



# Reading the Company 10-K: Exxon Mobil

Training: Energy and Finance  
Issues



**Institute for Energy Economics  
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IEEFA.org

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# Overview

- **Basic Purpose**
- **Structure of 10-K**
- **ExxonMobil**
- **Using Data and Analysis**
- **Appendix**

# **Section I**

## **Basic Purpose, Regulatory Oversight and Why Care?**

# Reading the Company 10-K

- **What is it?**
  - Comprehensive summary of annual company financial performance and audited statement.
  - Company purpose and history, organizational structure, executive compensation, equity description, subsidiaries, audit and other
- **Who files it?**
  - \$10 million in assets and 500 stock owners.
- **Where is it filed?**
  - Securities and Exchange Commission –EDGAR database
  - Company website – Investors
- **Why is it filed?**
  - (Section 13 or 15(d) c, Securities Exchange Act of 1934 (15 USC 78mo-78o(d))
  - Filing Requirements and Securities Registration Requirements.

# Comparable Documents Worldwide

- **Most countries require companies listed on the stock exchange to make similar filings.**
- **Standards are different but are similar enough to allow cross country comparison.**
  - Essential tools for global commerce and trading.

Country	Agency
U.S.	Securities and Exchange Commission <a href="http://www.sec.gov">www.sec.gov</a>
Australia	Australian Securities and Investments Commission <a href="http://asic.gov.au/about-asic/">http://asic.gov.au/about-asic/</a>
Bangladesh	Bangladesh Securities and Exchange Commission <a href="http://www.sec.gov.bd/">http://www.sec.gov.bd/</a>
Canada	13 Provincial Securities Regulators <a href="http://www.osc.gov.on.ca/en/home.htm">http://www.osc.gov.on.ca/en/home.htm</a> Ontario Securities Commission <a href="http://www.osc.gov.on.ca/en/home.htm">http://www.osc.gov.on.ca/en/home.htm</a> Alberta Securities Commission <a href="http://www.albertasecurities.com/Pages/home.aspx">http://www.albertasecurities.com/Pages/home.aspx</a>
China	China Securities Regulatory Commission (EN): <a href="http://www.csrc.gov.cn/pub/csrc_en/">http://www.csrc.gov.cn/pub/csrc_en/</a> (CH): <a href="http://www.csrc.gov.cn/pub/newsite/">http://www.csrc.gov.cn/pub/newsite/</a>
Indonesia	Indonesian Capital Market Supervisory Agency <a href="http://www.bapepam.go.id/">http://www.bapepam.go.id/</a>
India	Securities and Exchange Board of India <a href="http://www.sebi.gov.in/sebiweb/">http://www.sebi.gov.in/sebiweb/</a>

Country	Agency
Japan	Financial Services Agency (JPN): <a href="http://www.fsa.go.jp/">http://www.fsa.go.jp/</a> (EN): <a href="http://www.fsa.go.jp/en/index.html">http://www.fsa.go.jp/en/index.html</a>
Mozambique	Limited Disclosure: Summary of Accessible information <ul style="list-style-type: none"> <li>• <a href="http://www.doingbusiness.org/data/exploreconomies/mozambique/protecting-minority-investors/">http://www.doingbusiness.org/data/exploreconomies/mozambique/protecting-minority-investors/</a></li> <li>• <a href="http://www.mic.gov.mz/">http://www.mic.gov.mz/</a></li> <li>• <a href="http://www.cpi.co.mz/index.php/en/2012-03-14-03-21-37/useful-links">http://www.cpi.co.mz/index.php/en/2012-03-14-03-21-37/useful-links</a></li> </ul>
Philippines	Securities and Exchange Commission Republic of the Philippines <a href="http://www.sec.gov.ph/">http://www.sec.gov.ph/</a>
Poland	Ministry of Justice Poland (Polish version access to company info) <a href="http://ms.gov.pl/pl/">http://ms.gov.pl/pl/</a>
South Africa	Financial Services Board of South Africa <a href="https://www.fsb.co.za/Pages/Home.aspx">https://www.fsb.co.za/Pages/Home.aspx</a>
Thailand	Securities and Exchange Commission (TH): <a href="http://www.sec.or.th/TH/Pages/home.aspx">http://www.sec.or.th/TH/Pages/home.aspx</a> (EN): <a href="http://www.sec.or.th/EN/Pages/Home.aspx">http://www.sec.or.th/EN/Pages/Home.aspx</a>
Turkey	Capital Markets Board of Turkey <a href="http://www.cmb.gov.tr/">http://www.cmb.gov.tr/</a> SermayeP iyasa Kurulu <a href="http://www.spk.gov.tr/">http://www.spk.gov.tr/</a>
United Kingdom	Companies House <a href="https://www.gov.uk/government/organisations/companies-house/about/about-our-services">https://www.gov.uk/government/organisations/companies-house/about/about-our-services</a>
Vietnam	State Securities Commission of Vietnam <a href="http://www.ssc.gov.vn">www.ssc.gov.vn</a>
Links to Securities and Financial Regulators	<ul style="list-style-type: none"> <li>• <a href="http://www.world-stock-exchanges.net/regulators.html">http://www.world-stock-exchanges.net/regulators.html</a></li> <li>• <a href="https://www.nrd.ca/nrd/userguide/english/helpful_info/securities_administrators.htm">https://www.nrd.ca/nrd/userguide/english/helpful_info/securities_administrators.htm</a></li> </ul>

# Reading the Company 10-K

- **What is the Securities and Exchange Commission (SEC)?**
  - 1934 Depression era legislation – prior state regulation.
  - SEC enforces securities laws/ regulates securities industry.
  - Proscribes reporting requirements and disclosures for companies d/b in United States
  - Regulates Information used by investors, not market outcomes
  - Civil actions and assistance with criminal prosecutions
  - Filing violations, fraud, misrepresentations – continuum of remedies.
  - Also part of larger effort with Self-Regulatory Organizations
  - FINRA (Financial Industry Regulatory Authority) and MSRB (Municipal Rulemaking Board)
  - Subpoena power.
  - SEC also regulates filing of Company 10Q's – quarterly financial statements and 8K statements (material events).
    - Normal use of 8K – Bankruptcy, mergers, new CEO.
    - Investor Presentations covered.
    - Other filings related to insider transactions.



# Reading the Company 10-K

- **Companion Reading**
  - **Prior 10K's:** Corporate website and EDGAR
  - **Historical Stock Market Returns:** Corporate website, Yahoo Finance and other interactive. Recent market activity in 10-K. Exxon compared to itself, other companies and market indexes.
  - **Credit Agency Reports:** Moody's, Standard and Poor's and Fitch. Basic Letter Ratings "A", etc. are in 10-K with notes on major changes. Actual credit agency reports very valuable.
  - **Stock Analyst Reports:** Exxon is covered by most large firms. Reports usually private.
  - **Transcripts of Quarterly Earnings Call:** published on website includes questions from stock analysts and company responses.
  - **Company Press Releases:** particularly on earnings reports.
  - **Company Reports and Other Publications:** Annual Report, Special Topic Studies
  - **Proxy Materials for Annual Meetings:** Company statements to investors, discussion of shareholder issues and additional governance and executive compensation.
  - **Litigation and Administrative Proceedings or Correspondence**

# Reading the Company 10-K

- **Why we care about it?**
  - Prepared for investing public – should I invest in this company? Should I continue with involvement? Should I sell?
  - It is the company's description of itself.
  - Broad strengths and weaknesses of companies.
  - Very specific data and qualitative information that forms the basis of our analysis:
    - Oil company: headquarters, size, quality and location of reserves, by segment.
    - How the segments flow together and create the corporate picture – enterprise wide presentation.
    - Future direction: market potential and risks.
  - Put campaign focus into broad corporate perspective.
    - Seeing the projects we agree/oppose through the eyes of the company.

