EXXON CORPORATION

PLAINTIFF'S EXHIBIT

MBL-347

1987 Annual Report

JUN 15 1990
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Exxon Corporation
1251 Avenue of the Americas
New York, New York 10020-1198
Telephone: (212) 333-6900

Divisions and affiliated companies of Exxon Corporation operate in the United States and 79 other countries. Their principal business is energy, involving exploration for and production of crude oil and natural gas, manufacturing of petroleum products, transportation and sale of crude oil, natural gas and petroleum products, and exploration for and mining and sale of coal. Exxon Chemical Company is a major manufacturer and marketer of petrochemicals. Exxon is also engaged in exploration for and mining of minerals in addition to coal. Exxon conducts extensive research programs in support of these businesses.

The terms *corporation, company, Exxon, our,* and *its,* as used in this report, sometimes refer not only to Exxon Corporation or to one of its divisions but collectively to all of the companies affiliated with Exxon Corporation or to any one or more of them. The shorter terms are used merely for convenience and simplicity.

Contents

Reports Available to Shareholders

A financial and statistical supplement to this report, covering a ten-year period

Form 10-K, an annual report for 1987 as filed with the Securities and Exchange Commission

A summary of Exxon's progress in the employment of minorities and women in its U.S. work force and of its purchases from minority-owned businesses

Dimensions 87, a report on Exxon's 1987 contributions in the public interest

Dividend Reinvestment Plan

A brochure is available on Exxon's Dividend Reinvestment Plan. It explains how shareholders may increase their investment in the stock of the corporation without fees or service charges.

Requests for reports, other publications and information about company operations should be addressed to: *Exxon Corporation*
Shareholder Services
1251 Avenue of the Americas
New York, New York 10020-1198
or telephone collect
(212) 333-6900

Annual Meeting of Shareholders

The annual meeting of shareholders of the corporation will be held at The Kiel Opera House, 1416 Market Street, St. Louis, Missouri, on Thursday, May 19, 1988, at 10:00 a.m. St. Louis time.

Transfer Agent

Stock certificates may be transferred at the following transfer agent's office:

Morgan Shareholder Services Trust Company
30 West Broadway
New York, New York 10007-2192

Inquiries regarding the Dividend Reinvestment Plan, dividend payments, stock transfer requirements, address changes and account consolidations should be addressed to: *Morgan Shareholder Services*
Trust Company
Post Office Box 7600
Church Street Station
New York, New York 10249-7600
Telephone (212) 587-6472

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Highlights

Financial	1986*	1987
Net income *billions of dollars*	$ 5.4	$ 4.8
Net income *per share*	$ 3.71	$ 3.43
Dividends *per share*	$ 1.80	$ 1.90
Shareholders' equity *per share*	$22.30	$24.38
Return on average shareholders' equity *percent*	17.5	14.7
Return on average capital employed *percent*	14.2	11.9
Revenue *billions of dollars*	$ 76.6	$ 83.3
Net income to revenue *percent*	7.0	5.8
Capital and exploration expenditures *billions of dollars*	$ 7.2	$ 7.1
Research and development costs *millions of dollars*	$ 616	$ 524
Operating		
Net liquids production *thousands of barrels daily*	1,796	1,835
Refinery crude oil runs *thousands of barrels daily*	3,032	2,981
Petroleum product sales *thousands of barrels daily*	4,043	4,043
Natural gas production available for sale *millions of cubic feet daily*	5,329	5,227
Chemical revenue *millions of dollars*	$7,021	$8,335

**Per share amounts adjusted to reflect August 1987 two-for-one stock split. See Note 5, page 31.*

COVER: *Steel jacket of a production platform, shown under construction at the Barry Beach Marine Terminal in Australia, was installed in 1987 on the Exxon-operated Bream oil field in Bass Strait.*

Setting sun silhouettes oil worker and drilling rig (right) at a producing oil field in California's San Joaquin Valley, one of several properties Exxon acquired with the purchase of Celeron Oil & Gas Company. Celeron was among the major 1987 acquisitions which made a substantial contribution to the company's oil and gas reserves.

Exxon's financial results in 1987 were generally strong, particularly in view of the continuing volatility and uncertainty in energy markets. The year ended with fourth quarter earnings higher than any of the preceding six quarters, although net income for the full year, $4.8 billion, was down 9.7 percent from the near-record level of 1986.

Exxon's exploration and production business results, which were depressed by low crude oil prices in 1986, made a strong recovery in 1987, due to increased liquids production, higher prices, and lower operating costs. Our liquid reserve additions in 1987 equalled 114 percent of our production. We also achieved a second consecutive year of record earnings from our chemicals business. These gains, however, did not fully offset the squeeze on profit margins in our downstream refining and marketing business where the increased cost of crude oil could not be fully recovered in product selling prices.

L. G. Rawl

Our chemical sales increased 19 percent in 1987, benefiting from strong worldwide demand and productivity improvements in our plants. Exxon's margins improved, and most of our chemical units ran at or near capacity during the year.

Among Exxon's other business segments, the adverse effect of lower coal prices was largely offset by increased earnings from copper mining and electric power generation in Hong Kong.

During the year, our shareholders approved a two-for-one stock split, the dividend was increased and per share earnings of $3.43 turned out to be among the highest in recent years. We also repurchased 58 million Exxon shares. Thus, 1987 was a rewarding year for shareholders, despite a volatile financial climate.

Since 1986 had been the year for restructuring our worldwide organization, 1987 became a year for testing the new structure. It turned out to be a tough test, but the new organization produced the benefits we had anticipated. We confirmed that we could operate quite profitably with oil prices well below what they were in the first half of the decade. We demonstrated that we could reduce our costs and operate more effectively without impairing our traditional strengths—something we will not forget in a higher price environment. We estimate that this organizational efficiency added $375 million to our 1987 net income. These efficiencies will remain in place and further benefits will accrue in future years. Finally, the restructured organization has given us the greater flexibility and shorter response time needed to seize and profit from rapidly emerging opportunities during these uncertain times.

All considered, these 1987 results were satisfying and confirmed that our underlying businesses and our new organizational structure are sound and that we are well-positioned for the future.

Exxon's ability to maintain superior corporate performance derives from certain fundamental strengths. We have a very large natural resource base diversified throughout the world. Exxon also has a strong marketing presence, coupled with highly efficient manufacturing facilities in the petroleum and chemical businesses. A range of Exxon-developed technologies serves to keep us in the forefront of the industry; some of them are highlighted in the new Research and Technology section of this report. Our sound financial position is attested by one of the strongest balance sheets in industry. And, most importantly, we have the capable services of our dedicated employees located in 80 countries.

Our ongoing challenge is to develop opportunities to utilize these underlying strengths to maximize shareholder values. We are pursuing that challenge in a number of ways.

In exploration and production, we are being appropriately selective in targeting our efforts, due to the difficult supply and demand situation. Although oil prices are about half of what they were in 1985, there are a number of opportunities which can be aggressively pursued in a lower price environment, so we are focusing on those. Exxon is also adding to its oil and gas reserves through attractively priced acquisitions—some 450 million oil equivalent barrels last year for about $1.8 billion. Meanwhile, we are continuing to invest in enhanced recovery technologies to ensure that we get all the oil that can be economically produced from maturing fields.

