Mobil Annual Report 1987

PLAINTIFF'S EXHIBIT

MBL-353

RESPONSIVE TO INTERROGATORY NO.
36 PREVIOUSLY ANSWERED

37898

On the cover: Mobil people at work worldwide. Their energy and imagination are assets common to all our businesses: integrated petroleum, chemicals, mining and minerals, retailing and real estate.

Annual meeting

The annual meeting of stockholders will be held on Thursday, May 12, at 10 a.m. in The Pointe at South Mountain, Phoenix, Arizona 85044.

General information

Stockholders with general questions or comments may write the Secretary, Room 9w0006, Mobil Corporation, 150 East 42nd Street, New York, New York 10017-5666 or telephone 212-883-4242.

Analyst and investor inquiries

Security analysts and investors seeking information about the company may contact Fred Halpern, Room [illegible], Mobil Corporation, 150 East 42nd Street, New York, New York 10017-5666 or telephone 212-883-4781.

Stockholder records

Inquiries relating to stockholder records, stock transfer, change of ownership and change of address should be directed to The Chase Manhattan Bank, N.A., Stockholder Relations Department, P.O. Box 311, Bowling Green Station, New York, New York 10274. U.S. stockholders may call our toll-free telephone number, 1-800-648-9291.

Automatic dividend reinvestment

Mobil offers stockholders an automatic dividend reinvestment plan, to enable them to increase their holdings in Mobil stock at a minimum cost. Mobil pays all service fees and commissions when stockholders automatically reinvest dividends to buy more stock. Once enrolled, stockholders can make additional investments of up to $3,000 a month. For further information, please write to The Chase Manhattan Bank, N.A., Dividend Reinvestment Services, P.O. Box 283, Bowling Green Station, New York, New York 10274.

Ticker symbol

The New York Stock Exchange ticker symbol for Mobil is MOB.

FINANCIAL HIGHLIGHTS

A summary of Mobil's recent performance

	1987	1986	1985
Revenues *(millions)*	$56,716	$49,865	$60,609
Net income [1] *(millions)*	1,258	1,407	1,040
Per share *(based on average shares outstanding)*	3.06	3.45	2.55
Return on average shareholders' equity	7.9%	9.6%	7.5%
Return on average capital employed	7.7%	8.3%	7.0%
Income per dollar of revenue	2.2¢	2.8¢	1.7¢
Petroleum earnings per gallon sold	3.3¢	4.7¢	4.9¢
Total assets, year-end *(millions)*	$41,140	$39,412	$41,752
Capital expenditures, exploration, and other outlays *(millions)*	2,942	3,003	3,513
Shareholders' equity, year-end *(millions)*	16,783	15,239	14,089
Per share *(based on shares outstanding at year-end)*	40.80	37.28	34.50
Number of shares outstanding, year-end *(thousands)*	411,359	408,732	408,351
Number of shareholders, year-end	246,800	260,800	268,600

[1] Income for 1986 included the $150 million loss on sale of Container Corporation of America. Income for 1985 included the $508 million provision for restructuring of Montgomery Ward

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Nineteen eighty-seven was a year of mixed results. On the plus side, Mobil increased hydrocarbon production and sales of both petroleum and chemical products. Operating efficiencies were further improved. Earnings increased in our "upstream" business—exploration and producing (E&P). Mobil Chemical had record earnings for the second year in a row. So did Montgomery Ward.

On the minus side, earnings declined sharply in the "downstream" business—petroleum refining, marketing, supply and transportation. Also, the U.S. 1986 Tax Reform Act reduced Mobil's 1987 earnings. These factors more than offset gains elsewhere.

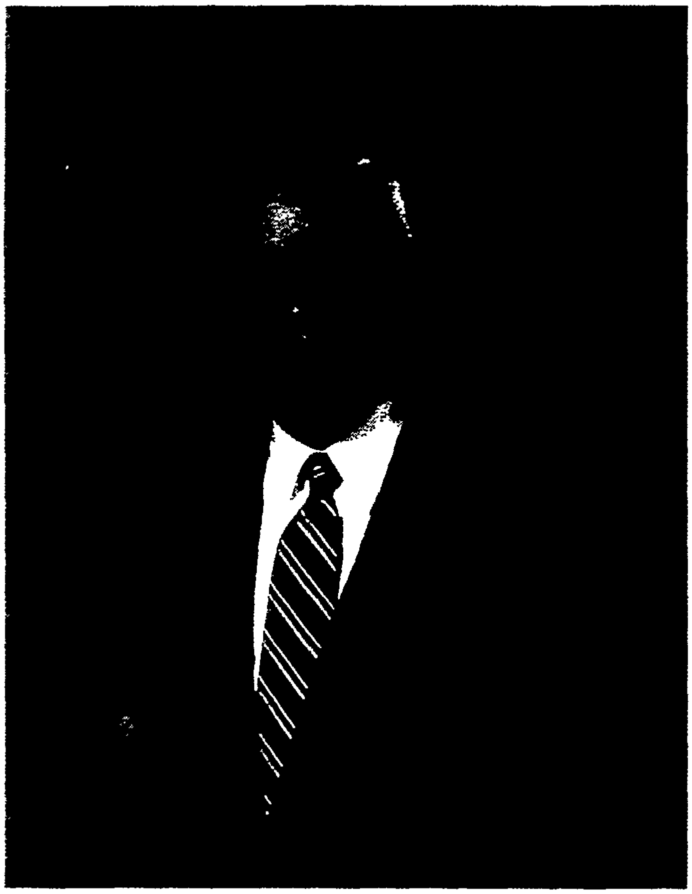
Overall, earnings fell to $1,258 million. This was a drop of $149 million—$299 million excluding the 1986 loss on the sale of Container Corporation.

A year ago, we predicted downstream earnings would be below the high levels of 1986. But the decline was steeper than expected. Why?

Basically, industry product prices didn't keep up with the recovery in crude prices; this was particularly true in Europe, where both crude and product inventories were too large. While the downstream did well in Asia and Africa and while U.S. results improved in the second half of 1987, European earnings were depressed for the entire year. The problem in Europe was industry-wide, and competitors generally didn't fare any better than Mobil. Conditions *should* therefore improve, but we're not sure how quickly.

Let's turn now to the good news:

Though earnings were down, we had lots of good news—especially in our exploration and producing and chemicals business



■ Even though we weren't happy with downstream earnings, our competitive position is good—and getting better.

We continue to upgrade our refineries to manufacture more premium gasoline and lubricants. We completed projects at our Beaumont, Texas, and Paulsboro, New Jersey, refineries and at the Woerth refinery in Germany. A major project is under way at Torrance, California, and we are planning investments in several other refineries.

In marketing, Mobil's sales of higher-margin premium products again grew faster than industry's. This should continue, due to both the high quality of our products and our successful program to modernize service stations. We're less than halfway through this modernization, so we expect more gains in the future.

■ "Upstream" earnings surged by 69%. In part, this was because of higher crude prices. But it was also because we increased production and cut costs. Earnings per barrel produced remained among the highest of major international companies—and continue to improve. And we remain among the industry leaders in reserve replacement—and in finding and developing new reserves for the lowest costs.

These strong results reflect efforts to get the most out of existing assets. For example, improving performance from existing fields through "reservoir management" will continue to add both reserves and production at very low cost.

We also sell reserves where our investments don't earn an adequate return, and buy properties with high potential in areas where we're strong. Finally, in 1987, we consolidated our E&P organizations in the U.S. and Canada to cut costs and manpower and increase efficiency.

Our natural gas business was a particular success story. U.S. production was up 20%, helped by a new gas-marketing organization. Overseas production increased 16%, as additional capacity in Indonesia contributed to our fine results. Also, while the price of natural gas was depressed in both North America and Europe in the early part of 1987,

es improved toward year-
As they continue to
rove, Mobil's earnings will
efit more than most com-
es' since Mobil is strong in
ral gas, partly because
roperties we got in the
isition of Superior Oil.
We also made progress
year in building for the fu-
. Our wildcat drilling had
xtraordinarily high suc-
ratio, and we're pleased
new acreage acquired in
th America, Europe,

nings

llions of dollars)	1987	1986	Change
troleum			
Upstream	1,401	827	574
Downstream	202	1,299	(1,097)
emical	300	140	160
rporate and other	(180)	(228)	48
t financing expense	(595)	(587)	(8)
obil before			
Montgomery Ward	1,128	1,451	(323)
ntgomery Ward	130	106	24
come before			
Special Provision	1,258	1,557	(299)
ecial Provision	—	(150)[1]	150
t Income	1,258	1,407	(149)

oss on sale of Container Corporation of America in 1986.

ca and Asia. This acreage, ng with our already large urce base, provides strong ortunities for the future.

■ Last year's report called bil Chemical a company n great promise—and that an understatement. Our icated plastic and spe- ty products had record es. Tighter petrochemical ustry supply/demand and rading of our product mix sted earnings for poly- lene and polystyrene. Our t-venture petrochemical nt in Saudi Arabia became ncome contributor. Mobil emical more than doubled earnings—and the previous r was itself a record.

Looking ahead, we see more good things from Mobil Chemical: In January 1988 we purchased a petrochemical plant in Texas, adding 50% to our U.S. capacity for ethylene. Our researchers continue to develop new and improved products to meet the needs of our customers.

■ Montgomery Ward's specialty-store strategy is paying off. Its 1987 earnings of $130 million were the best ever, surpassing its 1986 record. Also, Montgomery Ward improved its financial flexibility and gained a higher credit rating from Moody's Investors Service, while paying its first dividend to Mobil since 1979. We expect further improvements as Montgomery Ward continues converting existing stores to the specialty-store strategy and opening new ones.

Investing in our future

Now let's review some other efforts to improve results:

In 1987 we sold another $640 million worth of assets that don't fit our long-term future. This was less than in preceding years since we'd already disposed of so much. The largest item in 1987 was the sale of our leasehold on Mobil's headquarters in New York, which will cover the cost of relocating to our new corporate headquarters in Fairfax, Virginia. This relocation will ensure lower operating costs and greater organizational efficiency.

We also continued to reduce debt, cutting $642 million in 1987. That brought the debt-to-capitalization ratio down to 34%—way below the 49% three years ago and near the 33% we had before buying Superior in 1984.

Headcount continued to shrink as we further improved our organizational structure and productivity.

Mobil put about $3 billion into capital and exploration programs in 1987—about the same as in 1986. In 1988 spending will probably increase slightly. It's important to emphasize that Mobil has a large inventory of investment opportunities that will be profitable even if crude oil prices don't increase above $18 in real terms—a conservative assumption. We'll continue to balance investments between programs that give immediate benefits, such as reservoir management and service station upgrading, and those that give us the strategic strength to continue growth through the 1990s.

Our goal is to be the best possible. And we think we're making real progress. This, however, doesn't mean we're satisfied with recent earnings or rates of return, or with how much we've been able to improve the value of your investment. While we can't do anything about the industry environment, I want you to know that your board recognizes the need to improve financial results and intends to do so.

Mobil's people

Last year marked the departure from our board of William P. Tavoulareas, president of Mobil from 1969 to 1984; Alan Greenspan, who left Mobil's board upon becoming chairman of the Federal Reserve Board; and Anthony J. F. O'Reilly. Herbert Schmertz, vice president, Public Affairs, and Governor William W. Scranton have announced their 1988 retirements. Mobil is today a stronger company because of their contributions, and they will all be missed. Joining our board were James E. Olson, chairman and chief executive officer of AT&T, and Robert G. Weeks, president of Mobil Chemical. I welcome them.

As you look through this report, you'll see some of the people of Mobil. That's deliberate, because Mobil people deserve recognition for the imaginative ways they've found to improve performance during difficult times. They have done a good job.

Finally, a word to new employees. When we recruited you, we were looking for the best. You are here because you have demonstrated excellence and give the promise of more. We are glad to have you with us. You've joined a vital industry—and a company well positioned for the promising years ahead.

Allen E. Murray

Upstream, we bounced back from 1986, with higher earnings, new discoveries, more promising acreage and rising natural gas sales

"Upstream"—exploration and producing (E&P)—had an excellent year. Earnings soared to $1,401 million, up 69% from the very depressed level of 1986.

Higher crude oil prices and our own improved operations fueled the recovery, which remained strong despite lower natural gas prices in North America and Europe.

Mobil's earnings per barrel of oil and gas produced remained one of the best among the major oil companies.

Production of equity oil and gas—where Mobil has an ownership interest—increased 6% on an oil-equivalent basis. Oil was down a bit, mostly because Nigeria's production was squeezed by tighter OPEC quotas. Also, U.S. production declined slightly. But natural gas output was up 20% in the U.S.—bolstered by our expanded marketing efforts—and was 18% higher worldwide. Most of the increase overseas came from Indonesia, where the sixth production train has added 1.7 million tons a year of liquefied natural gas (LNG) capacity from the Arun field.

We made considerable progress on projects that will bring on new capacity in 1988. The first phase of the Edop field development in Nigeria went on stream late in 1987 and will build to about 20,000 barrels a day. And construction nearing completion at Arun will add 1.6 million tons a year of liquefied petroleum gas for sale to Japan beginning in 1988.

We replaced 95% of our U.S. oil and gas production in 1987 with new proved reserves, holding our domestic proved reserves essentially flat. Worldwide, our reserve replacement was down because we delayed development of several large overseas discoveries until we feel more confident about prices. Once development plans are firm, these hydrocarbons will be added to our inventory of proved reserves.

Overall, our fine results were consistent with our strategies, which we spelled out in last year's report:

Strategy: Explore for fields with larger potential

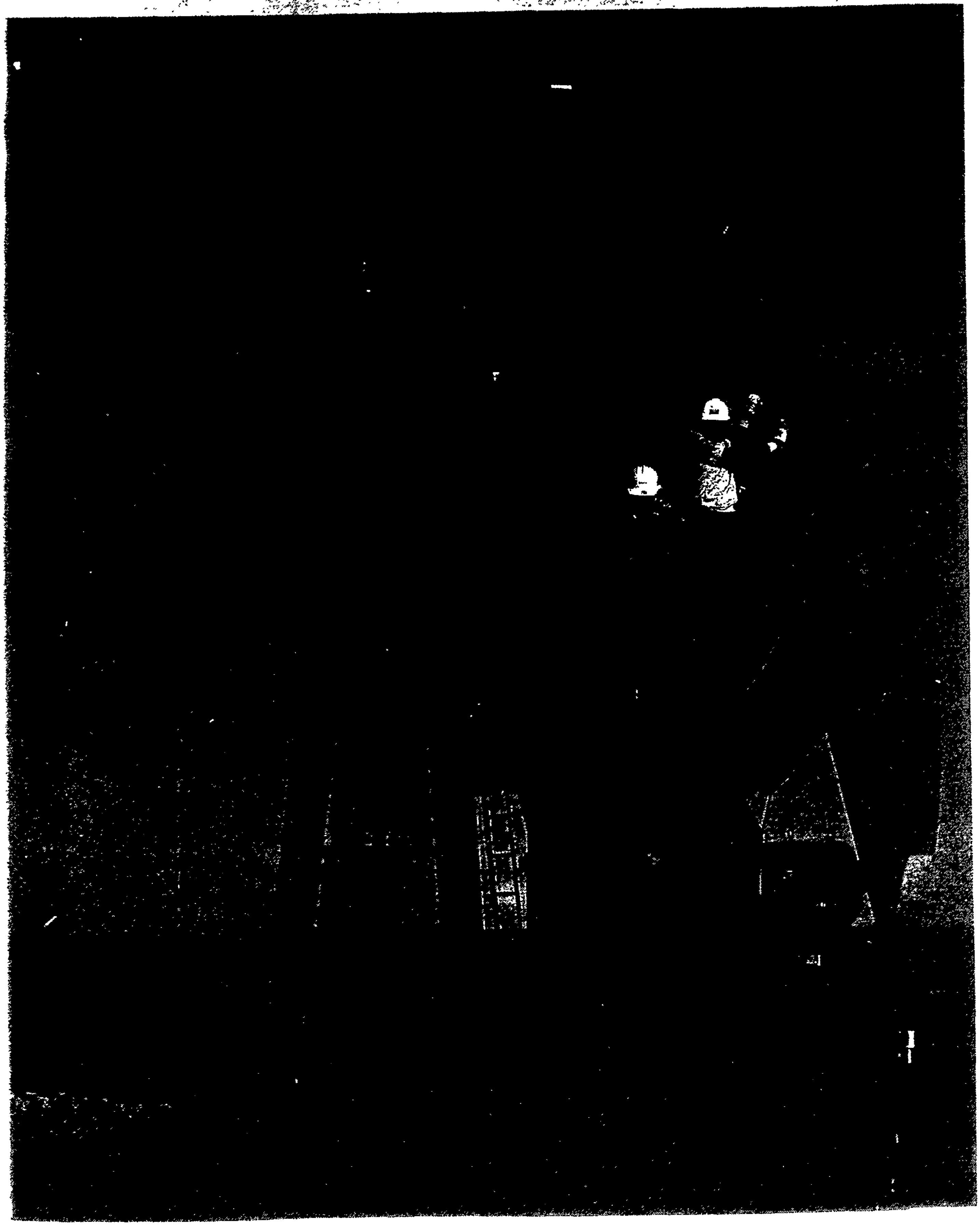
Exploration efforts once again were successful in 1987. We found hydrocarbons in over 40% of the wildcat wells we drilled—an exceptional success rate. There were discoveries in nearly all of our major operating areas: the U.S., Canada, the North Sea, Europe, West Africa and Indonesia. Among the most significant were:

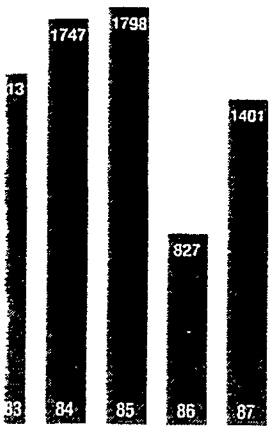
- Discovery of the wholly owned Camelot field in the U.K.'s southern North Sea gas basin. And over the past two years, Mobil has participated in the discovery of a number of fields adjacent to the Beryl and Northwest Hutton fields in the U.K. The Ness field near our Beryl field was the first of these to be brought on stream. Capitalizing on subsea production technology and the Beryl facilities already in place, production began in August 1987, at 10,000 barrels of oil a day, just 16 months after the field's discovery—a record for the North Sea.
- Offshore Norway, two significant discoveries—gas/condensate in the Haltenbanken area and an oil and gas discovery in the North Sea.
- In Nigeria, two large oil field discoveries, as indicated by test rates of up to 6,000 barrels of oil a day.
- Offshore in the Gulf of Mexico, three fields—Ewing Bank blocks 915 and 944 and South Timbalier block 260.

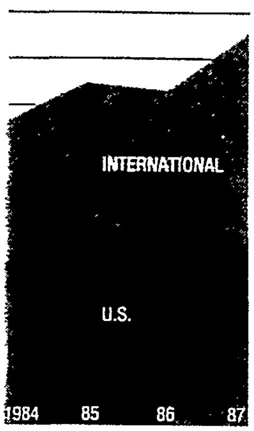
In 1987 we also acquired a substantial amount of promising acreage—including 48 blocks in the Gulf of Mexico, five in the U.K. North Sea and seven in the Norwegian Barents Sea. We also acquired new acreage in Indonesia. And we established a land position in Zambia.

Several of these acquisitions, such as those in deep water in the Gulf of Mexico, the Norwegian Barents Sea and

At older fields such as Salt Creek field in West Texas, a program of new water-injection wells is helping to increase production. This and other techniques are part of a worldwide reservoir management effort that has added dramatically to our reserves.







onshore Africa, are consistent with our increased emphasis on frontier plays that give us the chance of finding larger fields.

Strategy: Intensify the application of technology

This strategy pays off both short and long term. In the short term, Mobil has significantly increased reserves and production in some fields through "reservoir management"—a modern teamwork effort to analyze how best to increase the recoverable reserves, production and profits of these fields. One major success story is the Salt Creek field in West Texas, where the proved reserves of a field discovered in 1950 have been increased by 30% through the efforts of our reservoir management teams. Worldwide, Mobil's large resource base gives us the potential to continue improving results through the application of new technology.

For the longer range, we believe our technological strengths give us an edge on the competition in assessing exploration acreage. We're emphasizing new technologies to help develop our substantial heavy oil reserves in the U.S. and Canada. We'll also stress enhanced oil recovery techniques such as injecting carbon dioxide into our older oil fields to increase production and recoverable reserves. Mobil owns a 44% share in one of the largest and lowest-cost sources of carbon dioxide in the U.S.—reserves that will add to our future profits.

Strategy: Expand natural gas marketing

This strategy has really paid off for us since we restructured our U.S. gas-marketing

organization so we could sell gas to the consumer and local distribution companies rather than just to pipeline transmission companies. Last year we increased sales volumes by 20%, while industry was about flat.

Overseas, we're also capitalizing on our strong position in natural gas. We're negotiating contracts to commit our reserves recently discovered in the North Sea. In Indonesia, we benefited from increased sales of LNG from the Arun field to Pacific Rim countries.