# **Section II**

## **Structure of the 10-K Filing**

# Reading the Company 10-K

Part and Item	Details	What to Look For?
<b>Part I</b>		
• <b>Item 1 – Business Purpose</b>	What company does, where, important history and subsidiaries, recent events.	<ul style="list-style-type: none"> <li>- Full scope of activities – types of oil, petrochemicals, renewables.</li> <li>- Countries – relative size of reserves and importance.</li> <li>- Corporate Structure – parent/key subsidiaries</li> <li>- Recent Events – Mergers/Significant Market Conditions</li> </ul>
• <b>Item 1A – Risk Factors</b>	General: economy, industry, geographic, company specific	<ul style="list-style-type: none"> <li>- Boilerplate</li> <li>- Non-boilerplate: “Low oil prices have compelled reduction in proven reserves.” “Paris Agreement may curtail demand for product.” “Pressure to borrow lowers credit rating”</li> <li>- Prior year comparisons.</li> </ul>
• <b>Item 1B – Unresolved Staff Comments</b>	SEC Staff Comments	
• <b>Item 2 - Properties</b>	Significant Holdings	<ul style="list-style-type: none"> <li>- Oil companies: reserves, size, location, quality, annual production, costs, revenues</li> <li>- For utilities: plants, capacity, location, fuel, age.</li> <li>- For mining companies – mines, reserves, annual production, coal quality</li> </ul>
• <b>Item 3 – Legal Proceedings</b>	Material Impacts	<ul style="list-style-type: none"> <li>- Number and types: Class Action, Regulatory enforcement, business related. Company characterization.</li> </ul>
• <b>Item 4 - Reserved</b>		

# Item 1: Business Purpose

- **ITEM 1. BUSINESS**

- Exxon Mobil Corporation was incorporated in the State of New Jersey in 1882. Divisions and affiliated companies of ExxonMobil operate or market products in the United States and most other countries of the world. Their principal business is energy, involving exploration for, and production of, crude oil and natural gas, manufacture of petroleum products and transportation and sale of crude oil, natural gas and petroleum products. ExxonMobil is a major manufacturer and marketer of commodity petrochemicals, including olefins, aromatics, polyethylene and polypropylene plastics and a wide variety of specialty products. Affiliates of ExxonMobil conduct extensive research programs in support of these businesses.
- The number of regular employees was 71.1 thousand, 73.5 thousand, and 75.3 thousand at years ended 2016, 2015 and 2014, respectively. Regular employees are defined as active executive, management, professional, technical and wage employees who work full time or part time for the Corporation and are covered by the Corporation's benefit plans and programs

# Item 2: Properties

- **PAGE 5: Exxon Mobil 2016 10-K**

				Crude	Natural Gas		Synthetic	Natural	Oil-Equivalent
				Oil	Liquids	Bitumen	Oil	Gas	Basis
				(million bbls)	(million bbls)	(million bbls)	(million bbls)	(billion cubic ft)	(million bbls)
<b>PROVEN RESERVES</b>									
Developed									
	Consolidated Subsidiaries								
		United States		1,013	304	-	-	11,927	3,305
		Canada/South America (1)		79	8	436	564	478	1,167
		Europe		146	29	-	-	1,473	420
		Africa		679	157	-	-	728	957
		Asia		1,733	125	-	-	4,532	2,614
		Australia/Oceania		74	31	-	-	3,071	616
		Total Consolidated		3,724	654	436	564	22,209	9,079
	Equity Companies								
		United States		205	5	-	-	144	233
		Europe		11	-	-	-	5,804	979
		Asia		784	330	-	-	14,067	3,459
		Total Equity Company		1,000	335	-	-	20,015	4,671
		Total Developed		4,724	989	436	564	42,224	13,750
Undeveloped									
	Consolidated Subsidiaries								
		United States		1,168	458	-	-	5,859	2,603
		Canada/South America (1)		162	7	265	-	462	511
		Europe		27	4	-	-	186	62
		Africa		165	4	-	-	43	176
		Asia		1,025	-	-	-	389	1,089
		Australia/Oceania		47	27	-	-	4,286	789
		Total Consolidated		2,594	500	265	-	11,225	5,230
	Equity Companies								
		United States		31	5	-	-	67	47
		Europe		6	-	-	-	1,820	309
		Asia		399	44	-	-	1,167	638
		Total Equity Company		436	49	-	-	3,054	994
		Total Undeveloped		3,030	549	265	-	14,279	6,224
				7,754	1,538	701	564	56,503	19,974

# Reading the Company 10-K

Part and Item	Details	What to Look For?
<b>Part II</b>		
• <b>Item – 5 – Stock Information</b>	Holdings, dividends, stock repurchases	- Size of dividend
• <b>Item – 6 – Selected Financial Information</b>	5 Year Information – Income/Expense and stock related	- Basic direction of indicators – revenue increase, expenses, net income rising, dividends same or rising
• <b>Item 7 – Management Discussion and Analysis (MD&amp;A)</b>	Management tells its story	- What are changes they see? Why are they taking place? The plan moving forward. Are there off balance sheet transactions referred to or contracts? New accounting or financial assumptions or improvements?
• <b>Items 7A – Quantitative and Qualitative Risk Factors</b>	Greater specification: commodity risk, interest rate risk, equity price risk, currency price risk, energy price risk, currency risk	- Commodity risk – price of fuel. Traders are hedged to raise revenues – natural gas deals. Will revenues materialize? - Interest rate – upcoming changes? Debt maturity and current company position, credit rating changes?
• <b>Item 8 – Financial Statements</b>	Income statement, balance sheets, statement of cash flow and stockholder equity.	- GAAP and non-GAAP. - Financial statement of accountant.



# Item 6: Selected Financial Information 5 years

- Page 36 – 10-K 2016

			2016	2015	2014	2013	2012
<b>Sales and other operating revenue (1)</b>			218,608	259,488	394,105	420,836	451,509
<b>Earnings</b>							
	Upstream		196	7,101	27,548	26,841	29,895
	Downstream		4,201	6,557	3,045	3,449	13,190
	Chemical		4,615	4,418	4,315	3,828	3,898
	Corporate and financing		-1,172	-1,926	-2,388	-1,538	-2,103
	Net income attributable to ExxonMobil		7,840	16,150	32,520	32,580	44,880
<b>Earnings per common share</b>			1.88	3.85	7.6	7.37	9.7
<b>Earnings per common share – assuming dilution</b>			1.88	3.85	7.6	7.37	9.7
<b>Cash dividends per common share</b>			2.98	2.88	2.7	2.46	2.18
<b>Earnings to average ExxonMobil share of equity (percent)</b>			4.6	9.4	18.7	19.2	28
<b>Working capital</b>			-6,222	-11,353	-11,723	-12,416	321
<b>Ratio of current assets to current liabilities</b>			0.87	0.79	0.82	0.83	1.01
<b>Additions to property, plant and equipment</b>			16,100	27,475	34,256	37,741	35,179
<b>Property, plant and equipment, less allowances</b>			244,224	251,605	252,668	243,650	226,949
<b>Total assets</b>			330,314	336,758	349,493	346,808	333,795
<b>Exploration expenses, including dry holes</b>			1,467	1,523	1,669	1,976	1,840
<b>Research and development costs</b>			1,058	1,008	971	1,044	1,042
<b>Long-term debt</b>			28,932	19,925	11,653	6,891	7,928
<b>Total debt</b>			42,762	38,687	29,121	22,699	11,581
<b>Fixed-charge coverage ratio (times)</b>			5.7	17.6	46.9	55.7	62.4
<b>Debt to capital (percent)</b>			19.7	18	13.9	11.2	6.3
<b>Net debt to capital (percent) (2)</b>			18.4	16.5	11.9	9.1	1.2
<b>Number of regular employees at year-end (thousands) (3)</b>			71.1	73.5	75.3	75	76.9
<b>CORS employees not included above (thousands) (4)</b>			1.6	2.1	8.4	9.8	11.1

# Item 8: Income Statement

- P. 65: Consolidated Statement of Income

				2016	2015	2014
<b>Revenues and other income</b>						
	Sales and other operating revenue (1)			218,608	259,488	394,105
	Income from equity affiliates		7	4,806	7,644	13,323
	Other income			2,680	1,750	4,511
	Total revenues and other income			226,094	268,882	411,939
<b>Costs and other deductions</b>						
	Crude oil and product purchases			104,171	130,003	225,972
	Production and manufacturing expenses			31,927	35,587	40,859
	Selling, general and administrative expenses			10,799	11,501	12,598
	Depreciation and depletion		9	22,308	18,048	17,297
	Exploration expenses, including dry holes			1,467	1,523	1,669
	Interest expense			453	311	286
	Sales-based taxes (1)		19	21,090	22,678	29,342
	Other taxes and duties		19	25,910	27,265	32,286
	Total costs and other deductions			218,125	246,916	360,309
<b>Income before income taxes</b>				7,969	21,966	51,630
	Income taxes		19	-406	5,415	18,015
<b>Net income including noncontrolling interests</b>				8,375	16,551	33,615
	Net income attributable to noncontrolling interests			535	401	1,095
<b>Net income attributable to ExxonMobil</b>				7,840	16,150	32,520
<b>Earnings per common share (dollars)</b>			12	1.88	3.85	7.6
<b>Earnings per common share - assuming dilution (dollars)</b>			12	1.88	3.85	7.6

