All other items net decreased cash flows by \$0.9 billion in 2019 versus a reduction of \$1.1 billion in 2018. See the Condensed Consolidated Statement of Cash Flows for additional details.

Investing activities for the first three months of 2019 used net cash of \$5.8 billion, an increase of \$3.9 billion compared to the prior year. Spending for additions to property, plant and equipment of \$5.2 billion was \$1.9 billion higher than 2018. Proceeds from asset sales of \$0.1 billion decreased \$1.3 billion. Investments and advances increased \$0.8 billion to \$0.9 billion.



Net cash used by financing activities was \$1.0 billion in the first three months of 2019, a decrease of \$4.7 billion from 2018. The net addition to short-term debt was \$3.0 billion compared to a net reduction of \$1.9 billion in 2018.

During the first three months of 2019, Exxon Mobil Corporation purchased 5 million shares of its common stock for the treasury at a gross cost of \$0.4 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 decreased from 4,237 million at year-end to 4,231 million at the end of the first quarter of 2019. 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 \$3.5 billion to shareholders in the first quarter of 2019 through dividends.

Total cash and cash equivalents of \$4.6 billion at the end of the first quarter of 2019 compared to \$3.0 billion at year-end 2018.

Total debt at the end of the first quarter of 2019 was \$40.8 billion compared to \$37.8 billion at year-end 2018. The Corporation's debt to total capital ratio was 17.1 percent at the end of the first quarter of 2019 compared to 16.0 percent at year-end 2018.

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>First Three Months</b>    |             |
|----------------------------------|------------------------------|-------------|
|                                  | <b>2019</b>                  | <b>2018</b> |
|                                  | <i>(millions of dollars)</i> |             |
| Income taxes                     | 1,883                        | 2,457       |
| <i>Effective income tax rate</i> | <i>53%</i>                   | <i>40%</i>  |
| Total other taxes and duties (1) | 8,087                        | 8,815       |
| Total                            | 9,970                        | 11,272      |

(1) Includes "Other taxes and duties" plus taxes that are included in "Production and manufacturing expenses" and "Selling, general and administrative expenses."

Total taxes were \$10.0 billion for the first quarter of 2019, a decrease of \$1.3 billion from 2018. Income tax expense decreased by \$0.6 billion to \$1.9 billion reflecting lower pre-tax income. The effective income tax rate was 53 percent compared to 40 percent in the prior year period. This increase mainly reflects a higher share of earnings in higher tax jurisdictions in the Non-U.S. Upstream segment. Total other taxes and duties decreased by \$0.7 billion to \$8.1 billion.

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>First Three Months</b>    |             |
|-------------------------------------------|------------------------------|-------------|
|                                           | <b>2019</b>                  | <b>2018</b> |
|                                           | <i>(millions of dollars)</i> |             |
| Upstream (including exploration expenses) | 5,361                        | 3,759       |
| Downstream                                | 829                          | 614         |
| Chemical                                  | 696                          | 465         |
| Other                                     | 4                            | 29          |
| Total                                     | 6,890                        | 4,867       |

Capital and exploration expenditures in the first quarter of 2019 were \$6.9 billion, up 42 percent from the first quarter of 2018. The Corporation anticipates an investment level of approximately \$30 billion in 2019. Actual spending could vary depending on the progress of individual projects and property acquisitions.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

Effective January 1, 2020, ExxonMobil will adopt the Financial Accounting Standards Board's update, *Financial Instruments – Credit Losses (Topic 326)*, as amended. The standard requires a valuation allowance for credit losses be recognized for certain financial assets that reflects the current expected credit loss over the asset's contractual life. The valuation allowance considers the risk of loss, even if remote, and considers past events, current conditions and expectations of the future. The Corporation is evaluating the standard and its effect on the Corporation's financial statements.