Strategy: Continue to improve efficiency

Our redoubled efforts took several directions in 1987: We combined three U.S. affiliates into a single Dallas-based

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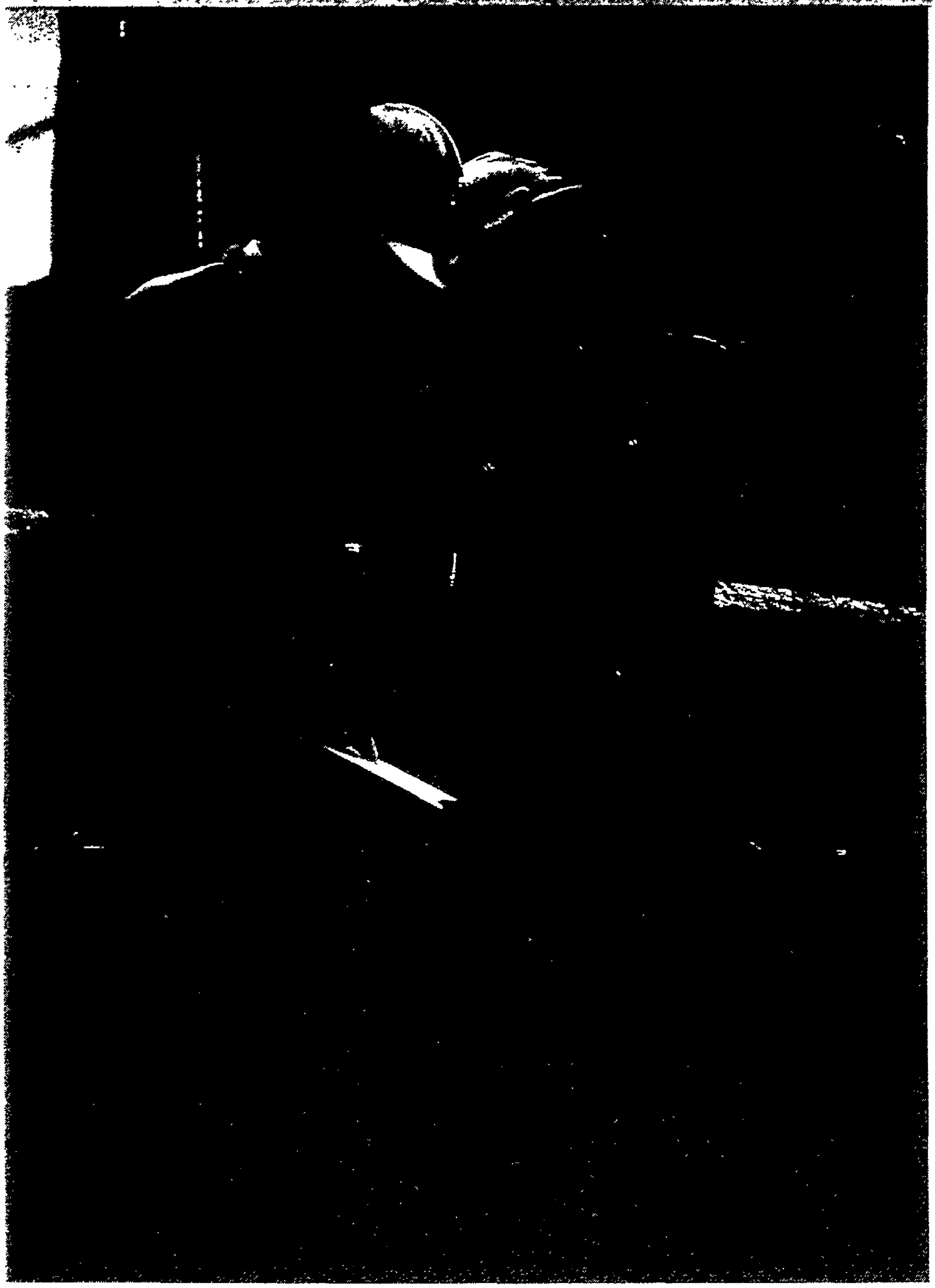


headquarters and consolidated our Canadian operations in Calgary. We also restructured our technology-support group in Dallas to facilitate the use and transfer of technology around the world. These steps improve communication and productivity and reduce headcount. Over the past two years the E&P workforce has been reduced by 22%.

We are also improving our efficiency by consolidating our North American producing operations. We're selling assets that are small or isolated and buying assets with high potential in areas where we're already a major participant—thus reducing overhead. During 1987 we sold an interest in 499 fields and increased our position in 27 others. This strategy improves our profitability and cash flow. And it focuses manpower on the fields where we have the greatest potential. We expect to do even better in 1988.

Future prospects

Our capital and exploration investment programs continue to balance short-term goals against long-term strategic objectives. During the next few years, we expect our investment program to enable us to continue increasing hydrocarbon production. And with a resource base that's much larger than our proved reserves, we have already recognized many good investment opportunities that will sustain production over the longer term.

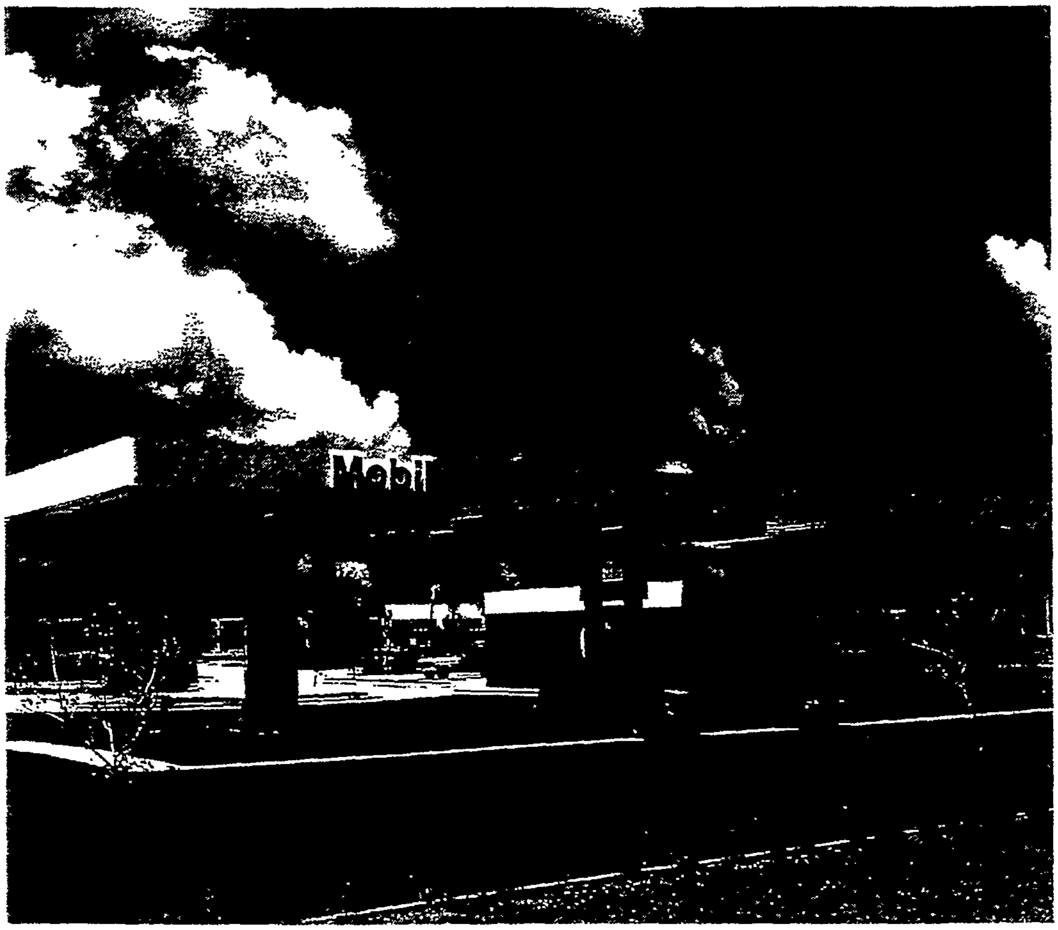
Finally, a word on people: We've beefed up our search in recent months for excellent graduates. We're a high-tech, growing operation, and these new talents will be [illegible] to our success in the future.

Top left: At the [illegible] field outside Houston, Mobil drilled two prolific gas wells in the Hinman Nash prospect [illegible] increasing Mobil's producing [illegible]

Lower left: Mobil Place in Dallas is home for Mobil's worldwide E&P technical-support organization and for U.S. E&P operations, which were consolidated [illegible]

Above: Mobil drilling engineers aboard the semisubmersible drilling rig, Treasure Scout, [illegible] the search for hydrocarbons in the Haltenbanken area [illegible]

We outperformed most downstream competitors in a tough year for industry—and we're building for better times ahead



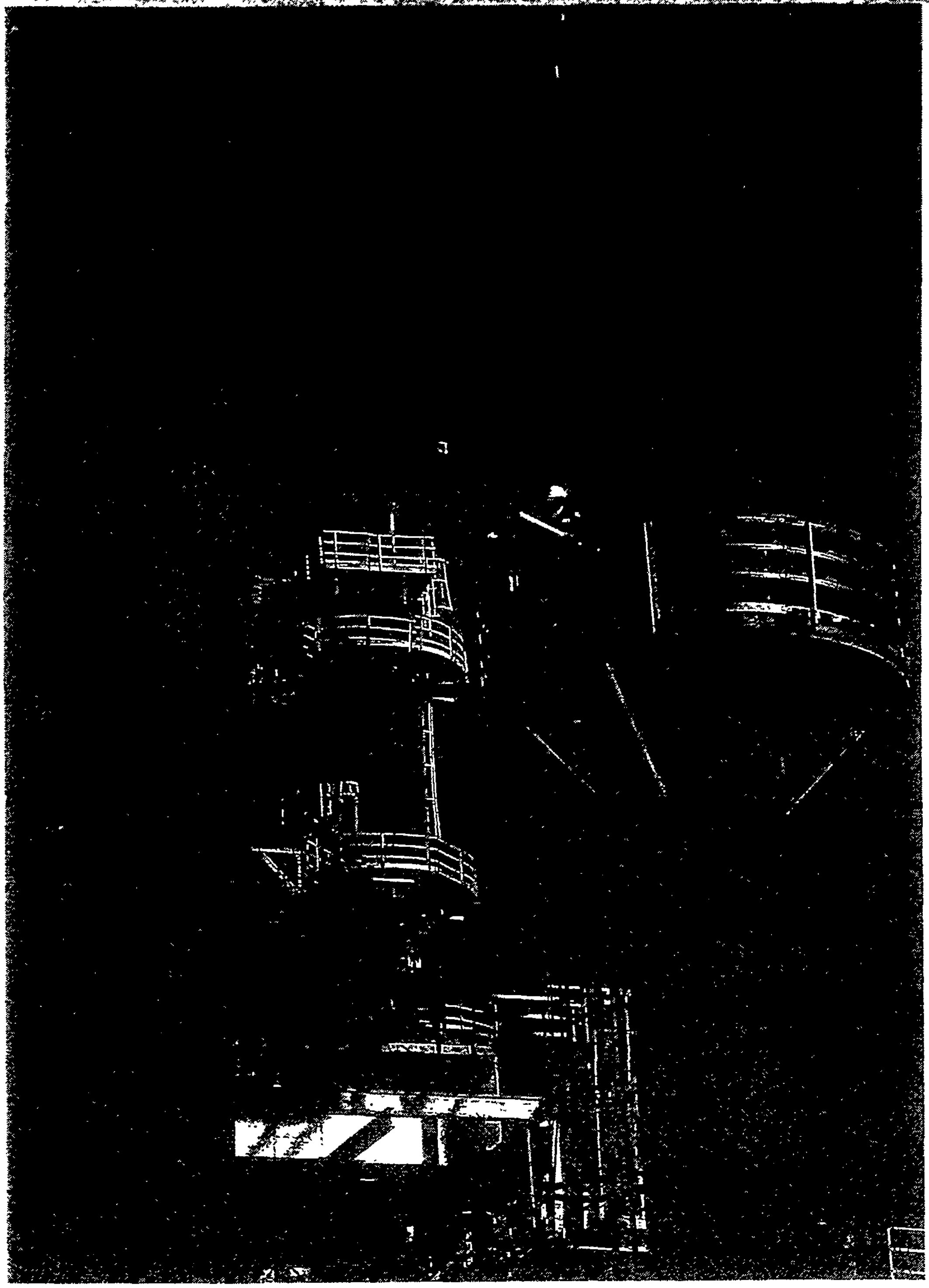
Service stations with the new Pegasus 21 design, outperforming expectations in the U.S., are now upgrading the Mobil network around

Earnings "downstream"—marketing and refining (M&R), supply and transportation—fell 84% from the high levels of 1986 to $202 million. Here's why:

First, you'll recall that in 1986 crude oil prices fell faster than product prices. This boosted downstream profit margins. But in 1987 the opposite occurred: Crude prices rose more rapidly than product prices, thus squeezing profit margins. Also, industry was hurt by surplus product inventories carried over into 1987. Finally, refineries worldwide overproduced from readily available crude supplies. All in all, these factors depressed margins in 1987, particularly in Europe and, at least for the first half of the year, in the U.S. However, U.S. M&R earnings improved to $104 million in the second half from $19 million in the first half.

Mobil performed better than most in a year when industry-wide M&R profits were way down. Worldwide, our operating profits were above the industry average. In the U.S., we have been closing the gap between Mobil and our major competitors over the past few years, and in 198[illegible] our profitability was above average for this same group of companies. Internationally, Mobil remains one of the top competitors in terms of earnings per barrel of product sold. Mobil is a top performer in the Far East and Pacific as well as in many European countries. But we're still not satisfied with the profits in some of our European affiliates and we have specific programs to improve our results.

The fact that we [illegible]



We're strengthening our refinery network worldwide. This major [illegible]-upgrading unit [illegible] [illegible] [illegible]

[illegible]

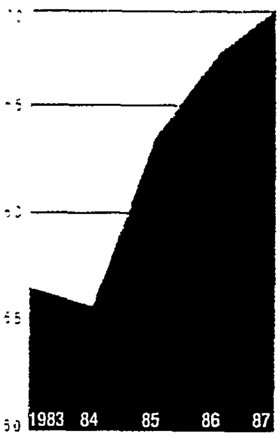
ter than many other companies is encouraging for the future. These comparisons suggest that Mobil is competitive with the best in our industry. Yet being competitive today doesn't mean we can relax. After all, our competitors are also fighting to increase *their* profits. So here's what we're doing to get even better:

More efficient refineries

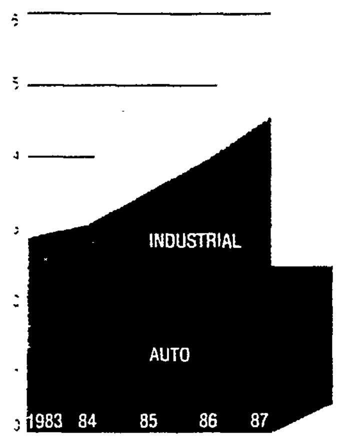
In last year's annual report we said, "In refining, a great deal of attention has been focused in recent years on closing uncompetitive facilities. Today's job is to concentrate on making our remaining refineries even more efficient and profitable." Let's review how we're coming along.

In 1987, based on our analysis, five of Mobil's worldwide refineries were the best or competitive with the best in their geographic area. In five other refineries, we took steps in 1987 to bring our competitive position closer to the top. At Torrance, California, a major product-upgrading unit is well under way, which will make that refinery equal to or better than any on the West Coast. At Beaumont, Texas, we initiated two projects that will produce substantially more Super Unleaded gasoline. Also at Beaumont and at Paulsboro, New Jersey, we completed projects that turn out more lubricants with no increase in crude input. Similarly, at Woerth, Germany, new investments increased our yield of premium fuels—gasoline and automotive diesel—by 20,000 barrels a day. At [illegible] [illegible] [illegible] effort has [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] 25 [illegible]

MOBIL AUTOGASOLINE
U.S. MARKET SHARE
(percent)



MOBIL INTERNATIONAL
SYNTHETIC LUBE SALES
(millions of gallons)



headcount 30%.

There are also plans to further improve *all* of our refineries. For instance, at Pemref in Saudi Arabia, we're now planning investments that will add 17,000 barrels a day of higher-quality gasoline and increase gasoline octane levels. We're also proceeding with the Saudi government in a new joint-venture lube refinery, Luberef II. At Coryton, England, we've begun building a new catalytic reformer to increase our ability to make unleaded gasoline. In addition, we've announced engineering for a new hydrocracker at Jurong, Singapore, that will make the refinery much more efficient and increase yields of gasoline and high-quality distillate to serve the growing Far East market. And in the U.S., major upgrades and improvements are projected for the Paulsboro and Beaumont refineries. Although we consider our refining network to be better than most in the industry, it's not as good as it's going to be.

Our strategic market

We continued our worldwide program of closing low-volume, inefficient service stations and of expanding with state-of-the-art service stations in markets where we can be at the top of competition.

Last year, in the U.S., as part of our program to increase efficiency, we completed withdrawal from gasoline marketing in all or parts of seven states. This brings to 20 the number of states from which we've wholly or partially withdrawn since 1981. Mobil is now concentrated in 32 key markets in 16 states that account for 85% of our U.S. gasoline sales, and we continue to acquire well-located properties that will make us even stronger in those strategic areas.

In 1987 Mobil's U.S. automotive gasoline sales grew at more than twice the rate of industry—the third year in a row in which we've increased market share. Since 1984 our gasoline market share in the U.S. has grown from 5.6% to 7%. Overseas sales growth of gasoline also outpaced industry. And worldwide, in areas where we market, we have an impressive 10% share of the profitable lubricants business.

We plan to get even better as we continue to convert our service stations to the attractive and efficient Pegasus 21 design, which has boosted volumes wherever it's been introduced. Helped by the strong performance of these modernized locations, we're among the industry leaders in the U.S. Our average volume in stations where we have an investment interest has grown from 800,000 gallons a year in 1984 to almost 1.4 million gallons in 1987.

Overseas, Mobil is among the top competitors in many countries, especially in the profitable smaller European and Pacific Rim countries where we expect to see real growth in demand. Our ongoing service station upgrading program is only 40% complete in the U.S. and even less in some overseas markets, so there's plenty of room to grow.

Also helping to set us apart from the competition are innovative products—for instance, our premium gasolines with detergent additives that clean port fuel injectors. In 1987 U.S. sales of Super Unleaded Plus were up 27%, much better than the industry's 14% gain. In Japan, our premium gasoline sales doubled after midyear when we introduced "Mobil F-1" 100 octane unleaded premium gasoline. In Europe, where diesel fuel makes up one-quarter of our service station sales, our diesel detergent additive helped boost volumes by 15%. And internationally, sales of our industry-leading Mobil 1® synthetic lubricant increased a phenomenal 30%, while industry lubricant sales have generally been flat. The success of Mobil 1 was reflected in the Mobil-sponsored Williams racing team, which won the Formula One team championship and finished one and two in the Grand Prix Drivers Championship.

Our newest synthetic lubricant now on the market, Mobil AV 1 for aviation piston engines, was developed in our research laboratories—and first used in the *Voyager* aircraft that flew around the world non-stop without refueling. The Mobil AV 1 lubricant has been recommended exclusively for Teledyne Continental's new engine series based on the *Voyager* engine. We're also using Mobil's catalyst technology to produce high-quality mineral oils to meet the increasingly severe performance standards of today's high-technology automobile engines.

We lead the industry in the acceptance of bank debit cards for gasoline purchases the U.S. and in many of our European and Far Eastern markets. During 1987 we introduced a premium credit-plus-debit card—the Mobil "Plus" card—in the U.S. It offers cardholders more

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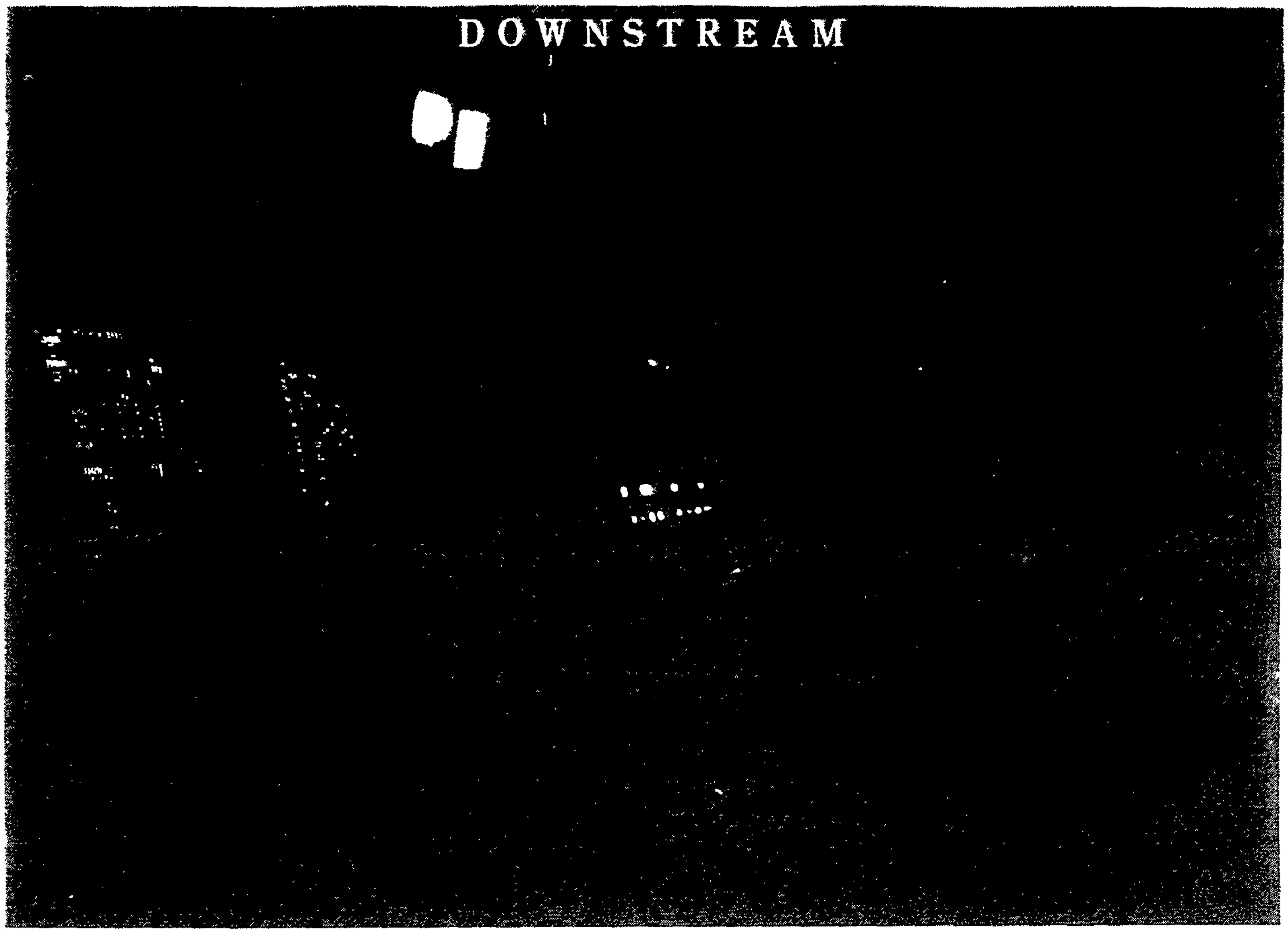
DOWNSTREAM



benefits than similar plans of other oil companies.