# Item 8: Cash Flow Statements

- Consolidated Cash Flow: p. 67, 2016 – 10K

Cash flows from operating activities					2016	2015	2014
	Net income including noncontrolling interests				8,375	16,551	33,615
	Net cash provided by operating activities				22,082	30,344	45,116
<b>Cash flows from investing activities</b>							
	<b>Additions to property, plant and equipment</b>				-16,163	-26,490	-32,952
	Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments				4,275	2,389	4,035
	Decrease/(increase) in restricted cash and cash equivalents				-	42	227
	Additional investments and advances				-1,417	-607	-1,631
	Collection of advances				902	842	3,346
	Net cash used in investing activities				-12,403	-23,824	-26,975
<b>Cash flows from financing activities</b>							
	Additions to long-term debt				12,066	8,028	5,731
	Reductions in long-term debt				-	-26	-69
	Reductions in short-term debt				-314	-506	-745
	Additions/(reductions) in commercial paper, and debt with three months or less maturity				-7,459	1,759	2,049
	Cash dividends to ExxonMobil shareholders				-12,453	-12,090	-11,568
	Cash dividends to noncontrolling interests				-162	-170	-248
	Tax benefits related to stock-based awards				-	2	115
	Common stock acquired				-977	-4,039	-13,183
	Common stock sold				6	5	30
	Net cash used in financing activities				-9,293	-7,037	-17,888
Effects of exchange rate changes on cash					-434	-394	-281
Increase/(decrease) in cash and cash equivalents					-48	-911	-28
Cash and cash equivalents at beginning of year					3,705	4,616	4,644
Cash and cash equivalents at end of year					3,657	3,705	4,616

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Price of Oil (\$/bbl)	65.39	72.70	97.64	61.86	79.64	110.94	111.97	108.86	98.94	52.37	44.05
Basic Information											
Total Revenues	377.64	404.55	477.36	310.59	383.22	486.43	480.68	438.25	411.94	268.88	226.09
Total Costs	310.23	334.08	393.96	275.81	330.26	413.17	401.95	380.54	360.31	246.92	218.12
Net Income	39.50	40.61	45.22	19.28	30.46	41.06	44.88	32.58	32.52	16.15	7.8
Long Term Debt	6.65	7.18	7.03	7.13	12.23	9.32	7.93	6.89	11.65	19.93	28.9
Free Cash Flow to Equity											
Net Cash by Operating Activities	49.29	52.0	59.72	28.43	48.41	55.35	56.17	44.91	45.12	30.34	22.08
Additions to Property/Plant/Equip.	15.46	15.39	19.32	22.49	26.87	30.98	34.27	33.67	32.95	26.49	16.16
Long Term	.285	.383	-.113	.157	-5.081	.436	.848	.332	5.661	8.00	12.06
Short Term	-.117	.402	-0.56	-0.24	-1.84	-0.04	-3.53	-0.74	-0.75	-0.51	-.314
Commercial	-.095	-0.18	.143	-0.071	.709	1.56	-0.23	12.012	2.05	1.76	-7.46
IEEFA Free Cash Flow to Equity (FCFE)	33.90	37.21	39.87	5.79	15.33	26.33	18.99	22.85	19.13	13.11	10.25
Share Distributions											
Dividend	7.867	7.910	8.433	8.303	8.77	9.33	10.42	11.18	11.82	12.26	12.453
Stock Buybacks	28.385	30.741	34.981	18.951	12.050	21.1	20.9	15.95	13.15	4.03	.9
IEEFA Total Distributions	36.252	38.653	43.414	27.254	20.829	30.434	31.32	27.13	26.00	16.29	13.3
Cash End of Year Balance	28.24	33.98	31.48	10.69	7.8	12.66	9.58	4.64	4.61	3.71	3.58

# Reading the Company 10-K

Part and Item	Details	What to Look For?
<b>Part III</b>		
<ul style="list-style-type: none"> <li>Item 10 – Directors/Executive Officers/ Corporate Governance and Ethics</li> </ul>	List of who is on board (website usually has bios); Officers and Committees; Ethics policy and critical governance issues	<ul style="list-style-type: none"> <li>- Is the talent on board equal to challenges of company?</li> <li>- Are people on the board or in senior management approachable?</li> </ul>
<ul style="list-style-type: none"> <li>Item 11 –Executive Compensation</li> </ul>	Levels of Compensation for Board and certain senior management	<ul style="list-style-type: none"> <li>- Needs of Company vs. common public perception.</li> </ul>
<ul style="list-style-type: none"> <li>Item 12 &amp; 13 - Director/Officer Relationships and Transactions Related to Company</li> </ul>	Major transactions	
<ul style="list-style-type: none"> <li>Item 14 - Principal Accounting Fees and Service</li> </ul>	Accountant Role in organization	
<b>Part IV</b>		
<ul style="list-style-type: none"> <li>Financial Statements, independent accountant, management discussion</li> </ul>	Independent accountant presentation and opinion, Management Discussion, Corporate affiliations, indebtedness, subsidiaries and financial notes.	<ul style="list-style-type: none"> <li>- Clear statements from accountants, MDA admissions, write offs, Alternative accounting presentations.</li> </ul>



# Part 4: Accountant: Notes to Financial Statement, Note 18. Write down of Reserves

- As a result of **very low prices** during 2016, under the SEC definition of proved reserves, **certain quantities of oil and natural gas that qualified as proved reserves in prior years did not qualify as proved reserves at year-end 2016** and are reflected as downward revisions. Amounts no longer qualifying as proved reserves include the entire **3.5 billion barrels** of bitumen at Kearl. In addition, **0.8 billion barrels of oil equivalent across** the remainder of North America no longer qualify as proved reserves mainly due to the acceleration of the projected end-of-field-life. Among the factors that would result in these amounts being recognized again as proved reserves at some point in the future are a recovery in average price levels, a further decline in costs, and / or operating efficiencies. We do not expect the downward revision of reported proved reserves under SEC definitions to affect the operation of the underlying projects or to alter our outlook for future production volumes.

