

EXXON MOBIL CORP  
Form 10-Q  
May 03, 2018

**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, 2018

**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)

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 March 31, 2018</b> |
|--|---|
| <b>Common stock, without par value</b> | <b>4,233,834,437</b>                    |

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**EXXON MOBIL CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018**

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

|  |   |
|--|---|
| Condensed Consolidated Statement of Income               | 3 |
| Three months ended March 31, 2018 and 2017               |   |
| Condensed Consolidated Statement of Comprehensive Income | 4 |
| Three months ended March 31, 2018 and 2017               |   |
| Condensed Consolidated Balance Sheet                     | 5 |
| As of March 31, 2018 and December 31, 2017               |   |
| Condensed Consolidated Statement of Cash Flows           | 6 |
| Three months ended March 31, 2018 and 2017               |   |
| Condensed Consolidated Statement of Changes in Equity    | 7 |
| Three months ended March 31, 2018 and 2017               |   |
| Notes to Condensed Consolidated Financial Statements     | 8 |

|                |  |    |
|----------------|--|----|
| <b>Item 2.</b> | <b>Management's Discussion and Analysis of Financial<br/>Condition and Results of Operations</b> | 16 |
|----------------|--|----|

|                |   |    |
|----------------|---|----|
| <b>Item 3.</b> | <b>Quantitative and Qualitative Disclosures About Market<br/>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<br/>Proceeds</b> | 25 |
|----------------|--|----|

|                |                 |    |
|----------------|-----------------|----|
| <b>Item 6.</b> | <b>Exhibits</b> | 25 |
|----------------|-----------------|----|

|                          |  |    |
|--------------------------|--|----|
| <b>Index to Exhibits</b> |  | 26 |
|--------------------------|--|----|

|                  |  |    |
|------------------|--|----|
| <b>Signature</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>March 31,</b>          |             |
|  | <b>2018</b>               | <b>2017</b> |
| Revenues and other income                                      |                           |             |
| Sales and other operating revenue                              | 65,436                    | 56,474      |
| Income from equity affiliates                                  | 1,910                     | 1,710       |
| Other income   | 865                       | 487         |
| Total revenues and other income                                | 68,211                    | 58,671      |
| Costs and other deductions                                     |                           |             |
| Crude oil and product purchases                                | 36,288                    | 30,359      |
| Production and manufacturing expenses                          | 8,491                     | 7,566       |
| Selling, general and administrative expenses                   | 2,747                     | 2,505       |
| Depreciation and depletion                                     | 4,470                     | 4,519       |
| Exploration expenses, including dry holes                      | 287                       | 289         |
| Non-service pension and postretirement benefit expense         | 337                       | 373         |
| Interest expense   | 204                       | 146         |
| Other taxes and duties   | 8,147                     | 6,996       |
| Total costs and other deductions                               | 60,971                    | 52,753      |
| Income before income taxes                                     | 7,240                     | 5,918       |
| Income taxes   | 2,457                     | 1,828       |
| Net income including noncontrolling interests                  | 4,783                     | 4,090       |
| Net income attributable to noncontrolling interests            | 133                       | 80          |
| Net income attributable to ExxonMobil                          | 4,650                     | 4,010       |
| <br>   |                           |             |
| Earnings per common share <i>(dollars)</i>                     | 1.09                      | 0.95        |
| <br>   |                           |             |
| Earnings per common share - assuming dilution <i>(dollars)</i> | 1.09                      | 0.95        |
| <br>   |                           |             |
| Dividends per common share <i>(dollars)</i>                    | 0.77                      | 0.75        |

*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>2018</b>               | <b>2017</b> |
| Net income including noncontrolling interests                                  | 4,783                     | 4,090       |
| Other comprehensive income (net of income taxes)                               |                           |             |
| Foreign exchange translation adjustment  | (804)                     | 1,408       |
| Adjustment for foreign exchange translation (gain)/loss included in net income | 168                       | -           |
| Postretirement benefits reserves adjustment (excluding amortization)           | (434)                     | (25)        |
| Amortization and settlement of postretirement benefits reserves adjustment     |                           |             |
| included in net periodic benefit costs   | 237                       | 256         |
| Total other comprehensive income   | (833)                     | 1,639       |
| Comprehensive income including noncontrolling interests                        | 3,950                     | 5,729       |
| Comprehensive income attributable to noncontrolling interests                  | (9)                       | 159         |
| Comprehensive income attributable to ExxonMobil                                | 3,959                     | 5,570       |