In Europe, Mobil has introduced a Diesel Club that's attractive to operators of truck fleets. Credit cards issued to customers may be used in any of 15 countries and billed in the currency of their choice, making it easier for international carriers—and good business for us.

More flexible supply

With oil-market volatility persisting in 1987, Mobil has continued to emphasize flexibility in the supply of crude oil and petroleum products while maintaining tight control over inventories. We've adapted our refineries to process a wide range of feedstocks, and upgraded our terminals to expedite the movement of crudes and products through the system. Our worldwide trading and sales operation has made us more competitive in the marketplace through timely and economic purchases and sales. And our marine fleet operated with no vessels in layup and at costs among the lowest in the industry. By entering into low-cost charters for international trading, we've added flexibility to our medium- to long-term coverage. In the U.S., we've adjusted our fleet of large barges in the Northeast to be more flexible and reduce overall supply costs.

Looking ahead

In last year's report we said we were optimistic about the long term, even though we were concerned about market conditions in 1987. And though 1987 did prove disappointing downstream, we see that the industry is already beginning to turn around. In fact, in the second half of the year our business picked up—and should continue to do well—in the U.S. and most areas overseas. The turnaround may take longer in Europe where there is still too much refinery capacity. But even there, the long-term outlook for our industry can provide opportunities for efficient companies. Meanwhile, we're making good progress in ensuring that we become one of the most profitable and efficient refiners and marketers in the business.

New computerized control system like this one at our Jurong refinery in Singapore provide quick-change flexibility for our refineries around the world.

Chemical earnings soared—and we strengthened our lead in plastics and synthetic lubes while launching more products

An engineer at New York's Macedon Technical Center testing a base sheet for a new oriented polypropylene (OPP) product. Since 1982, Mobil's OPP sales doubled, strengthening our position as world leader.

Mobil Chemical had a record year in 1987. Earnings of $300 million were more than double the 1986 level, which was itself a record.

All divisions contributed to this outstanding result. But our U.S. and Saudi petrochemical operations recorded the sharpest improvements. Without question, the whole petrochemical industry benefited from the tighter supply/demand balance. For Mobil, the higher margins and operating rates meant record profits.

But an improved market is only part of the story. The larger share of our success is due to our own initiatives that in just a few years have grown from start-up into highly profitable and rapidly expanding enterprises.

More petrochemical capacity

How are we growing? In petrochemicals, we added 50% to our capacity for ethylene and 70% to our capacity for propylene when we bought an existing plant in Houston.

The Saudi Arabian complex had another year of full operation and was well above design capacity. With stronger prices for its products in all of its international markets, this venture became consistently profitable in 1987.

First in films

Our fabricated plastic products set records last year: Volume was up 5% and operating income grew 12% to $111 million.

We continued to solidify our position as the world's largest producer of oriented polypropylene (OPP) film. In the past two years, we've introduced new packaging for coffee, microwaveable products and snack foods as the latest applications for this versatile film.

To keep pace with rapidly growing demand, we've continued to squeeze more production from our six manufacturing plants in North America and Europe. And expansions are under way in Stratford, Connecticut; Brindisi, Italy, and Virton, Belgium. Also planned for mid-1989 is a plant expansion in Belleville, Canada.

We're also the world's leader in the pallet-wrap stretch film that is used to protect a variety of loads during storage, handling and shipment. Sales of this product have grown by more than 20% in each of the past five years.

With 1987 growth of 8%, we continue to be the largest supplier of plastic packaging to supermarkets. We pioneered the plastic grocery sacks that now account for about 40% of supermarket take-home bags. And we continue to lead industry, increasing our sales by 26% in 1987.

We're excited about our entry into the oriented polystyrene (OPS) market. Our new see-through containers add to the sales appeal of a wide variety of products now available in supermarkets and fast-food establishments. Since the fourth quarter of 1987, our OPS production has benefited from the start-up of a major plant addition.

Sales of our Hefty® drawstring bag, Cinch Sak®, rose by 22%. Building on this success, we're increasing capacity and introducing a new "Super Cinch" drawstring in 1988 as part of our strategy of providing improved products in response to consumer needs.

We are encouraged by market tests of our new line of Lustra™ premium gift wrap made from our proprietary OPPalyte™ film. Consumers have been enthusiastic, and we're sold out of this product.

Synthetic lube capacity grows

Mobil Chemical already is the world's leading manufacturer of synthetic lubricants. And by 1989 we'll add more than 60% to our capacity with a new synthetic base stock plant at Gravenchon in France. The base stocks are used in formulating premium automotive and industrial synthetic lubricants, including Mobil 1. Growth of our chemical-specialties business was also spurred by record demand for our fuel additives, sales of which increased 19%.

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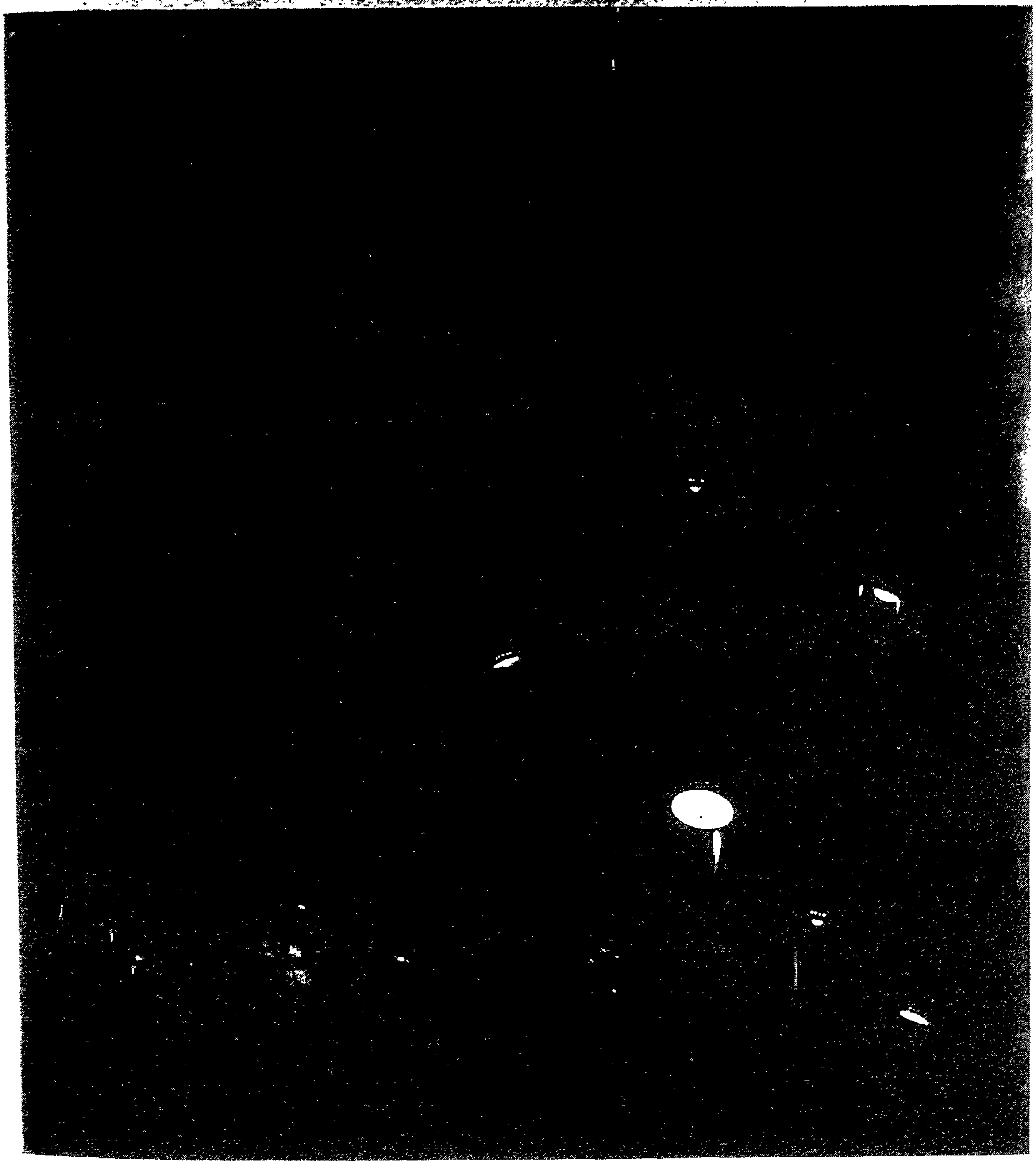

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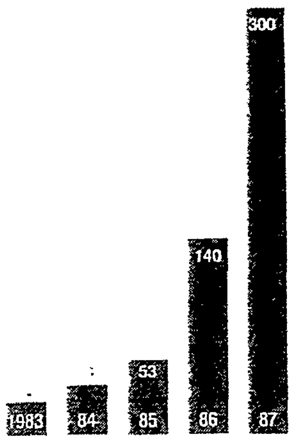
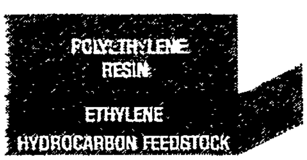
The reactor at Mobil Chemical's petrochemical plant in Beaumont Texas. Last year higher margins for petrochemicals meant greater [illegible] Mobil Chemical.



U.S. INDUSTRY ETHYLENE CAPACITY UTILIZATION
percent



Our pioneering work with zeolite catalysts continues to pay off. The catalysts are used for upgrading fuel products and for various chemical processes. Last year, for the first time, our ZSM-5 crystals were used to cut down on nitrogen oxide emissions in stationary internal combustion engines. And efforts are under way to extend their use to power plants.

Our long-term outlook

All signs point to another good year for Mobil Chemical in 1988: Added to a favorable industry outlook is our strong market position in fabricated plastics, our low-cost petrochemical operations and strong new-product development.

The long-term outlook is also encouraging. Petrochemical operating rates are high, and market growth should stay even with—or surpass—capacity additions. This means we should continue to experience attractive margins.

In plastics fabrication, we expect more high growth because our products, such as our OPP films, have the superior properties, attractiveness and lower cost that should enable them to keep on replacing traditional materials. As a result, our plastics businesses should continue to outpace the growth rate of the gross national product.

Demand for our catalysts and synthetic lubricants should be boosted by increasing octane requirements for gasoline and the lubricant requirements of higher-performance engines.

In short, we're very optimistic that the structural factors that made 1987 such a good year for Mobil Chemical will continue to help us in the years ahead.

In Yanbu, Saudi Arabia, the Yanpet petrochemical complex raised total capacity by 20% without significant additional investment. This is a Mobil joint venture with Saudi Basic Industries.

We applied technology to the bottom line...scored a record year in retailing...and achieved new successes in other operations

At the Dallas Research Lab, a geologist studies core samples and well logs from Nigeria's Oso field, which Mobil is about to develop. Core analysis is used to determine the characteristics of a hydrocarbon reservoir.

Leading technology leads to profits

More than ever, what sets our company apart from the competition is technology. In Research & Engineering (R&E), we have the right people working on the right technology—and the fastest ways [illegible] these strengths [illegible] commitment [illegible] each area, we've reported how R&E successes enriched our bottom line again last year. There's more:

In U.S. patents received, we outperformed all our oil-industry competitors for the fifth straight year.

In exploration, R&E technology gives us a strategic advantage by showing where to look for hydrocarbons—and [illegible]. For example, we've developed a new proprietary seismic technique that's a step beyond conventional procedures. We use it to identify which underground geological features contain petroleum—and which don't. This lets us concentrate on our best prospects.

We're also at the forefront of production research. Using advanced supercomputers, our scientists find ways to get the most oil and gas out of reservoirs. With computerized image analysis, we learn more about reservoir rocks and then use Mobil-developed mathematical simulators to test different production schemes and predict the most efficient approach.

And we're a leader in innovative production methods—like oxygen fireflooding. This advanced technology uses an underground fire to sweep through the reservoir and force oil toward producing wells.

tion wells. Older technology pumped down air to feed the fire. But we've developed special, safe techniques to use almost-pure oxygen, reducing the amount of pumping required and lowering costs. Our first field test, in South Texas, increased oil recovery by more than 50%.

We've applied artificial-intelligence computer concepts to develop a well-planning and early-warning monitoring system that gives instant advice to our drillers so they can avoid potentially expensive problems during drilling.

And our engineers, who have the benefit of more than 14 years on North Sea megaprojects, have streamlined design technology and cut costs. For example, we replaced a crude-loading tower for $50 million *less* than the original.

Zeolite catalysts are, like silicon chips, the key element in a sophisticated, lucrative technology. The Mobil-patented ZSM-5 catalyst has a wide range of uses in the manufacture of fuels, lubricants and petrochemicals. Last year the number of Mobil and licensed units using ZSM-5 technology grew to more than 50. One of our new catalysts boosts gasoline octane, and we're getting it ready for commercial application. And we continued to improve catalyst-manufacturing efficiency at our Mobil Chemical plant in Texas.

We're also applying advanced technology at Long Island's Brookhaven National Laboratories, where we're using the world's brightest source of X-rays to study catalysts. The molecular changes we observe may lead us to the catalysts of the next decade—and beyond.

Aside from our unquestioned leadership in synthetic lubricants, we've added to our advantage in mineral-oil lubricants. Our researchers have developed more new products—automotive, marine, industrial—that work better against sludge, wear and intense heat. And our proprietary technology for additives has made possible a new generation of mineral-oil greases, the most versatile and durable in industry.

Last year's successes evolved from our steady commitment to R&E. We've built—and are still building—our technological advantage, using the best formula around: the best people plus long-term commitment to technical excellence. And that translates into profit.

In another Dallas Lab activity, a technician tests ways to fracture a rock sample. Fracturing is a hydraulic process that cracks reservoir rock so oil and gas can flow more freely.

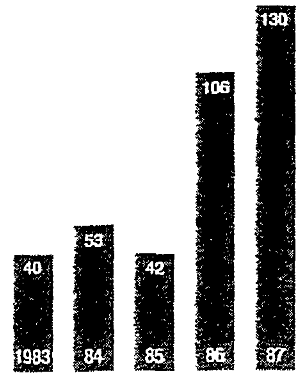
Montgomery Ward hits new highs

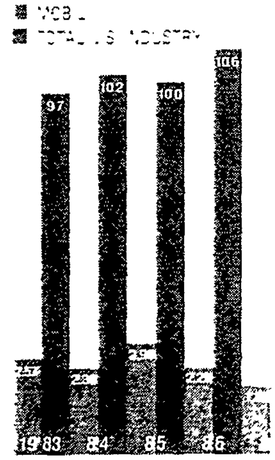
Montgomery Ward, Mobil's retailing subsidiary, had its best year ever in 1987: Earnings increased by 23% from the previous year's record. The retailer earned an upgraded credit rating and paid Mobil its first dividend since 1979. The plan to restructure the company into an independent, profitable specialty-store retailer is well under way.

Results are in line with Montgomery Ward's specialty store strategy introduced two years ago. This strategy means discontinuing unprofitable merchandise lines and focusing on aggressive retailing of those lines in which the company could compete with the best: apparel, home furnishings, electronics and appliances, and automotive parts and service. In each of these four categories, Montgomery Ward now offers consumers a better value on a select group of name-brand items... items like Michelin and Bridgestone tires, Sealy mattresses, Maytag and GE appliances, La-Z-Boy recliners, Smith Corona typewriters, Champion batteries and NAPA auto parts. In many of these brand-name items, Montgomery Ward has become the nation's leading retailer. Helping to build the company's market share are aggressive advertising and a strong commitment to customer service.

The company has focused its specialty-store retailing strategy on key metropolitan markets where it can benefit from economies of scale. In 1987 the Sacramento, Phoenix, Las Vegas, Orlando and Norfolk markets were converted into specialty stores. Several major markets, including Chicago, are scheduled for conversion in 1988. Montgomery Ward is also filling market voids with new stand-alone stores that sell just one specialty merchandise category. The specialty categories have new names: Electric Avenue, Home Ideas, Auto Express and Gold 'N Gems-The Apparel Store.

Where stores have unused space, Montgomery





Ward leases it to other retailers whose merchandise complements its own. In some cases, the renovated space is used to accommodate galleries of specialty shops, called "Side Trips." Elsewhere, merchandisers like Toys 'R' Us join in a cooperative venture with Montgomery Ward and lease otherwise unprofitable space inside a full-line Montgomery Ward store.

Also under way are changes in Montgomery Ward's distribution network that will result in fewer, more efficiently located centers. In the past two years, Montgomery Ward has substantially reduced distribution costs. And by 1989 when Montgomery Ward [illegible] new centers, there will be additional savings that will provide the company with very competitive distribution costs.

Strong brand-name identification is a key ingredient in Montgomery Ward's specialty-store strategy. At this Auto Express store in Virginia Beach, the emphasis is on Michelin and Bridgestone tires—and Mobil lubricants.

Point-of-sale cash registers are being replaced by a state-of-the-art computerized system that will improve customer service and slash operating costs. The new Nixdorf machines have already been installed in more than 100 outlets. By the end of 1988, the entire retail network will have Nixdorf equipment.

These dramatic changes have paid off in the public perception of Montgomery Ward —and on the bottom line. Now, with an upgraded credit rating from Moody's Investors Service, Montgomery Ward's financial performance continues to look more promising. The upgrading, said Moody's, "recognizes the company's status as a major retailer, its improved returns and the expectation that this performance will continue."

More safety firsts

Safety is basic to our business —to our employees, customers, [illegible] environment—and we work [illegible]

[illegible]

OTHER CORPORATE OPERATIONS

Safety applies worldwide. In Yanbu, Saudi Arabia, firefighters stage a full-scale drill at Pemref export refinery, Mobil's joint venture with Petromin, the Saudi national oil company.

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and protecting workers with a new computer system at our Environmental Affairs and Health Science Laboratory in New Jersey. It's a worldwide source for product safety and health information, one of the most comprehensive in the industry. We use it to develop faster, more detailed data for customers. Last year it helped us create new business and expand our market share in automotive and industrial lubricants.

In a first for any U.S. company, Mobil Chemical had every one of its facilities awarded the honor of Star certification in the Occupational Safety and Health Administration's toughest program. Mobil Chemical's 24 plants and labs [illegible] nearly half of all Star-certified industry sites. Mobil Chemical's injury and accident rates were 83% lower than the manufacturing industry's most recent national average. This cut costs, raised productivity and reminded communities that we're committed to plant safety.

Improved outlook for Mining & Minerals

Last year, the Mining & Minerals group posted a small profit and a promising rate of improvement that's expected to continue. The phosphate fertilizer business strengthened, and coal sales set a record.

Phosphate fertilizer prices recovered somewhat, improving our profitability. We acquired a phosphate rock mine and reserves in Florida. [illegible] mines and over 135 million tons of reserves.

In a court-approved settlement of a lawsuit, the State of Florida acknowledged our ownership of lands near our phosphate mining operations and withdrew damage claims against us for past mining in this area. In return, we agreed to convey to the state wetlands for preservation and certain reclaimed lands for a public park.

Mobil's Wyoming coal mine, Caballo Rojo, has one of the top productivity rates in the U.S. So despite soft prices, our coal profits improved. Volume increased over 50% [illegible] 1986, to more than 6 million tons a year.

As part of our continuing effort to streamline [illegible] our most [illegible] nesses, Mobil's Texas uranium operations were sold, as was a portion of our shale holdings.

More growth for Mobil Land

Reporting another good year, our land-development business earned $27 million from ongoing operations, a 13% increase from 1986. We made another $3 million in nonrecurring profits from bulk sales of acreage.

Mobil Land Development Corp. has 19 properties in eight states. Two-thirds are under development, mostly in high-growth suburban areas of cities like Atlanta, Phoenix, Los Angeles, San Francisco and Washington, D.C.

Our projects, which range from strictly residential to fully integrated residential/commercial, contain over 20,000 dwelling units and 10 million square feet of commercial space.

We continued to enhance the value of raw land we acquired within the past 10 years. We developed land-use master plans, obtained zoning and development permits, built infrastructure and prepared land parcels for sale to builders.

As partners in an Arlington, Virginia, commercial complex, we began construction on the second of three office towers there.

We also worked on predevelopment of a town center for our Reston, Virginia, project. We acquired over 3,700 acres there in 1978.

Talent for tomorrow

We're continuing our broad-based program to recruit, develop and retain the employees who will assure our success in the years ahead.

Although our 1987 hiring about matched 1986 levels, we intensified our activities on selected campuses so we could succeed in a more competitive environment.

