

EXXON MOBIL CORP  
Form 10-Q  
August 02, 2017

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

**FORM 10-Q**

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

For the quarterly period ended June 30, 2017

**or**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-2256

**EXXON MOBIL CORPORATION**

(Exact name of registrant as specified in its charter)

**NEW JERSEY**  
(State or other jurisdiction of

**13-5409005**  
(I.R.S. Employer

incorporation or organization)

Identification Number)

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

(Address of principal executive offices) (Zip Code)

**(972) 444-1000**

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

<b>Class</b>	<b>Outstanding as of June 30, 2017</b>
<b>Common stock, without par value</b>	<b>4,237,105,828</b>

---

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

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Condensed Consolidated Statement of Income	3
Three and six months ended June 30, 2017 and 2016	
Condensed Consolidated Statement of Comprehensive Income	4
Three and six months ended June 30, 2017 and 2016	
Condensed Consolidated Balance Sheet	5
As of June 30, 2017 and December 31, 2016	
Condensed Consolidated Statement of Cash Flows	6
Six months ended June 30, 2017 and 2016	
Condensed Consolidated Statement of Changes in Equity	7
Six months ended June 30, 2017 and 2016	
Notes to Condensed Consolidated Financial Statements	8
<b>Item 2. Management's Discussion and Analysis of Financial</b>	<b>15</b>

**Condition and Results of Operations**

<b>Item 3.</b>	<b>Quantitative and Qualitative Disclosures About Market Risk</b>	23
<b>Item 4.</b>	<b>Controls and Procedures</b>	23

**PART II. OTHER INFORMATION**

<b>Item 1.</b>	<b>Legal Proceedings</b>	24
<b>Item 2.</b>	<b>Unregistered Sales of Equity Securities and Use of Proceeds</b>	25
<b>Item 6.</b>	<b>Exhibits</b>	25
	<b>Signature</b>	26
	<b>Index to Exhibits</b>	27

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues and other income				
Sales and other operating revenue <i>(1)</i>	60,825	56,360	121,915	103,465
Income from equity affiliates	1,525	1,124	3,235	2,375
Other income	526	210	1,013	561
Total revenues and other income	62,876	57,694	126,163	106,401
Costs and other deductions				
Crude oil and product purchases	30,194	27,130	60,553	47,837
Production and manufacturing expenses	8,407	8,076	16,252	15,637
Selling, general and administrative expenses	2,628	2,646	5,227	5,239
Depreciation and depletion	4,652	4,821	9,171	9,586
Exploration expenses, including dry holes	514	445	803	800
Interest expense	158	75	304	152
Sales-based taxes <i>(1)</i>	5,589	5,435	10,931	10,250
Other taxes and duties	6,578	6,670	12,848	12,774
Total costs and other deductions	58,720	55,298	116,089	102,275
Income before income taxes	4,156	2,396	10,074	4,126
Income taxes	892	715	2,720	664
Net income including noncontrolling interests	3,264	1,681	7,354	3,462
Net income attributable to noncontrolling interests	(86)	(19)	(6)	(48)
Net income attributable to ExxonMobil	3,350	1,700	7,360	3,510
Earnings per common share <i>(dollars)</i>	0.78	0.41	1.73	0.84
Earnings per common share - assuming dilution <i>(dollars)</i>	0.78	0.41	1.73	0.84
Dividends per common share <i>(dollars)</i>	0.77	0.75	1.52	1.48
<i>(1) Sales-based taxes included in sales and other operating revenue</i>	5,589	5,435	10,931	10,250

*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 June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net income including noncontrolling interests	3,264	1,681	7,354	3,462
Other comprehensive income (net of income taxes)				
Foreign exchange translation adjustment	1,674	(727)	3,082	2,613
Adjustment for foreign exchange translation (gain)/loss included in net income	234	-	234	-
Postretirement benefits reserves adjustment (excluding amortization)	(159)	110	(184)	(9)
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs	283	292	539	581
Total other comprehensive income	2,032	(325)	3,671	3,185
Comprehensive income including noncontrolling interests	5,296	1,356	11,025	6,647
Comprehensive income attributable to noncontrolling interests	169	16	328	370
Comprehensive income attributable to ExxonMobil	5,127	1,340	10,697	6,277

*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>June 30, 2017</b>	<b>Dec. 31, 2016</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	4,042	3,657
Notes and accounts receivable – net	21,289	21,394
Inventories		
Crude oil, products and merchandise	11,135	10,877
Materials and supplies	4,170	4,203
Other current assets	1,544	1,285
Total current assets	42,180	41,416
Investments, advances and long-term receivables	37,719	35,102
Property, plant and equipment – net	252,987	244,224
Other assets, including intangibles – net	10,126	9,572
Total assets	343,012	330,314
<b>Liabilities</b>		
Current liabilities		
Notes and loans payable	17,185	13,830
Accounts payable and accrued liabilities	31,100	31,193
Income taxes payable	2,664	2,615
Total current liabilities	50,949	47,638
Long-term debt	24,750	28,932
Postretirement benefits reserves	20,778	20,680
Deferred income tax liabilities	34,585	34,041
Long-term obligations to equity companies	4,954	5,124
Other long-term obligations	21,158	20,069
Total liabilities	157,174	156,484
Commitments and contingencies (Note 3)		
<b>Equity</b>		
Common stock without par value		
(9,000 million shares authorized, 8,019 million shares issued)	14,617	12,157
Earnings reinvested	408,768	407,831
Accumulated other comprehensive income	(18,902)	(22,239)
Common stock held in treasury		
(3,782 million shares at June 30, 2017 and 3,871 million shares at December 31, 2016)	(225,305)	(230,424)
ExxonMobil share of equity	179,178	167,325
Noncontrolling interests	6,660	6,505
Total equity	185,838	173,830
Total liabilities and equity	343,012	330,314

