

Frequently used terms

Listed below are definitions of several of ExxonMobil's key business and financial performance measures and other terms. These definitions are provided to facilitate understanding of the terms and their calculation. In the case of financial measures that we believe constitute "non-GAAP financial measures" under Securities and Exchange Commission Regulation G, we provide a reconciliation to the most comparable Generally Accepted Accounting Principles (GAAP) measure and other information required by that rule.

Total shareholder return (TSR) ▪ Measures the change in value of an investment in stock over a specified period of time, assuming dividend reinvestment. We calculate shareholder return over a particular measurement period by: dividing (1) the sum of (a) the cumulative value of dividends received during the measurement period, assuming reinvestment, plus (b) the difference between the stock price at the end and at the beginning of the measurement period; by (2) the stock price at the beginning of the measurement period. For this purpose, we assume dividends are reinvested in stock at market prices at approximately the same time actual dividends are paid. Shareholder return is usually quoted on an annualized basis.

Capital and exploration expenditures (Capex) ▪ Represents the combined total of additions at cost to property, plant and equipment, and exploration expenses on a before-tax basis from the Summary statement of income. ExxonMobil's Capex includes its share of similar costs for equity companies. Capex excludes assets acquired in nonmonetary exchanges (effective 2013), the value of ExxonMobil shares used to acquire assets, and depreciation on the cost of exploration support equipment and facilities recorded to property, plant and equipment when acquired. While ExxonMobil's management is responsible for all investments and elements of net income, particular focus is placed on managing the controllable aspects of this group of expenditures.

Returns, investment returns, project returns ▪ Unless referring specifically to ROCE, references to returns, investment returns, project returns and similar terms mean discounted cash flow returns based on current company estimates. Future investment returns exclude prior exploration and acquisition costs.

Heavy oil and oil sands ▪ Heavy oil includes heavy oil, extra heavy oil, and bitumen, as defined by the World Petroleum Congress in 1987 based on American Petroleum Institute (API) gravity and viscosity at reservoir conditions. Heavy oil has an API gravity between 10 and 22.3 degrees. The API gravity of extra heavy oil and bitumen is less than 10 degrees. Extra heavy oil has a viscosity less than 10,000 centipoise, whereas the viscosity of bitumen is greater than 10,000 centipoise. The term "oil sands" is used to indicate heavy oil (generally bitumen) that is recovered in a mining operation.

Proved reserves ▪ Proved reserve figures are determined in accordance with SEC definitions in effect at the end of each applicable year. In statements covering reserve replacement for years prior to 2009, reserves include oil sands and equity company reserves, which at the time were excluded from SEC reserves.

Proved reserves replacement ratio ▪ The reserves replacement ratio is calculated for a specified period utilizing the applicable proved oil-equivalent reserves additions divided by oil-equivalent production. See "Proved reserves" above.

Resources, resource base, and recoverable resources ▪ Along with similar terms, these refer to the total remaining estimated quantities of oil and natural gas that are expected to be ultimately recoverable. ExxonMobil refers to new discoveries and acquisitions of discovered resources as resource additions. The resource base includes quantities of oil and natural gas classified as proved reserves, as well as, quantities that are not yet classified as proved reserves, but that are expected to be ultimately recoverable. The term "resource base" is not intended to correspond to SEC definitions such as "probable" or "possible" reserves. The term "in-place" refers to those quantities of oil and natural gas estimated to be contained in known accumulations and includes recoverable and unrecoverable amounts. "Potential" resource amounts are not currently included in the resource base.

Volume effects ▪ *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.

Frequently used terms, continued

Volume effects ▪ 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.

Volume effects ▪ 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.

Volume effects ▪ 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.

Volume effects ▪ 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.