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In refining and marketing, we are continuing to invest in those markets where we are competitive and have the opportunity to achieve satisfactory profitability. As product markets evolve, we are continuing to upgrade existing refinery facilities to convert lower-grade products and feedstocks into more profitable transportation fuels, lubricants and specialty products.

Further, we are prepared to disinvest where careful analysis persuades us that a particular business environment is unfavorable.

L. R. Raymond

In chemicals, we are well-positioned in an industry with good growth prospects. Our strategies emphasize quality, higher value-added products, and services tailored to our customers' needs. Facilities that have been operating at or near capacity are being expanded through an ongoing program of low-cost capacity additions. We are also broadening our range of participation to additional chemical markets through carefully selected new investments and acquisitions.

In coal and minerals, we are continuing with the development of our resources. Our aim in these very competitive businesses is to ensure that our operations are among the most cost-efficient in their industries.

In 1987, Exxon's capital and exploration spending in support of these strategies totaled $7.1 billion. At this stage, our plans call for expenditures of about $6.5 billion in 1988. However, to the extent that attractive acquisitions are available, additional funds will be spent again this year.

Looking beyond 1988, the outlook for continuing volatility in oil prices suggests that the years immediately ahead are likely to remain difficult. Our ability to convert change into opportunity will be constantly tested. But knowing that we can continue to compete successfully in a low energy price environment gives us the confidence to maintain our focus on longer-term strategies, while taking advantage of near-term opportunities.

As we see it, some time in the decade of the 1990s world crude oil supply and demand should become better balanced and prices will rise. In this environment, our extensive inventory of heavy oil, remote gas and presently noncommercial resources will become more economic to produce, thereby providing us with a very large investment portfolio in the future. Beyond these resources, we also have sizeable coal and oil shale holdings that will provide the basis for synthetic fuels production. We have already developed improved, second generation synthetic fuel technologies that could be utilized with real crude oil prices in the $30 to $35 a barrel range. And we are pursuing research leads that we expect will lower the cost of synthetics still further.

We believe that our investment program coupled with our research and development efforts position us favorably to take full advantage of the profitable opportunities that lie ahead and will further enhance our position in the industry.

We wish to thank our customers for their business and to commend our employees for their effective efforts in helping to convert another challenging year for the industry into a successful one for Exxon. Our thanks, also, to our shareholders, whose ongoing support contributes greatly to Exxon's underlying strength and stability.

FOR THE BOARD OF DIRECTORS
February 29, 1988

L. G. Rawl

L. G. RAWL, *Chairman*

Lee R Raymond

L. R. RAYMOND, *President*

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Functional and geographic analysis of results	Earnings After Income Taxes 1986	1987	Average Capital Employed 1986	1987
	millions of dollars			
Petroleum and natural gas				
Exploration and production				
United States	$ 698	$1,319	$12,796	$12,691
Foreign	2,362	2,448	6,005	7,965
Refining and marketing				
United States	478	32	2,697	2,865
Foreign	1,456	457	7,377	8,355
Total petroleum and natural gas	4,994	4,256	28,875	31,876
Chemicals				
United States	247	374	1,703	1,743
Foreign	223	376	1,935	2,205
Coal and minerals	12	(38)	1,906	2,032
Hong Kong power generation	132	162	1,128	1,254
Other operations	70	74	2,482	1,743
Corporate and financing	(551)	(404)	1,090	568
Restructuring*	233	40	—	—
Net income/Capital employed	$5,360	$4,840	$39,119	$41,421

*Includes provisions for sale, shutdown, discontinuance or reorganization of major operating units.

On board the semi-submersible rig Ocean Bounty, *a crew drills a wildcat well in Block 202/9, 45 miles northwest of Orkney in the U.K. North Sea. Exxon was the operator for the venture with RTZ and Enterprise Oil.*

Improved upstream results, record year in chemicals were more than offset by lower downstream margins and absence of large 1986 gains from assets sales.

World crude oil prices were moderately stronger, with the average price of about $18 a barrel exceeding the 1986 level by 25 percent despite some weakening late in 1987. But the resulting improvement in exploration and production earnings was more than offset by a decline in refining and marketing earnings from the very high levels of the previous year. Refined product margins were severely depressed for most of 1987, as product price increases ran well behind increases in the cost of crude oil supplies for Exxon refineries—in contrast to 1986, when crude oil prices dropped sharply during the first half while product prices remained relatively firm.

Chemical earnings reached a record high for the second consecutive year, reflecting stronger sales volumes and margins in most chemical business lines.

Cost savings attributable to the 1986 corporate reorganization helped results in all operations.

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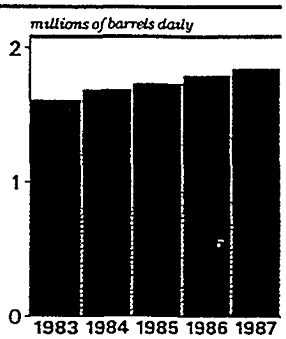
Petroleum and Natural Gas Exploration and Production

BUSINESS PROFILE — Exploration and Production	1986	1987
Earnings	*millions of dollars*	
United States	698	1,319
Foreign	2,362	2,448
Total	3,060	3,767
Average capital employed		
United States	12,796	12,691
Foreign	6,005	7,965
Total	18,801	20,656
Capital and exploration expenditures		
United States	2,275	1,758
Foreign	2,326	3,346
Total	4,601	5,104
Research and development costs	144	135
Return on average capital employed	*percent*	
United States	5.5	10.4
Foreign	39.3	30.7
Total	16.3	18.2
Net production and supplies—liquids	*thousands of barrels daily*	
Net production		
United States	761	756
Foreign	953	990
Proportional interest in production of equity companies	25	27
of other non-consolidated companies	25	28
Oil sands production—Canada	32	34
Total	1,796	1,835
Natural gas production available for sale	*millions of cubic feet daily*	
Net production		
United States	1,919	1,698
Foreign	1,501	1,658
Proportional interest in production of equity companies	1,909	1,871
Total	5,329	5,227

Net liquids production



Foreign production
United States production

Higher crude oil prices lifted upstream earnings. Lower costs, increased production, contributed to gains.

Exxon's earnings from exploration and production operations were up by 23 percent, as crude oil prices recovered from the depressed levels of mid-1986. Natural gas realizations were lower, largely because European gas contracts were indexed to petroleum product prices of earlier periods.

U.S. upstream earnings rose 89 percent, buoyed by higher crude oil prices and cost savings resulting from reduced drilling activity and lower exploration expenses. The gain came despite reduced natural gas prices and a 12 percent drop in gas sales, reflecting intense competition in the U.S. market. Upstream earnings outside the U.S. rose modestly, due to higher crude oil prices and increased liquids and gas production. Foreign gas sales rose 3 percent on higher market demand.

Worldwide, Exxon's production of crude oil and natural gas liquids rose 2 percent, mainly on the strength of production increases at Canadian heavy oil properties and in Australia. U.S. liquids production was essentially unchanged, as new Alaskan production compensated for the continued decline in the lower 48 states with the depletion of mature fields.