*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/>2018</b> | <b>Dec. 31,<br/>2017</b> |
|--|--------------------------|--------------------------|
| <b>Assets</b>  |                          |                          |
| Current assets   |                          |                          |
| Cash and cash equivalents  | 4,125                    | 3,177                    |
| Notes and accounts receivable – net  | 24,686                   | 25,597                   |
| Inventories  |                          |                          |
| Crude oil, products and merchandise  | 13,879                   | 12,871                   |
| Materials and supplies   | 4,169                    | 4,121                    |
| Other current assets   | 1,456                    | 1,368                    |
| Total current assets   | 48,315                   | 47,134                   |
| Investments, advances and long-term receivables  | 40,350                   | 39,160                   |
| Property, plant and equipment – net  | 250,352                  | 252,630                  |
| Other assets, including intangibles – net  | 9,809                    | 9,767                    |
| Total assets   | 348,826                  | 348,691                  |
| <b>Liabilities</b>   |                          |                          |
| Current liabilities  |                          |                          |
| Notes and loans payable  | 19,836                   | 17,930                   |
| Accounts payable and accrued liabilities   | 37,207                   | 36,796                   |
| Income taxes payable   | 3,263                    | 3,045                    |
| Total current liabilities  | 60,306                   | 57,771                   |
| Long-term debt   | 20,781                   | 24,406                   |
| Postretirement benefits reserves   | 21,696                   | 21,132                   |
| Deferred income tax liabilities  | 26,760                   | 26,893                   |
| Long-term obligations to equity companies  | 4,818                    | 4,774                    |
| Other long-term obligations  | 19,554                   | 19,215                   |
| Total liabilities  | 153,915                  | 154,191                  |
| Commitments and contingencies (Note 3)   |                          |                          |
| <b>Equity</b>  |                          |                          |
| Common stock without par value   |                          |                          |
| (9,000 million shares authorized, 8,019 million shares issued)                         | 14,888                   | 14,656                   |
| Earnings reinvested  | 415,970                  | 414,540                  |
| Accumulated other comprehensive income   | (16,992)                 | (16,262)                 |
| Common stock held in treasury  |                          |                          |
| (3,785 million shares at March 31, 2018 and 3,780 million shares at December 31, 2017) | (225,671)                | (225,246)                |
| ExxonMobil share of equity   | 188,195                  | 187,688                  |
| Noncontrolling interests   | 6,716                    | 6,812                    |
| Total equity   | 194,911                  | 194,500                  |

|                              |         |         |
|------------------------------|---------|---------|
| Total liabilities and equity | 348,826 | 348,691 |
|------------------------------|---------|---------|

*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</b> |             |
|---|---------------------------|-------------|
|   | <b>March 31,</b>          |             |
|   | <b>2018</b>               | <b>2017</b> |
| Cash flows from operating activities  |                           |             |
| Net income including noncontrolling interests   | 4,783                     | 4,090       |
| Depreciation and depletion  | 4,470                     | 4,519       |
| Changes in operational working capital, excluding cash and debt   | 351                       | 793         |
| All other items – net   | (1,085)                   | (1,229)     |
| Net cash provided by operating activities   | 8,519                     | 8,173       |
| Cash flows from investing activities  |                           |             |
| Additions to property, plant and equipment  | (3,349)                   | (2,890)     |
| Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments | 1,441                     | 687         |
| Additional investments and advances   | (138)                     | (1,738)     |
| Other investing activities including collection of advances   | 187                       | 180         |
| Net cash used in investing activities   | (1,859)                   | (3,761)     |
| Cash flows from financing activities  |                           |             |
| Additions to long-term debt   | -                         | 60          |
| Additions to short-term debt  | -                         | 1,734       |
| Reductions in short-term debt   | (3,872)                   | (2,669)     |
| Additions/(reductions) in commercial paper, and debt with three months or less maturity <i>(1)</i>                  | 1,950                     | 1,308       |
| Cash dividends to ExxonMobil shareholders   | (3,291)                   | (3,134)     |
| Cash dividends to noncontrolling interests  | (43)                      | (44)        |
| Changes in noncontrolling interests   | (59)                      | -           |
| Common stock acquired   | (427)                     | (501)       |
| Net cash used in financing activities   | (5,742)                   | (3,246)     |
| Effects of exchange rate changes on cash  | 30                        | 74          |
| Increase/(decrease) in cash and cash equivalents  | 948                       | 1,240       |
| Cash and cash equivalents at beginning of period  | 3,177                     | 3,657       |
| Cash and cash equivalents at end of period  | 4,125                     | 4,897       |
| Supplemental Disclosures  |                           |             |
| Income taxes paid   | 2,117                     | 1,970       |
| Cash interest paid  | 360                       | 368         |

**2017 Noncash Transactions**

In the first three 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 noncash component associated with the issuance of a combined 96 million shares of Exxon Mobil Corporation common stock in acquisition consideration.

*(1) Includes a net reduction of commercial paper with a maturity of over three months of \$0.3 billion in 2018 and a net addition of \$0.1 billion in 2017. The gross amount of commercial paper with a maturity of over three months issued was \$0.4 billion in 2018 and \$1.1 billion in 2017, while the gross amount repaid was \$0.7 billion in 2018 and \$1.0 billion in 2017.*