PP&E adds/investments & advances	2018	2017	2016	2015	2014
<i>(millions of dollars)</i>					
Additions to property, plant and equipment	19,574	15,402	16,163	26,490	32,952
Additional investments and advances	1,981	5,507	1,417	607	1,631
Other investing activities including collection of advances	(986)	(2,076)	(902)	(842)	(3,346)
PP&E Adds/Investments & Advances	20,569	18,833	16,678	26,255	31,237

PP&E add/investments & advances derived from the Summary statement of cash flows.

Cash flow from operations and asset sales	2018	2017	2016	2015	2014
<i>(millions of dollars)</i>					
Net cash provided by operating activities	36,014	30,066	22,082	30,344	45,116
Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments	4,123	3,103	4,275	2,389	4,035
Cash flow from operations and asset sales	40,137	33,169	26,357	32,733	49,151

Cash flow from operations and asset sales is the sum of the net cash provided by operating activities and proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments from the Summary statement of cash flows. This cash flow reflects the total sources of cash from both operating the Corporation’s assets and from the divesting of assets. The Corporation employs a long-standing and regular disciplined review process to ensure all assets are contributing to the Corporation’s strategic objectives. Assets are divested when they are no longer meeting these objectives or are worth considerably more to others. Because of the regular nature of this activity, 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.

Frequently used terms, continued

Operating costs	2018	2017	2016	2015	2014
<i>(millions of dollars)</i>					
Reconciliation of operating costs					
From ExxonMobil's Consolidated statement of income					
Total costs and other deductions	259,259	225,689	200,145	227,282	333,851
Less:					
Crude oil and product purchases	156,172	128,217	104,171	130,003	225,972
Interest expense	766	601	453	311	286
Other taxes and duties	32,663	30,104	29,020	30,309	35,170
Subtotal	69,658	66,767	66,501	66,659	72,423
ExxonMobil's share of equity company expenses	9,569	9,016	7,409	8,309	11,072
Total operating costs	79,227	75,783	73,910	74,968	83,495
Components of operating costs					
From ExxonMobil's Consolidated statement of income					
Production and manufacturing expenses	36,682	32,690	30,448	33,951	39,511
Selling, general and administrative expenses	11,480	10,649	10,443	11,038	12,076
Depreciation and depletion	18,745	19,893	22,308	18,048	17,297
Exploration expenses, including dry holes	1,466	1,790	1,467	1,523	1,669
Non-service pension and postretirement benefit expense	1,285	1,745	1,835	2,099	1,870
Subtotal	69,658	66,767	66,501	66,659	72,423
ExxonMobil's share of equity company expenses	9,569	9,016	7,409	8,309	11,072
Total operating costs	79,227	75,783	73,910	74,968	83,495

Operating costs are the costs during the period to produce, manufacture, and otherwise prepare the company's products for sale – including energy, staffing, and maintenance costs. They exclude the cost of raw materials, taxes, and interest expense and are on a before-tax basis. While ExxonMobil's management is responsible for all revenue and expense elements of net income, operating costs, as defined above, represent the expenses most directly under management's control, and therefore are useful for investors and ExxonMobil management in evaluating management's performance.

Frequently used terms, continued

Free cash flow	2018	2017	2016	2015	2014
<i>(millions of dollars)</i>					
Net cash provided by operating activities	36,014	30,066	22,082	30,344	45,116
Additions to property, plant and equipment	(19,574)	(15,402)	(16,163)	(26,490)	(32,952)
Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments	4,123	3,103	4,275	2,389	4,035
Additional investments and advances	(1,981)	(5,507)	(1,417)	(607)	(1,631)
Other investing activities including collection of advances	986	2,076	902	842	3,346
Free cash flow	19,568	14,336	9,679	6,478	17,914

Free cash flow is cash flow from operations and asset sales less additions to property, plant and equipment, and additional investments and advances, plus other investing activities, including collection of advances. This measure is useful when evaluating cash available for financing activities, including shareholder distributions, after investment in the business.