**FORWARD-LOOKING STATEMENTS**

Statements related to outlooks, projections, goals, targets, descriptions of strategic plans and objectives, and other statements of future events or conditions are forward-looking statements. Actual future results, including business and project plans, capacities, costs, and timing; resource recoveries and production rates; and the impact of new technologies, including to increase capital efficiency and production and to reduce greenhouse gas emissions, could differ materially due to a number of factors. These include global or regional changes in supply and demand for oil, gas, and petrochemicals and other market conditions that impact prices and differentials; reservoir performance; the outcome of exploration projects and timely completion of development and construction projects; the impact of fiscal and commercial terms and the outcome of commercial negotiations or acquisitions; changes in law, taxes, or regulation, including environmental regulations, and timely granting of governmental permits; war and other political or security disturbances; the actions of competitors; the capture of efficiencies between business lines; unforeseen technical or operating difficulties; unexpected technological developments; the ability to bring new technologies to

commercial scale on a cost-competitive basis; general economic conditions including the occurrence and duration of economic recessions; the results of research programs; and other factors discussed under the heading Factors Affecting Future Results on the Investors page of our website at [www.exxonmobil.com](http://www.exxonmobil.com) and in Item 1A of ExxonMobil's 2018 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 three months ended March 31, 2019, does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 2018.

### **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 March 31, 2019. 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

On March 20, 2019, the State of California Air Resources Board (CARB) informed ExxonMobil Oil Corporation (EMOC) of its intention to attempt to settle an enforcement matter involving the formerly owned Torrance Refinery in California under the California Health and Safety Code. Specifically, CARB contends that the refinery failed to timely calibrate and inspect a greenhouse gas reporting meter as required by the applicable regulations and to accurately report greenhouse gas emissions from refinery operations in 2014 and 2015 in a manner consistent with applicable regulations. The alleged violations have been corrected, but CARB is seeking penalties in excess of \$100,000 to resolve the matter. EMOC is in settlement discussions with CARB, and the parties have entered into a tolling agreement to facilitate settlement discussions.

In a matter last reported in the Corporation's Form 10-Q for first quarter of 2017, the U.S. Department of Justice (DOJ) and U.S. Environmental Protection Agency (EPA) filed a complaint and proposed consent decree on March 6, 2019, to settle a pending enforcement action with EMOC regarding alleged violations at EMOC's Beaumont Refinery in Texas under the Clean Air Act and various sections of the EPA's Chemical Accident Prevention Provisions. The DOJ and EPA had contended that EMOC failed to identify hazards, failed to design and maintain a safe facility, and failed to mitigate the consequences of a claimed accidental release related to a flash fire that occurred on April 17, 2013. Additionally, based on an on-site inspection in 2013, the DOJ and EPA claim that EMOC failed to include all covered processes in its risk management program and failed to inspect certain process equipment in a timely fashion. Pending approval by the U.S. District Court for the Eastern District of Texas, Beaumont Division, the parties have agreed to a civil penalty of \$616,000, payment of \$730,000 to a Supplemental Environmental Project, and additional corrective actions to resolve the matter.

As most recently reported in the Corporation's Form 10-Q for the second quarter of 2014, the DOJ contacted ExxonMobil Pipeline Company (EMPCo) concerning possible civil charges under the Clean Water Act arising in connection with the July 1, 2011, discharge of crude oil into the Yellowstone River from EMPCo's Silvertip Pipeline near Laurel, Montana. In March 2019, EMPCo reached an agreement with the DOJ on a Consent Decree to resolve the matter. The Consent Decree, once entered by the U.S. District Court in the District of Montana, will require EMPCo to pay a civil penalty to the United States in the amount of \$1.05 million.

As last reported in the Corporation's 2018 Form 10-K, 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 filed a complaint on July 20, 2017, 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 March 31, 2019**

| <b>Period</b> | <b>Total Number<br/>of Shares<br/>Purchased</b> | <b>Average<br/>Price Paid<br/>per Share</b> | <b>Total Number of<br/>Shares Purchased<br/>as Part of Publicly<br/>Announced Plans<br/>or Programs</b> | <b>Maximum Number<br/>of Shares that May<br/>Yet Be Purchased<br/>Under the Plans or<br/>Programs</b> |
|---------------|-------------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| January 2019  | 1,872,444                                       | \$71.48                                     | 1,872,444                                                                                               |                                                                                                       |
| February 2019 | 1,729,545                                       | \$76.57                                     | 1,729,545                                                                                               |                                                                                                       |
| March 2019    | 1,837,011                                       | \$80.32                                     | 1,837,011                                                                                               |                                                                                                       |
| Total         | 5,439,000                                       |                                             | 5,439,000                                                                                               | (See Note 1)                                                                                          |

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

| Exhibit     | Description                                                                                          |
|-------------|------------------------------------------------------------------------------------------------------|
| <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: May 2, 2019

By:

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