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

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

|  | ExxonMobil Share of Equity |                        |                                       |  |                                  |                                  |                 |
|--|----------------------------|------------------------|---------------------------------------|--|----------------------------------|----------------------------------|-----------------|
|  | Accumulated                |                        |                                       |  |                                  |                                  |                 |
|  | Common<br>Stock            | Earnings<br>Reinvested | Other<br>Compre-<br>hensive<br>Income | Common<br>Stock<br>Held in<br>Treasury | ExxonMobil<br>Share of<br>Equity | Non-<br>controlling<br>Interests | Total<br>Equity |
| 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     | 264                        | -                      | -                                     | -                                      | 264                              | -                                | 264             |
| Other                                  | (84)                       | -                      | -                                     | -                                      | (84)                             | -                                | (84)            |
| Net income for the period              | -                          | 4,010                  | -                                     | -                                      | 4,010                            | 80                               | 4,090           |
| Dividends                              | -                          | (3,134)                | -                                     | -                                      | (3,134)                          | (44)                             | (3,178)         |
| Other comprehensive income             | -                          | -                      | 1,560                                 | -                                      | 1,560                            | 79                               | 1,639           |
| Acquisitions, at cost                  | -                          | -                      | -                                     | (582)                                  | (582)                            | -                                | (582)           |
| Issued for acquisitions                | 2,078                      | -                      | -                                     | 5,711                                  | 7,789                            | -                                | 7,789           |
| Dispositions                           | -                          | -                      | -                                     | 3                                      | 3                                | -                                | 3               |
| Balance as of March 31, 2017           | 14,415                     | 408,707                | (20,679)                              | (225,292)                              | 177,151                          | 6,620                            | 183,771         |
| 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                              | -                          | (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         |

**Common Stock Share Activity**

**Three Months Ended March 31, 2018**  
**Held in**  
**Issued Treasury Outstanding**  
*(millions of shares)*

**Three Months Ended March 31, 2017**  
**Held in**  
**Issued Treasury Outstanding**  
*(millions of shares)*

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|                           |       |         |       |       |         |       |
|---------------------------|-------|---------|-------|-------|---------|-------|
| Balance as of December 31 | 8,019 | (3,780) | 4,239 | 8,019 | (3,871) | 4,148 |
| Acquisitions              | -     | (5)     | (5)   | -     | (7)     | (7)   |
| Issued for acquisitions   | -     | -       | -     | -     | 96      | 96    |
| Dispositions              | -     | -       | -     | -     | -       | -     |
| Balance as of March 31    | 8,019 | (3,785) | 4,234 | 8,019 | (3,782) | 4,237 |

*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 2017 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, 2018, ExxonMobil adopted the Financial Accounting Standards Board's standard, *Revenue from Contracts with Customers (Topic 606)*, as amended. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry and transaction specific requirements, and expands disclosure requirements. The standard was adopted using the Modified Retrospective method, under which prior year results are not restated, but supplemental information is provided for any material impacts of the standard on 2018 results. The adoption of the standard did not have a material impact on any of the lines reported in the Corporation's financial statements. The cumulative effect of adoption of the standard was de minimis. The Corporation did not elect any practical expedients that require disclosure. See Note 9.

Effective January 1, 2018, ExxonMobil adopted the Financial Accounting Standards Board's Update, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard requires investments in equity securities other than consolidated subsidiaries and equity method investments to be measured at fair value with changes in the fair value recognized through net income. The Corporation elected a modified approach for equity securities that do not have a readily determinable fair value. This modified approach measures investments at cost minus impairment, if any, plus or minus changes resulting from

observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The cumulative effect adjustment related to the adoption of this standard increased equity \$47 million. The portion of unrealized gains and losses recognized during the reporting period on equity securities still held at March 31, 2018 and the carrying value of equity securities without readily determinable fair values at March 31, 2018 were not significant to the Corporation. The standard also expanded disclosures related to financial instruments. See Note 7.

Effective January 1, 2018, ExxonMobil adopted the Financial Accounting Standards Board's Update, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The update requires separate presentation of the service cost component from other components of net benefit costs. The other components are reported in a new line on the Corporation's Statement of Income, "Non-service pension and postretirement benefit expense." The Corporation elected to use the practical expedient which uses the amounts disclosed in the pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements, as it is impracticable to determine the amounts capitalized in those periods. Beginning in 2018, the other components of net benefit costs are included in the Corporate and financing segment. The estimated after-tax impact from the change in segmentation is an increase of about \$100 million in Corporate and financing expenses for the first quarter of 2018, offset across the operating segments. Additionally, only the service cost component of net benefit costs is eligible for capitalization in situations where it is otherwise appropriate to capitalize employee costs in connection with the construction or production of an asset.

The impact of the retrospective presentation change on ExxonMobil's consolidated statement of income for the period ended March 31, 2017, is shown below.

|  | <b>As Reported</b> | <b>As of March 31, 2017<br/>Change<br/>(millions of dollars)</b> | <b>As Adjusted</b> |
|--|--------------------|--|--------------------|
| Production and manufacturing expenses                  | 7,845              | (279)  | 7,566              |
| Selling, general and administrative expenses           | 2,599              | (94)   | 2,505              |
| Non-service pension and postretirement benefit expense | -                  | 373  | 373                |