## **Section III**

# **Exxon Mobil 10-K: Background, By the Numbers, a Shrinking Company**

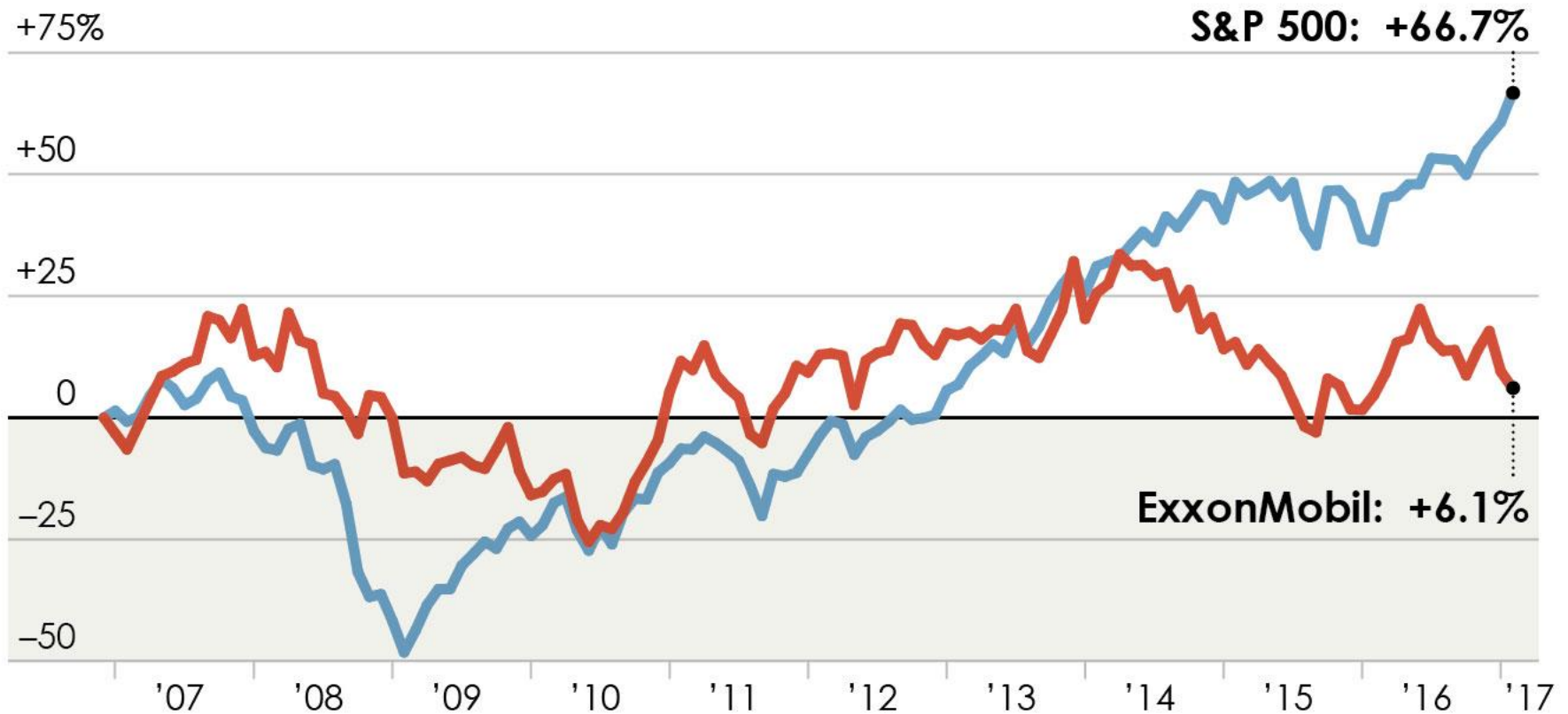


# Significance of Oil and Gas Investments

- Late 1980's seven of top ten companies in SP 500 were oil and gas
- Today, only one – Exxon Mobil
- Exxon from 70's to early 90's drove the Standard and Poor's Index
- From late 1990's to 2014 led the index, no longer dominated
- Since 2014, Exxon has lagged the SP 500
- Most Institutional Funds hold between 1.5% and 2.0% of Equities in Exxon. Additional Private Equity and Bonds.

# Exxon Mobil: From Leader to Laggard

10-year change in ExxonMobil stock price and the S&P 500 stock index

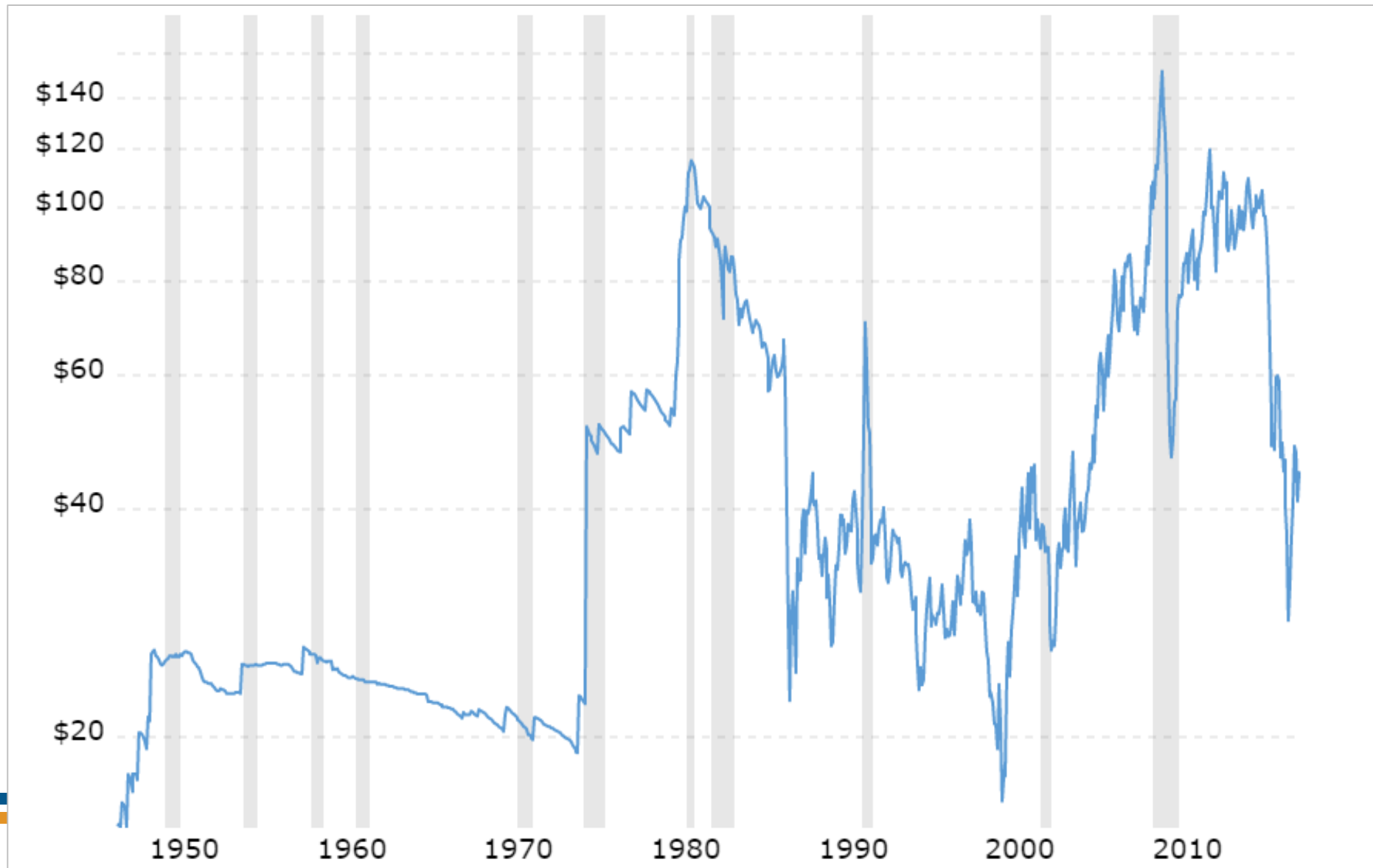


Change since Dec. 29, 2006; monthly

As of Feb. 28, 2017

Sources: Nasdaq; CBOE

# Crude Oil Prices - 70 Year Historical Chart



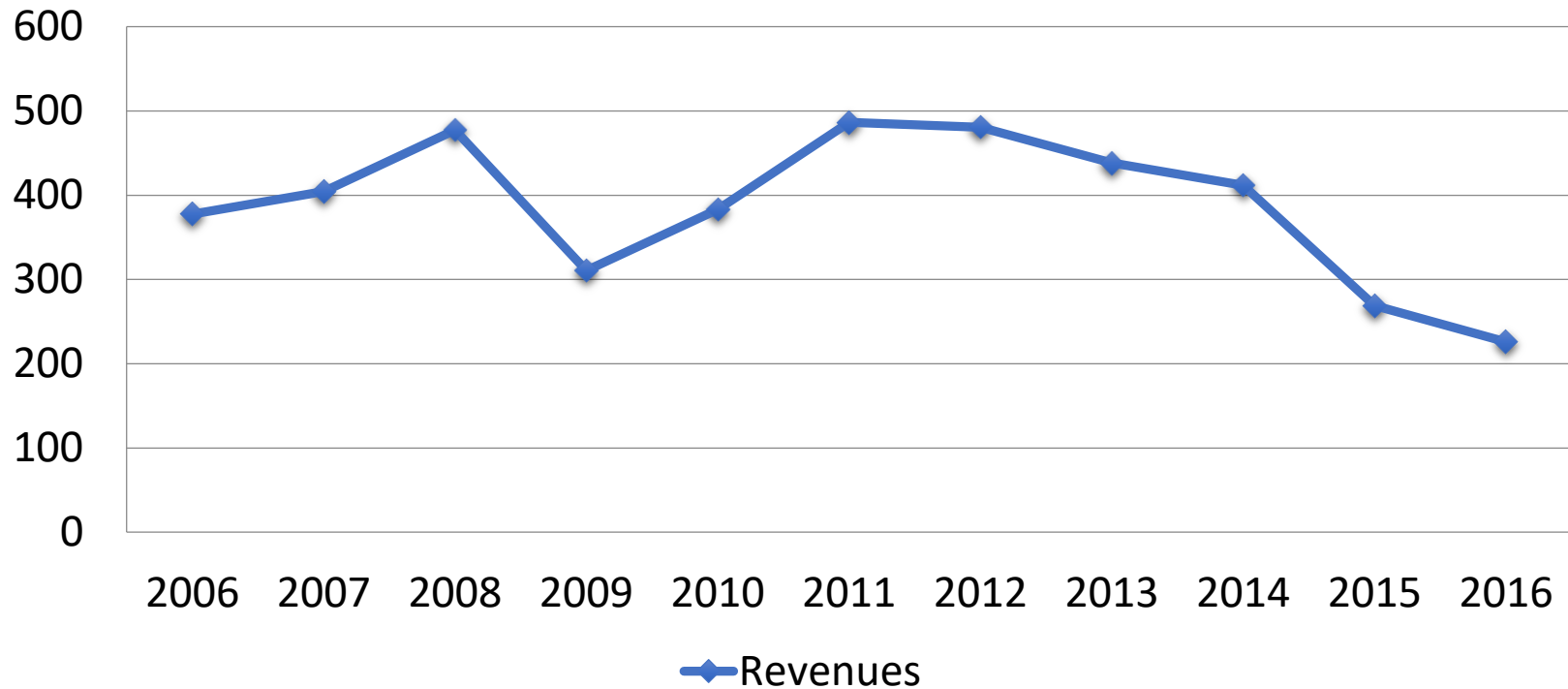
# Exxon Performance 2006-2016

	Trajectory	Peaks and Troughs
Revenues	Down	2011: <b>\$486 billion</b> ; 2015: <b>\$226 billion</b>
Costs of Production	Up	Conv. +100%; Oil Sands: 50%; Syn: +33%
Net Income	Down	2008: \$45 billion; 2016 \$7.8 billion
Debt	Up	Average 2006-2013: \$8 bil; Today: \$29 bil
End of Year Cash	Down	2007:\$33.98 bil, 2016: \$3.7
Capital Investment	Down	2013: \$34 billion; 2016: \$16 billion
Reserves	Down	2015: 25 billion barrels; 2015: 20 billion barrels

