

EXXON MOBIL CORP
Form 10-Q
May 04, 2016

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

FORM 10-Q

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

For the quarterly period ended March 31, 2016

or

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

For the transition period from _____ to _____

Commission File Number 1-2256

EXXON MOBIL CORPORATION

(Exact name of registrant as specified in its charter)

NEW JERSEY

(State or other jurisdiction of
incorporation or organization)

13-5409005

(I.R.S. Employer
Identification Number)

5959 LAS COLINAS BOULEVARD, IRVING, TEXAS 75039-2298

(Address of principal executive offices) (Zip Code)

(972) 444-1000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

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

Class
Common stock, without par
value

Outstanding as of March 31, 2016
4,146,611,352

EXXON MOBIL CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

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

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

	Three Months Ended	
	March 31,	
	2016	2015
Revenues and other income		
Sales and other operating revenue <i>(1)</i>	47,105	64,758
Income from equity affiliates	1,251	2,261
Other income	351	599
Total revenues and other income	48,707	67,618
Costs and other deductions		
Crude oil and product purchases	20,707	32,698
Production and manufacturing expenses	7,561	8,730
Selling, general and administrative expenses	2,593	2,713
Depreciation and depletion	4,765	4,300
Exploration expenses, including dry holes	355	311
Interest expense	77	88
Sales-based taxes <i>(1)</i>	4,815	5,530
Other taxes and duties	6,104	6,613
Total costs and other deductions	46,977	60,983
Income before income taxes	1,730	6,635
Income taxes	(51)	1,560
Net income including noncontrolling interests	1,781	5,075
Net income attributable to noncontrolling interests	(29)	135
Net income attributable to ExxonMobil	1,810	4,940
Earnings per common share <i>(dollars)</i>	0.43	1.17
Earnings per common share - assuming dilution <i>(dollars)</i>	0.43	1.17
Dividends per common share <i>(dollars)</i>	0.73	0.69
<i>(1) Sales-based taxes included in sales and other operating revenue</i>	4,815	5,530

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

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

	Three Months Ended	
	March 31,	
	2016	2015
Net income including noncontrolling interests	1,781	5,075
Other comprehensive income (net of income taxes)		
Foreign exchange translation adjustment	3,340	(5,353)
Postretirement benefits reserves adjustment (excluding amortization)	(119)	813
Amortization and settlement of postretirement benefits reserves adjustment		
included in net periodic benefit costs	289	351
Unrealized change in fair value of stock investments	-	2
Realized (gain)/loss from stock investments included in net income	-	8
Total other comprehensive income	3,510	(4,179)
Comprehensive income including noncontrolling interests	5,291	896
Comprehensive income attributable to noncontrolling interests	354	(406)
Comprehensive income attributable to ExxonMobil	4,937	1,302

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)

	Mar. 31, 2016	Dec. 31, 2015
Assets		
Current assets		
Cash and cash equivalents	4,846	3,705
Notes and accounts receivable – net	19,814	19,875
Inventories		
Crude oil, products and merchandise	11,837	12,037
Materials and supplies	4,386	4,208
Other current assets	3,368	2,798
Total current assets	44,251	42,623
Investments, advances and long-term receivables	34,915	34,245
Property, plant and equipment – net	255,257	251,605
Other assets, including intangibles – net	8,366	8,285
Total assets	342,789	336,758
Liabilities		
Current liabilities		
Notes and loans payable	13,540	18,762
Accounts payable and accrued liabilities	32,294	32,412
Income taxes payable	2,892	2,802
Total current liabilities	48,726	53,976
Long-term debt	29,568	19,925
Postretirement benefits reserves	22,401	22,647
Deferred income tax liabilities	36,293	36,818
Long-term obligations to equity companies	5,457	5,417
Other long-term obligations	21,846	21,165
Total liabilities	164,291	159,948
Commitments and contingencies (Note 3)		
Equity		
Common stock without par value		
(9,000 million shares authorized, 8,019 million shares issued)	11,825	11,612
Earnings reinvested	411,200	412,444
Accumulated other comprehensive income	(20,384)	(23,511)
Common stock held in treasury		
(3,872 million shares at March 31, 2016 and 3,863 million shares at December 31, 2015)	(230,454)	(229,734)
ExxonMobil share of equity	172,187	170,811
Noncontrolling interests	6,311	5,999
Total equity	178,498	176,810
Total liabilities and equity	342,789	336,758