Effective January 1, 2019, ExxonMobil will adopt the Financial Accounting Standards Board's standard, *Leases (Topic 842)*, as amended. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. The Corporation is gathering and evaluating data and recently acquired a system to facilitate implementation. We are progressing an assessment of the magnitude of the 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, 2018, for guarantees relating to notes, loans and performance under contracts. Where guarantees for environmental remediation and other similar matters do not include a stated cap, the amounts reflect management's estimate of the maximum potential exposure. These guarantees are not reasonably likely to have a material effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

|              | <b>As of March 31, 2018</b>                   |  |              |
|--------------|---|--|--------------|
|              | <b>Equity<br/>Company<br/>Obligations (1)</b> | <b>Other<br/>Third Party<br/>Obligations</b> | <b>Total</b> |
|              | <i>(millions of dollars)</i>                  |  |              |
| Guarantees   |   |  |              |
| Debt-related | 96  | 328  | 424          |
| Other        | 1,558   | 4,887  | 6,445        |
| Total        | 1,654   | 5,215  | 6,869        |

*(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 percent 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. To date, Venezuela continues to meet its payment obligations. 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. 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 did not seek a writ of certiorari and the court case is now concluded.

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, 2016  | (14,501)  | (7,738)   | (22,239)     |
| Current period change excluding amounts reclassified from accumulated other comprehensive income | 1,342   | (29)  | 1,313        |
| Amounts reclassified from accumulated other comprehensive income                                 | -   | 247   | 247          |
| Total change in accumulated other comprehensive income   | 1,342   | 218   | 1,560        |
| Balance as of March 31, 2017   | (13,159)  | (7,520)   | (20,679)     |
| 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)     |

| <b><u>Amounts Reclassified Out of Accumulated Other Comprehensive Income - Before-tax Income/(Expense)</u></b>   | <b>Three Months Ended March 31,</b> |             |
|--|-------------------------------------|-------------|
|  | <b>2018</b>                         | <b>2017</b> |
|  | <i>(millions of dollars)</i>        |             |
| Foreign exchange translation gain/(loss) included in net income<br>(Statement of Income line: Other income)  | (168)                               | -           |
| Amortization and settlement of postretirement benefits reserves<br>adjustment included in net periodic benefit costs<br>(Statement of Income line: Non-service pension and postretirement benefit expense) | (320)                               | (359)       |

Three Months Ended

**Income Tax (Expense)/Credit For  
Components of Other Comprehensive Income****March 31,**  
**2018                      2017**  
*(millions of dollars)*

|  |      |       |
|--|------|-------|
| Foreign exchange translation adjustment  | -    | (18)  |
| Postretirement benefits reserves adjustment (excluding amortization)   | 124  | 5     |
| Amortization and settlement of postretirement benefits reserves<br>adjustment included in net periodic benefit costs | (83) | (103) |
| Total  | 41   | (116) |

**5. Earnings Per Share**

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2018</b>                             | <b>2017</b> |
| <b>Earnings per common share</b>   |   |             |
| Net income attributable to ExxonMobil ( <i>millions of dollars</i> )               | 4,650                                   | 4,010       |
| Weighted average number of common shares outstanding ( <i>millions of shares</i> ) | 4,270                                   | 4,223       |
| Earnings per common share ( <i>dollars</i> ) (1)                                   | 1.09                                    | 0.95        |

(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<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2018</b>                             | <b>2017</b> |
|  | <i>(millions of dollars)</i>            |             |
| <b>Components of net benefit cost</b>                        |   |             |
| Pension Benefits - U.S.                                      |   |             |
| Service cost   | 209                                     | 197         |
| Interest cost  | 180                                     | 199         |
| Expected return on plan assets                               | (182)                                   | (194)       |
| Amortization of actuarial loss/(gain) and prior service cost | 91                                      | 110         |
| Net pension enhancement and curtailment/settlement cost      | 63                                      | 105         |
| Net benefit cost   | 361                                     | 417         |
| Pension Benefits - Non-U.S.                                  |   |             |
| Service cost   | 158                                     | 145         |
| Interest cost  | 200                                     | 187         |
| Expected return on plan assets                               | (252)                                   | (239)       |
| Amortization of actuarial loss/(gain) and prior service cost | 118                                     | 127         |
| Net pension enhancement and curtailment/settlement cost      | 33                                      | (5)         |
| Net benefit cost   | 257                                     | 215         |
| Other Postretirement Benefits                                |   |             |

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|  |     |     |
|--|-----|-----|
| Service cost   | 36  | 26  |
| Interest cost  | 75  | 72  |
| Expected return on plan assets                               | (6) | (6) |
| Amortization of actuarial loss/(gain) and prior service cost | 17  | 17  |
| Net benefit cost   | 122 | 109 |