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

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

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Cash flows from operating activities		
Net income including noncontrolling interests	7,354	3,462
Depreciation and depletion	9,171	9,586
Changes in operational working capital, excluding cash and debt	(228)	(1,725)
All other items – net	(1,177)	(1,992)
Net cash provided by operating activities	15,120	9,331
Cash flows from investing activities		
Additions to property, plant and equipment	(5,988)	(8,872)
Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments	841	1,206
Additional investments and advances	(1,793)	(311)
Other investing activities – net	301	481
Net cash used in investing activities	(6,639)	(7,496)
Cash flows from financing activities		
Additions to long-term debt	60	11,964
Additions to short-term debt	1,735	-
Reductions in short-term debt	(2,722)	(257)
Additions/(reductions) in commercial paper, and debt with three months or less maturity (1)	(321)	(5,966)
Cash dividends to ExxonMobil shareholders	(6,423)	(6,187)
Cash dividends to noncontrolling interests	(91)	(85)
Changes in noncontrolling interests	(29)	-
Common stock acquired	(514)	(727)
Common stock sold	-	7
Net cash used in financing activities	(8,305)	(1,251)
Effects of exchange rate changes on cash	209	69
Increase/(decrease) in cash and cash equivalents	385	653
Cash and cash equivalents at beginning of period	3,657	3,705
Cash and cash equivalents at end of period	4,042	4,358
Supplemental Disclosures		
Income taxes paid	3,247	2,144
Cash interest paid	587	334

**2017 Non-Cash Transactions**

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

*(1) Includes a net addition of commercial paper with a maturity of over three months of \$0.2 billion in 2017 and \$0.1 billion in 2016. The gross amount of commercial paper with a maturity of over three months issued was \$2.2 billion in 2017 and \$1.5 billion in 2016, while the gross amount repaid was \$2.0 billion in 2017 and \$1.4 billion in 2016.*

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

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

	<b>ExxonMobil Share of Equity</b>						
	<b>Accumulated</b>						
	<b>Common Stock</b>	<b>Earnings Reinvested</b>	<b>Other Compre- hensive Income</b>	<b>Common Stock Held in Treasury</b>	<b>ExxonMobil Share of Equity</b>	<b>Non- controlling Interests</b>	<b>Total Equity</b>
Balance as of December 31, 2015	11,612	412,444	(23,511)	(229,734)	170,811	5,999	176,810
Amortization of stock-based awards	403	-	-	-	403	-	403
Tax benefits related to stock-based awards	8	-	-	-	8	-	8
Other	(4)	-	-	-	(4)	-	(4)
Net income for the period	-	3,510	-	-	3,510	(48)	3,462
Dividends – common shares	-	(6,187)	-	-	(6,187)	(85)	(6,272)
Other comprehensive income	-	-	2,767	-	2,767	418	3,185
Acquisitions, at cost	-	-	-	(727)	(727)	-	(727)
Dispositions	-	-	-	10	10	-	10
Balance as of June 30, 2016	12,019	409,767	(20,744)	(230,451)	170,591	6,284	176,875
Balance as of December 31, 2016	12,157	407,831	(22,239)	(230,424)	167,325	6,505	173,830
Amortization of stock-based awards	467	-	-	-	467	-	467
Other	(85)	-	-	-	(85)	(53)	(138)
Net income for the period	-	7,360	-	-	7,360	(6)	7,354
Dividends – common shares	-	(6,423)	-	-	(6,423)	(91)	(6,514)
Other comprehensive income	-	-	3,337	-	3,337	334	3,671
Acquisitions, at cost	-	-	-	(595)	(595)	(29)	(624)
Issued for acquisitions	2,078	-	-	5,711	7,789	-	7,789
Dispositions	-	-	-	3	3	-	3
Balance as of June 30, 2017	14,617	408,768	(18,902)	(225,305)	179,178	6,660	185,838

<u>Common Stock Share Activity</u>	<b>Six Months Ended June 30, 2017</b>			<b>Six Months Ended June 30, 2016</b>		
	<b>Held in</b>			<b>Held in</b>		
	<b>Issued</b>	<b>Treasury</b>	<b>Outstanding</b>	<b>Issued</b>	<b>Treasury</b>	<b>Outstanding</b>
	<i>(millions of shares)</i>			<i>(millions of shares)</i>		
Balance as of December 31	8,019	(3,871)	4,148	8,019	(3,863)	4,156

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

Acquisitions	-	(7)	(7)	-	(9)	(9)
Issued for acquisitions	-	96	96	-	-	-
Dispositions	-	-	-	-	-	-
Balance as of June 30	8,019	(3,782)	4,237	8,019	(3,872)	4,147

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

## EXXON MOBIL CORPORATION

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Basis of Financial Statement Preparation

These unaudited condensed consolidated financial statements should be read in the context of the consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Corporation's 2016 Annual Report on Form 10-K. In the opinion of the Corporation, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. Prior data has been reclassified in certain cases to conform to the current presentation basis.