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Price of Oil (\$/bbl)	65.39	72.70	97.64	61.86	79.64	110.94	111.97	108.86	98.94	52.37	44.05
Basic Information											
Total Revenues	377.64	404.55	477.36	310.59	383.22	486.43	480.68	438.25	411.94	268.88	226.09
Total Costs	310.23	334.08	393.96	275.81	330.26	413.17	401.95	380.54	360.31	246.92	218.12
Net Income	39.50	40.61	45.22	19.28	30.46	41.06	44.88	32.58	32.52	16.15	7.8
Long Term Debt	6.65	7.18	7.03	7.13	12.23	9.32	7.93	6.89	11.65	19.93	28.9
Free Cash Flow to Equity											
Net Cash by Operating Activities	49.29	52.0	59.72	28.43	48.41	55.35	56.17	44.91	45.12	30.34	22.08
Additions to Property/Plant/Equip.	15.46	15.39	19.32	22.49	26.87	30.98	34.27	33.67	32.95	26.49	16.16
Long Term	.285	.383	-.113	.157	-5.081	.436	.848	.332	5.661	8.00	12.06
Short Term	-.117	.402	-0.56	-0.24	-1.84	-0.04	-3.53	-0.74	-0.75	-0.51	-.314
Commercial	-.095	-0.18	.143	-0.071	.709	1.56	-0.23	12.012	2.05	1.76	-7.46
IEEFA Free Cash Flow to Equity (FCFE)	33.90	37.21	39.87	5.79	15.33	26.33	18.99	22.85	19.13	13.11	10.25
Share Distributions											
Dividend	7.867	7.910	8.433	8.303	8.77	9.33	10.42	11.18	11.82	12.26	12.453
Stock Buybacks	28.385	30.741	34.981	18.951	12.050	21.1	20.9	15.95	13.15	4.03	.9
IEEFA Total Distributions	36.252	38.653	43.414	27.254	20.829	30.434	31.32	27.13	26.00	16.29	13.3
Cash End of Year Balance	28.24	33.98	31.48	10.69	7.8	12.66	9.58	4.64	4.61	3.71	3.58