## 7. Financial Instruments

Effective January 1, 2018, ExxonMobil adopted the Financial Accounting Standards Board's Update, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The estimated fair value of financial instruments at March 31, 2018, and the related hierarchy level for the fair value measurement is as follows:

| <b>At March 31, 2018</b><br>(millions of dollars)   |                           |                |                   |                |              |
|---|---------------------------|----------------|-------------------|----------------|--------------|
|   | <b>Carrying<br/>Value</b> | <b>Level 1</b> | <b>Fair Value</b> |                | <b>Total</b> |
|   |                           |                | <b>Level 2</b>    | <b>Level 3</b> |              |
| <b>Assets</b>   |                           |                |                   |                |              |
| Advances to/receivables from equity companies<br>(included in<br>the Balance Sheet line: Investments,<br>advances and<br>long-term receivables)                                   | 9,240                     | -              | 2,221             | 7,171          | 9,392        |
| Other long-term financial assets (included in the<br>Balance Sheet lines: Investments, advances<br>and long-term receivables<br>and Other assets, including intangibles<br>– net) | 1,695                     | 742            | -                 | 976            | 1,718        |
| <b>Liabilities</b>  |                           |                |                   |                |              |
| Long-term debt (excluding capitalized lease<br>obligations)   | 19,315                    | 19,266         | 152               | 4              | 19,422       |
| Long-term obligations to equity companies   | 4,818                     | -              | -                 | 5,058          | 5,058        |
| Other long-term financial liabilities (included in<br>the<br>Balance Sheet line: Other long-term<br>obligations)  | 1,066                     | -              | -                 | 1,059          | 1,059        |

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

|  |               | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---------------|---|-------------|
|  |               | <b>2018</b>                             | <b>2017</b> |
|  |               | <i>(millions of dollars)</i>            |             |
| <b>Earnings After Income Tax</b>         |               |   |             |
| Upstream                                 |               |   |             |
|  | United States | 429                                     | (18)        |
|  | Non-U.S.      | 3,068                                   | 2,270       |
| Downstream                               |               |   |             |
|  | United States | 319                                     | 292         |
|  | Non-U.S.      | 621                                     | 824         |
| Chemical                                 |               |   |             |
|  | United States | 503                                     | 529         |
|  | Non-U.S.      | 508                                     | 642         |
| Corporate and financing (1)              |               | (798)                                   | (529)       |
| Corporate total                          |               | 4,650                                   | 4,010       |
| <b>Sales and Other Operating Revenue</b> |               |   |             |
| Upstream                                 |               |   |             |
|  | United States | 2,361                                   | 2,324       |
|  | Non-U.S.      | 3,628                                   | 3,509       |
| Downstream                               |               |   |             |
|  | United States | 16,995                                  | 14,582      |
|  | Non-U.S.      | 34,372                                  | 29,044      |
| Chemical                                 |               |   |             |
|  | United States | 2,989                                   | 2,783       |
|  | Non-U.S.      | 5,078                                   | 4,218       |
| Corporate and financing                  |               | 13                                      | 14          |
| Corporate total                          |               | 65,436                                  | 56,474      |
| <b>Intersegment Revenue</b>              |               |   |             |
| Upstream                                 |               |   |             |
|  | United States | 2,062                                   | 1,290       |
|  | Non-U.S.      | 6,871                                   | 5,899       |
| Downstream                               |               |   |             |
|  | United States | 4,944                                   | 3,646       |
|  | Non-U.S.      | 7,089                                   | 5,214       |
| Chemical                                 |               |   |             |
|  | United States | 2,194                                   | 1,770       |
|  | Non-U.S.      | 1,843                                   | 1,190       |
| Corporate and financing                  |               | 49                                      | 56          |

(1) See Note 2 for additional details regarding the change in segmentation of Non-service pension and postretirement benefit expense.



**Geographic**

| <b>Sales and Other Operating Revenue</b>                 | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2018</b>                             | <b>2017</b> |
|  | <i>(millions of dollars)</i>            |             |
| United States  | 22,345                                  | 19,689      |
| Non-U.S.   | 43,091                                  | 36,785      |
| Total  | 65,436                                  | 56,474      |
| Significant Non-U.S. revenue sources include: <i>(1)</i> |   |             |
| Canada   | 5,375                                   | 4,634       |
| United Kingdom   | 4,672                                   | 4,135       |
| Belgium  | 3,977                                   | 3,265       |
| Singapore  | 3,427                                   | 2,751       |
| France   | 3,245                                   | 2,568       |
| Italy  | 3,154                                   | 2,669       |
| Germany  | 2,231                                   | 2,004       |

*(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. Additional Information on Revenue Recognition****Accounting Policy for Revenue Recognition**

The Corporation generally sells crude oil, natural gas and petroleum and chemical products under short-term agreements at prevailing market prices. In some cases (e.g., natural gas), products may be sold under long-term agreements, with periodic price adjustments to reflect market conditions. Revenue is recognized at the amount the Corporation expects to receive when the customer has taken control, which is typically when title transfers and the customer has assumed the risks and rewards of ownership. The prices of certain sales are based on price indexes that are sometimes not available until the next period. In such cases, estimated realizations are accrued when the sale is recognized, and are finalized when the price is available. Such adjustments to revenue from performance obligations satisfied in previous periods are not significant. Payment for revenue transactions is typically due within 30 days. Future volume delivery obligations that are unsatisfied at the end of the period are expected to be fulfilled through ordinary production or purchases. These performance obligations are based on market prices at the time of the transaction and are fully constrained due to market price volatility.

“Sales and other operating revenue” and “Notes and accounts receivable” primarily arise from contracts with customers. Long-term receivables are primarily from non-customers. Contract assets are mainly from marketing assistance programs and are not significant. Contract liabilities are mainly customer prepayments and accruals of expected

volume discounts and are not significant.