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

#### 2. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements, and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2018. "Sales and Other Operating Revenue" on the Consolidated Statement of Income includes sales, excise and value-added taxes on sales transactions. When the Corporation adopts the standard, revenue will exclude sales-based taxes collected on behalf of third parties. This change in reporting will not impact earnings. The Corporation expects to adopt the standard using the Modified Retrospective method, under which prior years' results are not restated, but supplemental information on the impact of the new standard is provided for 2018 results. The Corporation continues to evaluate other areas of the standard, which are not expected to have a material effect on the Corporation's financial statements.

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

In March 2017, the Financial Accounting Standards Board issued an Accounting Standards Update, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The update requires that the service cost component of net benefit costs be reported in the

same line in the income statement as other compensation costs and that the other components of net benefit costs be presented separately from the service cost component. Additionally, only the service cost component of net benefit costs will be eligible for capitalization. The update is required to be adopted beginning January 1, 2018. ExxonMobil 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 June 30, 2017, for guarantees relating to notes, loans and performance under contracts. Where guarantees for environmental remediation and other similar matters do not include a stated cap, the amounts reflect management's estimate of the maximum potential exposure. These guarantees are not reasonably likely to have a material effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

	<b>Equity Company Obligations (1)</b>	<b>As of June 30, 2017 Other Third Party Obligations (millions of dollars)</b>	<b>Total</b>
Guarantees			
Debt-related	108	30	138
Other	2,976	4,131	7,107
Total	3,084	4,161	7,245

(1) ExxonMobil share

Additionally, the Corporation and its affiliates have numerous long-term sales and purchase commitments in their various business activities, all of which are expected to be fulfilled with no adverse consequences material to the Corporation's operations or financial condition.

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

In accordance with a nationalization decree issued by Venezuela's president in February 2007, by May 1, 2007, a subsidiary of the Venezuelan National Oil Company (PdVSA) assumed the operatorship of the Cerro Negro Heavy Oil Project. This Project had been operated and owned by ExxonMobil affiliates holding a 41.67 percent ownership interest in the Project. The decree also required conversion of the Cerro Negro Project into a "mixed enterprise" and an increase in PdVSA's or one of its affiliate's ownership interest in the Project, with the stipulation that if ExxonMobil refused to accept the terms for the formation of the mixed enterprise within a specified period of time, the government would "directly assume the activities" carried out by the joint venture. ExxonMobil refused to accede to the terms proffered by the government, and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest

in the Cerro Negro Project.

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

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

The United States District Court for the Southern District of New York entered judgment on the ICSID award on October 10, 2014. Motions filed by Venezuela to vacate that judgment on procedural grounds and to modify the judgment by reducing the rate of interest to be paid on the ICSID award from the entry of the court's judgment, until the date of payment, were denied on February 13, 2015, and March 4, 2015, respectively. On March 9, 2015, Venezuela filed a notice of appeal of the court's actions on the two motions. On July 11, 2017, the United States Court of Appeals for the Second Circuit rendered its opinion overturning the District Court's decision and vacating the judgment on the grounds that a different procedure should have been used to reduce the award to judgment. The Corporation is evaluating next steps.

A stay of the District Court's judgment has continued pending the completion of the Second Circuit appeal. The net impact of these matters on the Corporation's consolidated financial results cannot be reasonably estimated. Regardless, the Corporation does not expect the resolution to have a material effect upon the Corporation's operations or financial condition.

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

## 4. Other Comprehensive Income Information

<b><u>ExxonMobil Share of Accumulated Other Comprehensive Income</u></b>	<b>Cumulative Foreign Exchange Translation Adjustment</b>	<b>Post-retirement Benefits Reserves Adjustment</b>	<b>Total</b>
		<i>(millions of dollars)</i>	
Balance as of December 31, 2015	(14,170)	(9,341)	(23,511)
Current period change excluding amounts reclassified from accumulated other comprehensive income	2,209	(6)	2,203
Amounts reclassified from accumulated other comprehensive income	-	564	564
Total change in accumulated other comprehensive income	2,209	558	2,767
Balance as of June 30, 2016	(11,961)	(8,783)	(20,744)
Balance as of December 31, 2016	(14,501)	(7,738)	(22,239)
Current period change excluding amounts reclassified from accumulated other comprehensive income	2,849	(172)	2,677
Amounts reclassified from accumulated other comprehensive income	140	520	660
Total change in accumulated other comprehensive income	2,989	348	3,337
Balance as of June 30, 2017	(11,512)	(7,390)	(18,902)

<b>Amounts Reclassified Out of Accumulated Other Comprehensive Income - Before-tax Income/(Expense)</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Foreign exchange translation gain/(loss) included in net income (Statement of Income line: Other income)	(234)	-	(234)	-
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs (1)	(406)	(419)	(765)	(833)

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

<b>Income Tax (Expense)/Credit For <u>Components of Other Comprehensive Income</u></b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Foreign exchange translation adjustment	(8)	14	(26)	3
Postretirement benefits reserves adjustment (excluding amortization)	75	(49)	80	31
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs	(123)	(127)	(226)	(252)
Total	(56)	(162)	(172)	(218)