The best companies, not just the best oil companies, are seeking high-quality recruits from a limited college supply. To gain an edge, we've focused on early identification of students in the disciplines we need most—like chemistry, engineering, geoscience, finance and others.

As family demographics change, so do employee needs. We conducted a major study on dual careers and relocation to make sure our policies work for our employees and keep us competitive.

Our senior-management development program for women and minorities earned a leadership award from the national women's organization, Catalyst. We were cited for our "pioneering and visionary" response to a recognized need.

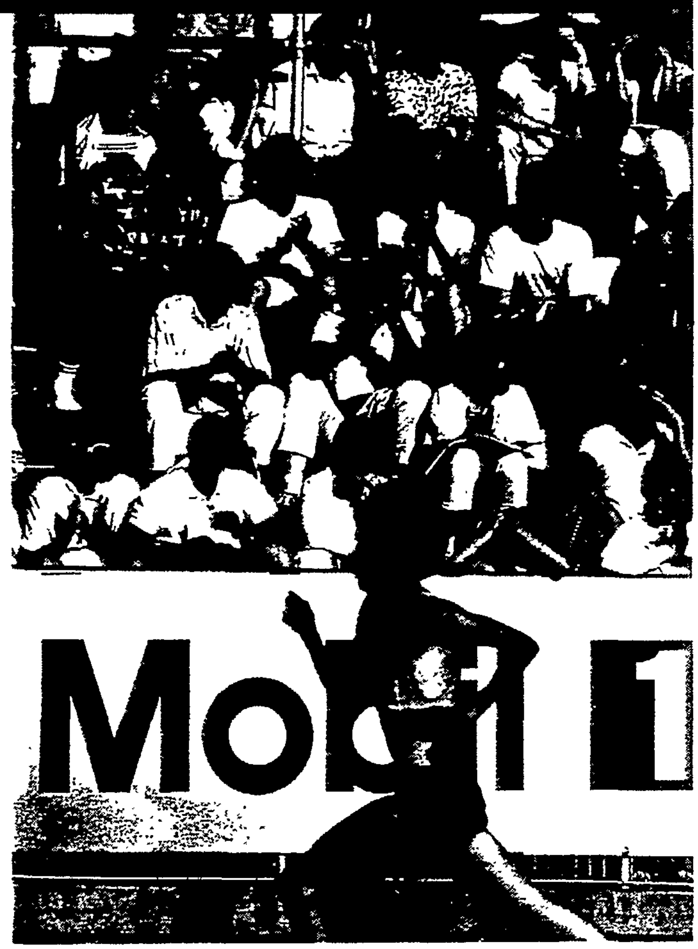
With these and other initiatives, we're driving hard to develop and make use of each employee's full potential.

Communicating with quality

Again last year, we took an active role as a leading corporate citizen.

We contributed to the national debate on issues that affect our shareholders, our industry and our country. We communicated with government and other opinion leaders through our advocacy advertisements in the op-ed sections of major newspapers. We sought to sway opinions—or at least provoke debate—on vital issues such as trade, taxes and the environment.

We also took our con-



Mobil-sponsored track and field events—like this one in Scandinavia—are tied in with product marketing.

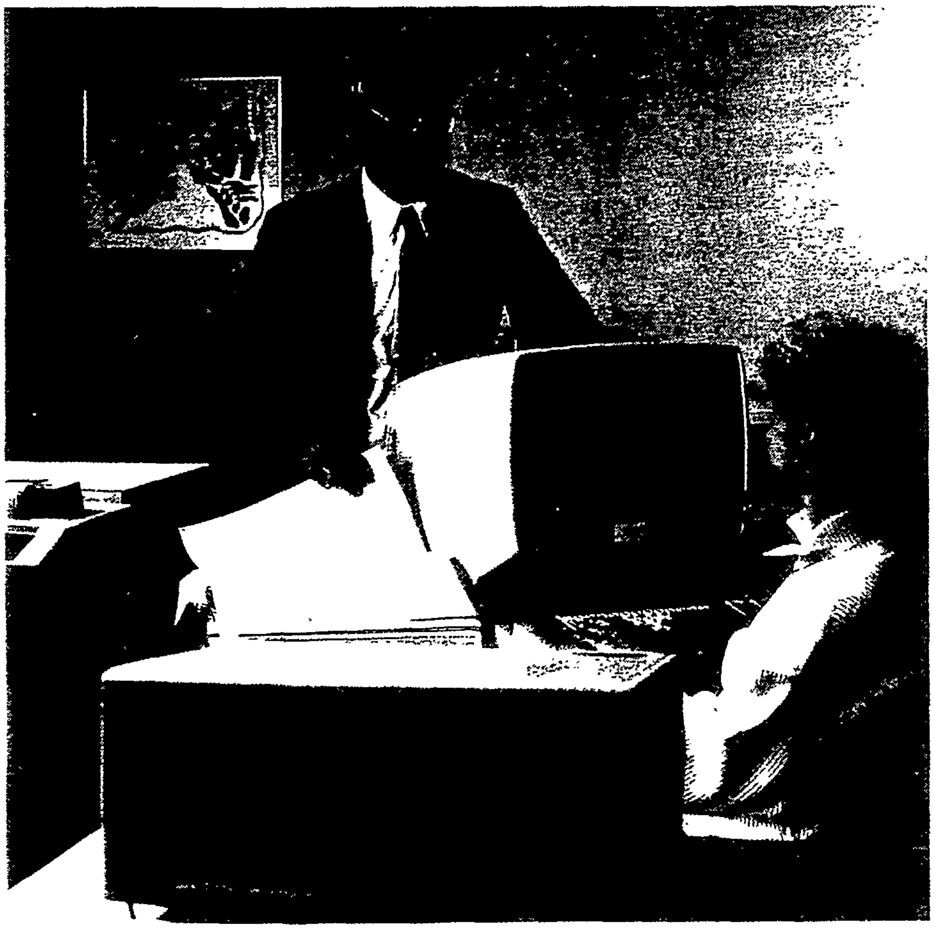
cerns to Capitol Hill, where we met with lawmakers and their staffs to discuss such issues as the trade bill and the Arctic National Wildlife Refuge.

In support of our business efforts, our cultural and community programs helped strengthen relations with the governments and people of countries where we operate. For example, a Mobil-sponsored photographic exhibition toured Hong Kong, Shanghai and Beijing—giving us access to government leaders in China, one of our expanding markets.

We continued our sponsorship of *Masterpiece Theatre*. Winner of 22 Emmys, this series has earned us critical acclaim, customers and shareholders over its 17 seasons on public television.

FINANCIAL REVIEW

This section includes the five-year financial summary (see facing page), a financial commentary (pages 24-27), and the consolidated financial statements (pages 28-42)



A sophisticated electronic communications network links worldwide financial information to headquarters accounting departments in New York.

The section also includes the reports of management and of the certified public accountants (page 43), and supplementary information on oil and gas operations and on Mobil's other resources (pages 44-51). The following comments refer to selected items on the facing page.

- The price of Mobil stock at year-end 1987 was only slightly below year-end 1986, despite the market upheaval last October.
- Dividends were maintained at $2.20 a share.
- Revenues increased $6.9 billion reflecting increases in crude oil prices, hydrocarbon production, and petroleum and chemical product sales. Montgomery Ward revenues also increased.
- Mobil's net income before Montgomery Ward decreased $323 million despite higher Exploration and Producing results and record Chemical profits. The overall decline reflected very competitive refining and marketing conditions, especially in Europe.
- Montgomery Ward's net income was at a record level.
- Net income as a percent of shareholders' equity and capital employed declined because of lower earnings and an increase in shareholders' equity.
- Funds available from operations remained at a strong $4.0 billion. Additional funds were available from asset sales.
- Capital and Exploration expenditure of $2.9 billion were essentially flat with 1986. The largest portion of these expenditures continued to be directed to Exploration and Producing.
- Balance sheet improved with debt down and shareholders' equity up. Shareholders' equity increased to $40.80/share
- Mobil's debt-to-capitalization ratio before Montgomery Ward was 32% at year-end 1987, down from 36% at year-end 1986. For total Mobil Corporation, the ratio was 34% at year-end 1987, compared with 38% at year-end 1986.

Five-year financial summary

$ in millions except for per-share amounts	1987	1986	1985	1984	1983
Year-End Market Price per Share	$ 39¼	$ 40⅛	$ 30¼	$ 27⅜	$ 28[illegible]
Cash Dividends	$ 903	$ 898	$ 898	$ 896	$ 813
As percent of net income	72%	64%	86%	71%	54%
Per share	$ 2.20	$ 2.20	$ 2.20	$ 2.20	$ 2.00
Revenues	$56,716	$49,865	$60,609	$60,474	$58,998
Net Income	$ 1,258	$ 1,407 [1]	$ 1,040 [1]	$ 1,268	$ 1,503
Per share (based on average shares outstanding)	$ 3.06	$ 3.45	$ 2.55	$ 3.11	$ 3.70
Segment Earnings					
U.S. Petroleum					
Exploration and Producing	$ 361	$ (24)	$ 716	$ 795	$ 673
Refining and Marketing	123	365	157	(4)	170
Total	484	341	873	791	843
Foreign Petroleum					
Exploration and Producing	1,040	851	1,082	952	840
Refining and Marketing	79	934	176	38	234
Total	1,119	1,785	1,258	990	1,074
Total Petroleum	1,603	2,126	2,131	1,781	1,917
Chemical	300	140	53	34	22
Corporate and Other	(180)	(228)	(26)	(138)	(166)
Net Financing Expense	(595)	(587)	(652)	(462)	(310)
Mobil before Montgomery Ward	1,128	1,451	1,506	1,215	1,463
Montgomery Ward	130	106	42	53	40
Income before Special Provisions	1,258	1,557	1,548	1,268	1,503
Provision for Montgomery Ward Restructuring	—	—	(508)	—	—
Loss on Sale of Container Corporation	—	(150)	—	—	—
Net Income	$ 1,258	$ 1,407	$ 1,040	$ 1,268	$ 1,503
Net Income as Percent of—					
Average shareholders' equity	7.9%	9.6%	7.5%	9.2%	10.8%
Average capital employed [2]	7.7%	8.3%	7.0%	7.9%	9.3%
Revenues	2.2%	2.8%	1.7%	2.1%	2.5%
Funds Available from Operations	$ 3,974	$ 3,771	$ 4,095	$ 3,727	$ 3,724
Capital Expenditures, Exploration, and Other Outlays [3]	$ 2,942	$ 3,003	$ 3,513	$ 3,600	$ 3,771
Balance Sheet Position at Year-End					
Current assets	$11,410	$10,869	$12,530	$12,383	$11,890
Net properties, plants, and equipment	24,946	24,304	25,408	25,530	19,878
Total assets	41,140	39,412	41,752	41,851	35,072
Current liabilities	10,897	10,432	12,383	11,961	10,813
Long-term debt and capital lease obligations	7,399	8,247	9,745	11,492	5,490
Shareholders' equity	$16,783	$15,239	$14,089	$13,624	$13,952
Per share	$ 40.80	$ 37.28	$ 34.50	$ 33.42	$ 34.30
Debt-to-Capitalization Ratio					
Mobil before Montgomery Ward	32%	36%	43%	47%	31%
Total Mobil	34%	38%	44%	49%	33%

(1) Income for 1986 included the $150 million loss on sale of Container Corporation of America. Income for 1985 included the $508 million provision for restructuring of Montgomery Ward.
(2) Net income plus income applicable to minority interests plus interest expense net of tax divided by the sum of average shareholders' equity, minority interests, debt, and capital lease obligations.
(3) Includes capital expenditures of majority-owned companies; excludes major acquisitions.

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Operating Highlights

	1987	1986	1985	1984	1983
Net Undeveloped Oil and Gas Acreage *(millions of acres)*					
United States	7.1	7.8	8.6	9.1	8.7
Canada	7.6	9.6	12.9	15.5	11.8
Europe	6.2	6.6	6.6	7.2	7.1
Other Foreign Areas	23.5	20.7	30.7	26.7	34.2
Worldwide	44.4	44.7	58.8	58.5	61.8
Net Wells Capable of Producing					
United States—Oil	16,316	17,256	17,617	16,249	14,317
—Gas	4,033	4,365	4,336	4,101	3,369
Foreign —Oil	3,202	3,281	3,207	3,085	2,317
—Gas	1,118	1,096	1,069	1,046	460
Worldwide	24,669	25,998	26,229	24,481	20,463
Net Crude Oil and NGL Reserves *(millions of barrels)*					
United States	1,024	1,014	1,036	1,040	855
Canada	287	306	312	329	232
Europe	391	431	472	507	490
Other Fully Consolidated Foreign Areas	695	709	546	557	571
Mobil's Share of Reserves of Investees Accounted for on the Equity Method	556	558	537	534	437
Worldwide	2,953	3,018	2,903	2,967	2,585
Net Natural Gas Reserves *(billions of cubic feet)*					
United States	7,741	7,855	7,600	8,084	6,275
Canada and Other Western Hemisphere	2,425	2,600	2,864	3,301	1,896
Europe	3,301	2,737	2,649	2,619	2,157
Other Fully Consolidated Foreign Areas	6,820	7,287	7,574	7,777	7,999
Mobil's Share of Reserves of Investees Accounted for on the Equity Method	200	219	147	143	154
Worldwide	20,487	20,698	20,834	21,924	18,481
Net Crude Oil and NGL Production *(thousands of barrels daily)*					
United States	338	342	352	335	304
Canada	84	81	83	73	59
Europe	146	152	138	120	98
Other Fully Consolidated Foreign Areas	106	124	176	121	94
Mobil's Share of Production of Investees Accounted for on the Equity Method	35	28	23	26	36
Worldwide	709	727	772	675	591
Net Natural Gas Production *(millions of cubic feet daily)*					
United States	1,799	1,498	1,653	1,702	1,282
Canada and Other Western Hemisphere	362	356	412	292	199
Europe	595	462	381	341	237
Indonesia	1,256	1,072	971	905	640
Mobil's Share of Production of Investees Accounted for on the Equity Method	40	46	39	45	69
Worldwide	4,052	3,434	3,456	3,285	2,427

Operating Highlights (Continued)

	1987	1986	1985	1984	1983
Petroleum Product Sales *(thousands of barrels daily)*					
United States	865	841	789	708	699
Europe	720	721	670	641	649
Far East and Australasia	465	448	429	443	456
Other Foreign	312	264	266	232	230
Worldwide	2,362	2,274	2,154	2,024	2,034
Petroleum Product Sales *(millions of dollars)*					
United States	$ 8,397	$ 7,118	$ 9,748	$ 8,920	$ 8,996
Europe	11,317	10,441	11,669	11,252	12,466
Far East and Australasia	6,184	5,752	6,290	6,764	7,138
Other Foreign	4,303	3,164	3,883	3,934	4,465
Worldwide	$30,201	$26,475	$31,590	$30,870	$33,065
Refinery Runs for Mobil *(thousands of barrels daily)*					
United States	645	643	647	636	618
Europe	403	457	496	515	542
Far East and Australasia	330	308	331	386	383
Other Foreign	185	137	116	83	51
Worldwide	1,563	1,545	1,590	1,620	1,594
Miles of Pipeline (1) *(including partly owned; year-end)*					
United States	26,337	27,597	28,044	28,168	28,013
Foreign	11,099	11,195	11,116	10,674	9,862
Worldwide	37,436	38,792	39,160	38,842	37,875
Chemical Sales by Product Category *(millions of dollars)*					
Plastics	$ 1,514	$ 1,274	$ 1,184	$ 1,139	$ 1,017
Petrochemicals	1,239	990	932	879	736
Other	25	26	45	227	231
Net Sales to Trade	$ 2,778	$ 2,290	$ 2,161	$ 2,245	$ 1,984
Montgomery Ward					
Number of Retail Stores *(year-end)*	316	295	316	367	375
Retail Selling Space *(million square feet; year-end)*	24.0	23.7	25.6	29.6	31.1
Sales (2) *(millions of dollars)*	$ 4,639	$ 4,383	$ 4,757	$ 5,048	$ 4,725
Sales per Square Foot of Retail Selling Space *(thousands of dollars)*	$ 192	$ 181	$ 169	$ 167	$ 150
Sales per Employee (2) *(thousands of dollars)*	$ 89	$ 78	$ 70	$ 69	$ 65
Income as a Percent of Sales	2.8%	2.4%	.8% (3)	.8%	.7%
Number of Employees *(year-end)*					
Petroleum—U.S.	24,700	25,200	26,300	28,100	26,000
—Foreign	29,500	31,900	34,000	34,600	34,700
Chemical —U.S.	9,000	9,000	9,500	9,400	10,800
—Foreign	1,600	1,500	1,400	1,800	1,700
Other	3,500	3,500	23,800	28,500	28,200
Montgomery Ward	52,300	56,300	71,200	78,300	78,500
Total	120,600	127,400	166,200	180,700	179,900
Number of Shares Outstanding *(thousands of shares; year-end)*	411,359	408,732	408,351	407,704	406,818
Number of Shareholders *(year-end)*	246,800	260,800	268,600	270,400	271,500

(1) Includes carbon dioxide line in United States.
(2) Excludes sales from catalog and other operations.
(3) Excludes the 1985 provision for restructuring.

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Financial commentary 1987 compared with 1986

Consolidated Earnings and Per-Share Results

Mobil's 1987 earnings totaled $1,258 million, or $3.06 per share. This was $149 million lower than the 1986 earnings of $1,407 million, or $3.45 per share, which included a $150 million loss on the sale of Container Corporation of America. Adjusting 1986 earnings to exclude the Container Corporation of America loss, earnings decreased $299 million.

Revenues increased from $49.9 billion in 1986 to $56.7 billion in 1987. Revenues were higher for all segments: in U.S. and Foreign Petroleum operations, primarily attributable to higher petroleum product prices and higher sales volumes; in Chemical operations, due to higher petrochemical and plastics prices and volumes; and in the Montgomery Ward segment, reflecting higher sales volumes. Costs and expenses increased for all segments.

Segment Earnings

Earnings from Petroleum operations totaled $1,603 million in 1987, 25% below 1986 earnings of $2,126 million from this segment, in spite of strong Exploration and Producing results.

(In millions)	1987	1986	Change
U.S. Petroleum			
Exploration and Producing	$ 361	$ (24)	$ 385
Refining and Marketing	123	365	(242)
Total U.S.	484	341	143
Foreign Petroleum			
Exploration and Producing	1,040	851	189
Refining and Marketing	79	934	(855)
Total Foreign	1,119	1,785	(666)
Total Petroleum	1,603	2,126	(523)
Chemical	300	140	160
Corporate and Other	(180)	(228)	48
Net Financing Expense	(595)	(587)	(8)
Mobil before Montgomery Ward	1,128	1,451	(323)
Montgomery Ward	130	106	24
Income Before Special Provision	1,258	1,557	(299)
Loss on sale of Container Corporation of America	—	(150)	150
Net Income	$1,258	$1,407	$(149)

Petroleum Operations—U.S.

Earnings from U.S. Petroleum operations totaled $484 million in 1987, an increase of $143 million, or 42%, from 1986.

Exploration and Producing results improved, primarily reflecting an 18% increase in crude oil prices, higher natural gas production, favorable natural gas contract settlements, favorable adjustment of excise tax accruals, and reduced exploration expense, partly offset by lower natural gas prices.

Refining and Marketing income decreased, reflecting lower margins, as crude price increases outpaced increases in product prices. This margin decrease was mitigated by higher trade sales volumes, primarily a 5% increase in autogasoline. Results in 1986 benefited $83 million from favorable adjustments to Alaskan crude purchase provisions.

Petroleum Operations—Foreign

Earnings from Foreign Petroleum operations totaled $1,119 million in 1987, a decrease of $666 million, or 37%, from 1986.

Exploration and Producing earnings increased, reflecting higher crude oil prices (up 27%), favorable tax effects, and lower exploration expense. Results in 1986 included a $187 million gain on the sale of Angolan assets.

Refining and Marketing results declined, due to lower margins, primarily in Europe and Japan. Margins were unusually strong in 1986, as product prices declined much more slowly than crude costs. In 1987 worldwide margins, particularly in Europe, were squeezed by high industry inventory levels and competitive pressures. The results also included a $140 million provision for the excess of book inventory values over market values in local currencies. This excess arose primarily because the cost of replacing inventories on a local currency basis was significantly lower in 1987 as foreign currencies strengthened versus the U.S. dollar.

Chemical

Earnings from worldwide Chemical operations were $300 million in 1987, $160 million, or 114%, higher than the previous best performance set in 1986. Petrochemical results increased significantly due to higher polyethylene and polystyrene margins. The Plastics businesses also improved, due to increased volumes and margins for oriented polypropylene films.

Corporate and Other

Corporate and Other includes results of Real Estate operations, Mining and Minerals, Corporate Administration, and other corporate items, as well as Container Corporation of America's operating results prior to the third quarter 1986 sale.

Corporate and Other expense decreased $48 million. Despite unfavorable tax effects resulting primarily from a lower tax rate, expense was lower because 1986 results included a $35 million provision for organizational restructuring and a $39 million writedown of certain alternative energy properties. A 1987 provision of $98 million for the estimated cost of relocating headquarters personnel to Fairfax, Virginia, was essentially offset by a $92 million gain on the sale of the New York office building.

Net Financing Expense

The expense increase of $8 million occurred because the favorable effect of lower borrowing balances was more than offset by decreased U.S. tax relief under the new U.S. tax law.

Montgomery Ward

Montgomery Ward reported record earnings of $130 million, a $24 million increase from their 1986 outstanding performance. The improvement came from the core merchandising business where the specialty store strategy continued to strengthen margins and improve operating efficiency. The core merchandising improvement was partly offset by adverse insurance developments and the effect of the 1986 receivable sale on 1987 earnings.