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

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

	Three Months Ended	
	March 31,	
	2016	2015
Cash flows from operating activities		
Net income including noncontrolling interests	1,781	5,075
Depreciation and depletion	4,765	4,300
Changes in operational working capital, excluding cash and debt	(399)	(509)
All other items – net	(1,335)	(868)
Net cash provided by operating activities	4,812	7,998
Cash flows from investing activities		
Additions to property, plant and equipment	(4,601)	(6,844)
Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments	177	484
Additional investments and advances	(234)	(282)
Other investing activities – net	309	290
Net cash used in investing activities	(4,349)	(6,352)
Cash flows from financing activities		
Additions to long-term debt	11,963	8,000
Reductions in long-term debt	-	(10)
Additions/(reductions) in short-term debt – net	(28)	(157)
Additions/(reductions) in commercial paper, and debt with three months or less maturity (1)	(7,594)	(3,956)
Cash dividends to ExxonMobil shareholders	(3,054)	(2,910)
Cash dividends to noncontrolling interests	(42)	(40)
Common stock acquired	(726)	(1,781)
Common stock sold	5	-
Net cash used in financing activities	524	(854)
Effects of exchange rate changes on cash	154	(224)
Increase/(decrease) in cash and cash equivalents	1,141	568
Cash and cash equivalents at beginning of period	3,705	4,616
Cash and cash equivalents at end of period	4,846	5,184
Supplemental Disclosures		
Income taxes paid	749	1,226
Cash interest paid	223	170

(1) Includes a net addition of commercial paper with a maturity of over three months of \$0.7 billion in 2016 and \$2.6 billion in 2015. The gross amount of commercial paper with a maturity of over three months issued was \$1.0 billion in 2016 and \$2.6 billion in 2015, while the gross amount repaid was \$0.3 billion in 2016. There were no payments in 2015.

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

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

	ExxonMobil Share of Equity						Total Equity
	Common Stock	Earnings Reinvested	Other Compre- hensive Income	Common Stock Held in Treasury	ExxonMobil Share of Equity	Non- controlling Interests	
Balance as of December 31, 2014	10,792	408,384	(18,957)	(225,820)	174,399	6,665	181,064
Amortization of stock-based awards	213	-	-	-	213	-	213
Tax benefits related to stock-based awards	3	-	-	-	3	-	3
Other	(2)	-	-	-	(2)	-	(2)
Net income for the period	-	4,940	-	-	4,940	135	5,075
Dividends – common shares	-	(2,910)	-	-	(2,910)	(40)	(2,950)
Other comprehensive income	-	-	(3,638)	-	(3,638)	(541)	(4,179)
Acquisitions, at cost	-	-	-	(1,781)	(1,781)	-	(1,781)
Dispositions	-	-	-	3	3	-	3
Balance as of March 31, 2015	11,006	410,414	(22,595)	(227,598)	171,227	6,219	177,446
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	211	-	-	-	211	-	211
Tax benefits related to stock-based awards	4	-	-	-	4	-	4
Other	(2)	-	-	-	(2)	-	(2)
Net income for the period	-	1,810	-	-	1,810	(29)	1,781
Dividends – common shares	-	(3,054)	-	-	(3,054)	(42)	(3,096)
Other comprehensive income	-	-	3,127	-	3,127	383	3,510
Acquisitions, at cost	-	-	-	(726)	(726)	-	(726)
Dispositions	-	-	-	6	6	-	6
Balance as of March 31, 2016	11,825	411,200	(20,384)	(230,454)	172,187	6,311	178,498