**5. Earnings Per Share**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Earnings per common share</b>				
Net income attributable to ExxonMobil ( <i>millions of dollars</i> )	3,350	1,700	7,360	3,510
Weighted average number of common shares outstanding ( <i>millions of shares</i> )	4,271	4,178	4,244	4,178
Earnings per common share ( <i>dollars</i> ) (1)	0.78	0.41	1.73	0.84

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

**6. Pension and Other Postretirement Benefits**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<i>(millions of dollars)</i>				
<b>Components of net benefit cost</b>				
Pension Benefits - U.S.				
Service cost	186	204	383	406
Interest cost	200	198	399	396
Expected return on plan assets	(194)	(181)	(388)	(363)
Amortization of actuarial loss/(gain) and prior service cost	112	125	222	249
Net pension enhancement and curtailment/settlement cost	158	111	263	222
Net benefit cost	462	457	879	910
Pension Benefits - Non-U.S.				
Service cost	145	150	290	299
Interest cost	189	217	376	430
Expected return on plan assets	(244)	(239)	(483)	(474)
Amortization of actuarial loss/(gain) and prior service cost	126	153	253	301

Edgar Filing: EXXON MOBIL CORP - Form 10-Q

Net pension enhancement and curtailment/settlement cost	-	-	(5)	-
Net benefit cost	216	281	431	556
<b>Other Postretirement Benefits</b>				
Service cost	30	42	56	77
Interest cost	67	84	139	173
Expected return on plan assets	(5)	(6)	(11)	(12)
Amortization of actuarial loss/(gain) and prior service cost	10	30	27	61
Net benefit cost	102	150	211	299

## 7. Financial Instruments

The fair value of financial instruments is determined by reference to observable market data and other valuation techniques as appropriate. The only category of financial instruments where the difference between fair value and recorded book value is notable is long-term debt. The estimated fair value of total long-term debt, excluding capitalized lease obligations, was \$24,010 million at June 30, 2017, and \$27,968 million at December 31, 2016, as compared to recorded book values of \$23,531 million at June 30, 2017, and \$27,707 million at December 31, 2016.

The fair value of long-term debt by hierarchy level at June 30, 2017, is: Level 1 \$23,825 million; Level 2 \$179 million; and Level 3 \$6 million. Level 1 represents quoted prices in active markets. Level 2 includes debt whose fair value is based upon a publicly available index. Level 3 involves using internal data augmented by relevant market indicators if available.

## 8. Disclosures about Segments and Related Information

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<b>Earnings After Income Tax</b>	<i>(millions of dollars)</i>			
Upstream				
United States	(183)	(514)	(201)	(1,346)
Non-U.S.	1,367	808	3,637	1,564
Downstream				
United States	347	412	639	599
Non-U.S.	1,038	413	1,862	1,132
Chemical				
United States	481	509	1,010	1,090
Non-U.S.	504	708	1,146	1,482
All other	(204)	(636)	(733)	(1,011)
Corporate total	3,350	1,700	7,360	3,510
<b>Sales and Other Operating Revenue (1)</b>				
Upstream				
United States	2,349	1,771	4,673	3,221
Non-U.S.	3,536	3,175	7,129	6,194
Downstream				
United States	15,382	14,538	30,747	26,051
Non-U.S.	32,524	30,229	65,141	55,166
Chemical				
United States	2,747	2,518	5,530	4,903
Non-U.S.	4,273	4,122	8,667	7,921
All other	14	7	28	9



Edgar Filing: EXXON MOBIL CORP - Form 10-Q

Corporate total	60,825	56,360	121,915	103,465
-----------------	--------	--------	---------	---------

(1) *Includes sales-based taxes*

**Intersegment Revenue**

Upstream				
United States	1,282	917	2,572	1,723
Non-U.S.	4,723	4,989	10,622	8,442
Downstream				
United States	3,841	2,892	7,487	5,282
Non-U.S.	4,968	4,541	10,182	8,611
Chemical				
United States	1,845	1,786	3,615	3,190
Non-U.S.	1,104	1,078	2,294	2,030
All other	47	56	103	114

## 9. InterOil Corporation and Permian Basin Properties Acquisitions

### InterOil Corporation

On February 22, 2017, the Corporation completed the acquisition of InterOil Corporation (IOC) for \$2.7 billion. The IOC acquisition was unproved properties in Papua New Guinea. Consideration included 28 million shares of Exxon Mobil Corporation common stock having a value on the acquisition date of \$2.2 billion, a Contingent Resource Payment (CRP) with a fair value of \$0.3 billion and cash of \$0.2 billion. The CRP provides IOC shareholders \$7.07 per share in cash for each incremental independently certified Trillion Cubic Feet Equivalent (TCFE) of resources above 6.2 TCFE, up to 11.0 TCFE. IOC's assets include a contingent receivable related to the same resource base for volumes in excess of 3.5 TCFE at amounts ranging from \$0.24 - \$0.40 per thousand cubic feet equivalent. The fair value of the contingent receivable was \$1.1 billion at the acquisition date. Fair values of contingent amounts were based on assumptions about the outcome of the resource certification, future business plans and appropriate discount rates. Amounts due to the Corporation related to the contingent receivable are expected to exceed those payable under the terms of the CRP.