Reserve additions replaced 114 percent of the liquids produced during 1987. The company removed 7.8 trillion cubic feet of undeveloped gas reserves in Alaska from its reserves count because of uncertainty about when a transportation system will be built to move the gas to market. Exxon remains confident that these high-quality resources will ultimately be developed. Excluding this revision, gas reserve additions replaced 1987 production.

Major acquisitions included producing and exploration properties in the U.S., Canada, Australia.

With purchases totaling $1.8 billion, Exxon acquired approximately 450 million barrels of proved and probable oil-equivalent reserves in the United States, Canada and Australia, along with promising exploration acreage.

The purchase of Celeron Oil & Gas Company from the Goodyear Tire & Rubber Company added significant reserves in California. The Celeron properties include tracts in the onshore South Belridge and Midway-Sunset fields with average 1987 production of 14,400 net barrels of oil a day and a 27 percent interest in the offshore San Miguel field where development is under way, as well as offshore acreage with exploration potential..

Imperial purchased the assets of Sulpetro Limited and the shares of its affiliate Sulbath Exploration Limited. The main assets of the companies include oil and gas reserves and exploration acreage in western Canada. Current daily gross production from these properties is about 90 million cubic feet of natural gas and 6,000 barrels of liquids.

Acquisition of Delhi Petroleum Proprietary Ltd. established Exxon in the Cooper-Eromanga basin, the largest onshore producing area in Australia. The

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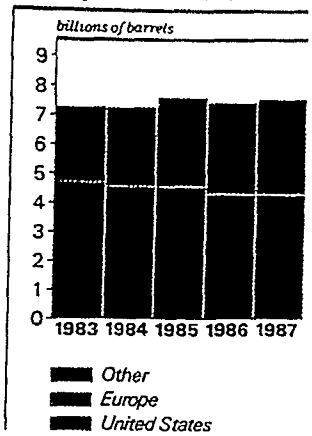
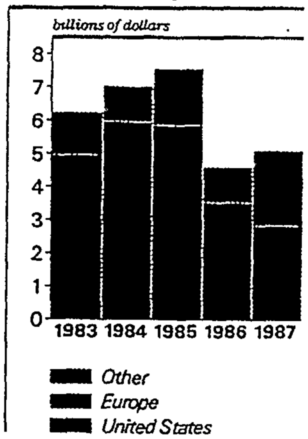
Crude oil and natural gas liquids reserves



Producing capital and exploration expenditures



purchase contributed net daily production of about 15,000 barrels of liquids and 75 million cubic feet of natural gas, and added about 21 million net acres which have additional exploration potential.

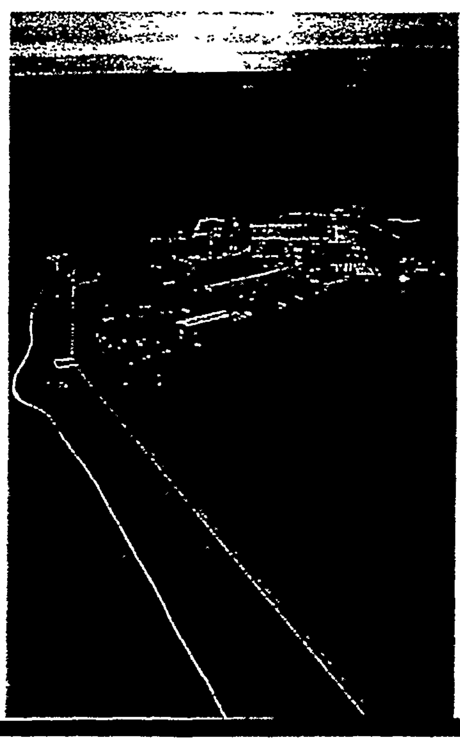
Exxon upgraded exploration acreage and drilling program.

The company continued to upgrade its inventory of exploration acreage to concentrate on the most economically attractive areas. An active program of identifying promising new areas resulted in the acquisition of more than 25 million acres in the United States, Canada, Australia, Colombia, France, Norway, the Netherlands, West Germany, Indonesia and the United Kingdom.

Exxon drilled 184 exploration wells compared with 246 in the previous year, reflecting the emphasis on selectivity.

Important discoveries made in eleven countries.

In the Gulf of Mexico, a discovery was made at Viosca Knoll Block 825 (Exxon interest: 50 percent), located in 1,700 feet of water off the Mississippi delta. Evaluation is still under way at the prospect, which is near the Block 956 deepwater oil and gas discovery made by Exxon in 1986.



Man-made island in the Arctic Ocean accommodates facilities at the Endicott field, where oil production started up in 1987. Prefabricated modular structures are the largest ever transported to the Arctic; causeway carries pipeline connecting to the trans-Alaska pipeline on the mainland. Exxon has a 21 percent share of the operation, which was producing at a rate of 115,000 barrels a day at year-end.

In the United Kingdom, the Exxon/Shell joint venture made significant gas discoveries in the southern sector of the North Sea. Appraisal drilling on northern sector Blocks 211/13a and 211/26 identified potentially commercial oil fields at both locations. In Norwegian waters, an encouraging oil discovery was made adjacent to Snorre. (Exxon interest: approximately 8 percent).

In the Yemen Arab Republic, the Exxon/Hunt Oil joint operation discovered oil at two locations near the big Alif field, where a major producing project is under way.

Exxon participated in several oil and gas discoveries in the Netherlands and West Germany, and made smaller finds in Canada, France, Indonesia and Australia.

Exxon has a 25 percent interest in an oil find at the Yaguara field in south-central Colombia, where appraisal drilling continues.

Key government permits granted for expansion of Santa Ynez production off southern California.

After lengthy delays, permits were obtained for further development of Exxon's Santa Ynez unit in the Santa Barbara Channel. The key permits for land use and air quality were received from Santa Barbara county agencies, the State Lands Commission and the California Coastal Commission. Receipt of these permits will enable Exxon to build onshore crude oil treatment and storage facilities to replace the treating and storage vessel which now handles production from the *Hondo* platform.

At year-end, construction was virtually completed on steel jackets for two new platforms at Santa Ynez. The jackets will be installed in 1989, with production start-up scheduled for 1992.

Further north off California, the *Irene* platform started up in April on the Point Pedernales field (Exxon interest: 31 percent). Gross production from the field averaged approximately 20,000 barrels a day in the latter part of the year.

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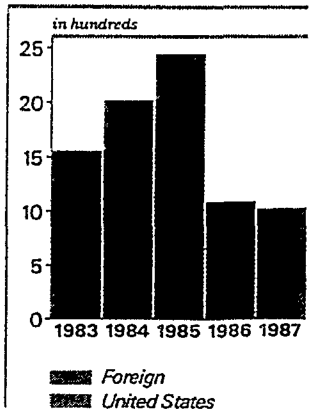
Total number of net wells drilled



Endicott start-up marked first continuous oil production in Arctic offshore.