# 2016 Revenue: \$226 Billion, down from 2011: \$486 Billion

Revenues: 2006-2016  
\$ billions

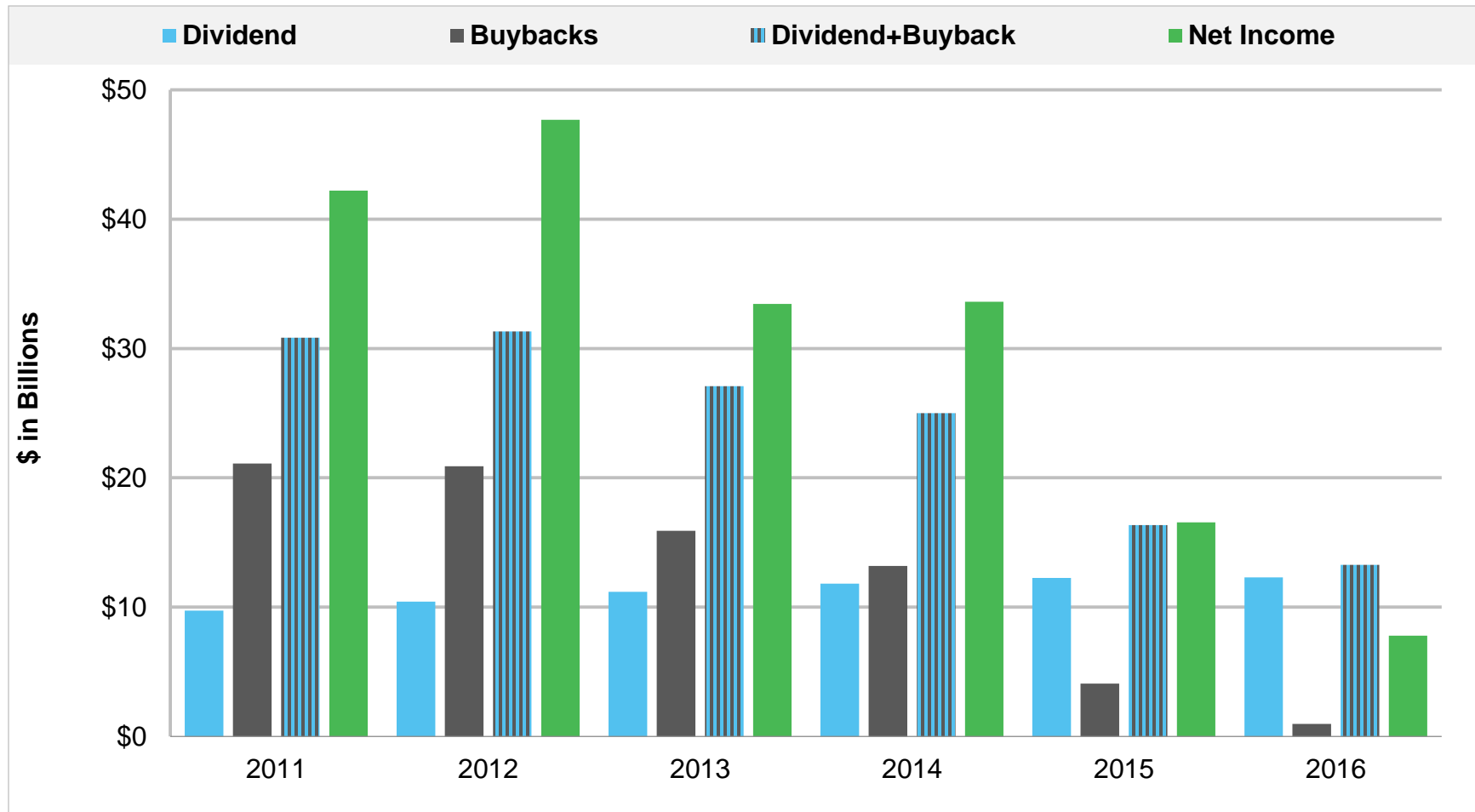




# Exxon Profit Performance 2006-2016

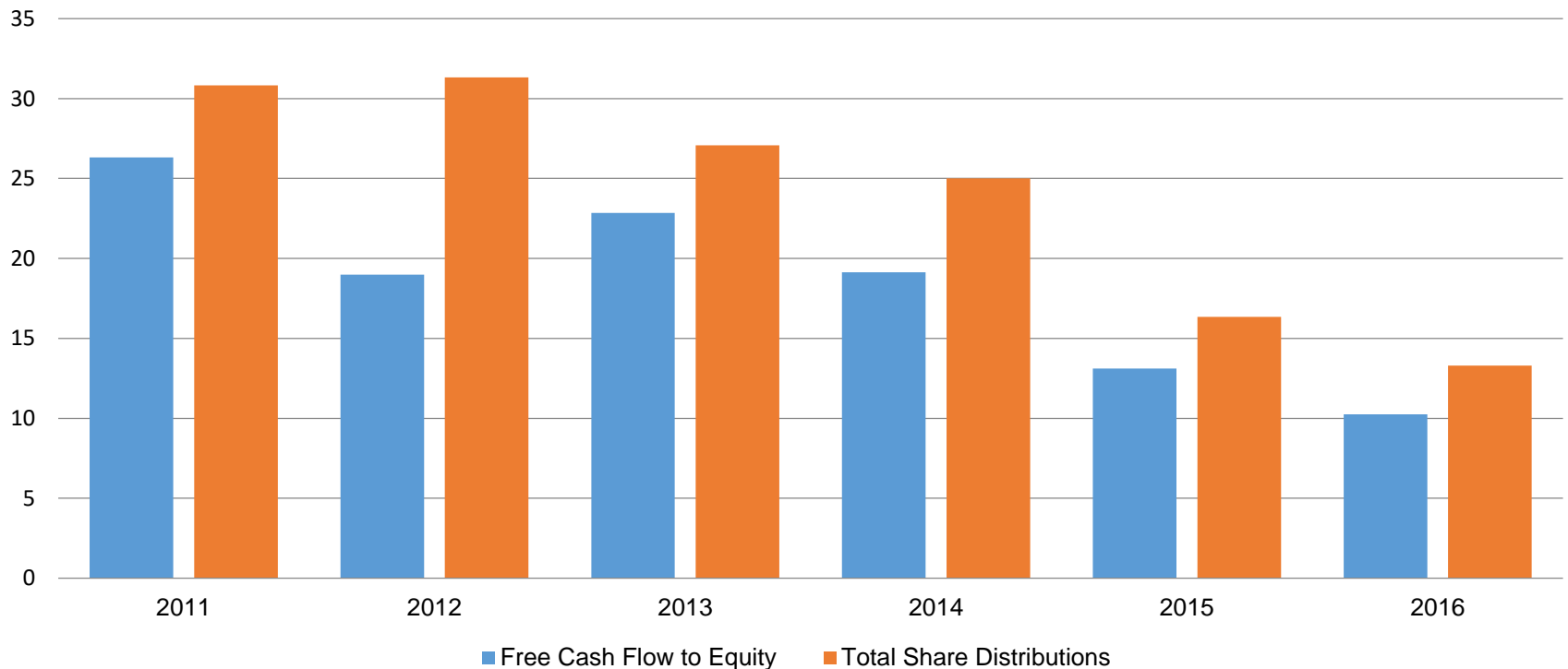
- Overall payouts to shareholders decreased.
- Dividend payouts to shareholders increased
- Stock Buybacks eliminated

# Shareholder Buybacks Declining

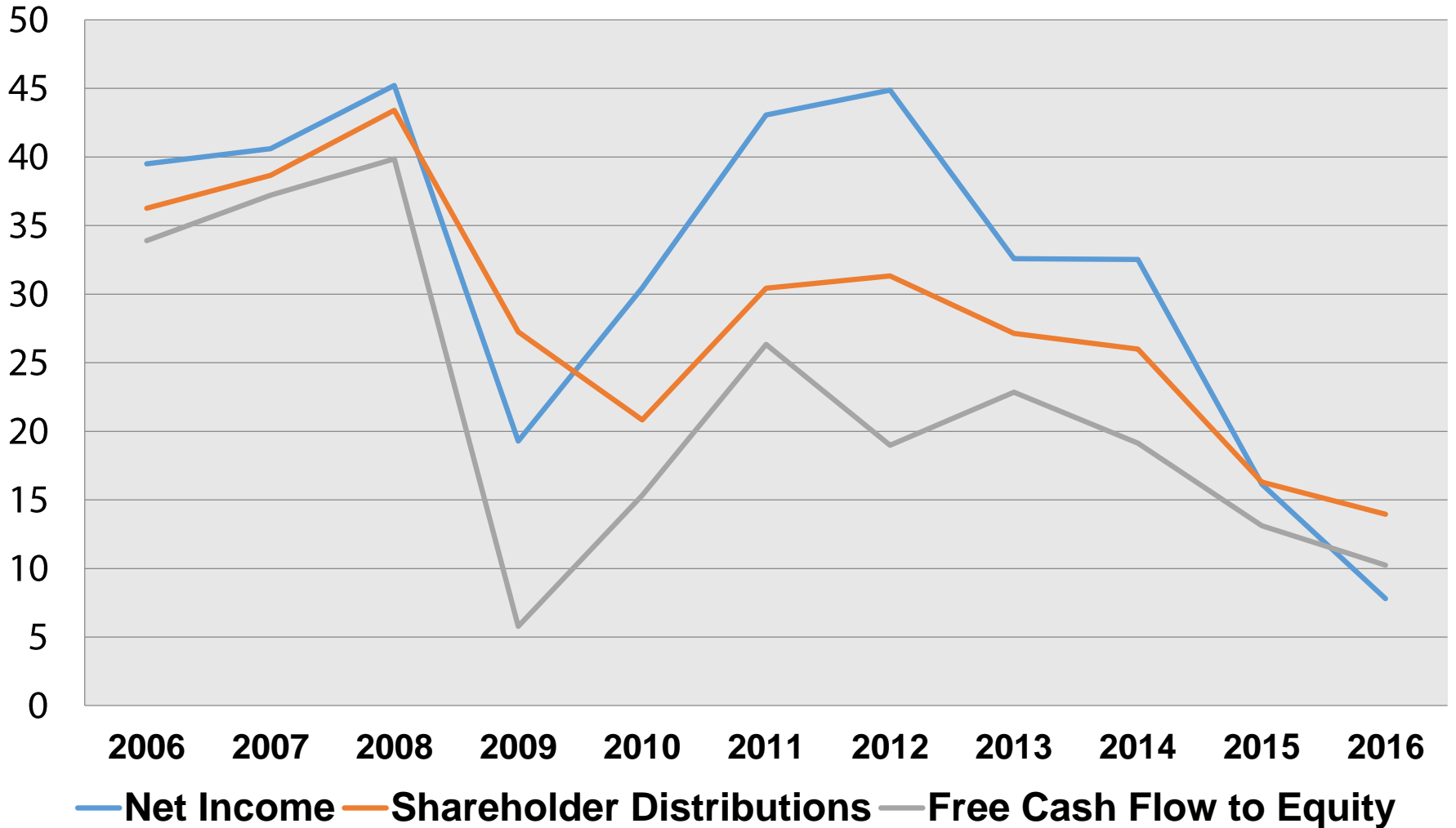


# Free Cash Flow to Equity Does Not Cover Shareholder Payouts

## Exxon: Free Cash Flow to Equity to Total Share Distributions (2011-2016)



# Exxon: Net Income, Shareholder Distributions and Free Cash Flow 2006-2015 (\$ billions)



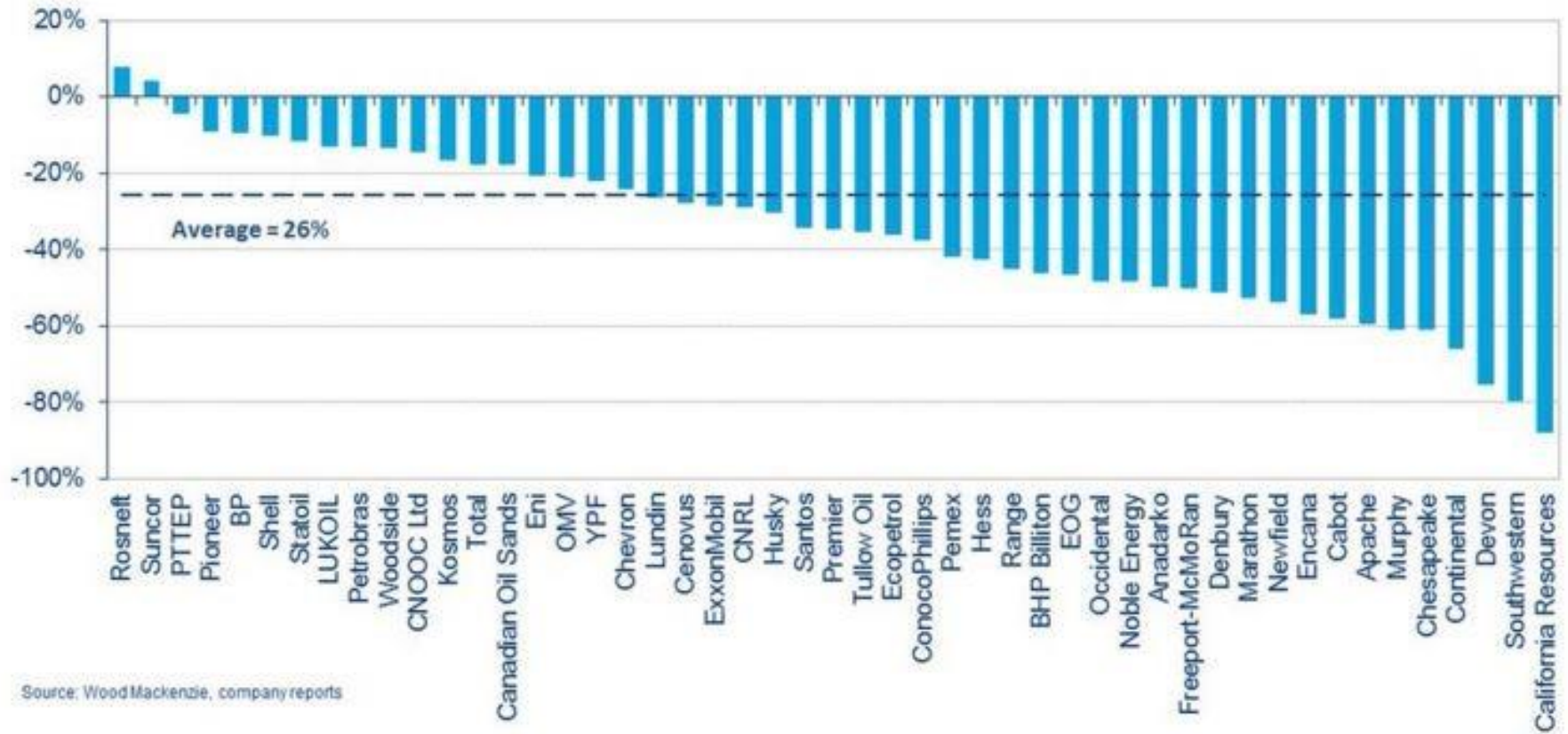
# How does Exxon afford Unsustainable Shareholder Payouts?