### Permian Basin Properties

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

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

	IOC	Permian
	<i>(billions of dollars)</i>	
Current assets	0.6	-
Property, plant and equipment	2.9	6.3
Other	0.6	-
Total assets	4.1	6.3
Current liabilities	0.5	-
Long-term liabilities	0.9	0.1
Total liabilities	1.4	0.1

**Net assets acquired**

**2.7**

**6.2**

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

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

## EXXON MOBIL CORPORATION

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

#### FUNCTIONAL EARNINGS SUMMARY

<u>Earnings (U.S. GAAP)</u>	<b>Second Quarter</b>		<b>First Six Months</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Upstream				
United States	(183)	(514)	(201)	(1,346)
Non-U.S.	1,367	808	3,637	1,564
Downstream				
United States	347	412	639	599
Non-U.S.	1,038	413	1,862	1,132
Chemical				
United States	481	509	1,010	1,090
Non-U.S.	504	708	1,146	1,482
Corporate and financing	(204)	(636)	(733)	(1,011)
Net income attributable to ExxonMobil (U.S. GAAP)	3,350	1,700	7,360	3,510
Earnings per common share <i>(dollars)</i>	0.78	0.41	1.73	0.84
Earnings per common share - assuming dilution <i>(dollars)</i>	0.78	0.41	1.73	0.84

*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 SECOND QUARTER 2017 RESULTS

ExxonMobil's second quarter 2017 earnings of \$3.4 billion, or \$0.78 per diluted share, compared with \$1.7 billion a year earlier, as oil and gas realizations increased and refining margins improved.

The solid results across the Corporation's business segments were driven by higher commodity prices and a continued focus on operations and business fundamentals. The Corporation's job is to grow long term value by investing in ExxonMobil's integrated portfolio of opportunities that succeed regardless of market conditions.

Earnings of \$7.4 billion for the first six months of 2017 increased 110 percent from \$3.5 billion in 2016.

Earnings per share assuming dilution were \$1.73.

Capital and exploration expenditures were \$8.1 billion, down 21 percent from 2016.

Oil equivalent production was 4 million oil equivalent barrels per day, down 3 percent from the prior year. Excluding entitlement effects and divestments, oil equivalent production was flat with the prior year.

The Corporation distributed \$6.4 billion in dividends to shareholders.

	Second Quarter		First Six Months	
	2017	2016	2017	2016
	<i>(millions of dollars)</i>			
<b><u>Upstream earnings</u></b>				
United States	(183)	(514)	(201)	(1,346)
Non-U.S.	1,367	808	3,637	1,564
Total	1,184	294	3,436	218

Upstream earnings were \$1,184 million in the second quarter of 2017, up \$890 million from the second quarter of 2016. Higher liquids and gas realizations increased earnings by \$890 million. Lower liquids volume and mix effects decreased earnings by \$260 million due to lower sales from timing of liftings. Higher gas volumes and mix effects increased earnings by \$120 million. All other items, including lower expenses, increased earnings by \$140 million.

On an oil-equivalent basis, production decreased 1 percent from the second quarter of 2016. Liquids production totaled 2.3 million barrels per day, down 61,000 barrels per day as field decline and lower entitlements were partly offset by increased project volumes and work programs. Natural gas production was 9.9 billion cubic feet per day, up 158 million cubic feet per day from 2016 as project ramp up, primarily in Australia, was partly offset by field decline and lower demand.

U.S. Upstream results were a loss of \$183 million in the second quarter of 2017, compared to a loss of \$514 million in the second quarter of 2016. Non U.S. Upstream earnings were \$1,367 million, up \$559 million from the prior year period.

Upstream earnings were \$3,436 million, up \$3,218 million from the first half of 2016. Higher realizations increased earnings by \$3.2 billion. Unfavorable volume and mix effects decreased earnings by \$320 million. All other items increased earnings by \$310 million, primarily due to lower expenses partly offset by unfavorable tax items in the current year.

On an oil equivalent basis, production of 4 million barrels per day was down 3 percent compared to 2016. Liquids production of 2.3 million barrels per day decreased 133,000 barrels per day as lower entitlements and field decline were partly offset by increased project volumes and work programs. Natural gas production of 10.4 billion cubic feet per day increased 168 million cubic feet per day from 2016 as project ramp up, primarily in Australia, was partly offset by field decline.

U.S. Upstream results were a loss of \$201 million in 2017, compared to a loss of \$1,346 million in 2016. Earnings outside the U.S. were \$3,637 million, up \$2,073 million from the prior year.



	<b>Second Quarter</b>	<b>First Six Months</b>
	<i>(thousands of barrels daily)</i>	
<b><u>Upstream additional information</u></b>		
<b>Volumes reconciliation (Oil-equivalent production)(1)</b>		
2016	3,957	4,141
Entitlements - Net Interest	(1)	2
Entitlements - Price / Spend / Other	(76)	(92)
Quotas	-	-
Divestments	(5)	(6)
Growth / Other	47	(9)
2017	3,922	4,036

(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.

	Second Quarter		First Six Months	
	2017	2016	2017	2016

*(millions of dollars)*

**Downstream earnings**

United States	347	412	639	599
Non-U.S.	1,038	413	1,862	1,132
Total	1,385	825	2,501	1,731

Downstream earnings were \$1,385 million, up \$560 million from the second quarter of 2016. Higher margins increased earnings by \$220 million, while favorable volume and mix effects increased earnings by \$90 million. All other items increased earnings by \$250 million, including asset management gains, favorable foreign exchange impacts, and lower turnaround expenses. Petroleum product sales of 5.6 million barrels per day were 58,000 barrels per day higher than last year's second quarter.