<u>Common Stock Share Activity</u>	Three Months Ended March 31, 2016 Held in			Three Months Ended March 31, 2015 Held in		
	Issued	Treasury	Outstanding	Issued	Treasury	Outstanding
	<i>(millions of shares)</i>			<i>(millions of shares)</i>		
Balance as of December 31	8,019	(3,863)	4,156	8,019	(3,818)	4,201
Acquisitions	-	(9)	(9)	-	(20)	(20)
Dispositions	-	-	-	-	-	-
Balance as of March 31	8,019	(3,872)	4,147	8,019	(3,838)	4,181

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

EXXON MOBIL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

These unaudited condensed consolidated financial statements should be read in the context of the consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Corporation's 2015 Annual Report on Form 10-K. In the opinion of the Corporation, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. Prior data has been reclassified in certain cases to conform to the current presentation basis.

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

2. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements, and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2018.

“Sales and Other Operating Revenue” on the Consolidated Statement of Income includes sales, excise and value-added taxes on sales transactions. When the Corporation adopts the standard, revenue will exclude sales-based taxes collected on behalf of third parties. This change in reporting will not impact earnings.

The Corporation continues to evaluate other areas of the standard and its effect on the Corporation's financial statements.

In February 2016, the Financial Accounting Standards Board issued a new standard, *Leases*. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. The standard is required to be adopted beginning January 1, 2019. ExxonMobil is evaluating the standard and its effect on the Corporation's financial statements.

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, 2016, for guarantees relating to notes, loans and performance under contracts. Where guarantees for environmental remediation and other similar matters do not include a stated cap, the amounts reflect management's estimate of the maximum potential exposure. These guarantees are not reasonably likely to have a material effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

	As of March 31, 2016		
	Equity Company Obligations (1)	Other Third Party Obligations	Total
	<i>(millions of dollars)</i>		
Guarantees			
Debt-related	111	38	149
Other	2,761	4,576	7,337
Total	2,872	4,614	7,486

(1) *ExxonMobil share*

Additionally, the Corporation and its affiliates have numerous long-term sales and purchase commitments in their various business activities, all of which are expected to be fulfilled with no adverse consequences material to the Corporation's operations or financial condition. The Corporation's outstanding unconditional purchase obligations at March 31, 2016, were similar to those at the prior year-end period. Unconditional purchase obligations as defined by accounting standards are those long-term commitments that are noncancelable or cancelable only under certain conditions, and that third parties have used to secure financing for the facilities that will provide the contracted goods or services.

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

In accordance with a nationalization decree issued by Venezuela's president in February 2007, by May 1, 2007, a subsidiary of the Venezuelan National Oil Company (PdVSA) assumed the operatorship of the Cerro Negro Heavy Oil Project. This Project had been operated and owned by ExxonMobil affiliates holding a 41.67 percent ownership interest in the Project. The decree also required conversion of the Cerro Negro Project into a "mixed enterprise" and an

increase in PdVSA's or one of its affiliate's ownership interest in the Project, with the stipulation that if ExxonMobil refused to accept the terms for the formation of the mixed enterprise within a specified period of time, the government would "directly assume the activities" carried out by the joint venture. ExxonMobil refused to accede to the terms proffered by the government, and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest in the Cerro Negro Project.

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

On June 12, 2015, the Tribunal rejected in its entirety Venezuela's October 23, 2014, application to revise the ICSID award. The Tribunal also lifted the associated stay of enforcement that had been entered upon the filing of the application to revise.