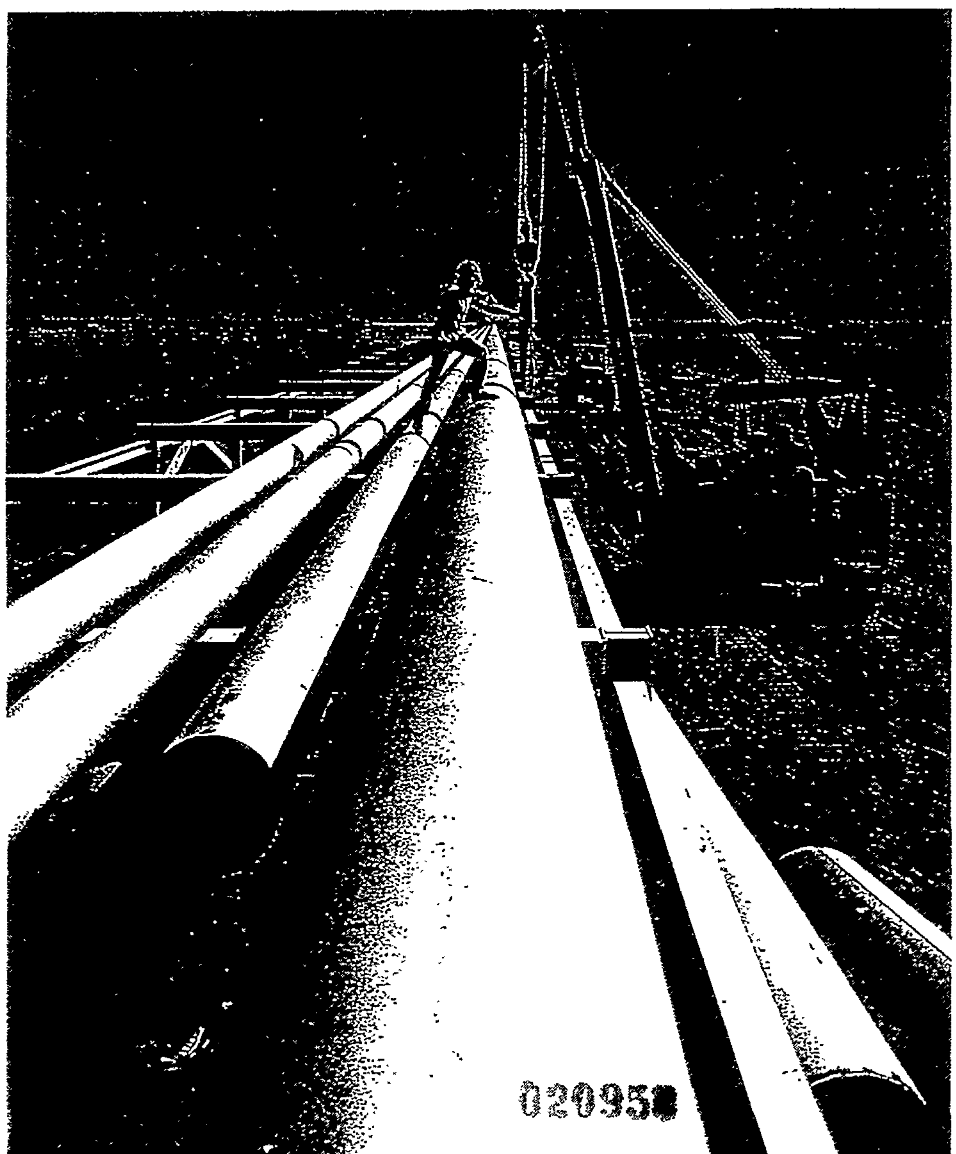
Crude oil production began in October on two man-made gravel islands at the Endicott field, located 2.5 miles offshore and about 15 miles east of Prudhoe Bay on Alaska's North Slope. The $1.1 billion Endicott project, in which Exxon has a 21 percent interest, includes an aboveground pipeline which carries oil to the mainland via a causeway to connect with the Trans-Alaska Pipeline System at Prudhoe Bay.

Endicott exceeded its planned production level and was producing 115,000 barrels a day by year-end. It ranks among the top 10 U.S. oil fields, and is the first oil field in continuous production in the Arctic Ocean.

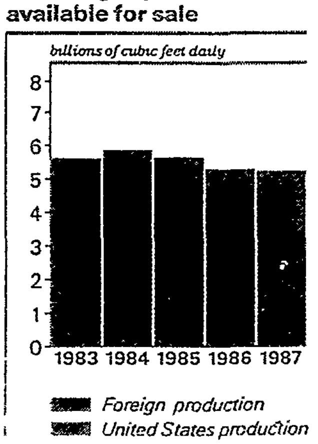
Expansion plans announced to increase Canadian oil sands production by 47 percent.

Imperial announced plans to further expand its staged development of heavy oil resources at Cold Lake, Alberta. The existing project, which produces heavy oil or bitumen by injecting steam into buried oil sands and pumping heated oil to the surface, involved drilling some 1,100 wells and produced at an average rate of 80,000 barrels a day in 1987. Completion of a facility debottlenecking project will increase daily output to 95,000 barrels in 1988. The company will spend $240 million on facilities for four new stages, including a central plant and 500 wells. Bitumen production from expanded facilities is expected to reach 139,000 barrels a day by 1991.

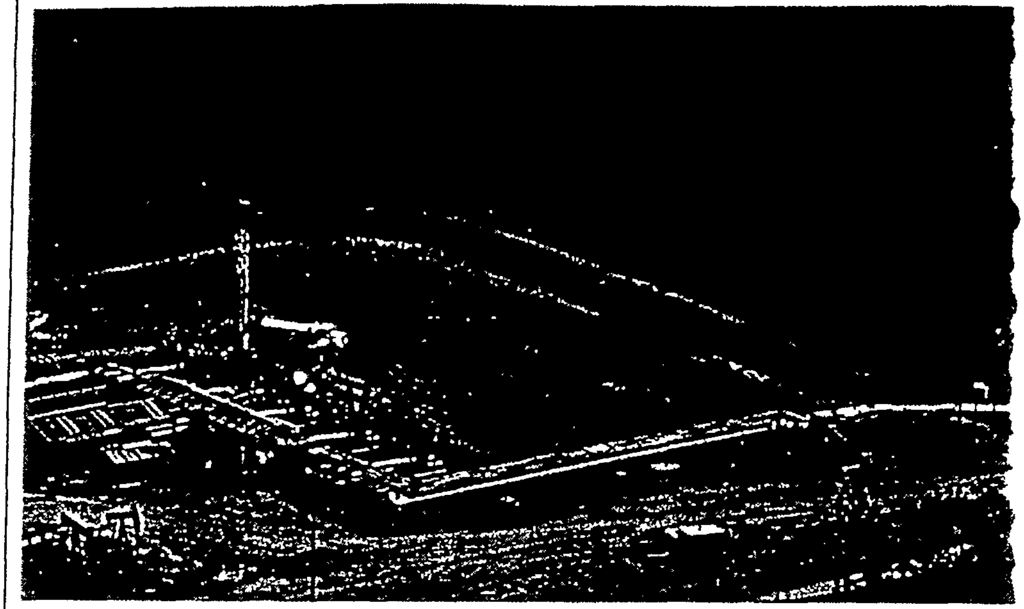
A 272-mile pipeline was built across the Yemen Arab Republic to bring Alif field crude to the Red Sea coast for export. This was one of the largest construction projects in the country's modern history. The pipeline is part of the Exxon/Hunt Oil joint operation which produces all of Yemen's crude oil.