Earnings from the U.S. Downstream were \$347 million, down \$65 million from the second quarter of 2016. Non U.S. Downstream earnings of \$1,038 million were \$625 million higher than prior year.

Downstream earnings of \$2,501 million for the first six months of 2017 increased \$770 million from 2016. Stronger refining and marketing margins increased earnings by \$230 million, while volume and mix effects increased earnings by \$260 million. All other items increased earnings by \$280 million, mainly reflecting asset management gains and lower maintenance expense. Petroleum product sales of 5.5 million barrels per day were 60,000 barrels per day higher than 2016.

U.S. Downstream earnings were \$639 million, an increase of \$40 million from 2016. Non U.S. Downstream earnings were \$1,862 million, up \$730 million from the prior year.

	Second Quarter		First Six Months	
	2017	2016	2017	2016

*(millions of dollars)*

**Chemical earnings**

United States	481	509	1,010	1,090
Non-U.S.	504	708	1,146	1,482
Total	985	1,217	2,156	2,572

Chemical earnings of \$985 million were \$232 million lower than the second quarter of 2016. Weaker margins decreased earnings by \$40 million. Volume and mix effects decreased earnings by \$50 million. All other items decreased earnings by \$140 million primarily due to higher turnaround expenses. Second quarter prime product sales

of 6.1 million metric tons were 190,000 metric tons lower than the prior year.

U.S. Chemical earnings of \$481 million were \$28 million lower than the second quarter of 2016. Non U.S. Chemical earnings of \$504 million were \$204 million lower than prior year.

Chemical earnings of \$2,156 million for the first six months of 2017 decreased \$416 million from 2016. Weaker margins decreased earnings by \$110 million. Volume and mix effects decreased earnings by \$60 million. All other items decreased earnings by \$250 million, primarily due to higher turnaround expenses and unfavorable foreign exchange effects. Prime product sales of 12.2 million metric tons were down 291,000 metric tons from the first half of 2016.

U.S. Chemical earnings were \$1,010 million, down \$80 million from 2016. Non U.S. Chemical earnings of \$1,146 million were \$336 million lower than prior year.

	<b>Second Quarter</b>		<b>First Six Months</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
<b><u>Corporate and financing earnings</u></b>	(204)	(636)	(733)	(1,011)

Corporate and financing expenses were \$204 million for the second quarter of 2017, down \$432 million from the second quarter of 2016 mainly due to favorable tax items.

Corporate and financing expenses were \$733 million in the first six months of 2017 compared to \$1,011 million in 2016, with the decrease mainly due to net favorable tax related items.

**LIQUIDITY AND CAPITAL RESOURCES**

	<b>Second Quarter</b>		<b>First Six Months</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Net cash provided by/(used in)				
Operating activities			15,120	9,331
Investing activities			(6,639)	(7,496)
Financing activities			(8,305)	(1,251)
Effect of exchange rate changes			209	69
Increase/(decrease) in cash and cash equivalents			385	653
Cash and cash equivalents (at end of period)			4,042	4,358
Cash flow from operations and asset sales				
Net cash provided by operating activities (U.S. GAAP)	6,947	4,519	15,120	9,331
Proceeds associated with sales of subsidiaries, property, plant & equipment, and sales and returns of investments	154	1,029	841	1,206
Cash flow from operations and asset sales	7,101	5,548	15,961	10,537

*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 second quarter of 2017 was \$7.1 billion, including asset sales of \$0.2 billion, an increase of \$1.6 billion from the comparable 2016 period primarily due to higher earnings.

Cash provided by operating activities totaled \$15.1 billion for the first six months of 2017, \$5.8 billion higher than 2016. The major source of funds was net income including noncontrolling interests of \$7.4 billion, an increase of \$3.9 billion from the prior year period. The adjustment for the non-cash provision of \$9.2 billion for depreciation and depletion decreased by \$0.4 billion. Changes in operational working capital decreased cash flows by \$0.2 billion in 2017 versus a reduction of \$1.7 billion in 2016. All other items net decreased cash flows by \$1.2 billion in 2017 compared to a reduction of \$2.0 billion in 2016. For additional details, see the Condensed Consolidated Statement of Cash Flows on page 6.

Investing activities for the first six months of 2017 used net cash of \$6.6 billion, a decrease of \$0.9 billion compared to the prior year. Spending for additions to property, plant and equipment of \$6.0 billion was \$2.9 billion lower than 2016. Proceeds from asset sales of \$0.8 billion decreased \$0.4 billion. Additional investments and advances were \$1.8 billion, an increase of \$1.5 billion, and principally reflect the deposit into escrow of the maximum potential contingent consideration payable as a result of the acquisition of InterOil Corporation.

Cash flow from operations and asset sales in the first six months of 2017 was \$16.0 billion, including asset sales of \$0.8 billion, an increase of \$5.4 billion from the comparable 2016 period primarily due to higher earnings.

Net cash used by financing activities was \$8.3 billion in the first six months of 2017, an increase of \$7.1 billion from 2016 mainly reflecting the absence of the Corporation's issuance of \$12.0 billion in long-term debt in the prior year.

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

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

Total cash and cash equivalents of \$4.0 billion at the end of the second quarter of 2017 compared to \$4.4 billion at the end of the second quarter of 2016.