Taxes

Overall, the 1986 Tax Reform Act affected 1987 results unfavorably by approximately $100 million. The loss of benefits from investment tax credits and the unfavorable impact of the new sourcing rules were only partially offset by the reduced tax rate.

Further details on segment and geographic earnings appear on pages 31 through 33.

Discussion of Financial Condition

Funds available from operations after dividends were $3,071 million in 1987. These funds were sufficient to fund capital expenditures of $2,341 million. The remaining funds available, and those generated by asset sales, were used to pay down debt and improve financial flexibility.

At year-end 1987 debt and capital lease obligations of Mobil and its subsidiaries totaled $8,647 million, a decrease of $642 million from the year-end 1986 level.

(In millions)	1987	1986	Change
Current:			
Notes and loans payable	$1,016	$ 800	$ 216
Long-term debt and capital lease obligations maturing within one year	232	242	(10)
Long-term:			
Long-term debt	7,064	7,885	(821)
Capital lease obligations	335	362	(27)
Total debt and capital lease obligations	$8,647	$9,289	$(642)

For Mobil excluding the debt of Montgomery Ward, the percentage of debt plus capital lease obligations to capitalization was 32% at year-end 1987, down from 36% at year-end 1986. For total Mobil, the percentage of debt plus capital lease obligations to capitalization was 34% at year-end 1987, down from 38% at year-end 1986.

At year-end 1987 Mobil's unspent balance of total appropriations for capital expenditures was $2.7 billion, the same as at year-end 1986. Mobil is not contractually committed to spend all of these amounts but generally expects to do so principally from internally generated funds.

Whenever external financing is needed, Mobil and its subsidiary companies have access to multiple capital markets, including significant unused lines of bank credit. Mobil generally has each of its major subsidiaries finance its own operations.

Mobil has $1.6 billion long-term revolving credit agreements with various banks, which have not been utilized. A total of $.5 billion of borrowings due within one year was classified as long-term debt.

In 1987 there was an increase of $355 million in earnings retained in the business and a $1,116 million favorable effect on the cumulative foreign exchange translation adjustment account due to the weakening of the U.S. dollar. The net change in shareholders' equity was an increase of $1,544 million in 1987.

At year-end 1987 Mobil had existing effective "shelf" registrations on fil with the Securities and Exchange Commission that would permit the sale of $1.5 billion of debt securities to be offered pursuant to Rule 415 of the Secu rities Act of 1933, under which Mobil issued $500 million of 8 3/8% five-year notes on February 3, 1988.

Credit Ratings	Moody's	Standa & Poo
Mobil Corp.	Aa3	AA-
Mobil Oil	Aa3	AA-
Montgomery Ward	Baa2	BBB-

During 1987 Moody's increased its rati on the senior debt of Montgomery Warc from Baa3 to Baa2 in recognition of improved performance. Moody's also rais its rating on the senior long-term debt Mobil Corporation from A1 to Aa3, citi Mobil's 1986 sale of Container Corpora tion of America and Montgomery Ward strong recovery in profitability.

Both Mobil and Montgomery Warc sell certain accounts receivable to domestic financing subsidiaries. See Note 4, "Investments and Long-Term Receivables," for further details on the financing subsidiaries.

The effects of pending accounting changes are discussed in Note 1, "Maj Accounting Policies."

Capital Expenditures, Exploration and Other Outlays

Mobil's worldwide capital expenditures exploration, and other outlays totaled $2,942 million in 1987, a decrease of 2 from 1986. Outlays in the United State were $1,855 million—or 63% of the worldwide total.

In Exploration and Producing (E&P), 1987 outlays were $1,602 millic compared with $1,854 million in 1986. Outlays for E&P operations in the United States in 1987 were $923 millio compared with $1,080 million in 1986.

Other than in E&P, capital expend tures for Petroleum Operations were $205 million higher than in 1986.

Capital Expenditures, Exploration, and Other Outlays

(In millions)	1987 U.S.	1987 Foreign	1987 Total	1986 Total
Capital expenditures				
Petroleum Operations				
Exploration and Producing				
—lease bonuses	$ 50	$ 15	$ 65	$ 46
—other	653	373	1,026	1,271
Refining	274	107	381	212
Marketing	256	268	524	489
Marine	—	6	6	5
Pipelines	14	—	14	14
Other	18	14	32	32
Chemical	109	12	121	115
Corporate and Other	30	1	31	104
Mobil before Montgomery Ward	1,404	796	2,200	2,288
Montgomery Ward	141	—	141	108
Total capital expenditures	1,545	796	2,341	2,396
Exploration expenses	220	291	511	537
Other outlays				
Capital expenditures of majority-owned unconsolidated companies	90	—	90	70
Total capital expenditures, exploration, and other outlays	$1,855	$1,087	$2,942	$3,003

Dividends

In 1987 and 1986 Mobil's per-share dividend was $.55 in each quarter for a total of $2.20 for each year.

Common Stock

In 1987 and 1986 the high and low sales prices of Mobil's common stock, by quarter, were as follows:

Quarter	1987 High	1987 Low	1986 High	1986 Low
First	50¼	40¼	32½	26¼
Second	52¾	45	31⅞	27⅝
Third	55	45⅝	39⅞	29
Fourth	51	32	40⅞	35⅝

Year-end prices per share:
December 31, 1987 .... $39⅛
December 31, 1986 .... $40⅛

The principal market for the trading of Mobil's common stock is the New York Stock Exchange. The stock symbol is "MOB."

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Financial commentary 1986 compared with 1985

Consolidated Earnings and Per-Share Results

Mobil's 1986 earnings totaled $1,407 million, or $3.45 per share, after recognizing a $150 million loss on the sale of Container Corporation of America. This was $367 million higher than the 1985 earnings of $1,040 million, or $2.55 per share, which included a $508 million provision for the restructuring of Montgomery Ward. Excluding the special provisions for Container Corporation of America in 1986 and Montgomery Ward in 1985, earnings improved $9 million, from $3.79 per share to $3.82 per share.

Revenues dropped from $60.6 billion in 1985 to $49.9 billion in 1986. Increases in Chemical revenues partly offset decreases in U.S. and Foreign Petroleum operations that were primarily attributable to lower worldwide petroleum prices, in the Montgomery Ward segment mainly due to the discontinuance of discount business and catalog operations, and from the sale of Container Corporation of America. Costs and expenses were lower for all segments except Chemical.

Segment Earnings

Earnings from Petroleum operations totaled $2,126 million in 1986, essentially unchanged from 1985 earnings of $2,131 million from this segment. Operating results for 1986 and prior periods for the Container Corporation of America are included in Corporate and Other.

(In millions)	1986	1985	Change
U.S. Petroleum			
Exploration and Producing	$ (24)	$ 716	$(740)
Refining and Marketing	365	157	208
Total U.S.	341	873	(532)
Foreign Petroleum			
Exploration and Producing	851	1,082	(231)
Refining and Marketing	934	176	758
Total Foreign	1,785	1,258	527
Total Petroleum	2,126	2,131	(5)
Chemical	140	53	87
Corporate and Other	(228)	(26)	(202)
Net Financing Expense	(587)	(652)	65
Mobil before Montgomery Ward	1,451	1,506	(55)
Montgomery Ward	106	42	64
Income Before Special Provisions	1,557	1,548	9
Provision for Montgomery Ward Restructuring	–	(508)	508
Loss on sale of Container Corporation of America	(150)	–	(150)
Net Income	$1,407	$1,040	$ 367

Petroleum Operations—U.S.

Earnings from U.S. Petroleum operations totaled $341 million in 1986, a decrease of $532 million, or 61%, from 1985.

Exploration and Producing earnings decreased, reflecting much lower crude oil price levels and lower prices and demand for natural gas. This decline was partly offset by lower exploration expense. Earnings in 1986 were also unfavorably affected by a $100 million provision for accelerated amortization of exploration and producing assets. Refining and Marketing earnings improved due to stronger product margins, an 8% increase in autogasoline sales, and favorable adjustments of $83 million to the Alaskan crude purchase provisions in the second quarter of 1986.

Petroleum Operations—Foreign

Earnings from Foreign Petroleum operations totaled $1,785 million in 1986, an increase of $527 million, or 42%, from 1985.

Exploration and Producing earnings in 1986, which included a $187 million gain on the sale of Angolan assets, decreased due to lower crude oil and natural gas prices, partly offset by lower exploration expense and higher natural gas production.

Foreign Refining and Marketing earnings increased significantly because of the relative strength of product prices compared with crude oil costs and because of stronger foreign currencies. Results for 1985 included a $50 million provision for the closure of a French refinery and a $53 million provision for certain uneconomic marine transportation charters and vessels.

Chemical

Earnings from worldwide Chemical operations were $140 million in 1986, an increase of $87 million, or 164%, from 1985, due to substantial improvements in petrochemical and plastics margins and volumes in the U.S. and overseas.

Corporate and Other

Corporate and Other includes operating results of Container Corporation of America prior to its sale in 1986, Real Estate operations, Mining and Minerals, Corporate Administration, and other Corporate items.

Corporate and Other expense increased $202 million because of unusual items: 1986 results included a restructuring provision of $35 million and a $39 million writedown of certain alternative energy properties, while 1985 results benefited from gains on the sale of W.F. Hall Printing Company and certain Colorado real estate.

Net Financing Expense

The expense decrease of $65 million reflected principally the reduction of debt balances and lower interest rates, partly offset by lower capitalized interest due to reduced spending for major projects.

Montgomery Ward

Montgomery Ward's 1986 earnings were $106 million, compared with $42 million earned in 1985, excluding the provision for restructuring discussed below. Significantly higher retail earnings in 1986, attributable to stronger margins and improved operating efficiencies, and the discontinuance of the unprofitable Jefferson Ward and catalog operations in 1985 were the primary bases for the improvement.

Special Provisions

The sale of Container Corporation of America, completed September 30, 1986, resulted in a loss of $150 million. In 1985 a special charge of $508 million after tax was made for Montgomery Ward restructuring. This provision covered the sale of the Jefferson Ward group, the discontinuance of catalog operations, and the restructuring of retail operations.

Discussion of Financial Condition

Funds available from operations after dividends were $2,873 million in 1986. These funds were sufficient to fund capital expenditures of $2,396 million. The remaining funds available, and those generated by asset sales, were used to pay down debt and improve financial flexibility.

At year-end 1986 debt and capital lease obligations of Mobil and its subsidiaries totaled $9,289 million, a decrease of $1,854 million from the year-end 1985 level. The sale of Container Corporation of America generated $1.1 billion of the reduction.

(In millions)	1986	1985	Change
Current:			
Notes and loans payable	$ 800	$ 750	$ 5(
Long-term debt and capital lease obligations maturing within one year	242	648	(40
Long-term:			
Long-term debt	7,885	9,328	(1,44
Capital lease obligations	362	417	(5
Total debt and capital lease obligations	$9,289	$11,143	$(1,85

For Mobil excluding the debt of Montgomery Ward, the percentage of debt plus capital lease obligations to capitalization was 36% at year-end 1986, down from 43% at year-end 1985. For total Mobil, the percentage of debt plus capital lease obligations to capitalization was 38% at year-end 1986, down from 44% at year-end 1985.

At year-end 1986 Mobil's unspent balance of total appropriations for capital expenditures was $2.7 billion, compared with $3.1 billion at year-end 1985.

Mobil had $3.1 billion long-term revolving credit agreements with various banks, which were not utilized. A total of $3.0 billion of borrowings due within one year was classified as long-term debt.

There was an increase in 1986 of $509 million in earnings retained in the business and a $636 million favorable effect on the cumulative foreign exchange translation adjustment account due to the weakening of the U.S. dollar. The net change in shareholders' equity was an increase of $1,150 million in 1986

Consolidated Statement of Income

Year Ended December 31 (In millions except for per-share amounts)	1987	1986	198
Revenues			
Sales and services (including excise and state gasoline taxes: 1987—$4,460; 1986—$3,840; 1985—$3,498)	$55,683	$48,706	$59,45
Interest, dividends, and other revenue	1,033	1,159	1,15
Total Revenues	56,716	49,865	60,60
Costs and Expenses			
Crude oil, products, merchandise, and operating supplies and expenses	33,653	28,592	38,10
Exploration expenses	511	537	70
Selling and general expenses	5,053	4,766	5,01
Depreciation, depletion, and amortization	2,546	2,471	2,38
Provision for Montgomery Ward restructuring	—	—	77
Interest and debt discount expense	1,103	1,204	1,41
Taxes other than income taxes	10,818	9,302	7,90
Income taxes	1,774	1,586	3,26
Total Costs and Expenses	55,458	48,458	59,56
Net Income	$ 1,258	$ 1,407	$ 1,04
Net Income Per Share	$3.06	$3.45	$2.5

Consolidated Statement of Changes in Shareholders' Equity

Year Ended December 31 (In millions)	1987	1986	198
Common Stock — Beginning of Year	$ 860	$ 858	$ 85
End of Year, after issuance of shares	$ 866	$ 860	$ 85
Capital Surplus—Beginning of Year	$ 923	$ 900	$ 8
End of Year, after issuance of shares	$ 998	$ 923	$ 9
Earnings Retained in the Business—Beginning of Year	$15,048	$14,539	$14,3
Net income	1,258	1,407	1,04
Cash dividends paid	(903)	(898)	(8
End of Year	$15,403	$15,048	$14,5
Cumulative Foreign Exchange Translation Adjustment—Beginning of Year	$(1,090)	$(1,726)	$(2,0
End of Year, after adjustments for the year	$ 26	$(1,090)	$(1,7
Common Stock Held in Treasury, at Cost—Beginning of Year	$ (502)	$ (482)	$ (4
End of Year, after purchases during the year	$ (510)	$ (502)	$ (4
Total Shareholders' Equity	$16,783	$15,239	$14,0

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See Notes to Financial Statements on pages 34 to 42.

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Consolidated Balance Sheet

December 31 *(In millions)*	1987	198
Assets		
Current Assets		
Cash	$ 392	$ 34
Marketable securities, at cost (approximating market)	780	1,24
Accounts and notes receivable	4,485	3,94
Inventories	5,264	4,55
Prepaid taxes and other current assets	489	78
Total Current Assets	11,410	10,86
Investments and Long-Term Receivables	4,055	3,71
Net Properties, Plants, and Equipment	24,946	24,30
Deferred Charges and Other Assets	729	52
Total	$41,140	$39,41
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	$ 1,016	$ 80
Accounts payable and accrued liabilities	7,090	6,86
Income, excise, state gasoline, and other taxes payable	2,559	2,52
Long-term debt and capital lease obligations maturing within one year	232	24
Total Current Liabilities	10,897	10,4[illegible]
Long-Term Debt	7,064	7,38
Capital Lease Obligations	335	36
Reserves for Employee Benefits	498	40
Deferred Credits and Other Noncurrent Obligations	1,716	1,62
Accrued Restoration and Removal Costs	516	49
Deferred Income Taxes	3,298	2,94
Minority Interest in Subsidiary Companies	33	3
Shareholders' Equity		
Preferred stock	—	
Common stock: shares issued 432,786,167 and 429,984,265, respectively	866	86
Capital surplus	998	92
Earnings retained in the business	15,403	15,04
Cumulative foreign exchange translation adjustment	26	(1,09
Common stock held in treasury, at cost: 21,427,400 shares in 1987 and 21,252,400 shares in 1986	(510)	(50
Total Shareholders' Equity	16,783	15,23
Total	$41,140	$39,41

Mobil follows the "successful efforts" method of accounting for its oil and gas exploration and producing operations.

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See Notes to Financial Statements on pages 34 to 42.

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Consolidated Statement of Changes in Financial Position

Year Ended December 31 *(In millions)*	1987	1986	1985
Sources of Funds			
Operations			
Net income	$ 1,258	$ 1,407	$ 1,040
Depreciation, depletion, and amortization	2,546	2,471	2,388
Deferred income taxes	194	(73)	26
Dividends less than equity in income of unconsolidated companies	(24)	(184)	(134)
Provision for Montgomery Ward restructuring	—	—	775
Loss on sale of Container Corporation of America	—	150	—
Funds available from operations	3,974	3,771	4,095
Book value of properties, plants, and equipment sold	351	1,332	522
Other, net	(252)	(45)	105
Funds Available Before Financing	4,073	5,058	4,722
Application of Funds			
Cash dividends to shareholders	903	898	898
Capital expenditures	2,341	2,396	2,725
Other applications			
Increase (decrease) in—			
Accounts and notes receivable	536	(981)	8
Inventories	709	(347)	(18
Prepaid taxes and other current assets	(294)	(369)	380
Investments and long-term receivables	318	336	(319
Decrease (increase) in—			
Accounts payable and accrued liabilities	(222)	1,471	(415
Income, excise, state gasoline, and other taxes payable	(37)	124	68
Foreign exchange translation effects on working capital, debt, and other items, net	(340)	(355)	(67
Application of Funds Before Financing	3,914	3,173	3,260
Increase in Funds Before Financing	159	1,885	1,462
Total Financing			
Increases in long-term debt	2,319	2,215	2,563
Decreases in long-term debt	(3,140)	(3,658)	(4,297
Decrease in capital lease obligations	(27)	(55)	(21
Increase (decrease) in notes and loans payable	216	50	(518
(Decrease) increase in long-term debt and capital lease obligations maturing within one year	(10)	(406)	310
Purchase of common stock for treasury	(8)	(20)	—
Issuance or sale of common stock	81	25	12
Total Financing Decrease	(569)	(1,849)	(1,951
(Decrease) Increase in Cash and Marketable Securities	$ (410)	$ 36	$ (489

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See Notes to Financial Statements on pages 34 to 42.

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Distribution of Earnings and Assets

Segments *(In millions)*

	Petroleum Operations U.S.	Petroleum Operations Foreign	Chemical	Montgomery Ward	Adjustments and Eliminations	To
Year Ended December 31, 1987						
Revenues						
Nonaffiliated	$14,082	$33,804	$2,926	$5,342	$ 562	$56.7
Intersegment	206	1,242	164	–	(1,612)	
Total Revenues	$14,288	$35,046	$3,090	$5,342	$(1,050)	$56.7
Pretax operating profit	$ 1,026	$ 2,556	$ 433	$ 218	$ –	$ 4.2
Income taxes	(542)	(1,437)	(133)	(88)	–	(2.1
Segment Earnings	$ 484	$ 1,119	$ 300	$ 130	$ –	$ 2.0
Corporate and other (net of income taxes)						(1
Net financing expense (net of income taxes)						(5
Net Income						$ 1.2
Capital expenditures[1]	$ 1,265	$ 783	$ 121	$ 141	$ –	$ 2.3
Depreciation, depletion, and amortization[2]	$ 1,472	$ 827	$ 115	$ 93	$ –	$ 2.5
At December 31, 1987						
Total Segment Assets	$14,422	$19,175	$2,316	$3,491	$ (124)	$39.2
Corporate and all other assets						1.8
Total Assets						$41.1

Segments *(In millions)*

	Petroleum Operations U.S.	Petroleum Operations Foreign	Chemical	Montgomery Ward	Adjustments and Eliminations	Tc
Year Ended December 31, 1986						
Revenues						
Nonaffiliated	$11,794	$29,200	$2,391	$5,065	$ 1,415	$49.8
Intersegment	291	888	162	–	(1,341)	
Total Revenues	$12,085	$30,088	$2,553	$5,065	$ 74	$49.8
Pretax operating profit	$ 786	$ 3,363	$ 205	$ 198	$ –	$ 4.5
Income taxes	(445)	(1,578)	(65)	(92)	–	(2.1
Segment Earnings	$ 341	$ 1,785	$ 140	$ 106	$ –	$ 2.3
Corporate and other (net of income taxes)						(2
Net financing expense (net of income taxes)						(5
Loss on sale of Container Corporation of America (net of income taxes)						(1
Net Income						$ 1.4
Capital expenditures[1]	$ 1,263	$ 806	$ 115	$ 108	$ –	$ 2.3
Depreciation, depletion, and amortization[2]	$ 1,311	$ 827	$ 117	$ 90	$ –	$ 2.4
At December 31, 1986						
Total Segment Assets	$14,443	$16,887	$2,103	$3,828	$ (214)	$37.0
Corporate and all other assets						2.3
Total Assets						$39.4

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See notes and commentary on page 32.

Distribution of Earnings and Assets (Continued)

Segments (In millions)

	Petroleum Operations					
	U.S.	Foreign	Chemical	Montgomery Ward	Adjustments and Eliminations	Total
Year Ended December 31, 1985						
Revenues						
Nonaffiliated	$15,666	$33,892	$2,266	$6,073	$ 2,712	$60,609
Intersegment	386	1,694	191	–	(2,271)	–
Total Revenues	$16,052	$35,586	$2,457	$6,073	$ 441	$60,609
Pretax operating profit	$ 1,684	$ 4,441	$ 81	$ 78	$ –	$ 6,284
Income taxes	(811)	(3,183)	(28)	(36)	–	(4,058)
Segment Earnings	$ 873	$ 1,258	$ 53	$ 42	$ –	$ 2,226
Corporate and other (net of income taxes)						(26)
Net financing expense (net of income taxes)						(652
Montgomery Ward restructuring provision (net of income taxes)						(508
Net Income						$ 1,040
Capital expenditures [1]	$ 1,418	$ 753	$ 118	$ 183	$ –	$ 2,725
Depreciation, depletion, and amortization [2]	$ 1,218	$ 742	$ 114	$ 111	$ –	$ 2,388
At December 31, 1985						
Total Segment Assets	$15,353	$17,565	$2,045	$3,587	$ (99)	$38,451
Corporate and all other assets						3,301
Total Assets						$41,752

(1) Total includes capital expenditures for corporate and all other assets.
(2) Total includes depreciation on corporate and all other assets.