- Oil Price Spikes
- Cash Withdrawals
- Increasing Debt
- Reducing Stock Buybacks
- Reducing Capital Expenditures

# Is the Picture Going to Turnaround?

- **Oil Price Outlook**
  - **Steady Modest price increases, minimal expectations of large spikes**
  - **US EIA – bullish – 2025 - \$85.41 barrel**
  - **World Bank – 2025 – \$ 82.6 barrel**
  - **IMF – 2020 bearish - \$57.00 barrel**
  - **EIU – 2020 – \$61.80 per barrel**

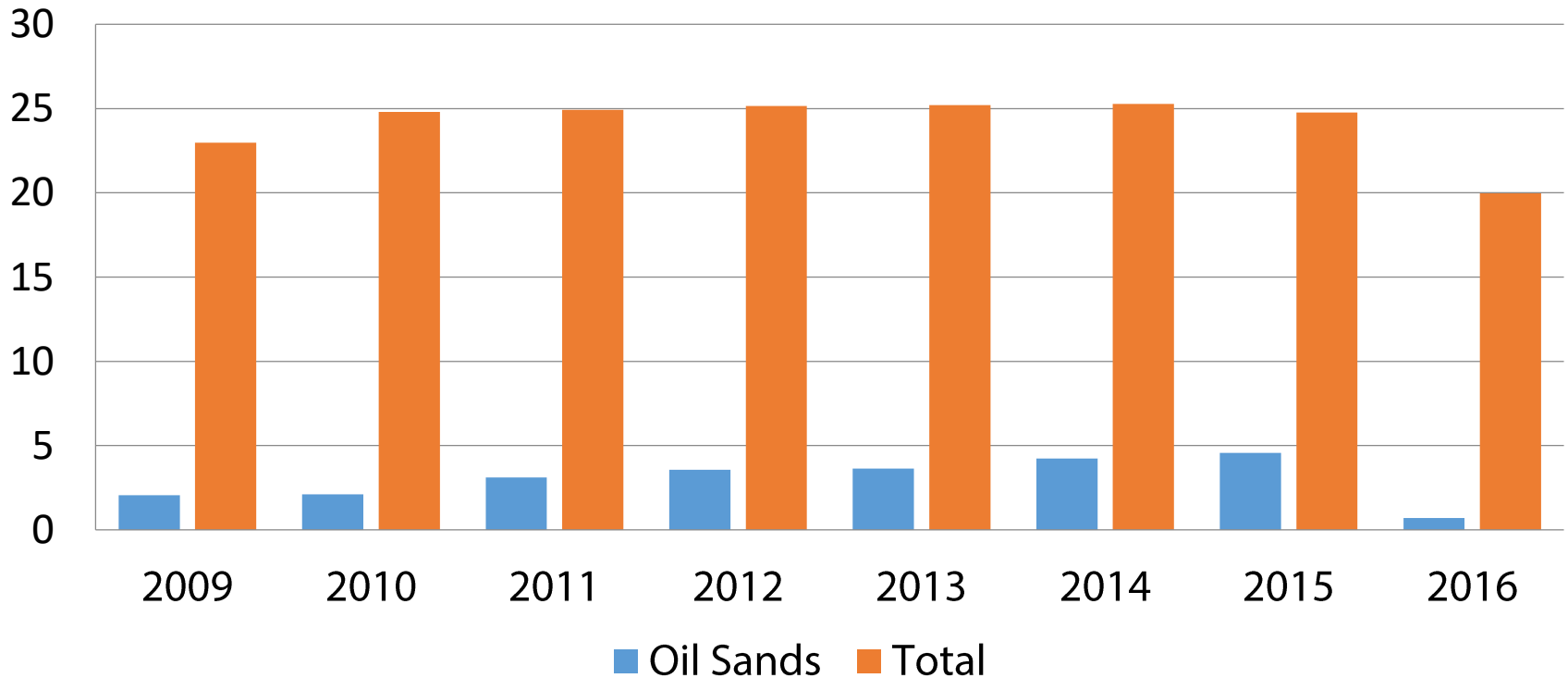
# Change in upstream capital budget (2015 to 2016)



Source: WoodMackenzie, company reports

# Exxon Wrote Off 19% of Company

## Oil Sands As Part of Exxon's Total Reserves (2009-2016)

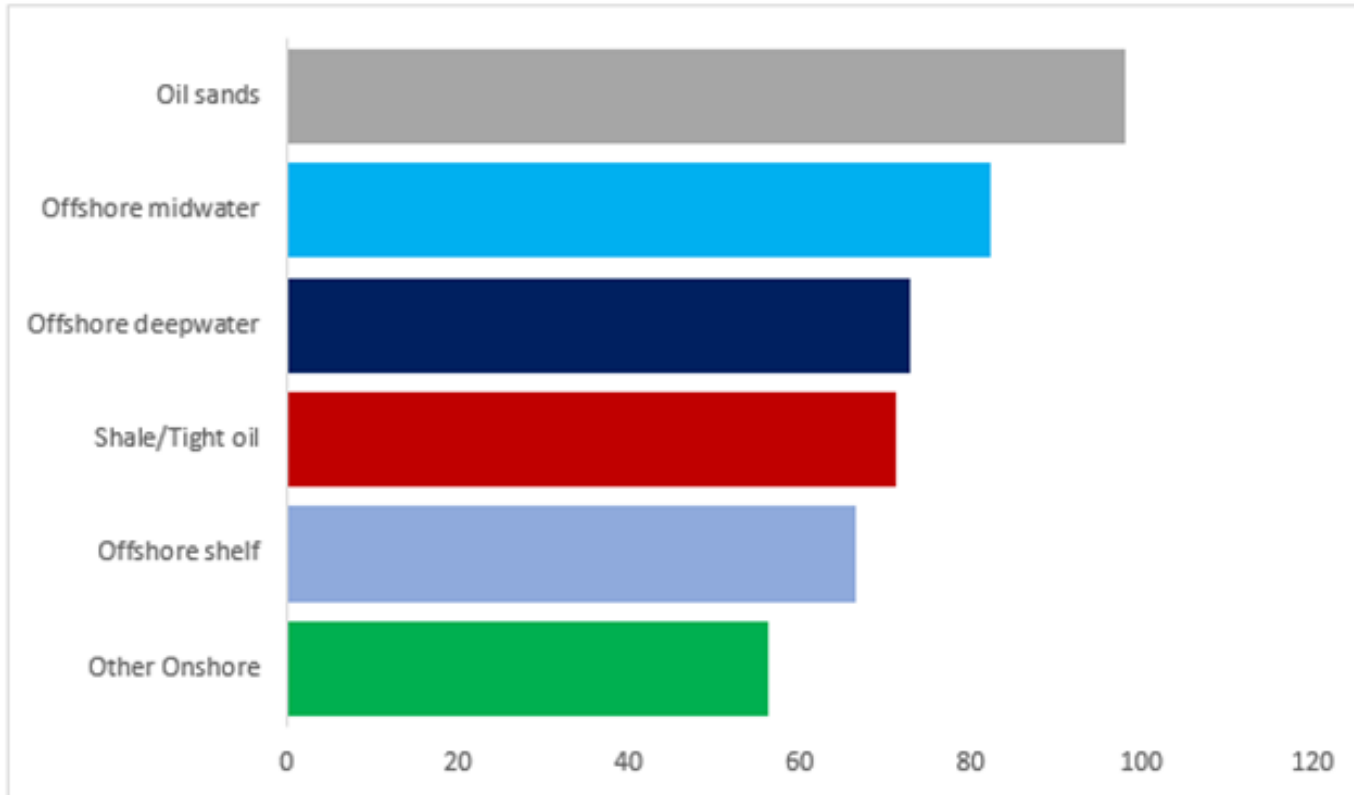




# Current Oil Price: \$55/barrel

## Breakeven price for most development much higher

Figure 3. Average Brent Breakeven Oil Price for Unsanctioned Projects per Supply Group – \$/bbl



Source: Rystad Energy UCube

# Why Did ExxonMobil Write Off Assets in Oil Sands?

- Disclosure rules on what is a proven and probable reserve. Pressure.
- Key factor price of oil and company view on whether reserves are actually economically extractable.
- Price (revenue generated from sales) must cover operations, internal returns and payouts to shareholders.
- Recent period of low prices and outlook show substantial revenue reductions into the future.
- Capital reductions now show lack of confidence in market recovery.
- Company bought the reserves but now cannot take the oil out of the ground profitably.
- Must inform investors – annual review now showing the problem.
- Other companies have been writing off oil sands for last two years.
- Exxon is shrinking as is the entire industry.