Total debt at the end of the second quarter of 2017 was \$41.9 billion compared to \$42.8 billion at year-end 2016. The Corporation's debt to total capital ratio was 18.4 percent at the end of the second quarter of 2017 compared to 19.7 percent at year-end 2016.

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

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

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

## TAXES

	<b>Second Quarter</b>		<b>First Six Months</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>(millions of dollars)</i>			
Income taxes	892	715	2,720	664
<i>Effective income tax rate</i>	<i>31%</i>	<i>40%</i>	<i>35%</i>	<i>31%</i>
Sales-based taxes	5,589	5,435	10,931	10,250
All other taxes and duties	7,170	7,291	14,073	14,022
Total	13,651	13,441	27,724	24,936

Income, sales-based and all other taxes and duties totaled \$13.7 billion for the second quarter of 2017, an increase of \$0.2 billion from 2016. Income tax expense increased by \$0.2 billion to \$0.9 billion reflecting higher pre-tax income. The effective income tax rate was 31 percent compared to 40 percent in the prior year period reflecting favorable one-time tax items. Sales-based taxes and all other taxes and duties were essentially unchanged.

Income, sales-based and all other taxes and duties totaled \$27.7 billion for the first six months of 2017, an increase of \$2.8 billion from 2016. Income tax expense increased by \$2.1 billion to \$2.7 billion reflecting higher pre-tax income. The effective income tax rate was 35 percent compared to 31 percent in the prior year period due a higher share of earnings in high tax jurisdictions. Sales-based taxes and all other taxes and duties increased by \$0.7 billion to \$25.0 billion as a result of higher sales realizations.

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



**CAPITAL AND EXPLORATION EXPENDITURES**

	Second Quarter		First Six Months	
	2017	2016	2017	2016
	<i>(millions of dollars)</i>			
Upstream (including exploration expenses)	2,786	3,919	5,905	7,898
Downstream	586	642	1,131	1,170
Chemical	535	563	1,032	1,174
Other	18	34	26	43
Total	3,925	5,158	8,094	10,285

Capital and exploration expenditures in the second quarter of 2017 were \$3.9 billion, down 24 percent from the second quarter of 2016.

Capital and exploration expenditures in the first six months of 2017 were \$8.1 billion, down 21 percent from the first six months of 2016 due primarily to lower upstream major project spending. The Corporation anticipates an investment level of \$22 billion in 2017. Actual spending could vary depending on the progress of individual projects and property acquisitions.

In 2014, the European Union and United States imposed sanctions relating to the Russian energy sector. ExxonMobil continues to comply with all sanctions and regulatory licenses applicable to its affiliates' investments in the Russian Federation. See Part II. Other Information, Item 1. Legal Proceedings in this report for information concerning a civil penalty assessment related to this matter which the Corporation is contesting.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

In May 2014, the Financial Accounting Standards Board issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements, and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2018. "Sales and Other Operating Revenue" on the Consolidated Statement of Income includes sales, excise and value-added taxes on sales transactions. When the Corporation adopts the standard, revenue will exclude sales-based taxes collected on behalf of third parties. This change in reporting will not impact earnings. The Corporation expects to adopt the standard using the Modified Retrospective method, under which prior years' results are not restated, but supplemental information on the impact of the new standard is provided for 2018 results. The Corporation continues to evaluate other areas of the standard, which are not expected to have a material effect on the Corporation's financial statements.

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

In March 2017, the Financial Accounting Standards Board issued an Accounting Standards Update, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The update requires that the service cost component of net benefit costs be reported in the same line in the income statement as other compensation costs and that the other components of net benefit costs be presented separately from the service cost component. Additionally, only the service cost component of net benefit costs will be eligible for capitalization. The update is required to be adopted beginning January 1, 2018. ExxonMobil is evaluating the standard and its effect on the Corporation's financial statements.

## **FORWARD-LOOKING STATEMENTS**

Statements relating to future plans, projections, events or conditions are forward-looking statements. Future results, including project plans, costs, timing, and capacities; capital and exploration expenditures; production rates; resource recoveries; the impact of new technologies; and share purchase levels, could differ materially due to factors including: changes in oil, gas or petrochemical prices or other market or economic conditions affecting the oil, gas or petrochemical industries, including the scope and duration of economic recessions; the outcome of exploration and development efforts; changes in law or government regulation, including tax and environmental requirements; the impact of fiscal and commercial terms and outcome of commercial negotiations; the results of research programs; changes in technical or operating conditions; actions of competitors; and other factors discussed under the heading “Factors Affecting Future Results” in the “Investors” section of our website and in Item 1A of ExxonMobil’s 2016 Form 10-K. Closing of pending acquisitions is also subject to satisfaction of the conditions precedent provided in the applicable agreement. We assume no duty to update these statements as of any future date.

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

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

Information about market risks for the six months ended June 30, 2017, does not differ materially from that discussed under Item 7A of the registrant’s Annual Report on Form 10-K for 2016.