Significant investments in companies owned 50% or less are accounted for on the equity method. The corporation's share of the net income of such companies is included in "Revenues."

Intersegment and intergeographic revenues are at estimated market prices.

Income taxes are allocated to segments and geographic areas on the basis of operating results.

"Corporate and other" includes Container Corporation of America operations (sold in 1986), Real Estate operations, W. F. Hall (sold in 1985), Mining and Minerals, Corporate Administration, and other corporate items.

"Net financing expense" includes all net interest expense except for Montgomery Ward, which retains its own financing.

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Distribution of Earnings and Assets

Geographic (In millions)

	U.S.	Foreign: Canada	Foreign: Other	Foreign: Total	Adjustments and Eliminations	To
Year Ended December 31, 1987						
Revenues						
Nonaffiliated	$21,491	$ 882	$33,781	$34,663	$ 562	$56.7
Intergeographic	116	400	777	1,177	(1,293)	
Total Revenues	$21,607	$1,282	$34,558	$35,840	$ (731)	$56.7
Geographic Earnings	$ 795	$ 91	$ 1,147	$ 1,238	$ —	$ 2.0
Corporate and other (net of income taxes)						(1
Net financing expense (net of income taxes)						(5
Net Income						$ 1.2
At December 31, 1987						
Total Geographic Assets	$19,268	$3,073	$17,037	$20,110	$ (98)	$39.2
Corporate and all other assets						1.8
Total Assets						$41.1
Year Ended December 31, 1986						
Revenues						
Nonaffiliated	$18,528	$ 904	$29,018	$29,922	$ 1,415	$49.3
Intergeographic	189	338	474	812	(1,001)	-
Total Revenues	$18,717	$1,242	$29,492	$30,734	$ 414	$49.8
Geographic Earnings	$ 514	$ 34	$ 1,824	$ 1,858	$ —	$ 2.37
Corporate and other (net of income taxes)						(22
Net financing expense (net of income taxes)						(58
Loss on sale of Container Corporation of America (net of income taxes)						(15
Net Income						$ 1.4
At December 31, 1986						
Total Geographic Assets	$19,652	$2,919	$14,662	$17,581	$ (186)	$37.0
Corporate and all other assets						2.36
Total Assets						$39.41
Year Ended December 31, 1985						
Revenues						
Nonaffiliated	$23,408	$1,325	$33,164	$34,489	$ 2,712	$60.60
Intergeographic	186	647	913	1,560	(1,746)	–
Total Revenues	$23,594	$1,972	$34,077	$36,049	$ 966	$60.60
Geographic Earnings	$ 942	$ 143	$ 1,141	$ 1,284	$ —	$ 2.22
Corporate and other (net of income taxes)						(2
Net financing expense (net of income taxes)						(65
Montgomery Ward restructuring provision (net of income taxes)						(50
Net Income						$ 1.94
At December 31, 1985						
Total Geographic Assets	$20,374	$3,883	$14,542	$18,425	$ (348)	$38.45
Corporate and all other assets						3.30
Total Assets						$41.73

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See commentary on page 32.

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1 Major Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of domestic and foreign subsidiaries more than 50% owned, except for those engaged in real estate operations and financial services. Real estate and financial services subsidiaries, including Mobil Oil Credit Corporation (Mobil Credit) and Montgomery Ward Credit Corporation (Montgomery Ward Credit), are accounted for on the equity method. The pretax income of these subsidiaries is included in "Interest, dividends, and other revenue," and related taxes are included in "Income taxes."

Significant investments in companies owned 50% or less are also accounted for on the equity method. Investments in other companies in which Mobil owns less than a majority interest are stated at cost less applicable reserves.

Intercompany transactions are eliminated.

Inventories

Substantially all inventories are valued at cost under the last-in, first-out (LIFO) method. Certain inventories, primarily materials and supplies, are valued generally at average cost. At the balance sheet date, inventories are stated at the lower of cost or market.

Oil and Gas Accounting Method

Mobil follows the successful efforts method of accounting prescribed by FAS 19, Financial Accounting and Reporting by Oil and Gas Producing Companies.

Exploration and Mineral Rights (Leases)

Direct acquisition costs of unproved mineral rights (leases) are capitalized and then amortized in the manner stated below. Payments made in lieu of drilling on nonproducing leaseholds are charged to expense currently.

Geological, Geophysical, and Intangible Drilling Costs

Geological and geophysical costs are charged to expense as incurred. Intangible drilling costs of all development wells and of exploratory wells that result in additions to proved reserves are capitalized.

Depreciation, Depletion, and Amortization

Annual charges to income for depreciation and the estimated cost for restoration and removal of major producing facilities are computed on a straight-line basis over the useful lives of the various classes of properties or, where appropriate for producing properties, on a unit-of-production basis by individual fields.

Costs of producing properties are generally accumulated by field. Depletion of these costs and amortization of capitalized intangible drilling costs are calculated on a unit-of-production basis.

Capitalized acquisition costs of significant unproved mineral rights (leases) are assessed periodically on a property-by-property basis to determine whether their values have been impaired; where impairment is indicated, a loss is recognized. Capitalized acquisition costs of unproved mineral rights (leases) whose costs are not individually significant are amortized over the expected holding period. When a mineral right is surrendered, any unamortized cost is charged to expense. When a property is determined to contain proved reserves, the mineral right then becomes subject to depletion on a unit-of-production basis.

When assets that are part of a composite group are retired, sold, abandoned, or otherwise disposed of, the cost is charged against accumulated depreciation, depletion, and amortization, but in those cases where reserves are accumulated for specific properties, gains or losses on disposal are included in income currently.

Maintenance and Repairs

Maintenance and routine repairs are charged against income as incurred. Major repairs are capitalized, and any replaced assets are retired.

U.S. Investment Tax Credits

U.S. investment tax credits are accounted for under the "flow through" method. Under this method these credits reduce income tax expense in the year they arise.

Foreign Currency Translation

Mobil follows the provisions of FAS 52, Foreign Currency Translation. The local currency of the country of operation is used as the functional currency for purposes of translating the local currency asset and liability accounts of most foreign operations at current exchange rates. The resulting translation adjustments are accumulated as a separate component of Shareholders' Equity. For other foreign operations, principally exploration and producing operations in Indonesia and Nigeria, and for operations in highly inflationary economies, the U.S. dollar is the functional currency. Gains and losses resulting from translating asset and liability accounts that are denominated in currencies other than the functional currency are included in income.

Pending Accounting Changes
Late in 1987, the Financial Accounting Standards Board (FASB) issued two significant financial accounting standards.

FAS 94, Consolidation of All Majority-owned Subsidiaries, requires the consolidation of all majority-owned subsidiaries unless control is temporary or does not rest with the majority owner. For Mobil, this means the consolidation of the unconsolidated subsidiaries disclosed in Note 4, "Investments and Long-Term Receivables." While Mobil's consolidated net income will not be affected by the adoption of FAS 94, Mobil's reported assets and liabilities will increase substantially from their previously reported amounts. This standard becomes effective for financial statements for fiscal years ending after December 15, 1988. Restatement of comparative financial statements for earlier years is required.

FAS 96, Accounting for Income Taxes, requires that deferred tax assets and liabilities be adjusted whenever tax rates or other provisions of income tax laws change, which is not the case under the existing accounting standard. For Mobil, a new provision in FAS 96, applicable to business combinations effected prior to the year the standard is first adopted, requires the recording of deferred taxes for any difference between the remaining balances of the assets and liabilities of an acquired enterprise and their tax bases. This standard is required to be effective for financial statements for fiscal years beginning after December 15, 1988, although earlier adoption is permissible. When Mobil adopts the new standard, Mobil will show, based on preliminary estimates, a material increase in "Deferred income taxes" with a corresponding decrease in "Earnings retained in the business." This is strictly an accounting change, with no effect on Mobil's cash flow or on Mobil's actual income tax liabilities.

Segment and Geographic Data
Details on segment and geographic earnings and assets appear on pages 31 through 33.

2 Accounts and Notes Receivable

Accounts and notes receivable include amounts receivable from companies accounted for on the equity method of $407 million and $454 million at December 31, 1987 and 1986, respectively.

3 Inventories

Inventories valued at cost under the LIFO method represented about 82% of Mobil's worldwide inventories at December 31, 1987 and 1986. For those inventories valued under the LIFO method, the value of the inventory based upon current cost approximated the stated value of the inventory on the LIFO basis at December 31, 1987 and 1986.

During 1987, 1986, and 1985 inventories valued under the LIFO method were partially liquidated. This resulted a decrease in net income of $4 million in 1987, a decrease of $33 million in 198[illegible] and an increase of $34 million in 1985.

Inventories at December 31: *(In millions)*	1987	19[illegible]
Crude oil and petroleum products	$3,612	$2,9[illegible]
Chemical products	333	31
Other, including materials and supplies	545	53
Montgomery Ward	774	71
Total	$5,264	$4,55

4 Investments and Long-Term Receivables

At December 31, 1987 and 1986, Investments and Long-Term Receivables included $1,399 million and $1,359 million, respectively, of investments in unconsolidated subsidiaries.

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Unconsolidated Finance Subsidiaries

Mobil Credit operates Mobil Oil's credit card business, purchases accounts receivable from Mobil Oil, and issues short-term debt that neither Mobil nor its affiliated companies guarantee. Mobil's investment in Mobil Credit was $228 million at December 31, 1987 and 1986. Montgomery Ward Credit purchases customer accounts receivable from Montgomery Ward and issues short- and long-term debt, none of which Mobil or its affiliated companies guarantee. Mobil's investment in Montgomery Ward Credit was $701 million at December 31, 1987 and $700 million at December 31, 1986.

(In millions)	Mobil Credit 1987	Mobil Credit 1986	Mobil Credit 1985	Montgomery Ward Credit 1987	Montgomery Ward Credit 1986	Montgomery Ward Credit 1985
Assets, principally accounts receivable	$1,099	$875	$1,129	$2,683	$2,519	$2,597
Short-term notes payable and commercial paper	697	578	846	926	472	602
Current portion of long-term debt	–	–	–	97	121	115
Long-term debt	–	–	–	738	843	973
Other liabilities	174	69	31	221	383	200
Net assets	228	228	252	701	700	707
Gross income	$ 179	$184	$ 211	$ 205	$ 238	$ 407
Interest expense	47	48	66	135	156	268
Income before taxes	28	33	45	68	80	137
Net income	17	17	25	41	43	74

Affiliated Companies and Unconsolidated Subsidiaries

Summary financial information for affiliated companies (owned 50% or less), excluding Aramco, and for unconsolidated subsidiaries, excluding the finance subsidiaries shown above, accounted for on the equity method is shown below.

Undistributed earnings of the affiliated companies accounted for on the equity method included in "Earnings retained in the business" were $678 million at December 31, 1987. Dividends received from these companies were $116 million in 1987, $107 million in 1986, and $80 million in 1985.

(In millions)	1987 Total	1987 Mobil Share	1986 Total	1986 Mobil Share	1985 Total	1985 Mobil Share
Affiliated Companies						
Current assets	$ 7,582	$2,345	$ 5,935	$1,817	$ 5,421	$1,688
Noncurrent assets	9,931	3,421	9,267	3,281	8,217	3,059
Current liabilities	5,240	1,689	4,154	1,277	4,238	1,326
Long-term debt	3,946	1,491	4,392	1,647	4,693	1,765
Other liabilities	1,620	468	1,457	466	1,220	386
Net assets	6,707	2,118	5,199	1,708	3,487	1,270
Gross revenues	$16,138	$5,159	$14,071	$4,332	$16,543	$5,538
Income before taxes	1,045	281	1,674	511	829	205
Net income	636	192	845	241	363	84
Unconsolidated Subsidiaries						
Current assets	$ 158	$ 158	$ 326	$ 323	$ 260	$ 260
Noncurrent assets	1,062	1,057	892	891	936	931
Current liabilities	222	222	308	307	382	380
Long-term debt	200	195	183	180	236	235
Other liabilities	328	328	296	296	192	192
Net assets	470	470	431	431	386	384
Gross revenues	$ 442	$ 442	$ 507	$ 507	$ 550	$ 550
Income before taxes	64	64	82	82	190	190
Net income	41	41	38	38	119	119

5 Properties, Plants, and Equipment

Properties, plants, and equipment, at cost, at December 31: (In millions)	1987	1986
Petroleum	$39,563	$36,643
Chemical	1,931	1,805
Corporate and other	656	796
Montgomery Ward	1,483	1,384
Total	43,633	40,628
Less accumulated depreciation, depletion, and amortization	(18,687)	(16,324)
Net properties, plants, and equipment	$24,946	$24,304

Interest capitalized was $17 million in 1987, $61 million in 1986, and $120 million in 1985.

Maintenance and repairs charged to income were $1,148 million in 1987, $1,216 million in 1986, and $1,269 million in 1985.

6 Leases

Mobil leases real estate, service stations, tankers, and other equipment through noncancelable capital and operating leases.

Net rent expense charged to earnings was $690 million in 1987, $755 million in 1986, and $700 million in 1985, after deducting rentals from subleases of $87 million in 1987, $75 million in 1986, and $59 million in 1985. Contingent lease rentals for operating and capital leases were included in net rent expense as incurred and were $54 million in 1987 and $57 million in 1986 and in 1985. These contingent lease rentals are determined generally by volumetric measurement or sales revenue. Some rental agreements contain escalation provisions that may require higher future rent payments. Mobil does not expect that such rent increases, if any, will have a material effect on future earnings.

Capital leases included in Net Properties, Plants, and Equipment were $368 million at December 31, 1987, and $350 million at December 31, 1986.

Future minimum lease payments under noncancelable leases at December 31, 1987: (In millions)	Operating Leases	Capital Lease Obligations
1988	$ 305	$ 93
1989	248	92
1990	202	73
1991	154	67
1992	114	62
Later years	581	320
Future minimum lease payments	$1,604	707
Less		
—executory costs		(41)
—interest		(274)
Capital lease obligations		$392

Future minimum lease payments have not been reduced by future minimum sublease rentals of $213 million under operating leases and $22 million under capital leases.

7 Notes and Loans Payable

Notes and loans payable at December 31: (In millions)	1987	1986
Banks	$ 808	$689
Others	208	111
Total	$1,016	$800

At December 31, 1987, Mobil Oil and Mobil Credit had $610 million of unused lines of credit for short-term financing. Of these, $568 million supported commercial paper borrowing arrangements of Mobil Credit, $560 million of which may also be used by Mobil Oil.

8 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at December 31: (In millions)	1987	1986
Accounts payable:		
Trade and other	$3,919	$3,582
Equity companies	572	469
Accrued liabilities	2,599	2,817
Total	$7,090	$6,868

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9 Taxes

Total taxes, year ended December 31: *(In millions)*	1987 U.S.	1987 Foreign	1987 Total	1986 U.S.	1986 Foreign	1986 Total	1985 U.S.	1985 Foreign	1985 Tot
Excise and state gasoline	$1,430	$ 3,030	$ 4,460	$1,306	$2,534	$ 3,840	$1,194	$2,304	$ 3,49
Import duties [1]	—	5,738	5,738	—	4,676	4,676	—	3,167	3,16
Property, production, payroll, and other	431	189	620	554	232	786	961	277	1,23
Total other than income taxes	1,861	8,957	10,818	1,860	7,442	9,302	2,155	5,748	7,9
Income taxes:									
U.S. state and local income taxes	64	—	64	66	—	66	36	—	[illegible]
U.S. federal and foreign income taxes—current	96	1,420	1,516	171	1,422	1,593	—	3,207	3,20
—deferred	201	(7)	194	(310)	237	(73)	(68)	94	[illegible]
Total income taxes	361	1,413	1,774	(73)	1,659	1,586	(32)	3,301	3,26
Total taxes	$2,222	$10,370	$12,592	$1,787	$9,101	$10,888	$2,123	$9,049	$11,17

(1) Excludes U.S. duties of $59 million in 1987, $45 million in 1986, and $47 million in 1985 reported in cost of merchandise.

Income from U.S. operations before income taxes was $1,551 million in 1987, $978 million in 1986, and $1,031 million in 1985. Income from foreign operations before income taxes for the same three years was $2,682 million, $3,438 million, and $4,478 million, respectively. The (loss) from Corporate and Other and Financing before income taxes for the same three years was ($1,201) million, ($1,423) million, and ($1,200) million, respectively.

The table below reconciles the difference between the worldwide income tax provision and the application of the U.S. statutory income tax rate.

Income taxes year ended December 31: *(In millions)*	1987 Amount	1987 %	1986 Amount	1986 %	1985 Amount	1985 %
Theoretical tax at U.S. rate	$1,213	40.0	$1,377	46.0	$1,982	46.0
Foreign taxes in excess of U.S. statutory rate	591	19.5	180	6.0	1,058	24.6
Investment tax credit	(15)	(.5)	(57)	(1.9)	(116)	(2.7)
State and local income taxes	38	1.3	36	1.2	19	.4
Purchase accounting amortization related to the acquisition of Superior	157	5.2	144	4.8	121	2.8
Other items, net	(210)	(7.0)	(94)	(3.1)	205	4.8
Total	$1,774	58.5	$1,586	53.0	$3,269	75.9

Deferred tax expense applicable to major timing differences, year ended December 31: *(In millions)*	1987	1986	1985
Book depreciation (higher)/lower than tax depreciation	$ (50)	$127	$212
Timing differences applicable to receivables and inventories	(53)	(87)	(155)
Intangible drilling costs	(51)	36	56
Nonproducing properties	53	(78)	159
Investment tax credit	80	(64)	(116)
Provision for restructuring	38	73	(227)
Other items, net	177	(80)	97
Total	$194	$(73)	$ 26

Deferred income taxes

Taxable income as defined in the tax law of various countries is frequently different from pretax income as defined by generally accepted accounting principles. Some of the differences are permanent, whereas others reflect differences in timing and give rise to accruals of deferred tax. Mobil does not provide deferred taxes for taxes that could result from the remittance of undistributed earnings since it is Mobil's intention generally to continue reinvesting these earnings indefinitely. If such amounts were remitted, foreign tax credits available under present law would reduce the amount of U.S. taxes payable.

Mobil's share of the undistributed earnings of consolidated subsidiaries and companies accounted for on the equity method, which could be subject to additional income taxes if remitted, was approximately $2,800 million at December 31, 1987.

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10 Long-Term Debt

Long-term debt at December 31: *(In millions)*	Callable Within Five Years	1987		1986	
Mobil Corporation					
7⅛% notes due 1992		$ 200		$ —	
7¼% notes due 1991		100		100	
7⅝% notes due 1991		100		100	
7⅝% notes due 1993		95		95	
8¼% notes due 1992		200		—	
8½% debentures due 2001	1988	604		604	
8⅝% notes due 1994		200		—	
8.70% notes due 1991		200		—	
8¾% notes		—		100	
8¾% notes due 1990		200		—	
8¾% notes due 1991		200		—	
9⅝% debentures due 1999	1988	38		38	
10¼% notes due 1990		200		200	
10⅞% notes		—		200	
11% notes due 1992	1989*	100		100	
13.765% debentures due 2004	1989*	1,100		1,100	
14⅜% notes due 1991	1988*	94		94	
14.40% debentures due 2004	1989*	900		900	
Debt due within one year classified as long-term (7.6%)		266		1,553	
Other (8¾%) due 1989-2014		123		122	
Foreign currencies (11⅛%) due 1990		59		59	
Original issue discount		(14)	$4,965	(15)	$5,350
Mobil Oil and consolidated subsidiaries					
4¼% debentures due 1993	1988	61		61	
7¼% notes due 1997	1988	195		200	
7⅜% debentures due 2001	1988	73		73	
8⅛% debentures due 1992		750		—	
8.45% debentures due 2005	1988	110		110	
Debt due within one year classified as long-term (8⅜%)		250		1,400	
Industrial revenue bonds (6⅝%) due 1991-2014		279		279	
Other (8¾%) due 1990-2050		63		78	
Foreign currencies (7⅞%) due 1989-2014		52	1,833	47	2,248
Montgomery Ward and consolidated subsidiaries					
9⅜% debentures due 2000		48		60	
Other (9⅞%) due 1989-2020		218	266	227	287
Total			$7,064		$7,885

*At par

The percentages shown in parentheses in the table are weighted average interest rates at December 31, 1987.

The approximate amounts of long-term debt that become due during the years 1988 through 1992 are: 1988—$175 million, 1989—$554 million, 1990—$579 million, 1991—$826 million, and 1992—$1,393 million. Future sinking fund requirements of $392 million may be satisfied by debentures currently held in the treasury.

At year-end 1987 Mobil had existing effective "shelf" registrations on file with the Securities and Exchange Commission that would permit the sale of $1.5 billion of debt securities to be offered pursuant to Rule 415 of the Securities Act of 1933, under which Mobil issued $500 million of 8⅜% five-year notes on February 3, 1988.

Mobil and Mobil Oil have $1.6 billion long-term revolving credit agreements with various banks, which have not been utilized. A total of $.5 billion of Mobil and Mobil Oil borrowings due within one year has been classified as long-term debt. The unused $1.6 billion of the revolving credit agreements is subject to annual commitment fees of .06 of 1%. Interest on borrowings under the agreements is based on the London Interbank Offered Rate, the Domestic Certificate of Deposit Rate, or a specified Prime Rate, as selected from time to time by Mobil.

Montgomery Ward and Montgomery Ward Credit Corporation have entered into multi-year revolving credit agreements with various banks totaling $1,124 million, none of which was outstanding at December 31, 1987. The unused revolving credit facilities are subject to commitment fees of ⅜ of 1% on $864 million, which is available to either Montgomery Ward or Montgomery Ward Credit and .175 of 1% on $260 million, which is available to only Montgomery Ward Credit.