Distributions to shareholders	2018	2017	2016	2015	2014
<i>(millions of dollars)</i>					
Dividends paid to ExxonMobil shareholders	13,798	13,001	12,453	12,090	11,568
Cost of shares acquired to reduce shares outstanding	-	-	-	3,000	12,000
Distributions to ExxonMobil shareholders	13,798	13,001	12,453	15,090	23,568

Memo: Gross cost of shares acquired to offset shares or units settled in shares issued under benefit plans and programs

626	747	977	1,039	1,183
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The Corporation distributes cash to shareholders in the form of both dividends and share purchases. Shares are acquired to reduce shares outstanding and offset shares or units settled in shares issued in conjunction with company benefit plans and programs. For purposes of calculating distributions to shareholders, the Corporation only includes the cost of those shares acquired to reduce shares outstanding.

Capital employed at year end	2018	2017	2016	2015	2014
<i>(millions of dollars)</i>					
Business uses: asset and liability perspective					
Total assets	346,196	348,691	330,314	336,758	349,493
Less liabilities and noncontrolling interests share of assets and liabilities					
Total current liabilities excluding notes and loans payable	(39,880)	(39,841)	(33,808)	(35,214)	(47,165)
Total long-term liabilities excluding long-term debt	(69,992)	(72,014)	(79,914)	(86,047)	(92,143)
Noncontrolling interests share of assets and liabilities	(7,958)	(8,298)	(8,031)	(8,286)	(9,099)
Add ExxonMobil share of debt-financed equity company net assets	3,914	3,929	4,233	4,447	4,766
Total capital employed	232,280	232,467	212,794	211,658	205,852
Total corporate sources: debt and equity perspective					
Notes and loans payable	17,258	17,930	13,830	18,762	17,468
Long-term debt	20,538	24,406	28,932	19,925	11,653
ExxonMobil share of equity	191,794	187,688	167,325	170,811	174,399
Less noncontrolling interests share of total debt	(1,224)	(1,486)	(1,526)	(2,287)	(2,434)
Add ExxonMobil share of equity company debt	3,914	3,929	4,233	4,447	4,766
Total capital employed	232,280	232,467	212,794	211,658	205,852

Capital employed is a measure of net investment. When viewed from the perspective of how the capital is used by the businesses, it includes ExxonMobil's net share of property, plant and equipment, and other assets, less liabilities, excluding both short-term and long-term debt. When viewed from the perspective of the sources of capital employed in total for the Corporation, it includes ExxonMobil's share of total debt and equity. Both of these views include ExxonMobil's share of amounts applicable to equity companies, which the Corporation believes should be included to provide a more comprehensive measure of capital employed.

Frequently used terms, continued

Return on average capital employed (ROCE)	2018	2017	2016	2015	2014
<i>(millions of dollars)</i>					
Net income attributable to ExxonMobil	20,840	19,710	7,840	16,150	32,520
Financing costs (after tax)					
Gross third-party debt	(912)	(709)	(683)	(362)	(140)
ExxonMobil share of equity companies	(192)	(204)	(225)	(170)	(256)
All other financing costs – net	498	515	423	88	(68)
Total financing costs	(606)	(398)	(485)	(444)	(464)
Earnings excluding financing costs	21,446	20,108	8,325	16,594	32,984
Average capital employed	232,374	222,631	212,226	208,755	203,110
Return on average capital employed – corporate total	9.2%	9.0%	3.9%	7.9%	16.2%

ROCE (continued)	2013	2012	2011	2010	2009
<i>(millions of dollars)</i>					
Net income attributable to ExxonMobil	32,580	44,880	41,060	30,460	19,280
Financing costs (after tax)					
Gross third-party debt	(163)	(401)	(153)	(803)	(303)
ExxonMobil share of equity companies	(239)	(257)	(219)	(333)	(285)
All other financing costs – net	83	100	116	35	(483)
Total financing costs	(319)	(558)	(256)	(1,101)	(1,071)
Earnings excluding financing costs	32,899	45,438	41,316	31,561	20,351
Average capital employed	191,575	179,094	170,721	145,217	125,050
Return on average capital employed – corporate total	17.2%	25.4%	24.2%	21.7%	16.3%