## 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           |       |
|---|------------------------------|-------|
|   | 2018                         | 2017  |
|   | <i>(millions of dollars)</i> |       |
| Upstream  |                              |       |
| United States   | 429                          | (18)  |
| Non-U.S.  | 3,068                        | 2,270 |
| Downstream  |                              |       |
| United States   | 319                          | 292   |
| Non-U.S.  | 621                          | 824   |
| Chemical  |                              |       |
| United States   | 503                          | 529   |
| Non-U.S.  | 508                          | 642   |
| Corporate and financing (1)                             | (798)                        | (529) |
| Net income attributable to ExxonMobil (U.S. GAAP)       | 4,650                        | 4,010 |
| Earnings per common share (dollars)                     | 1.09                         | 0.95  |
| Earnings per common share - assuming dilution (dollars) | 1.09                         | 0.95  |

(1) See Note 2 to the financial statements for additional details regarding the change in segmentation of Non-service pension and postretirement benefit expense.

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 2018 RESULTS

ExxonMobil's first quarter 2018 earnings were \$4.7 billion, or \$1.09 per share assuming dilution, compared with \$4 billion a year earlier. Increased commodity prices, coupled with a focus on operating efficiently and strengthening the portfolio, resulted in higher earnings and the highest cash flow from operations and asset sales since 2014.

Through new discoveries and acquired acreage, the Corporation has positioned its Upstream portfolio well for future growth. The Corporation also made good progress on plans to improve the production mix and grow premium product sales in the Downstream and Chemical businesses.

|                                 |               | <b>First Three Months</b>    |             |
|---------------------------------|---------------|------------------------------|-------------|
|                                 |               | <b>2018</b>                  | <b>2017</b> |
|                                 |               | <i>(millions of dollars)</i> |             |
| <b><u>Upstream earnings</u></b> |               |                              |             |
|                                 | United States | 429                          | (18)        |
|                                 | Non-U.S.      | 3,068                        | 2,270       |
|                                 | Total         | 3,497                        | 2,252       |

Upstream earnings were \$3,497 million in the first quarter of 2018, up \$1,245 million from the first quarter of 2017.

- Higher liquids and gas realizations increased earnings by \$1,430 million.
- Lower volume and mix effects, including the impact from the Papua New Guinea earthquake, decreased earnings by \$190 million.
- All other items increased earnings by \$10 million, as the \$366 million gain on the Scarborough sale in Australia was partially offset by higher expenses.
- U.S. Upstream earnings were \$429 million, up \$447 million from the prior year.
- Non U.S. Upstream earnings were \$3,068 million, up \$798 million from the prior year.
- On an oil equivalent basis, production decreased 6 percent from the first quarter of 2017.
- Liquids production totaled 2.2 million barrels per day, down 117,000 barrels per day as lower volumes from decline, entitlements, and divestments, were partially offset by growth in North America.
- Natural gas production was 10 billion cubic feet per day, down 870 million cubic feet per day driven by higher downtime, including impacts from the Papua New Guinea earthquake, lower entitlements, and base decline.



| <b>Upstream additional information</b>                        |                                      | <b>First Quarter</b>                |
|---|--------------------------------------|-------------------------------------|
| <b>Volumes reconciliation</b> (Oil-equivalent production) (1) |                                      | <i>(thousands of barrels daily)</i> |
| 2017  |                                      | 4,151                               |
|   | Entitlements - Net Interest          | (3)                                 |
|   | Entitlements - Price / Spend / Other | (70)                                |
|   | Quotas                               | -                                   |
|   | Divestments                          | (53)                                |
|   | Growth / Other                       | (136)                               |
| 2018  |                                      | 3,889                               |

(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>2018</b>                  | <b>2017</b> |
|                                   | <i>(millions of dollars)</i> |             |
| <b><u>Downstream earnings</u></b> |                              |             |
| United States                     | 319                          | 292         |
| Non-U.S.                          | 621                          | 824         |
| Total                             | 940                          | 1,116       |

Downstream earnings were \$940 million, down \$176 million from the first quarter of 2017.

- Margins decreased earnings \$30 million, as lower Non U.S. margins were partially offset by higher U.S. margins.
- Lower volumes and mix effects, primarily reflecting lower throughput at the Joliet refinery in Illinois, decreased earnings by \$60 million.
- All other items decreased earnings by \$90 million, as lower divestment gains and higher expenses were partially offset by lower turnaround costs in the U.S.
- U.S. Downstream earnings were \$319 million, up \$27 million from the prior year.
- Non U.S. Downstream earnings were \$621 million, down \$203 million from the prior year.
- Petroleum product sales of 5.4 million barrels per day were 37,000 barrels per day higher than last year's first quarter.

|                                 | <b>First Three Months</b>    |             |
|---------------------------------|------------------------------|-------------|
|                                 | <b>2018</b>                  | <b>2017</b> |
|                                 | <i>(millions of dollars)</i> |             |
| <b><u>Chemical earnings</u></b> |                              |             |
| United States                   | 503                          | 529         |
| Non-U.S.                        | 508                          | 642         |
| Total                           | 1,011                        | 1,171       |

Chemical earnings of \$1,011 million were \$160 million lower than the first quarter of 2017.