11 Employee Benefits

Employee benefits that Mobil provides in the United States are contributory and noncontributory medical and dental plans, pension plans, group life insurance, savings plans, employee stock ownership plans, disability plans for sickness and accidents, and termination plans. Mobil's international affiliates also provide various pension and other employee benefit plans. The estimated costs of the domestic and international benefit plans are either funded or accrued currently.

The majority of full-time U.S. employees are covered by contributory and noncontributory pension plans. These plans are primarily final average and career average plans. Mobil's funding for these plans is based on the projected unit credit actuarial cost method.

Mobil's overseas employees are covered by pension and similar plans. Coverage and benefits vary from country to country. Mobil's funding policy also varies, in line with local commercial, actuarial, and taxation practices.

The worldwide charge to Mobil's income for pension plans was $123 million in 1987, $105 million in 1986, and $190 million in 1985.

In 1985 Mobil adopted the projected unit credit actuarial cost method for major domestic pension plans, which had the effect of increasing 1985 net income by approximately $12 million ($.03 per share).

In 1986 Mobil adopted the provisions of FAS 87, Employers' Accounting for Pensions, for its principal domestic plan, which had the effect of increasing 1986 net income by approximately $36 million ($.09 per share).

The components of 1987 net pension expense for Mobil's domestic plans (including Montgomery Ward's plans) were as follows (in millions):

Benefits earned during year	$102
Interest accrued on benefits earned in prior years	207
Actual earnings on assets	(118)
Net amortization and deferral	(158)
Net pension expense	$ 33

Pension expense for 1987 was based on an assumed average discount rate of 8¼%, an assumed average rate of increase in future compensation levels of 5¾%, and an expected average rate of return on plan assets of 8½%.

The actuarial value of accumulated benefits is not calculated for Mobil's foreign pension plans. For foreign plans, the value of plan assets exceeded the actuarial computed value of vested benefits as of year-end 1987 and 1986.

Mobil and many of its subsidiaries provide certain post-retirement health care and life insurance benefits for most of their retirees, if they are working for the company when they become eligible for retirement. These post-retirement benefits and similar benefits for active employees are provided through programs where the costs are based on the benefits paid during the year. The total expense in 1987 for post-retirement benefits only was $30 million. Prior to 1987, the cost of post-retirement benefits was not separable from the cost of similar benefits for active employees. In 1986 these costs totaled $170 million for 37,000 retirees and 95,000 active employees. In 1985 these costs totaled $19[illegible] million for 43,000 retirees and 112,000 active employees.

The funded status of Mobil's domestic plans (including Montgomery Ward's plans) and the amounts recognized in the consolidated balance sheet were as follows (in millions):

At December 31:	1987	19
Actuarial present value of accumulated benefit obligation		
Vested	$1,921	$2.0[illegible]
Nonvested	164	2[illegible]
Total	2,085	2.2[illegible]
Additional amounts related to projected pay increases	409	4[illegible]
Projected benefit obligation	2,494	2.6[illegible]
Plan assets at fair value, primarily in equity and fixed income securities	2,717	2.8[illegible]
Plan assets in excess of projected benefit obligation	$ 223	$ 2[illegible]
Consisting of:		
Unrecognized net asset at date of initial application of FAS 87	$ 600	$ 6[illegible]
Unrecognized prior service cost	(159)	(1[illegible]
Unrecognized net loss since initial application of FAS 87	(130)	(1[illegible]
Accrued pension cost	(88)	[illegible]
Rates used in determining the actuarial present value of the projected benefit obligation:		
Discount rate	9%	[illegible]
Rate of increase in future compensation levels	5¾%	5[illegible]

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12 Stock Option Plans

Under the 1986 Mobil Incentive Compensation and Stock Option Plan approved by shareholders, options may be granted to key employees to purchase a maximum of 10,000,000 shares of common stock. No additional options may be granted under earlier plans. "Nonqualified" options and "Incentive Stock Options," having a maximum life of 10 years, are granted at 100% of the fair market value of Mobil stock at the time of the award and may be exercised for stock or, in some cases, relinquished for stock appreciation rights (SARs) in annual installments after the first year. The stock appreciation rights permit the holder to receive stock, cash, or a combination thereof equal to the amount by which the fair market value at the time of relinquishment exceeds the option price.

Under the 1986 Plan there were 6,176,450 shares available for option December 31, 1987.

Stock option transactions:

	1986 Plan	1981 Plan	1979 Plan
January 1, 1987—shares under option:	1,961,100	8,192,371	1,749,538
Options granted at $49.31	1,883,150	—	—
Options expired or canceled	(24,700)	(6,500)	(1,370)
Options relinquished for stock appreciation rights at prices ranging from $14.77 to $36.38	(15,500)	(442,314)	(108,131)
Options exercised at prices ranging from $14.77 to $36.38	(197,354)	(1,838,409)	(434,502)
December 31, 1987—shares under option: (Years of Grant / Average Option Price Per Share)			
1974-1977 / $ —			
1979-1981 / 33.01			1,205,535
1981-1985 / 28.78		5,905,148	
1986-1987 / 39.39	3,606,696		
Options exercisable at December 31, 1987	1,457,789	5,905,148	1,205,535
At an average price of	$29.10	$28.78	$33.01
During 1986 options were exercised or relinquished at prices ranging from $14.77 to $36.38	4,000	849,012	195,41
During 1985 options were exercised or relinquished at prices ranging from $14.77 to $30.00	—	363,018	189,06

13 Commitments and Contingent Liabilities

Substantial commitments are made in the normal course of business for the purchase of crude oil and the acquisition or construction of properties, plants, and equipment (including tankers for time charter to Mobil).

Mobil has guaranteed approximately $285 million of the obligations of others, excluding certain cross-guarantees (about $277 million), primarily foreign customs duties, made with other responsible companies in the ordinary course of business. In addition, Mobil has guaranteed specified revenues from crude oil, product, and carbon dioxide shipments under agreements with pipeline companies in which it holds stock interests. If these companies are unable to meet certain obligations, Mobil may be required to advance funds against future transportation charges. No material loss is anticipated under these guarantees.

Mobil has provided in its accounts for items and issues not yet based on management's be

Mobil and its subsidia engaged in various litigati number of unresolved cla While the amounts claim tial and the ultimate liabi of such litigation and clai determined at this time. opinion that such liabilit not provided for throug otherwise, is not likely importance in relation

14 Capital Stock

At December 31, 1987, 30,000,000 shares of $1.00 par value preferred stock were authorized, of which 6,000,000 shares of Series A Junior Participating Preferred Stock were authorized for issuance upon exercise of certain preferred stock purchase rights; none were issued or outstanding.

At December 31, 1987, 600,000,000 shares of $2.00 par value common stock were authorized and 432,786,167 shares were issued, including 21,427,400 held in the treasury. There were 411,358,767 shares outstanding at year-end.

Net increase (decrease) in shares of common stock outstanding, year ended December 31:	1987	1986	1985
Exercise of stock options and SARs	2,707,045	1,039,127	621,903
Purchase of common stock for treasury	(175,000)	(687,500)	—
Incentive compensation awards	94,948	21,054	24,921
Purchase of Marcor fractional shares	(91)	(109)	(115)
Conversion of Marcor debentures	—	8,111	379
Net increase	2,626,902	380,683	647,088

15 Foreign Currency Translation

Cumulative translation adjustments at December 31: *(In millions)*	1987	1986	1985
Properties, plants, and equipment, net	$ 35	$(1,153)	$(1,534)
Deferred income taxes	(83)	329	429
Working capital, debt, and other items, net	74	(266)	(621)
Total	$ 26	$(1,090)	$(1,726)

Foreign exchange transaction gains of $108 million in 1987, $181 million in 1986, and $205 million in 1985 were credited to income.

16 Quarterly Financial Data *(unaudited)*

Quarterly financial data: *(In millions except per-share amounts)*	Quarter				
	First	Second	Third	Fourth	Year
Revenues					
1987	$12,753	$13,566	$14,464	$15,933	$56,716
1986	$ 13,877	$ 12,176	$ 11,314	$ 12,498	$ 49,865
Income taxes					
1987	$ 455	$ 420	$ 481	$ 418	$ 1,774
1986	$ 692	$ 408	$ 305	$ 181	$ 1,586
Net income					
1987(1)	$ 252	$ 304	$ 319	$ 383	$ 1,258
1986(2)(3)	$ 440	$ 582	$ 182	$ 203	$ 1,407
Net income per share					
1987(1)	$ .62	$ .74	$ .77	$ .93	$ 3.06
1986(2)(3)	$ 1.08	$ 1.42	$ .45	$ .50	$ 3.45

(1) Net income in the fourth quarter of 1987 included a $140 million provision for the excess of book inventory values over market values in local currencies. The effect of this provision was partly offset by a $30 million favorable adjustment of U.S. excise tax accruals and a $62 million favorable adjustment of foreign tax reserves. In addition, the fourth quarter included a $92 million gain on the sale of the New York office building and a $98 million provision for headquarters relocation costs.

(2) Net income included a $57 million LIFO inventory drawdown charge in the first quarter of 1986, a $187 million gain on sale of Mobil's interests in Angola and $83 million of favorable adjustments to Alaskan crude purchase provisions in the second quarter of 1986, and a $150 million loss on sale of Container Corporation of America in the third quarter of 1986.

(3) Net income included financial benefits of $24 million in the fourth quarter of 1986, resulting from reductions in LIFO inventories. The fourth quarter of 1986 also included the unfavorable effect of a $100 million provision for accelerated amortization of exploration and producing assets, offset in part by a financial benefit of $36 million, resulting from adoption of FAS 87, Employers' Accounting for Pensions, for Mobil's principal domestic pension plan.

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REPORT OF MANAGEMENT

The management of Mobil Corporation has the responsibility for preparing the accompanying financial statements and for their integrity and objectivity. The statements were prepared in conformity with generally accepted accounting principles applied on a consistent basis. Such financial statements are necessarily based in part on best estimates and judgments.

Mobil maintains a system of internal accounting controls and a program of internal auditing designed to provide reasonable assurance that Mobil's assets are protected and that transactions are executed in accordance with established authorizations and are recorded properly.

The Audit Committee of the Board of Directors, composed solely of directors who are not officers or employees, meets regularly with Mobil's financial management and counsel, with Mobil's General Auditor, and with the independent public accountants engaged by Mobil Corporation and its principal subsidiaries. These meetings include discussion of internal accounting controls and the quality of financial reporting. The independent public accountants and the General Auditor have free and independent access to the Audit Committee to discuss the results of their audits or any other matters relating to Mobil's financial affairs.

The accompanying consolidated financial statements have been examined by Arthur Young & Company, independent certified public accountants, whose appointment was approved by the shareholders. Arthur Young & Company's report follows.

Allen E. Murray
Chairman,
President, and Chief Executive Officer

James Q. Riordan
James Q. Riordan
Vice Chairman and Chief Financial Officer

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

We have examined the accompanying consolidated balance sheet of Mobil Corporation at December 31, 1987 and 1986, and the related consolidated statements of income, changes in shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Marcor Inc. and Montgomery Ward & Co., Incorporated, consolidated subsidiaries, and Container Corporation of America, a consolidated subsidiary at December 31, 1985, have been examined by other independent public accountants, and we were furnished with their reports thereon. The assets of these consolidated subsidiaries represent approximately 9% of the consolidated totals for both 1987 and 1986 and revenues represent approximately 10%, 10%, and 13% of the consolidated totals for the years ended December 31, 1987, 1986, and 1985.

In our opinion, based upon our examinations and the reports of other independent public accountants, the statements mentioned above present fairly the consolidated financial position of Mobil Corporation at December 31, 1987 and 1986, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

New York, New York
March 1, 1988

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Supplementary oil and gas producing disclosures

The accompanying tables set forth information concerning Mobil's oil and gas producing activities at December 31, 1987, 1986, and 1985, and for the years then ended. The tables are prepared in accordance with FAS 69, Disclosures about Oil and Gas Producing Activities.

Tables 1 and 2 represent Mobil's estimated net equity in worldwide net proved reserves. Net proved reserves represent estimated recoverable volumes, excluding royalties and interests owned by others. The production and reserve numbers exclude NGL volumes received under natural gas processing contracts and Mobil's royalty interest production and reserve volumes. All reserve estimates are subject to future revision. In the past, some of these revisions have been significant.

Table 3 presents gross capitalized costs related to oil and gas producing activities and related accumulated depreciation, depletion, and amortization at December 31, 1987 and 1986. Capitalized costs include (1) mineral interests in properties, (2) wells, plants, and related equipment and facilities, and (3) support equipment and facilities used in oil and gas producing activities.

Table 4 sets forth certain costs incurred, both capitalized and expensed, in oil and gas producing activities. Costs reported include the 1987, 1986, and 1985 outlays for assets described in Table 3, capitalized costs, plus the 1987, 1986, and 1985 costs charged to expense for such items as geological and geophysical outlays, and expenses to carry and retain undeveloped properties. Exploration and development costs include depreciation of support equipment and facilities used in those activities rather than the expenditures to acquire support equipment and facilities.

Table 5 summarizes Mobil's results of operations for producing activities for the years ended December 31, 1987, 1986, and 1985. Revenues include sales to unaffiliated parties and sales or transfers (essentially at third-party sales prices) to Mobil's other operations. Only the revenues reported for the U.S. and Canada are net of royalty interests of others. Production (lifting) costs and exploration expenses are determined as defined by the FASB.

Tables 6 and 7 set forth a so-called standardized measure of discounted future net cash flows relating to proved oil and gas reserves, and quantify the causes of the changes in the standardized measure of the cash flows relating to those reserves. Since the estimates reflect proved reserves only, they exclude any revenues that could result from probable reserves, which could become proved reserves in 1988 or later years.

For these calculations, year-end oil and gas prices were applied to estimate future production of net proved oil and gas reserves at each year-end, less estimated future expenditures (based on current costs) to be incurred in developing and producing these proved reserves. The continuance of existing economic conditions and tax rates was assumed. In accordance with FASB requirements the calculations do not reflect future changes in prices, costs, or tax rates, which may have a significant effect on future results.

The data in **Tables 6 and 7** are not intended to replace the historical cost-based financial data included in the audited financial statements because, as the FASB recognizes, such data are not representative of either the fair market value or the present value of future cash flows.

Cautionary Note:
Many of the FASB-mandated data in this section (Supplementary Oil and Gas Producing Disclosures) represent estimates, assumptions, and computations that are subject to constant change as the future unfolds. Mobil cautions investors and analysts, therefore, that the data are of questionable utility for decision making.

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Table 1

Estimated Quantities of Net Proved Crude Oil and Natural Gas Liquids Reserves (unaudited)

(Millions of barrels)	United States Crude	United States NGL	Foreign Canada Crude	Foreign Canada NGL	Foreign Europe Crude	Foreign Europe NGL	Foreign Other Crude	Foreign Other NGL	Total
Year Ended December 31, 1987									
Net proved reserves									
—beginning of year	837	177	224	82	403	28	347	362	2,460
—revisions of previous estimates	20	4	—	—	3	(1)	9	—	35
—improved recovery	93	(10)	6	(2)	8	—	—	—	95
—purchases (sales) of minerals in place	(3)	(1)	(1)	—	—	—	—	—	(5)
—extensions, discoveries, and other additions	17	2	2	—	1	1	16	—	39
—production	(96)	(16)	(21)	(3)	(50)	(2)	(21)	(18)	(227)
Net proved reserves									
—end of year	868	156	210	77	365	26	351	344	2,397
Net proved developed reserves									
—beginning of year	692	172	219	82	260	16	205	361	2,007
—end of year	712	150	205	75	211	15	228	344	1,940
Mobil's share of net proved reserves of investees accounted for on the equity method	—	—	—	—	5	—	550	1	556
Quantities under special arrangements in which the company acts as producer									
—quantities received during the year	—	—	—	—	—	—	7	—	7
—estimated future quantities	—	—	—	—	—	—	—	—	—
Year Ended December 31, 1986									
Net proved reserves									
—beginning of year	853	183	231	81	439	33	370	176	2,366
—revisions of previous estimates	15	6	—	1	—	(2)	11	—	31
—improved recovery	46	3	12	3	9	(1)	—	205	277
—purchases (sales) of minerals in place	(1)	—	—	—	—	—	(11)	(1)	(13)
—extensions, discoveries, and other additions	21	2	4	—	6	—	3	—	36
—production	(97)	(17)	(23)	(3)	(51)	(2)	(26)	(18)	(237)
Net proved reserves									
—end of year	837	177	224	82	403	28	347	362	2,460
Net proved developed reserves									
—beginning of year	721	168	227	81	260	12	224	175	1,868
—end of year	692	172	219	82	260	16	205	361	2,007
Mobil's share of net proved reserves of investees accounted for on the equity method	—	—	—	—	6	—	551	1	558
Quantities under special arrangements in which the company acts as producer									
—quantities received during the year	—	—	—	—	—	—	32	—	32
—estimated future quantities	—	—	—	—	—	—	—	—	—

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See Cautionary Note on page 44.

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Table 1 (Continued)
Estimated Quantities of Net Proved Crude Oil and Natural Gas Liquids Reserves *(unaudited)*

	United States		Foreign						
			Canada		Europe		Other		
(Millions of barrels)	Crude	NGL	Crude	NGL	Crude	NGL	Crude	NGL	Total
Year Ended December 31, 1985									
Net proved reserves									
—beginning of year	832	208	244	85	474	33	370	187	2,433
—revisions of previous estimates	24	(7)	(10)	(1)	—	—	23	(2)	27
—improved recovery	79	1	18	—	12	1	—	6	117
—purchases (sales) of minerals in place	—	—	—	—	—	—	—	—	—
—extensions, discoveries, and other additions	17	2	3	—	—	—	3	—	25
—production	(99)	(21)	(24)	(3)	(47)	(1)	(26)	(15)	(236)
Net proved reserves									
—end of year	853	183	231	81	439	33	370	176	2,366
Net proved developed reserves									
—beginning of year	727	189	239	84	208	11	225	185	1,868
—end of year	721	168	227	81	260	12	224	175	1,868
Mobil's share of net proved reserves of investees accounted for on the equity method	—	—	—	—	6	—	531	—	537
Quantities under special arrangements in which the company acts as producer									
—quantities received during the year	—	—	—	—	—	—	16	—	16
—estimated future quantities	—	—	—	—	—	—	—	—	—

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See Cautionary Note on page 44.

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Table 2
Estimated Quantities of Net Proved Natural Gas Reserves *(unaudited)*

(Billions of cubic feet)	United States	Foreign Canada	Foreign Europe	Foreign Other	To
Year Ended December 31, 1987					
Net proved reserves					
—beginning of year	7,855	2,597	2,737	7,290	20,4
—revisions of previous estimates	277	(63)	400	(1)	6
—improved recovery	40	—	(5)	—	[illegible]
—purchases (sales) of minerals in place	(8)	—	—	—	
—extensions, discoveries, and other additions	187	8	402	—	5
—production	(610)	(120)	(233)	(466)	(1,4
Net proved reserves —end of year	7,741	2,422	3,301	6,823	20,2
Net proved developed reserves					
—beginning of year	6,719	2,498	2,289	7,290	18,7
—end of year	6,493	2,234	2,399	6,823	17,9
Mobil's share of net proved reserves of investees accounted for on the equity method	—	—	63	137	2
Year Ended December 31, 1986					
Net proved reserves					
—beginning of year	7,600	2,845	2,649	7,593	20,6
—revisions of previous estimates	514	(117)	101	20	51
—improved recovery	30	3	(10)	82	1
—purchases (sales) of minerals in place	(1)	—	—	(12)	(1
—extensions, discoveries, and other additions	270	3	183	—	45
—production	(558)	(137)	(186)	(393)	(1,27
Net proved reserves —end of year	7,855	2,597	2,737	7,290	20,47
Net proved developed reserves					
—beginning of year	6,814	2,657	2,149	7,581	19,20
—end of year	6,719	2,498	2,289	7,290	18,79
Mobil's share of net proved reserves of investees accounted for on the equity method	—	—	64	155	21
Year Ended December 31, 1985					
Net proved reserves					
—beginning of year	8,084	3,242	2,619	7,836	21,78
—revisions of previous estimates	(69)	(298)	51	145	(17
—improved recovery	40	20	17	—	7
—purchases (sales) of minerals in place	6	—	—	—	
—extensions, discoveries, and other additions	162	24	126	—	31
—production	(623)	(143)	(164)	(388)	(1,31
Net proved reserves —end of year	7,600	2,845	2,649	7,593	20,68
Net proved developed reserves					
—beginning of year	7,414	2,934	1,756	7,739	19,84
—end of year	6,814	2,657	2,149	7,581	19,20
Mobil's share of net proved reserves of investees accounted for on the equity method	—	—	56	91	14

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See Cautionary Note on page 44.