ROCE is a performance measure ratio. From the perspective of the business segments, ROCE is annual business segment earnings divided by average business segment capital employed (average of beginning and end-of-year amounts). These segment earnings include ExxonMobil's share of segment earnings of equity companies, consistent with our capital employed definition, and exclude the cost of financing. The Corporation's total ROCE is net income attributable to ExxonMobil, excluding the after-tax cost of financing, divided by total corporate average capital employed. The Corporation has consistently applied its ROCE definition for many years and views it as the best measure of historical capital productivity in our capital-intensive, long-term industry, both to evaluate management's performance and to demonstrate to shareholders that capital has been used wisely over the long term. Additional measures, which are more cash-flow based, are used to make investment decisions.

Total taxes including sales-based taxes	2018	2017	2016	2015	2014
<i>(millions of dollars)</i>					
Income taxes	9,532	(1,174)	(406)	5,415	18,015
Total other taxes and duties	35,230	32,459	31,375	32,834	38,399
Total taxes	44,762	31,285	30,969	38,249	56,414
Sales-based taxes	21,750	19,725	17,980	19,634	26,458
Total taxes including sales-based taxes	66,512	51,010	48,949	57,883	82,872

Total taxes including sales-based taxes is a broader indicator of the total tax burden on the Corporation's products and earnings, including certain sales and value-added taxes imposed on and concurrent with revenue-producing transactions with customers and collected on behalf of governmental authorities ("sales-based taxes"). It combines "Income taxes" and "Total other taxes and duties" with sales-based taxes, which are reported net in the income statement. We believe it is useful for the Corporation and its investors to understand the total tax burden imposed on the Corporation's products and earnings.

Frequently used terms, continued

Proved reserves replacement costs	2018	2017	2016	2015	2014
Costs incurred (millions of dollars)					
Property acquisition costs	2,700	14,023	270	477	1,472
Exploration costs	2,238	2,524	1,700	2,245	3,472
Development costs	14,421	9,105	10,811	20,629	26,848
Total costs incurred	19,359	25,652	12,781	23,351	31,792
Proved oil-equivalent reserves additions (millions of barrels)					
Revisions	2,873	925	(3,809)	(584)	1,011
Improved recovery	36	8	-	2	-
Extensions/discoveries	1,655	970	454	1,405	584
Purchases	27	929	135	246	64
Total oil-equivalent reserves additions	4,591	2,832	(3,220)	1,069	1,659
Proved reserves replacement costs (dollars per barrel)	4.22	9.06	-	21.84	19.16

Proved reserves replacement costs per oil-equivalent barrel is a performance measure ratio and includes costs incurred in property acquisition and exploration, plus costs incurred in development activities, divided by proved oil-equivalent reserves additions, excluding sales. ExxonMobil reports these costs based on proved reserves in accordance with current SEC definitions. See "Proved reserves" above.

Adjusted earnings

(millions of dollars)	Upstream	Downstream	Chemical	Corporate and Financing	Corporate total
2018					
Earnings (U.S. GAAP)	14,079	6,010	3,351	(2,600)	20,840
U.S. Tax Reform	271	-	-	20	291
Asset Impairments	(439)	(43)	(7)	-	(489)
Earnings excluding effects of U.S. Tax Reform and Impairments (Adjusted Earnings)	14,247	6,053	3,358	(2,620)	21,038
2017					
Earnings (U.S. GAAP)	13,355	5,597	4,518	(3,760)	19,710
U.S. Tax Reform	7,122	618	335	(2,133)	5,942
Asset Impairments	(1,504)	(17)	-	-	(1,521)
Earnings excluding effects of U.S. Tax Reform and Impairments (Adjusted Earnings)	7,737	4,996	4,183	(1,627)	15,289

Earnings excluding effects of U.S. Tax Reform and Impairments (Adjusted Earnings). The table above reconciles 2017 and 2018 earnings excluding effects of U.S. Tax Reform and Impairments to 2017 and 2018 U.S. GAAP earnings. We believe these figures are useful for investors to consider in comparing the performance of our underlying business across periods when one, or both, periods have been impacted by the U.S. Tax Reform or an Asset Impairment charge.