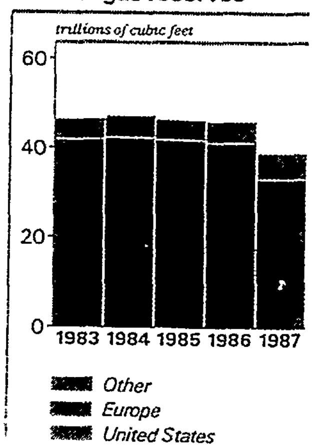
Natural gas production available for sale



Clusters of production wells such as this one are a distinctive feature of a staged project to recover bitumen, a type of very heavy oil, at Canada's Cold Lake, where Imperial Oil Limited, an Exxon affiliate, has recently announced a major expansion. Steam generated at a central plant is brought to production pads through insulated lines, shown at right, and is injected into deposits 1,500 feet below ground. After weeks of steam injection, the heated bitumen is liquid enough to be pumped to the surface.



Natural gas reserves



Four platforms started up in North Sea. Contract signed for gas sales.

In the central sector of the U.K. North Sea, production began from the Clyde field (Exxon interest: 24.5 percent). At year-end, the field was producing 47,000 barrels of oil a day together with small amounts of gas.

In the southern sector, the Exxon/Shell joint venture started up gas production platforms at Leman F and G and at Indefatigable N. A sales contract was signed for daily delivery to British Gas of 25 million cubic feet of gas from the North Valiant field. Construction began on a two-platform complex for this gas field, in which Exxon has a 12.5 percent interest.

In the Norwegian sector, the Snorre field, where Exxon has a co-operator role with Saga Petroleum, was declared commercial, and government review of the proposal to develop the field is under way. A 1984 discovery at Brage was declared a commercial oil field (Exxon share: 16 percent).

Crude oil shipments began from Yemen project.

In December, tankers began loading crude oil at the Red Sea terminus of a 272-mile pipeline serving the Alif and Azal oil fields in the interior of the Yemen Arab Republic. The pipeline was built by the Exxon/Hunt Oil joint operation which is operating the fields under a production-sharing agreement with the government. Gross production at year-end exceeded 100,000 barrels a day (Exxon share: 37 percent), and further increases are anticipated in 1988. Total reserves of the fields are estimated to be greater than 400 million barrels.

Development continued in Australia's Bass Strait.

In Bass Strait, where Exxon shares ownership of producing properties with Broken Hill Proprietary Company, Ltd., a platform jacket was placed on the Bream field. Production is scheduled to begin in 1988 and is anticipated to peak at 15,000 barrels a day in the early 1990s. Plans were announced for a small platform to develop the Whiting field and for subsea satellite wells to develop the Seahorse and Tarwhine fields. Together, these developments are expected to peak at 19,000 barrels a day.

New platforms installed in Malaysia.

Exxon net oil production in Malaysia reached a record 111,000 barrels a day with the continued development of the Guntong, Tabu and Palas fields. Development drilling began from two new satellite platforms installed on the Guntong field off the east coast, bringing the total number of platforms operated by Exxon in Malaysia to 21.

Construction began on three platforms for the Seligi field, the nation's largest oil field.

Refining and Marketing

BUSINESS PROFILE — Refining and Marketing *(including International Marine)*	1986	1987
Earnings	*millions of dollars*	
United States	478	32
Foreign	1,456	457
Total	1,934	489
Average capital employed		
United States	2,697	2,865
Foreign	7,377	8,355
Total	10,074	11,220
Capital expenditures		
United States	501	409
Foreign	1,044	849
Total	1,545	1,258
Research and development costs	107	101
Return on average capital employed	*percent*	
United States	17.7	1.1
Foreign	19.7	5.5
Total	19.2	4.4
Petroleum product sales	*thousands of barrels daily*	
United States	1,106	1,057
Foreign	2,937	2,986
Total	4,043	4,043
Refinery crude oil runs		
United States	1,080	1,026
Foreign	1,952	1,955
Total	3,032	2,981
Average worldwide marine capacity	*millions of deadweight tons*	
Owned vessels	8.7	8.1
Chartered vessels	1.5	1.1
Total	10.2	9.2

Margin squeeze reduced downstream earnings by 75 percent. Impact most severe in U.S., Europe.

Earnings from refining and marketing operations dropped sharply from the high levels of the previous year, as product margins were squeezed by higher crude oil prices combined with intense competition and continued overcapacity in the industry.

The lag between changes in crude oil prices and changes in product prices, which helped downstream results in 1986, had the opposite effect in 1987, particularly in the first half of the year. U.S. earnings were hard hit, dropping by $446 million to $32 million. Margins were also under severe pressure in continental European markets, despite weakening of the U.S. dollar which reduced local currency costs for crude supplies.

Overall sales volumes were flat. Sales of motor gasoline, lubes and specialties were ahead of 1986 levels, but sales of heavy fuel oil were down, reflecting Exxon's continuing withdrawal from this business as the company adds facilities to upgrade fuel oil into more valuable products.

Upgrading projects under way in U.K., Singapore refineries. Other plants boosted octane capability.

The company announced major upgrading projects at two of its refineries. In the United Kingdom, a $130 million Residfiner will be built at the Fawley refinery to upgrade heavy fuel oil for further processing into more valuable light products. The 22,000-barrel-a-day unit will reduce the crude runs needed to produce a given volume of gasoline and other light products. At its Singapore refinery, Exxon is adding a $75 million, 35,000-barrel-a-day thermal cracking/visbreaking unit, which also converts less valuable heavy products, for which demand is declining, into light products such as jet fuel, diesel and naphtha. Both units are scheduled to start up in 1989.

Exxon committed over $145 million during the year to upgrade refining operations to meet increasing demand for lead-free and higher-octane motor gasoline. Investments included an isomerization project at Baton Rouge, Louisiana, and new reformers at Augusta, Italy, and at Port Dickson, Malaysia. An affiliated refinery at Kawasaki, Japan, which currently must import components to make 100 octane fuel for the Japanese market (the equivalent of 94 octane in the U.S.), will add a unit in 1988 to permit the manufacture of these components.

As part of a continuing program to restructure refining operations in line with changes in the market, Exxon sold its 100,000-barrel-a-day refinery at Hamburg, West Germany.

New products included 93 octane unleaded premium gasoline in U.S. markets.

New gasolines, diesel fuels and motor oils were introduced in several countries, as Exxon marketing programs emphasized improved product qualities.

The company introduced 93 octane Exxon Supreme in the United States to meet the

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needs of the growing number of high-compression and octane-sensitive automobiles on the nation's roads. The new fuel puts Exxon among U.S. industry leaders in the octane rating of its unleaded premium motor gasoline. Exxon Supreme was available in most major East and Gulf Coast markets at year-end. It complements Exxon USA's other gasoline offerings, which include 87 octane Exxon Regular unleaded in all markets and 89 octane Exxon Plus unleaded in most major East and Gulf Coast markets.

Exxon USA introduced several new specialty oil products, including Busgard, a motor oil specifically formulated for the engines that power most U.S. bus fleets, and Zerice Supreme, a refrigeration oil for the commercial refrigeration market.