Still pending is Venezuela's February 2, 2015, application to ICSID seeking annulment of the ICSID award. That application alleges that, in issuing the ICSID award, the Tribunal exceeded its powers, failed to state reasons on which the ICSID award was based, and departed from a fundamental rule of procedure. A separate stay of the ICSID award was entered following the filing of the annulment application. On July 7, 2015, the ICSID Committee considering the annulment application heard arguments

from the parties on whether to lift the stay of the award associated with that application. On July 28, 2015, the Committee issued an order that would lift the stay of enforcement unless, within 30 days, Venezuela delivered a commitment to pay the award if the application to annul is denied. On September 17, 2015, the Committee ruled that Venezuela had complied with the requirement to submit a written commitment to pay the award and so left the stay of enforcement in place. A hearing on Venezuela's application for annulment was held March 8-9, 2016.

The United States District Court for the Southern District of New York entered judgment on the ICSID award on October 10, 2014. Motions filed by Venezuela to vacate that judgment on procedural grounds and to modify the judgment by reducing the rate of interest to be paid on the ICSID award from the entry of the court's judgment, until the date of payment, were denied on February 13, 2015, and March 4, 2015, respectively. On March 9, 2015, Venezuela filed a notice of appeal of the court's actions on the two motions. Oral arguments on this appeal were held before the United States Court of Appeals for the Second Circuit on January 7, 2016.

The District Court's judgment on the ICSID award is currently stayed until such time as ICSID's stay of the award entered following Venezuela's filing of its application to annul has been lifted. The net impact of these matters on the Corporation's consolidated financial results cannot be reasonably estimated. Regardless, the Corporation does not expect the resolution to have a material effect upon the Corporation's operations or financial condition.

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

4. Other Comprehensive Income Information

<u>ExxonMobil Share of Accumulated Other Comprehensive Income</u>	Cumulative Foreign Exchange Translation Adjustment	Post-retirement Benefits Reserves Adjustment	Unrealized Change in Stock Investments	Total
		<i>(millions of dollars)</i>		
Balance as of December 31, 2014	(5,952)	(12,945)	(60)	(18,957)
Current period change excluding amounts reclassified				
from accumulated other comprehensive income	(4,784)	796	2	(3,986)
Amounts reclassified from accumulated other				
comprehensive income	-	340	8	348
Total change in accumulated other comprehensive income	(4,784)	1,136	10	(3,638)
Balance as of March 31, 2015	(10,736)	(11,809)	(50)	(22,595)
Balance as of December 31, 2015	(14,170)	(9,341)	-	(23,511)
Current period change excluding amounts reclassified				
from accumulated other comprehensive income	2,962	(116)	-	2,846
Amounts reclassified from accumulated other				
comprehensive income	-	281	-	281
Total change in accumulated other comprehensive income	2,962	165	-	3,127
Balance as of March 31, 2016	(11,208)	(9,176)	-	(20,384)

Three Months Ended**March 31,****2016 2015***(millions of dollars)*

Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs (1)	(414)	(511)
Realized change in fair value of stock investments included in net income (Statement of Income line: Other income)	-	(12)

(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.)

<u>Income Tax (Expense)/Credit For Components of Other Comprehensive Income</u>	Three Months Ended March 31,	
	2016	2015
	<i>(millions of dollars)</i>	
Foreign exchange translation adjustment	(11)	90
Postretirement benefits reserves adjustment (excluding amortization)	80	(377)
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs	(125)	(160)
Unrealized change in fair value of stock investments	-	(1)
Realized change in fair value of stock investments included in net income	-	(4)
Total	(56)	(452)

5. Earnings Per Share

	Three Months Ended March 31,	
	2016	2015
Earnings per common share		
Net income attributable to ExxonMobil (<i>millions of dollars</i>)	1,810	4,940
Weighted average number of common shares outstanding (<i>millions of shares</i>)	4,178	4,211
Earnings per common share (<i>dollars</i>) (1)	0.43	1.17