Functional earnings⁽¹⁾

(millions of dollars)

	2018 quarters				2018	2017	2016	2015	2014
	First	Second	Third	Fourth					
Earnings (U.S. GAAP)									
Upstream									
United States	429	439	606	265	1,739	6,622	(4,151)	(1,079)	5,197
Non-U.S.	3,068	2,601	3,623	3,048	12,340	6,733	4,347	8,180	22,351
Total	3,497	3,040	4,229	3,313	14,079	13,355	196	7,101	27,548
Downstream									
United States	319	695	961	987	2,962	1,948	1,094	1,901	1,618
Non-U.S.	621	29	681	1,717	3,048	3,649	3,107	4,656	1,427
Total	940	724	1,642	2,704	6,010	5,597	4,201	6,557	3,045
Chemical									
United States	503	453	404	282	1,642	2,190	1,876	2,386	2,804
Non-U.S.	508	437	309	455	1,709	2,328	2,739	2,032	1,511
Total	1,011	890	713	737	3,351	4,518	4,615	4,418	4,315
Corporate and Financing	(798)	(704)	(344)	(754)	(2,600)	(3,760)	(1,172)	(1,926)	(2,388)
Net income attributable to ExxonMobil (U.S. GAAP)	4,650	3,950	6,240	6,000	20,840	19,710	7,840	16,150	32,520

Average capital employed⁽²⁾ by business

(millions of dollars)

	2018	2017	2016	2015	2014
Upstream					
United States	69,981	64,896	62,114	64,086	62,403
Non-U.S.	107,893	109,778	107,941	105,868	102,562
Total	177,874	174,674	170,055	169,954	164,965
Downstream					
United States	8,725	7,936	7,573	7,497	6,070
Non-U.S.	17,015	14,578	14,231	15,756	17,907
Total	25,740	22,514	21,804	23,253	23,977
Chemical					
United States	12,171	10,672	9,018	7,696	6,121
Non-U.S.	18,249	16,844	15,826	16,054	16,076
Total	30,420	27,516	24,844	23,750	22,197
Corporate and Financing	(1,660)	(2,073)	(4,477)	(8,202)	(8,029)
Corporate total	232,374	222,631	212,226	208,755	203,110
Average capital employed applicable to equity companies included above	38,150	35,941	34,190	34,248	35,403

Return on average capital employed by business

(percent)

	2018	2017	2016	2015	2014
Upstream					
United States	2.5	10.2	(6.7)	(1.7)	8.3
Non-U.S.	11.4	6.1	4.0	7.7	21.8
Total	7.9	7.6	0.1	4.2	16.7
Downstream					
United States	33.9	24.5	14.4	25.4	26.7
Non-U.S.	17.9	25.0	21.8	29.6	8.0
Total	23.3	24.9	19.3	28.2	12.7
Chemical					
United States	13.5	20.5	20.8	31.0	45.8
Non-U.S.	9.4	13.8	17.3	12.7	9.4
Total	11.0	16.4	18.6	18.6	19.4
Corporate and Financing	N.A.	N.A.	N.A.	N.A.	N.A.
Corporate total	9.2	9.0	3.9	7.9	16.2

(1) Unless indicated, references to earnings and Upstream, Downstream, Chemical, and Corporate and Financing segment earnings are ExxonMobil's share after excluding amounts attributable to noncontrolling interests.

(2) Average capital employed is the average of beginning-of-year and end-of-year business segment capital employed, including ExxonMobil's share of amounts applicable to equity companies.