Sign at this Exxon service station in Houston heralds the 93 octane Exxon Supreme unleaded gasoline which was introduced in most major East and Gulf Coast markets in 1987. The station exemplifies the latest architecture and design features being extended throughout Exxon's worldwide retail chain.

Motorists can fill market baskets as well as fuel tanks when stopping at Exxon service stations with convenience stores like this Esso Shop in Bath, England. Increasingly in evidence in Exxon's worldwide retail chain, such shops sell convenience food and sundries in addition to automotive products.

Exxon entered the quick-lube business. Imperial acquired the Canadian assets of Mr. Lube Limited, which has operated a successful quick-lube franchise business in Canada for the past 12 years and has a chain of some 50 outlets, about half of them associated with Esso service stations. Exxon USA formed a joint venture with Mr. Lube International to develop 12 to 18 pilot outlets in the United States during 1988 under the name Mr. Lube U.S. Exxon's French affiliate entered the field by opening three test units in Bordeaux under the name Lubexpress. The outlets feature Exxon or Esso-branded motor oils in this fast-growing segment of the consumer motor oil market.

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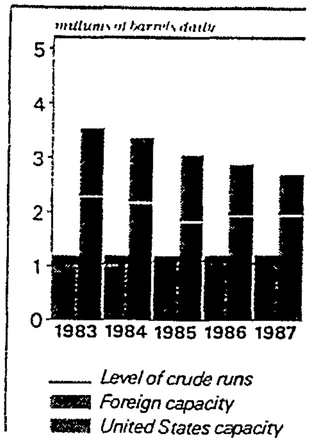
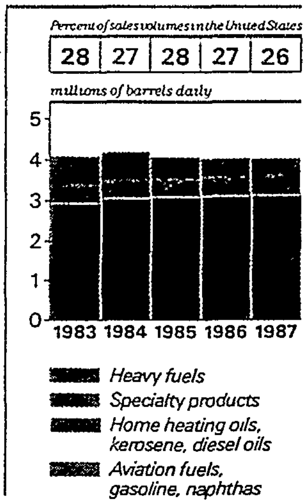
Refining capacity and level of crude runs



Petroleum product sales volumes



Retail automation gains included credit/debit card in U.S. market, pan-European card.

Exxon USA became the only U.S. oil company to offer a debit feature on its regular credit card, allowing Exxon card holders to authorize payment for purchases directly from their bank accounts and thereby qualify for cash discounts without sacrificing the convenience of a card. The payment option has been offered to all active card holders and is available to new applicants as well. Customers use personal identification numbers to ensure the security of transactions and get written receipts for their records. Electronic processing equipment which accepts Exxon cards and selected bank debit cards has been installed in more than 3,600 company-owned service stations.

Exxon introduced a pan-European credit card for truckers, whose trips often cross one or more national boundaries. Customers can use the card to charge fuel purchases on the Continent from Norway to Italy.

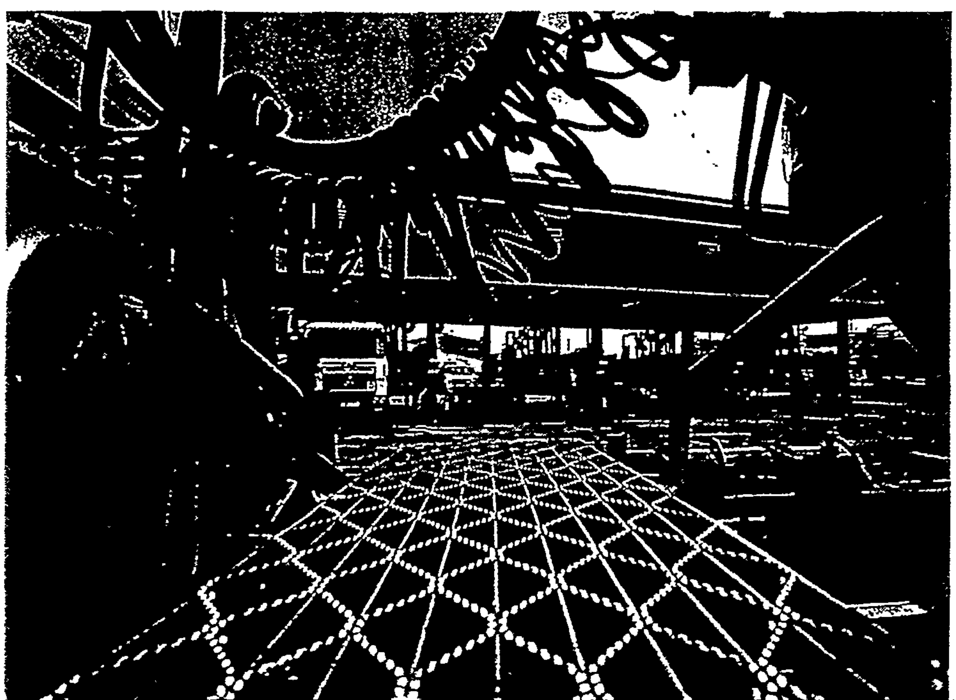
Expansion of convenience stores continued.

Construction of more shops brought the total of convenience stores installed at new or modernized Exxon service stations to more than 4,000 worldwide. Exxon USA now has more than 300 Exxon Shops. Affiliates continued to add new shops in Europe, and Exxon established its first C-stores in Latin America and the Far East. Units were opened in Puerto Rico, Chile, Guatemala, Panama, the island of Guadeloupe, Australia and Singapore—all offering a wide variety of fast foods and other convenience products as well as automotive products.

More tankers activated for international service.

Exxon took three large crude carriers (two VLCC's and the 508,000 dwt ULCC *Esso Atlantic*) out of layup and into operation, in response to increased demand for crude oil transportation capacity. This left only three of the company's 20 large crude carriers still in layup, the lowest level in five years.

The second of two new U.S.-flagged VLCC's was delivered to Exxon USA for Alaska service. Three smaller ships were sold in 1987, reducing the Exxon fleet to 72 vessels at year-end.



Computerized systems monitor activities from order to delivery at new fuels terminal opened in Purfleet, England. Systems for bottom loading of road tankers and for vapor recovery bring considerable savings as well as environmental benefits.

Chemicals

BUSINESS PROFILE — Chemicals	1986	1987
	millions of dollars	
Earnings		
United States	247	374
Foreign	223	376
Total	470	750
Average capital employed		
United States	1,703	1,743
Foreign	1,935	2,205
Total	3,638	3,948
Capital expenditures		
United States	114	135
Foreign	163	163
Total	277	298
Research and development costs	131	147
Return on average capital employed	*percent*	
United States	14.5	21.5
Foreign	11.5	17.1
Total	12.9	19.0

Chemical earnings set record for second straight year on higher sales and margins.

Exxon Chemical earnings increased by 60 percent over the record 1986 level, as strong worldwide demand lifted chemical sales volumes and improved margins. The results reflected the expanding world economy as well as the reduction of excess capacity in the petrochemical industry in recent years. All three of the company's Business Groups achieved higher sales, and business was strong both in the United States and in foreign markets. The company's U.S. earnings rose 51 percent to $374 million. Foreign earnings were up 69 percent to $376 million, including benefits from favorable one-time tax adjustments.

Basic Chemicals boosted U.S. ethylene capacity. Canadian fertilizer plant started up.