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

6. Pension and Other Postretirement Benefits

	Three Months Ended March 31,	
	2016	2015
	<i>(millions of dollars)</i>	
Components of net benefit cost		
Pension Benefits - U.S.		
Service cost	202	195
Interest cost	198	196
Expected return on plan assets	(182)	(207)
Amortization of actuarial loss/(gain) and prior service cost	124	138
Net pension enhancement and curtailment/settlement cost	111	117
Net benefit cost	453	439
Pension Benefits - Non-U.S.		
Service cost	149	176
Interest cost	213	218
Expected return on plan assets	(235)	(278)
Amortization of actuarial loss/(gain) and prior service cost	148	211
Net benefit cost	275	327
Other Postretirement Benefits		
Service cost	35	37
		22

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Interest cost	89	90
Expected return on plan assets	(6)	(7)
Amortization of actuarial loss/(gain) and prior service cost	31	45
Net benefit cost	149	165

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 \$29,061 million at March 31, 2016, and \$18,854 million at December 31, 2015, as compared to recorded book values of \$28,306 million at March 31, 2016, and \$18,687 million at December 31, 2015. The increase in the estimated fair value and book value of long-term debt reflects the Corporation's issuance of \$12.0 billion of long-term debt in the first quarter of 2016. The \$12.0 billion of long-term debt is comprised of \$750 million of floating-rate notes due in 2018, \$250 million of floating-rate notes due in 2019, \$1,000 million of 1.439% notes due in 2018, \$1,250 million of 1.708% notes due in 2019, \$2,500 million of 2.222% notes due in 2021, \$1,250 million of 2.726% notes due in 2023, \$2,500 million of 3.043% notes due in 2026 and \$2,500 million of 4.114% notes due in 2046.

The fair value of long-term debt by hierarchy level at March 31, 2016, is: Level 1 \$28,835 million; Level 2 \$164 million; and Level 3 \$62 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	
		March 31,	
		2016	2015
		<i>(millions of dollars)</i>	
Earnings After Income Tax			
Upstream			
	United States	(832)	(52)
	Non-U.S.	756	2,907
Downstream			
	United States	187	567
	Non-U.S.	719	1,100
Chemical			
	United States	581	605
	Non-U.S.	774	377
All other		(375)	(564)
Corporate total		1,810	4,940
 Sales and Other Operating Revenue (1)			
Upstream			
	United States	1,450	2,125
	Non-U.S.	3,019	4,122
Downstream			
	United States	11,513	18,389
	Non-U.S.	24,937	33,162
Chemical			
	United States	2,385	2,792
	Non-U.S.	3,799	4,166
All other		2	2
Corporate total		47,105	64,758

(1) Includes sales-based taxes

Intersegment Revenue

Upstream			
	United States	806	1,180
	Non-U.S.	3,453	4,857
Downstream			
	United States	2,390	3,076
	Non-U.S.	4,070	5,273
Chemical			
	United States	1,404	1,773
	Non-U.S.	952	1,321
All other		58	68

9. Accounting for Suspended Exploratory Well Costs

For the category of exploratory well costs at year-end 2015 that were suspended more than one year, a total of \$74 million was expensed in the first three months of 2016.

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	
	2016	2015
	<i>(millions of dollars)</i>	
Upstream		
United States	(832)	(52)
Non-U.S.	756	2,907
Downstream		
United States	187	567
Non-U.S.	719	1,100
Chemical		
United States	581	605
Non-U.S.	774	377
Corporate and financing	(375)	(564)
Net Income attributable to ExxonMobil	1,810	4,940
Earnings per common share <i>(dollars)</i>	0.43	1.17
Earnings per common share - assuming dilution <i>(dollars)</i>	0.43	1.17

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 2016 RESULTS

ExxonMobil's first quarter 2016 earnings were \$1.8 billion, or \$0.43 per diluted share, compared with \$4.9 billion a year earlier. Lower Upstream and Downstream earnings were partially offset by stronger Chemical results and lower corporate costs.