# **Section IV**

## **Using Data and Analysis**

# Specific Uses of Data Thus Far

- Adding to Divestment Debate: Why Oil Industry faces weak financial outlook.
- Strengthens fiduciary case for action on all fossil fuels
- NYC Pension Fund Study : Union and stakeholder dialogues
- Stimulate Shareholder discussion:
- How to discuss shareholder engagement
- Further context as climate controversy moves to investigation stages
- Culture of secrecy
- Useful for class action litigation
- Assistance in legislative forums
- Editorial and business journalism discussion
- Climate movement education
- Use as tool for promoting renewable energy

# Section V

# Appendix

# Exxon Annual Report: Energy Intensity decline

Regions	2000	2010	2014	2025	2040	Average annual change			% change			Share of total		
						2014 2025	2025 2040	2014 2040	2014 2025	2025 2040	2014 2040	2014	2025	2040
<b>RUSSIA/CASPIAN</b>														
Primary	38	43	44	45	44	0.3%	-0.2%	0.0%	4%	-3%	1%	100%	100%	100%
Oil	8	8	10	10	10	0.0%	-0.1%	-0.1%	0%	-2%	-2%	24%	23%	23%
Gas	20	23	22	23	23	0.4%	-0.2%	0.1%	5%	-3%	2%	51%	51%	51%
Coal	7	7	7	7	5	-0.4%	-1.6%	-1.1%	-5%	-21%	-25%	16%	15%	12%
Nuclear	2	3	3	4	4	2.7%	1.2%	1.8%	34%	20%	61%	6%	8%	10%
Biomass/waste	0	0	0	0	0	0.5%	-0.1%	0.1%	5%	-2%	3%	1%	1%	1%
Hydro	1	1	1	1	1	0.1%	0.2%	0.1%	1%	3%	3%	2%	2%	2%
Other renewables	0	0	0	0	0	6.1%	4.6%	5.2%	91%	96%	274%	0%	0%	0%
<b>Demand by sector</b>														
Total end-use (including electricity)	29	33	35	36	35	0.4%	-0.2%	0.1%	5%	-3%	1%	100%	100%	100%
Residential/commercial	9	9	9	9	8	-0.2%	-0.6%	-0.4%	-2%	-9%	-11%	26%	24%	23%
Transportation	3	4	4	5	5	0.3%	0.3%	0.3%	4%	4%	8%	13%	13%	14%
Industrial	17	20	21	23	22	0.7%	-0.1%	0.2%	8%	-2%	5%	61%	63%	64%
Memo: electricity demand	3	4	4	5	6	1.6%	1.0%	1.2%	19%	16%	38%	12%	14%	17%
Power generation fuel <sup>1</sup>	19	20	20	21	20	0.2%	-0.2%	0.0%	2%	-3%	0%	46%	45%	46%
<b>GDP by region (2010\$, trillions)</b>														
World	49	65	72	101	153	3.1%	2.8%	2.9%	41%	51%	113%	100%	100%	100%
OECD	38	44	47	59	79	2.2%	1.9%	2.1%	27%	33%	70%	65%	59%	52%
Non-OECD	11	21	25	42	74	4.7%	3.9%	4.2%	65%	77%	192%	35%	41%	48%
Africa	1	2	2	4	6	4.4%	4.0%	4.2%	61%	80%	190%	3%	4%	4%
Asia Pacific	12	19	22	36	60	4.4%	3.6%	3.9%	60%	69%	170%	31%	35%	39%
China	2	6	8	15	29	6.1%	4.2%	5.0%	91%	86%	256%	11%	15%	19%
India	1	2	2	4	9	6.1%	5.1%	5.5%	92%	111%	307%	3%	4%	6%
Europe	16	18	19	23	30	1.9%	1.7%	1.8%	23%	29%	59%	26%	23%	20%
European Union	14	17	17	21	26	1.8%	1.6%	1.7%	22%	27%	55%	24%	21%	17%
Latin America	3	4	5	6	10	2.9%	2.9%	2.9%	37%	54%	112%	6%	6%	6%
Middle East	1	2	2	4	6	3.7%	3.2%	3.4%	49%	61%	141%	3%	4%	4%
North America	15	18	19	26	36	2.6%	2.3%	2.5%	33%	41%	88%	27%	25%	24%
United States	13	15	16	22	30	2.6%	2.3%	2.4%	33%	41%	87%	23%	21%	20%
Russia/Caspian	1	2	2	3	4	2.4%	2.7%	2.6%	30%	50%	95%	3%	3%	3%
<b>Energy intensity (thousand BTU per \$ GDP)</b>														
World	8.5	8.1	7.7	6.4	4.6	-1.8%	-2.1%	-2.0%	-18%	-28%	-41%			
OECD	6.0	5.2	4.8	3.8	2.8	-2.1%	-2.1%	-2.1%	-21%	-28%	-42%			
Non-OECD	16.9	14.1	13.1	10.0	6.6	-2.5%	-2.8%	-2.6%	-24%	-34%	-50%			
Africa	19.7	15.4	14.8	12.1	9.4	-1.8%	-1.7%	-1.8%	-18%	-23%	-37%			
Asia Pacific	10.9	10.8	10.2	7.9	5.3	-2.2%	-2.7%	-2.5%	-22%	-33%	-48%			
China	21.6	16.4	14.3	9.5	5.3	-3.6%	-3.8%	-3.8%	-33%	-44%	-63%			
India	22.4	17.0	15.6	11.2	7.1	-2.9%	-3.0%	-3.0%	-28%	-37%	-54%			
Europe	5.0	4.4	4.0	3.2	2.3	-2.0%	-2.1%	-2.0%	-20%	-27%	-42%			
European Union	5.0	4.4	3.9	3.1	2.3	-2.1%	-2.1%	-2.1%	-21%	-27%	-42%			
Latin America	6.9	6.5	6.4	5.7	4.6	-1.0%	-1.5%	-1.3%	-11%	-20%	-29%			
Middle East	14.0	14.3	14.1	11.8	8.6	-1.6%	-2.1%	-1.9%	-17%	-27%	-39%			
North America	7.6	6.4	6.0	4.6	3.2	-2.3%	-2.4%	-2.4%	-22%	-31%	-46%			
United States	7.6	6.3	5.8	4.4	3.0	-2.4%	-2.6%	-2.5%	-24%	-32%	-48%			
Russia/Caspian	31.6	21.1	19.5	15.6	10.1	-2.0%	-2.9%	-2.5%	-20%	-35%	-48%			

# Fiduciary Dialogue

## BAU

- Sustainability impairs performance
- Env. Non-financial
- Markets price in risk
- Shareholders not responsible
- Shareholders primary
- Env. Risk and compliance
- Asset owners don't specify issue, other stakeholders prevented from acting

## Change

- Successful integration improves performance
- Indirect/direct drivers
- Markets miss risk – bias/incentives
- Shareowners
- More than shareholders
- Env. opportunities/value creation.
- Fiduciary duty is professional responsibility

# Current Market Drivers

- **World Economic Growth – size and quality**
- **Pace of Low Carbon Trends**
- **OPEC**
- **U.S. Shale Play**
- **Geo Politics**



# Oil Company Long Term Projections

- <https://www.bp.com/content/dam/bp/pdf/energy-economics/energy-outlook-2016/bp-energy-outlook-2016.pdf>
- <http://cdn.exxonmobil.com/~media/global/files/outlook-for-energy/2016/2016-outlook-for-energy.pdf>
- <http://www.goldmansachs.com/our-thinking/pages/the-new-oil-order/>