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

As indicated in the certifications in Exhibit 31 of this report, the Corporation’s Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer have evaluated the Corporation’s disclosure controls and procedures as of June 30, 2017. Based on that evaluation, these officers have concluded that the Corporation’s disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Corporation in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to them in a manner that allows for timely decisions regarding required disclosures and are effective in ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. There were no changes during the Corporation’s last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Corporation’s internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

On June 20, 2017, the United States Department of Justice (DOJ) and the United States Environmental Protection Agency (EPA) notified XTO Energy Inc. (XTO) concerning alleged violations of the Clean Air Act and the Fort Berthold Indian Reservation Federal Implementation Plan (FIP). The DOJ is alleging that XTO failed to have vapor control systems capable of routing all tank vapors to a control device in violation of the FIP, including (1) failure to operate and maintain liquids storage and handling systems to minimize emissions; (2) failure to route all working, breathing and flashing losses to a control device; (3) failure to equip tank openings with a cover to ensure that all tank vapors are routed to a vapor recovery unit or control device; (4) failure to set pressure relief valves to ensure that tank vapors are routed to a control device under normal operating conditions; and (5) failure to design closed-vent systems to operate with no detectable emissions. The DOJ is seeking a civil penalty in excess of \$100,000 as well as injunctive relief, and XTO is working with the DOJ and the EPA to resolve the matter.

In late April 2017, the State of North Dakota Department of Health (NDDOH) and the North Dakota State Office of the Attorney General (NDSOAG) notified XTO of their interest in settling possible enforcement of alleged violations of the North Dakota Century Code and implementing regulations. The NDDOH is alleging that in North Dakota (but outside of the Fort Berthold Indian Reservation), XTO failed to have vapor control systems capable of routing all tank vapors to a control device in violation of state statutes and applicable regulations, including (1) failure to properly design, size and operate closed-vent systems; (2) causing or permitting emissions in quantities/duration that may be injurious to human health, welfare or property; (3) failure to install equipment to insure that facilities comply with applicable ambient air quality requirements; and (4) failure to submit well registrations within applicable time limits. The NDSOAG and the NDDOH are seeking a civil penalty in excess of \$100,000 as well as injunctive relief, and XTO is working with the state to resolve the matter.

As reported in the Corporation's Form 10-K for 2016, on December 8, 2016, the Texas Commission on Environmental Quality (TCEQ) contacted the Corporation concerning alleged violations of the Texas Clean Air Act, certain implementing regulations, and the applicable new source review permit in connection with exceedances of the nitrogen oxide emission limit at a compressor engine and volatile organic compound emission limits at Tanks 21 and 23 at the Corporation's former King Ranch Gas Plant. On July 7, 2017, the TCEQ formally approved and signed the Agreed Order resolving this matter. The Agreed Order assessed a civil penalty of \$142,979, with a one-time deferral of \$28,595 from that penalty for a net civil penalty of \$114,384. The Corporation has already paid \$57,192 of that civil penalty to the TCEQ, and, consistent with the Agreed Order, will pay the remaining \$57,192 to the Texas Congress of Parents and Teachers, doing business as Texas PTA, to support the replacement of older diesel buses with newer buses capable of meeting more stringent air emissions standards.

In December 2010, Environment Texas Citizen Lobby, Inc. and the Sierra Club, Lone Star Chapter, filed a citizen suit captioned *Environment Texas Citizen Lobby, Inc. et al. v. Exxon Mobil Corporation* in the United States District Court

for the Southern District of Texas seeking declaratory and injunctive relief, penalties, attorney fees and litigation costs associated with alleged violations of Title V of the Clean Air Act. Plaintiffs alleged that ExxonMobil repeatedly violated, and will continue to violate, its air operating permits, the Texas State Implementation Plan and the Clean Air Act by emitting air pollutants into the atmosphere from the Baytown complex in excess of applicable emission limitations or otherwise without authorization at the Baytown, Texas, refinery, chemical plant and olefins plant. The initial District Court trial occurred in 2014 with judgment for ExxonMobil. After the plaintiffs appealed, the U.S. Court of Appeals for the Fifth Circuit vacated the judgment and remanded the case back to District Court for further proceedings. After receiving from each party proposed findings of fact and conclusions of law, the District Court entered a revised judgment in favor of the Plaintiffs on April 26, 2017, awarding approximately \$20 million in civil penalties, payable to the United States Treasury. ExxonMobil expects to appeal the judgment to the U.S. Court of Appeals for the Fifth Circuit.

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

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

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchase of Equity Securities for Quarter Ended June 30, 2017**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b>
April 2017	-		-	
May 2017	-		-	
June 2017	-		-	
Total	-		-	(See Note 1)

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

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

**Item 6. Exhibits**

<b>Exhibit</b>	<b>Description</b>
10(iii)(c.1)	ExxonMobil Supplemental Savings Plan.
31.1	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Chief Executive Officer.
31.2	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Financial Officer.
31.3	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Accounting Officer.
32.1	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Chief Executive Officer.
32.2	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Financial Officer.
32.3	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Accounting Officer.

101

Interactive Data Files.



**EXXON MOBIL CORPORATION**

**SIGNATURE**

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

**EXXON MOBIL CORPORATION**

Date: August 2, 2017

By:

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

**INDEX TO EXHIBITS**

<b>Exhibit</b>	<b>Description</b>
10(iii)(c.1)	ExxonMobil Supplemental Savings Plan.
31.1	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Chief Executive Officer.
31.2	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Financial Officer.
31.3	Certification (pursuant to Securities Exchange Act Rule 13a-14(a)) by Principal Accounting Officer.
32.1	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Chief Executive Officer.
32.2	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Financial Officer.
32.3	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Accounting Officer.
101	Interactive Data Files.