The organization continues to respond effectively to challenging industry conditions, capturing enhancements to operational performance and creating margin uplift despite low prices. The scale and integrated nature of our cash flow provide competitive advantage and support consistent strategy execution.

New project capacity additions drove liquids production up 11.5 percent in the quarter, or 261,000 barrels per day. Total Upstream volumes increased to 4.3 million oil-equivalent barrels per day.

		First Three Months	
		2016	2015
		<i>(millions of dollars)</i>	
<u>Upstream earnings</u>			
	United States	(832)	(52)
	Non-U.S.	756	2,907
	Total	(76)	2,855

Upstream earnings declined \$2,931 million from the first quarter of 2015, to a loss of \$76 million. Lower liquids and gas realizations decreased earnings by \$2.6 billion. Sales mix effects decreased earnings by \$100 million. All other items decreased earnings by \$250 million, including lower gains on asset sales and less favorable tax items partly offset by lower expenses.

On an oil-equivalent basis, production increased 1.8 percent from the first quarter of 2015. Liquids production totaled 2.5 million barrels per day, up 261,000 barrels per day, while natural gas production was 10.7 billion cubic feet per day, down 1.1 billion cubic feet per day from 2015. Project ramp up was partly offset by regulatory restrictions in the Netherlands, field decline and asset management impacts.

The U.S. Upstream operations recorded a loss of \$832 million, compared to a loss of \$52 million in the first quarter of 2015. Non-U.S. Upstream earnings were \$756 million, down \$2,151 million from the prior year.

<u>Upstream additional information</u>		First Quarter
Volumes reconciliation (Oil-equivalent production) (1)		<i>(thousands of barrels daily)</i>
2015		4,248
	Entitlements - Net Interest	5
	Entitlements - Price / Spend / Other	31
	Quotas	-
	Divestments	(41)
	Growth / Other	82
2016		4,325

(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.

		First Three Months	
		2016	2015
		<i>(millions of dollars)</i>	
<u>Downstream earnings</u>			
United States		187	567
Non-U.S.		719	1,100
	Total	906	1,667

Downstream earnings were \$906 million, down \$761 million from the first quarter of 2015. Weaker margins decreased earnings by \$860 million. Volume and mix effects increased earnings by \$10 million. All other items, primarily favorable foreign exchange effects, increased earnings by \$90 million. Petroleum product sales of 5.3 million barrels per day were 480,000 barrels per day lower than the prior year's first quarter.

Earnings from the U.S. Downstream were \$187 million, down \$380 million from the first quarter of 2015. Non-U.S. Downstream earnings of \$719 million were \$381 million lower than last year.

		First Three Months	
		2016	2015
		<i>(millions of dollars)</i>	
<u>Chemical earnings</u>			
United States		581	605
Non-U.S.		774	377
	Total	1,355	982

Chemical earnings of \$1,355 million were \$373 million higher than the first quarter of 2015. Improved margins increased earnings by \$250 million. Favorable volume and mix effects increased earnings by \$80 million. All other items, primarily lower expenses, increased earnings by \$40 million. First quarter prime product sales of 6.2 million metric tons were 104,000 metric tons higher than last year's first quarter.

		First Three Months	
		2016	2015
		<i>(millions of dollars)</i>	
<u>Corporate and financing earnings</u>		(375)	(564)

Corporate and financing expenses were \$375 million for the first quarter of 2016, down \$189 million from the first quarter of 2015 due to favorable tax items.

LIQUIDITY AND CAPITAL RESOURCES

	First Three Months	
	2016	2015
	<i>(millions of dollars)</i>	
Net cash provided by/(used in)		
Operating activities	4,812	7,998
Investing activities	(4,349)	(6,352)
Financing activities	524	(854)
Effect of exchange rate changes	154	(224)
Increase/(decrease) in cash and cash equivalents	1,141	