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Table 3
Capitalized Costs Related to Oil and Gas Producing Activities *(unaudited)*

(In millions) At December 31,	1987	1986
Capitalized costs		
Unproved properties	$ 1,303	$ 1,731
Proved properties, wells, plants, and other equipment	25,977	24,284
Total capitalized costs	$27,280	$26,015
Accumulated depreciation, depletion, and amortization	$11,188	$ 9,690
Mobil's share of net capital costs of investees accounted for on the equity method	$ 168	$ 156

Table 4
Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities *(unaudited)*

		Foreign			
(In millions)	United States	Canada	Europe	Other	Total
Year Ended December 31, 1987					
Property acquisition costs	$ 65	$ 15	$ —	$ —	$ 80
Exploration costs	167	62	208	102	539
Development costs	557	82	202	37	878
Total expenditures	$ 789	$159	$410	$139	$1,497
Mobil's share of investees' costs of property acquisition, exploration, and development	—	—	$ 14	$ 27	$ 41
Year Ended December 31, 1986					
Property acquisition costs	$ 62	$ 5	$ —	$ 1	$ 68
Exploration costs	282	90	237	82	691
Development costs	710	71	211	49	1,041
Total expenditures	$1,054	$166	$448	$132	$1,800
Mobil's share of investees' cost of property acquisition, exploration, and development	—	—	$ 14	$ 35	$ 49
Year Ended December 31, 1985					
Property acquisition costs	$ 93	$ 14	$ —	$ —	$ 107
Exploration costs	504	90	186	152	932
Development costs	816	99	216	91	1,222
Total expenditures	$1,413	$203	$402	$243	$2,261
Mobil's share of investees' cost of property acquisition, exploration, and development	—	—	$ 11	$ 37	$ 48

Table 5

Results of Operations for Oil and Gas Producing Activities (unaudited)

(In millions)	United States	Foreign Canada	Foreign Europe	Foreign Other	Total
Year Ended December 31, 1987					
Revenues—Trade sales	$ 1,437	$ 396	$ 994	$ 1,034	$ 3,861
—Intercompany sales	1,661	218	690	721	3,290
Production (lifting) costs	(1,045)	(215)	(674)	(359)	(2,293)
Exploration expenses	(219)	(53)	(163)	(84)	(519)
Depreciation, depletion, and amortization	(1,275)	(149)	(322)	(84)	(1,830)
Other operating revenues and (expenses)	279	44	76	83	482
Income tax expense	(452)	(156)	(197)	(818)	(1,623)
Results of operations for producing activities	$ 386	$ 85	$ 404	$ 493	$ 1,368
Mobil's share of results of operations for producing activities of investees accounted for on the equity method	—	—	$ 1	$ 12	$ 13
Year Ended December 31, 1986					
Revenues—Trade sales	$ 1,151	$ 355	$ 986	$ 699	$ 3,191
—Intercompany sales	1,442	186	548	820	2,996
Production (lifting) costs	(1,096)	(244)	(629)	(387)	(2,356)
Exploration expenses	(248)	(64)	(167)	(86)	(565)
Depreciation, depletion, and amortization	(1,158)	(156)	(270)	(129)	(1,713)
Other operating revenues and (expenses)	31	61	105	316	513
Income tax expense	(148)	(95)	(305)	(732)	(1,280)
Results of operations for producing activities	$ (26)	$ 43	$ 268	$ 501	$ 786
Mobil's share of results of operations for producing activities of investees accounted for on the equity method	—	—	$ 1	$ 13	$ 14
Year Ended December 31, 1985					
Revenues—Trade sales	$ 1,834	$ 494	$1,353	$ 1,296	$ 4,977
—Intercompany sales	2,738	480	840	1,800	5,858
Production (lifting) costs	(1,731)	(337)	(747)	(622)	(3,437)
Exploration expenses	(365)	(83)	(138)	(144)	(730)
Depreciation, depletion, and amortization	(992)	(145)	(203)	(97)	(1,437)
Other operating revenues and (expenses)	4	86	66	73	229
Income tax expense	(742)	(356)	(839)	(1,734)	(3,671)
Results of operations for producing activities	$ 746	$ 139	$ 332	$ 572	$ 1,789
Mobil's share of results of operations for producing activities of investees accounted for on the equity method	—	—	$ 17	$ 29	$ 46

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Table 6

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves *(unaudited)*

(In millions)	United States	Foreign Canada	Foreign Europe	Foreign Other	Total
At December 31, 1987					
Future cash inflows	$ 27,401	$ 7,280	$ 15,209	$ 24,227	$ 74,117
Future production costs	(9,079)	(3,029)	(5,334)	(3,466)	(20,908
Future development costs	(828)	(36)	(856)	(733)	(2,453
Future income tax expenses	(4,639)	(2,122)	(5,049)	(12,531)	(24,341
Future net cash flows	12,855	2,093	3,970	7,497	26,415
10% annual discount for estimated timing of cash flows	(5,915)	(990)	(1,509)	(3,255)	(11,669
Standardized measure of discounted future net cash flows	$ 6,940	$ 1,103	$ 2,461	$ 4,242	$ 14,746
Mobil's share of standardized measure of discounted future net cash flows of investees accounted for on the equity method	—	—	$ 32	$ 208	$ 240
At December 31, 1986					
Future cash inflows	$ 24,920	$ 7,729	$ 14,074	$ 23,881	$ 70,604
Future production costs	(10,308)	(3,021)	(4,360)	(3,931)	(21,620
Future development costs	(924)	(55)	(863)	(847)	(2,689
Future income tax expenses	(3,397)	(2,126)	(5,321)	(12,370)	(23,214
Future net cash flows	10,291	2,527	3,530	6,733	23,081
10% annual discount for estimated timing of cash flows	(4,488)	(1,242)	(1,215)	(3,100)	(10,045
Standardized measure of discounted future net cash flows	$ 5,803	$ 1,285	$ 2,315	$ 3,633	$ 13,036
Mobil's share of standardized measure of discounted future net cash flows of investees accounted for on the equity method	—	—	$ 53	$ 195	$ 248
At December 31, 1985					
Future cash inflows	$ 40,661	$ 12,710	$ 24,660	$ 40,223	$ 118,254
Future production costs	(14,656)	(2,871)	(6,371)	(3,746)	(27,644
Future development costs	(1,818)	(74)	(926)	(984)	(3,802
Future income tax expenses	(9,355)	(5,132)	(10,653)	(22,830)	(47,970
Future net cash flows	14,832	4,633	6,710	12,663	38,838
10% annual discount for estimated timing of cash flows	(6,544)	(2,532)	(3,029)	(6,423)	(18,528
Standardized measure of discounted future net cash flows	$ 8,288	$ 2,101	$ 3,681	$ 6,240	$ 20,310
Mobil's share of standardized measure of discounted future net cash flows of investees accounted for on the equity method	—	—	$ 83	$ 286	$ 369

Table 7

Changes in Standardized Measure of Discounted Future Net Cash Flows *(unaudited)*

(In millions)	1987	1986	1985
Year Ended December 31,			
Beginning of year	$13,284	$20,679	$21,236
Changes resulting from:			
Sales and transfers of production, net of production costs	(4,858)	(3,831)	(7,398)
Net changes in prices, and development and production costs	1,625	(23,146)	(1,479)
Net change in income taxes	(324)	12,047	613
Extensions, discoveries, additions, and purchases less related costs	719	424	590
Development costs incurred during the period	878	1,041	1,219
Revisions of previous quantity estimates	1,125	1,888	1,281
Accretion of discount	2,545	4,303	4,515
Other	(8)	(121)	102
End of year	$14,986	$13,284	$20,679

See Cautionary Note on page 44.

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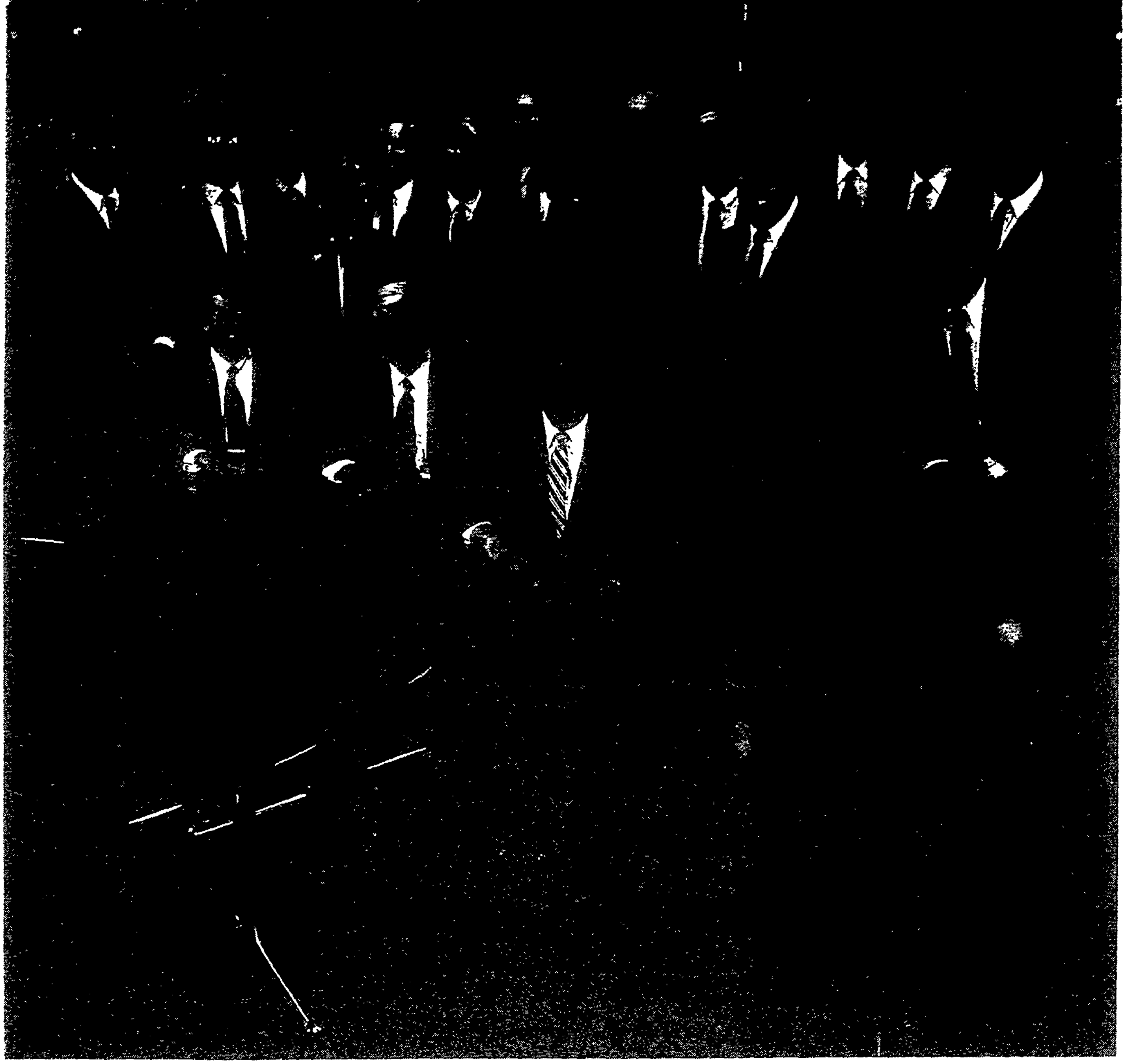
DIRECTORS, OFFICERS AND COMMITTEES



Directors of Mobil Corp., seated at table, from left: James Q. Riordan, Richard F. Tucker, Allen E. Murray. Behind them, from left: Robert G. Schwartz, Paul J. Hoenmans, Herbert Schmertz, Eleanor B. Sheldon, Walter E. Mac Donald, Lee L. Morgan, William J. Kennedy III, Jewel S. Lafontant, Samuel C. Johnson, William W. Scranton, James E. Olson, Lewis M. Branscomb, Walter A. Bork, Eugene A. Renna, Robert G. Weeks.

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Other resources disclosures *(unaudited)*

The table presents selected statistics for Mobil's mineral ore and carbon dioxide operations.

Reserves represent estimated recoverable volumes, excluding royalties and interests owned by others. All reserve estimates are subject to future revision.

Future production of these resources is subject to many factors, including government regulations and market conditions. Market prices for these resources may be subject to wide fluctuations during the production periods.

Mineral ore and carbon dioxide resources

	1987	1986	1985
Coal *(thousands of tons)*			
Proved and probable reserves at end of year[1]	2,065,000	2,968,000	4,227,000
Production	6,490	3,990	4,655
Purchased (sold) in place	(330,000)	—	(212,000)
Phosphate Rock *(thousands of tons)*			
Proved and probable reserves at end of year	140,000	132,000	133,000
Production	2,500	2,100	3,100
Purchased (sold) in place	11,000	200	100
Carbon Dioxide *(millions of cubic feet)*			
Proved reserves at end of year	4,324,000	4,380,000	4,499,000
Production	62,000	76,000	49,000

(1) Reductions in 1987 and 1986 resulted mostly from abandoning certain uneconomic interests.

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DIRECTORS, OFFICERS AND COMMITTEES

Mobil Corporation Directors

Walter A. Bork
Vice President, Mobil Oil Corporation

Lewis M. Branscomb
Director, Science, Technology and Public Policy, John F. Kennedy School of Government, Harvard University

Paul J. Hoenmans
Executive Vice President, Mobil Oil Corporation

Samuel C. Johnson
Chairman and Chief Executive Officer, S.C. Johnson & Son, Inc.

William J. Kennedy III
Chairman, President and Chief Executive Officer, North Carolina Mutual Life Insurance Company

Jewel S. Lafontant
Senior Partner, Vedder, Price, Kaufman & Kammholz

Walter E. Mac Donald
Executive Vice President, Mobil Oil Corporation

Lee L. Morgan
Former Chairman and Chief Executive Officer, Caterpillar Inc.

Allen E. Murray
Chairman of the Board, President, and Chief Executive Officer

James E. Olson
Chairman and Chief Executive Officer, AT&T

Eugene A. Renna
Executive Vice President, Mobil Oil Corporation

James Q. Riordan
Vice Chairman and Chief Financial Officer

Herbert Schmertz
Vice President

Robert G. Schwartz
Chairman of the Board, Metropolitan Life Insurance Company

William W. Scranton
Former Governor of Pennsylvania

Eleanor B. Sheldon
Former President, Social Science Research Council

Richard F. Tucker
Vice Chairman and President, Mobil Oil Corporation

Robert G. Weeks
Vice President

Officers

Allen E. Murray
Chairman of the Board, President, and Chief Executive Officer

Richard F. Tucker
Vice Chairman

James Q. Riordan
Vice Chairman

Rex D. Adams
Vice President

Andrew L. Gaboriault
Vice President

Lucio A. Noto
Vice President

Herbert Schmertz
Vice President

Robert G. Weeks
Vice President

Dede T. Bartlett
Secretary

J. Edward Fowler
General Counsel

R. Hartwell Gardner
Treasurer

Philip W. Matos
Controller

Committees

Audit Committee: Dr. Branscomb, Chairman; Mrs. Lafontant, Mr. Morgan, Mr. Olson, Mr. Schwartz, Dr. Sheldon.

Compensation and Management Incentive Committee: Mr. Morgan, Chairman; Mr. Johnson, Mr. Kennedy, Mr. Olson, Mr. Schwartz.

Executive Committee: Mr. Murray, Chairman; Mr. Tucker, Vice Chairman; Mr. Bork, Mr. Hoenmans, Mr. Mac Donald, Mr. Renna, Mr. Riordan, Mr. Schmertz, Mr. Weeks.

Nominating Committee: Gov. Scranton, Chairman; Dr. Branscomb, Mr. Kennedy, Mr. Morgan, Mr. Murray, Mr. Tucker.

Public Issues Committee: Mrs. Lafontant, Chairman; Mr. Johnson, Mr. Kennedy, Mr. Murray, Gov. Scranton, Dr. Sheldon, Mr. Tucker.

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Mobil Oil Corporation Directors

Walter A. Bork
Vice President

Paul J. Hoenmans
Executive Vice President

Walter E. Mac Donald
Executive Vice President

Allen E. Murray
Chairman of the Board

Lucio A. Noto
Vice President

Eugene A. Renna
Executive Vice President

James Q. Riordan
Executive Vice President

Herbert Schmertz
Vice President

Richard F. Tucker
President

Robert G. Weeks
Vice President

Montgomery Ward

Bernard F. Brennan
President

Transfer Agents
The Chase Manhattan Bank N.A.
1 New York Plaza
New York, New York 10081

The Canada Trust Company
110 Yonge at Adelaide
Toronto, Ontario MC5 1T4, Canada

The Canada Trust Company
505 Third Street, S.W.
Calgary, Alberta T2P 3Y8, Canada

Regis[illegible]rs
The Chase Manhattan Bank, N.A.
New York, New York

Montreal Trust Company
Toronto, Ontario, Canada

Montreal Trust Company
Calgary, Alberta, Canada

Auditors
Arthur Young & Company
277 Park Avenue
New York, New York 10172

An important part of the domestic and foreign operations covered by this report is carried on by operating divisions, subsidiaries, and affiliates conducting their respective businesses under the direction and control of their own managements. Except as otherwise indicated by the context, this report uses such terms as 'Mobil,' 'corporation,' 'company,' 'we,' and 'our,' sometimes for the parent corporation and all such divisions, subsidiaries, and affiliates collectively, and sometimes for one or more of them.

Additional information relating to Mobil is contained in a separate report, Financial and Operating Statistics 1987, and in its annual report on Form 10-K filed with the Securities and Exchange Commission. Information dealing with various Mobil benefit plans for employees is contained in plan descriptions, annual reports, and other materials regularly furnished to employees under the Employee Retirement Income Security Act of 1974. A statement of charitable contributions made by Mobil Foundation, Inc., is prepared annually. For copies of any of the foregoing, shareholders may write to the Secretary, Room 9w0006, Mobil Corporation, 150 East 42nd Street, New York, New York 10017-5666 or telephone 212-883-4242.

Mobil Corporation
150 East 42nd Street New York, New York 10017-5666

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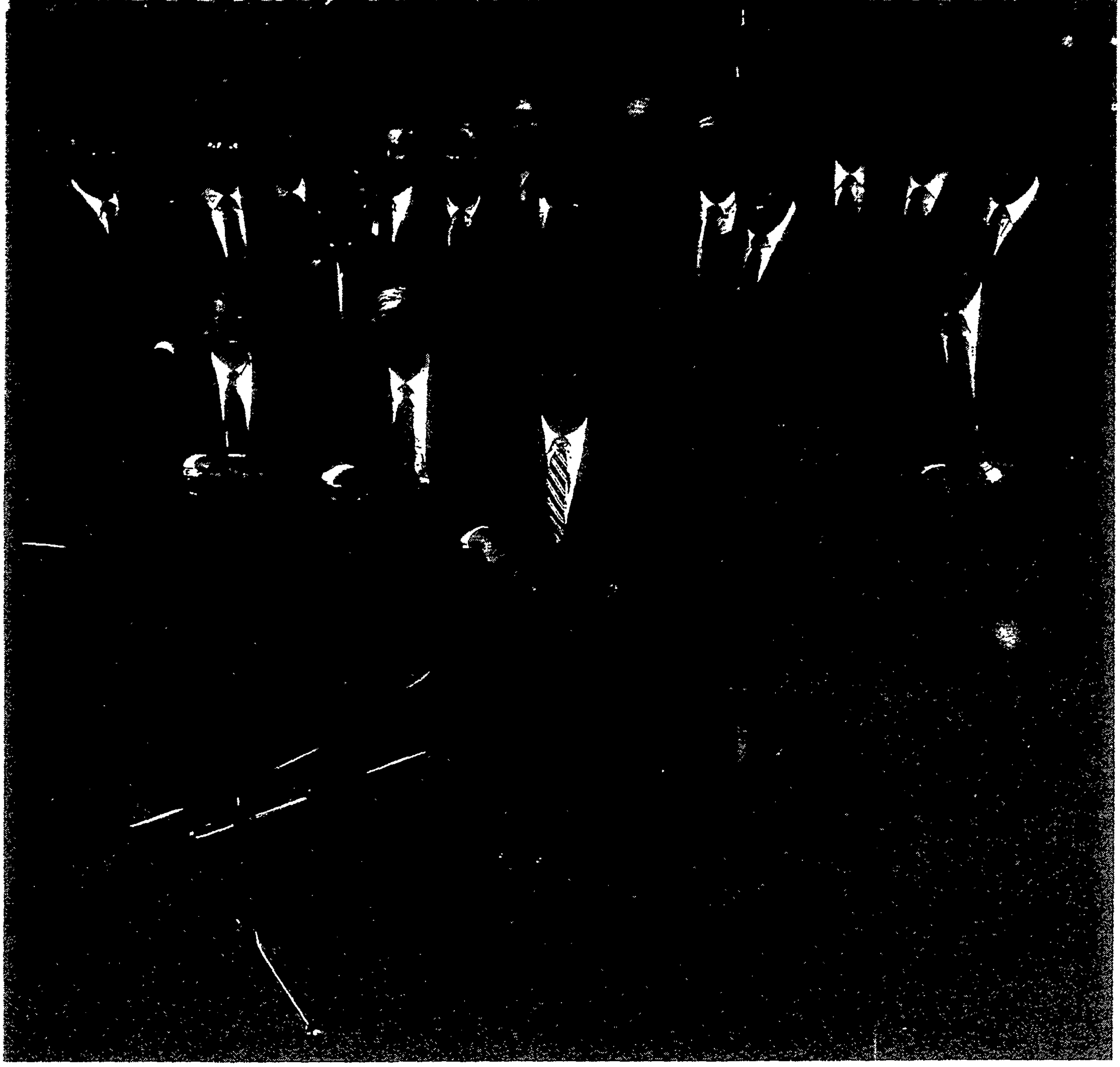
DIRECTORS, OFFICERS AND COMMITTEES



Directors of Mobil Corp., seated at table, from left: James Q. Riordan, Richard F. Tucker, Allen E. Murray. Behind them, from left: Robert G. Schwartz, Paul J. Hoenmans, Herbert Schmertz, Eleanor B. Sheldon, Walter E. Mac Donald, Lee L. Morgan, William J. Kennedy III, Jewel S. Lafontant, Samuel C. Johnson, William W. Scranton, James E. Olson, Lewis M. Branscomb, Walter A. Bork, Eugene A. Renna, Robert G. Weeks.

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