- Weaker margins decreased earnings by \$270 million.
- Volume and mix effects increased earnings by \$120 million.
- All other items decreased earnings by \$10 million, as higher growth related expenses were partially offset by favorable foreign exchange impacts.

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- U.S. Chemical earnings were \$503 million, down \$26 million from the prior year.
- Non U.S. Chemical earnings were \$508 million, down \$134 million from the prior year.
- First quarter prime product sales of 6.7 million metric tons were 596,000 metric tons, or 10 percent, higher than the prior year due to project growth and acquisitions.

|  | <b>First Three Months</b>    |             |
|--|------------------------------|-------------|
|  | <b>2018</b>                  | <b>2017</b> |
|  | <i>(millions of dollars)</i> |             |
| <b><u>Corporate and financing earnings</u></b> | (798)                        | (529)       |

Corporate and financing expenses were \$798 million for the first quarter of 2018, up \$269 million from the first quarter of 2017 mainly due to the impact of a lower U.S. tax rate, and higher pension and financing related costs.

**LIQUIDITY AND CAPITAL RESOURCES**

|  | <b>First Three Months</b>    |             |
|--|------------------------------|-------------|
|  | <b>2018</b>                  | <b>2017</b> |
|  | <i>(millions of dollars)</i> |             |
| Net cash provided by/(used in)   |                              |             |
| Operating activities   | 8,519                        | 8,173       |
| Investing activities   | (1,859)                      | (3,761)     |
| Financing activities   | (5,742)                      | (3,246)     |
| Effect of exchange rate changes  | 30                           | 74          |
| Increase/(decrease) in cash and cash equivalents                             | 948                          | 1,240       |
| Cash and cash equivalents (at end of period)                                 | 4,125                        | 4,897       |
| Cash flow from operations and asset sales                                    |                              |             |
| Net cash provided by operating activities (U.S. GAAP)                        | 8,519                        | 8,173       |
| Proceeds associated with sales of subsidiaries, property, plant & equipment, |                              |             |
| and sales and returns of investments   | 1,441                        | 687         |
| Cash flow from operations and asset sales                                    | 9,960                        | 8,860       |

*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 2018 was \$10.0 billion, including asset sales of \$1.4 billion, an increase of \$1.1 billion from the comparable 2017 period primarily due to higher earnings and increased proceeds from asset management activity.

Cash provided by operating activities totaled \$8.5 billion for the first quarter of 2018, \$0.3 billion higher than 2017. The major source of funds was net income including noncontrolling interests of \$4.8 billion, an increase of \$0.7 billion from the prior year period. The adjustment for the noncash provision of \$4.5 billion for depreciation and depletion was essentially in line with 2017. Changes in operational working capital increased cash flows by \$0.4 billion, down \$0.4 billion from the prior year period. All other items net decreased cash flows by \$1.1 billion in 2018 compared to a reduction of \$1.2 billion in 2017. See the Condensed Consolidated Statement of Cash Flows for additional details.

Investing activities for the first quarter of 2018 used net cash of \$1.9 billion, a decrease of \$1.9 billion compared to the prior year. Spending for additions to property, plant and equipment of \$3.3 billion was \$0.5 billion higher than 2017. Proceeds from asset sales of \$1.4 billion increased \$0.8 billion. Investments and advances decreased \$1.6

billion, principally reflecting the absence of the deposit into escrow of the maximum potential contingent consideration payable as a result of the acquisition of InterOil Corporation in 2017.

Net cash used by financing activities was \$5.7 billion in the first quarter of 2018, an increase of \$2.5 billion from 2017. The net reduction in short and long term debt was \$1.9 billion compared to a net addition of \$0.4 billion in 2017.

During the first quarter of 2018, 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 4,239 million at year-end to 4,234 million at the end of the first quarter of 2018. 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 first quarter of 2018 through dividends.

Total cash and cash equivalents of \$4.1 billion at the end of the first quarter of 2018 compared to \$3.2 billion at year-end 2017.

Total debt at the end of the first quarter of 2018 was \$40.6 billion compared to \$42.3 billion at year-end 2017. The Corporation's debt to total capital ratio was 17.2 percent at the end of the first quarter of 2018 compared to 17.9 percent at year-end 2017.

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>2018</b>                  | <b>2017</b> |
|                                  | <i>(millions of dollars)</i> |             |
| Income taxes                     | 2,457                        | 1,828       |
| <i>Effective income tax rate</i> | <i>40%</i>                   | <i>38%</i>  |
| Total other taxes and duties (1) | 8,815                        | 7,629       |
| Total                            | 11,272                       | 9,457       |

(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 \$11.3 billion for the first quarter of 2018, an increase of \$1.8 billion from 2017. Income tax expense increased by \$0.6 billion to \$2.5 billion reflecting higher pre-tax income. The effective income tax rate was 40 percent compared to 38 percent in the prior year period due to a higher share of earnings in higher tax jurisdictions. Total other taxes and duties increased by \$1.2 billion to \$8.8 billion.