The olefins plant at Baytown, Texas, increased its ethylene production capacity by 90,000 tons a year, amounting to a 7 percent increase in Exxon Chemical's U.S. capacity for producing this basic building block petrochemical. The increase was achieved primarily through efficiency improvements which did not require major investment. The Basic Chemicals Group has started other low-cost programs to meet growing ethylene demand with existing plants.

Major periodic plant turnarounds, which involved extensive inspection and maintenance work, were successfully carried out during the year without interruption in customer supply at the olefins operations in Fife, Scotland; Fawley, England; and Baytown.

New long-term phosphate fertilizer sales contracts in western Canada resulted in the start-up of an idle sulfuric acid plant at the fertilizer complex in Redwater, Alberta, bringing phosphate operations to capacity.

Polymers Group strengthened marketing, announced capacity expansions, started up new ventures.

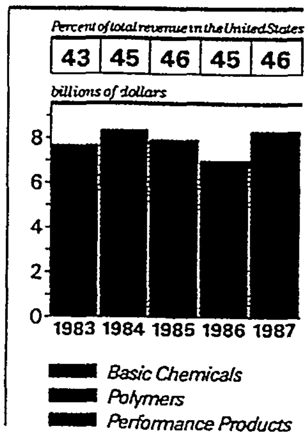
Industry sector marketing groups were strengthened to better serve international customers. Computer-aided design capability for plastic components was added in the appliance and automotive sectors. Applications technical service labs were expanded in both the U.S. and Europe.

Plans were announced for a 20 percent expansion of low-density polyethylene capacity in the U.S. and Belgium and a 50 percent expansion of the polypropylene plant at Baytown, all to come onstream before 1990. The moves come at a time when the polyethylene and polypropylene businesses are particularly strong, with Exxon's capacity fully utilized throughout the year.

The first commercial production of a family of high-performance polymers known as ionomers began at Cologne, West Germany, and start-up of a similar unit at Antwerp, Belgium, was announced for 1988, supporting Exxon Chemical's plans to become Europe's leading supplier of ethylene-based sealing and bonding materials for packaging applications.

Exxon Chemical and Mitsubishi Petrochemical formed a joint venture in the

Chemicals revenue



020963

U.S., called Mytex, to produce performance-engineered polypropylene compounds for the automotive and appliance industries. In Japan, a joint venture called Tonex was formed with Tonen Sekiyu Kagaku to manufacture and market Exxon Chemical's line of high-quality tackifying resins for the adhesives market.

Chemical intermediates paced Performance Products Group sales. Oil field supply firm acquired.

Sales were at record highs in the vinyl intermediates business, which serves the flexible polyvinyl chloride industry. Volume records were also set by the company's newly enlarged line of specialty organic acids, chemical intermediates used in paint making and other applications.

Exxon Chemical introduced the new Exx-print line of fluids custom-made for the printing ink industry, as part of its strategy to differentiate its products in the marketplace. Sales of specialty performance fluids rose 17 percent due to new and higher quality product grade developments.

The company purchased the assets of NL Treating Chemicals (NLTC), a division of NL Industries, Inc., which supplies specialty chemicals and services for oil and gas production, pipeline and drilling operations. Integration of NLTC with Exxon Chemical's Energy Chemicals division creates one of the world's major suppliers of oil production chemicals, with NLTC's sales and applications expertise supplementing Exxon Chemical's strengths in manufacturing and technology.

The Callaway Chemicals unit began construction of a new plant in Shreveport, Louisiana, to serve the pulp and paper industry in that region.

At Notre Dame de Gravenchon, France, Exxon Chemical's SOCABU affiliate is installing new, state-of-the-art computer controls for expanded and more efficient manufacture of higher quality butyl rubber. The year 1987 marked the 50th anniversary of the invention of butyl by Exxon scientists. The material remains widely used today in inner tubes, tire liners and sidewalls, as well as other applications.

Coal/Minerals/Hong Kong Power

BUSINESS PROFILE—Coal and Minerals	1986	1987
	millions of dollars	
Earnings/(loss)		
Coal	25	(59)
Minerals	(13)	21
Total	12	(38)
Average capital employed		
Coal	1,524	1,637
Minerals	382	395
Total	1,906	2,032
Capital and exploration expenditures		
Coal	309	89
Minerals	81	40
Total	390	129
	millions of metric tons	
Coal recoverable reserves	9,516	8,493
Coal production	27	30
	thousands of metric tons	
Minerals recoverable reserves—contained metal		
Copper	12,670	12,654
Zinc	4,084	4,213
Minerals production		
Copper	79	101
Zinc	1	14

BUSINESS PROFILE—Hong Kong Power Generation	1986	1987
	millions of dollars	
Earnings	132	162
Average capital employed	1,128	1,254
Capital expenditures	258	187
Generating capacity (MW)	5,018	5,455

Coal production reached a new high.

The company's total coal output reached 30 million metric tons for the first time, spurred by record production in the U.S. mines and continued growth in Colombia.

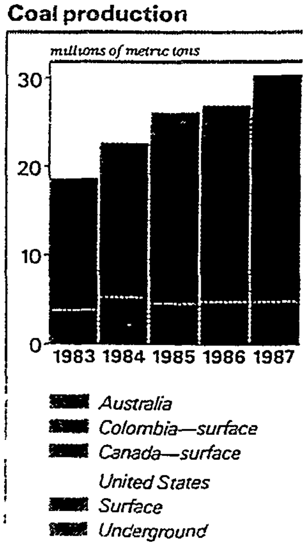
Production at the Cerrejón project, in which Exxon is operator of a joint venture with the Colombian government, increased by 50 percent to an annual rate of 7.6 million metric tons as output continued to grow toward design capacity of 15 million metric tons. Most of the coal went to European markets, although there were also significant sales in the Far East.

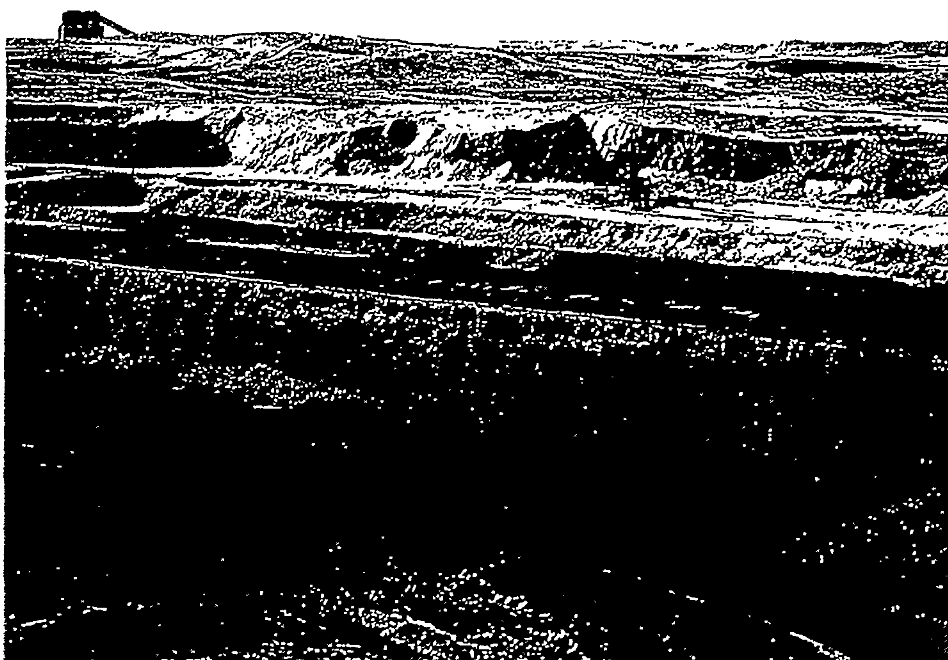
Coal earnings depressed despite increased production and improved productivity.