During the first three months of 2018, there were no significant changes to the Corporation's reasonable estimates of the income tax effects reflected in 2017 for the changes in tax law and tax rate from the enactment of the U.S. Tax Cuts and Jobs Act and following guidance outlined in the SEC Staff Accounting Bulletin No. 118. The impact of tax law changes on the Corporation's financial statements could differ from its estimates due to further analysis of the new

law, regulatory guidance, technical corrections legislation, or guidance under U.S. GAAP. If significant changes occur, the Corporation will provide updated information in connection with future regulatory filings.

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>2018</b>                  | <b>2017</b> |
|   | <i>(millions of dollars)</i> |             |
| Upstream (including exploration expenses) | 3,759                        | 3,119       |
| Downstream                                | 614                          | 545         |
| Chemical                                  | 465                          | 497         |
| Other                                     | 29                           | 8           |
| Total                                     | 4,867                        | 4,169       |

Capital and exploration expenditures in the first quarter of 2018 were \$4.9 billion, up 17 percent from the first quarter of 2017. The Corporation anticipates an investment level of \$24 billion in 2018. 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.

The Groningen field is operated by Nederlandse Aardolie Maatschappij (NAM), a Netherlands company owned 50 percent by affiliates of the Corporation. NAM has a 60 percent interest in the Groningen field. On March 29, 2018, the Dutch Cabinet notified Parliament of its intention to further reduce previously legislated Groningen gas extraction in response to seismic events over the last several years. Affiliates of the Corporation and their partners are actively in discussions with the government on the associated implementation measures. If the Cabinet's intentions are implemented, the reduction to the Corporation's proved reserves could be up to 0.8 billion oil-equivalent barrels. In addition, the seismic activity has yielded various claims. Where losses are probable and reasonably estimable, liabilities have been recorded. The Corporation does not expect these matters to have a material effect on the Corporation's operations or financial condition. While the future production profile and other considerations related to the Groningen field could vary depending on a wide variety of factors, reduced gas extraction in the future is expected to result in lower reported production, earnings and cash flows than in recent years for the Corporation's share of NAM.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

Effective January 1, 2019, ExxonMobil will adopt the Financial Accounting Standards Board's standard, *Leases (Topic 842)*, as amended. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. The Corporation is gathering and evaluating data and recently acquired a system to facilitate implementation. We are progressing an assessment of the magnitude of the 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; business growth; integration benefits; 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; timely completion of new projects; 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 2017 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, 2018, does not differ materially from that discussed under Item 7A of the registrant’s Annual Report on Form 10-K for 2017.

### **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, 2018. 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 January 25, 2018, ExxonMobil Oil Corporation (EMOC) received a letter setting forth a potential settlement of a previously issued notice of violation from the South Coast Air Quality Management District (SCAQMD) regarding EMOC's former Torrance Refinery in California. The SCAQMD contends that the refinery failed to adequately identify and meet the requirements concerning pumps, sumps and other equipment subject to SCAQMD leak detection, repair and reporting requirements over an extended period of time prior to EMOC's sale of the refinery, in violation of SCAQMD rules and the California Health and Safety Code provisions dealing with air quality. The SCAQMD is seeking in excess of \$100,000 to resolve the matter. EMOC is in settlement discussions with the SCAQMD, and the parties have entered into a tolling agreement to facilitate settlement discussions.

On March 26, 2018, the Corporation received a proposed agreed order from the Texas Commission on Environmental Quality (TCEQ), dated March 15, 2018, related to routine Title V air operating permit investigations conducted by the TCEQ in 2017 of the Baytown Refinery in Texas. The proposed agreed order alleges that the refinery failed to authorize, monitor, or keep records on certain equipment and to comply with certain flare or fuel gas monitoring system availability requirements or concentration limits. The administrative penalty proposed by the TCEQ is in excess of \$100,000. ExxonMobil is evaluating the proposal and alleged violations.

As reported in the Corporation's Form 10-Q for the second quarter of 2017, on July 20, 2017, the United States Department of Treasury, Office of Foreign Assets Control (OFAC) assessed a civil penalty against Exxon Mobil Corporation, ExxonMobil Development Company and ExxonMobil Oil Corporation for violating the Ukraine-Related Sanctions Regulations, 31 C.F.R. part 589. The assessed civil penalty is in the amount of \$2,000,000. ExxonMobil and its affiliates have been and continue to be in compliance with all sanctions and disagree that any violation has occurred. ExxonMobil and its affiliates 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, 2018**

| <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> |
|---------------|---|-------------------------------------|---|---|
| January 2018  | 1,856,228                               | \$87.26                             | 1,856,228   |   |
| February 2018 | 1,663,186                               | \$78.00                             | 1,663,186   |   |
| March 2018    | 1,792,886                               | \$74.56                             | 1,792,886   |   |
| Total         | 5,312,300                               | \$80.08                             | 5,312,300   | (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**

| <b>Exhibit</b> | <b>Description</b>   |
|----------------|--|
| <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 3, 2018

By:

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