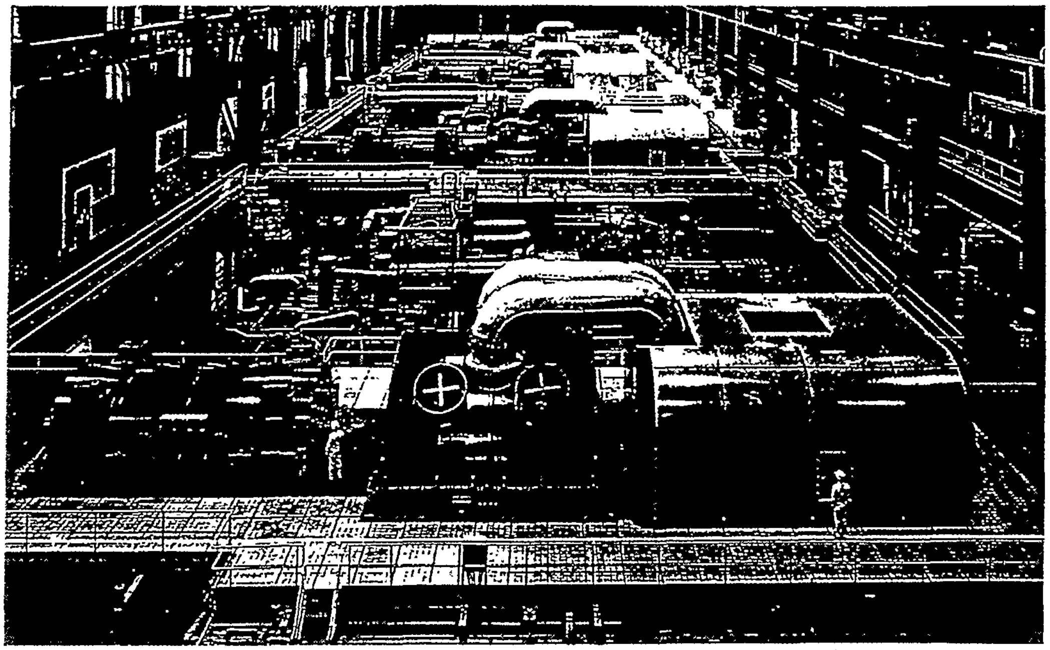
Despite a profit in U.S. coal operations, higher expenses related to the Cerrejón mine in Colombia and weakness in the steam coal market worldwide combined to produce a loss in the coal segment. Coal prices were depressed by weak demand growth and excess mine capacity in both U.S. and international markets.

Capital expenditures are winding down as the Cerrejón project nears completion. Production expenses, including significantly higher depreciation charges, rose despite a 30 percent reduction in unit cash costs.

Coal production







Exxon's 1987 coal production grew by 13 percent to a record 30 million metric tons, with the Rawhide (opposite page) and Caballo surface mines near Gillette, Wyoming, accounting for two-thirds of the output. Coal-fired turbines (right) drive four 350-megawatt generators at the Castle Peak "A" station power plant operated in Hong Kong by China Light & Power Company. Exxon continues to finance expansion of the plant, in which it holds a majority interest. Record earnings in the power business reflect the expansion of electric generating capacity.

Higher prices, expanded production, led to solid profits in Chilean copper operations.

Compañia Minera Disputada reported record operating earnings, reflecting a recovery in the world copper market as well as a 30 percent increase in production from the company's two mines. Copper prices rose sharply in the second half of the year, due to tighter supplies resulting from a recent upsurge in demand growth coupled with reductions in the industry's producing capacity over the past decade.

El Soldado mine doubled capacity. Development study under way at Australian property.

Completion of a two-year expansion program at El Soldado underground mine in Chile doubled the mine's annual copper production capability to 70,000 metric tons. Initial output from the expansion, which came onstream at midyear ahead of schedule and under budget, was above expectations.

The company began a study assessing development of a zinc/copper deposit at Golden Grove in Western Australia, in which Exxon holds a 35 percent equity interest.

Hong Kong expansion ahead of schedule. Earnings increased by 23 percent.

The expansion of electricity generating facilities operated in Hong Kong by China Light & Power Company continued ahead of schedule to keep pace with growing demand. The third of four 677-megawatt generators planned for the Castle Peak "B" station came onstream just after year-end. Exxon holds a majority interest in the generating facilities. A 23 percent increase in earnings reflected Exxon's increasing investment in power generation in the Crown Colony.

020966

Research and Technology

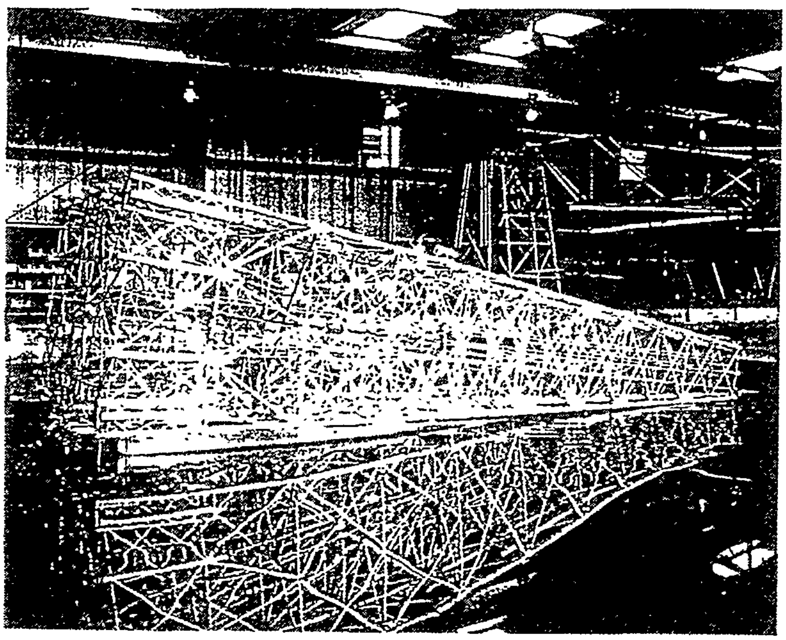
Two 1,200-foot steel towers will be placed on barges and towed across the Pacific to be installed as the jackets of new production platforms at Exxon's Santa Ynez unit off southern California. To prepare for the voyage, Exxon put a 1/50 scale model in a test tank at Escondido, California, and subjected it to a "slamming test"—a simulation of the sea forces likely to impose stresses on the structures during the tow. Based on test results, engineers reinforced various parts of the jackets to minimize the chances of damage en route.

Research spending totaled $524 million. Productivity improvements emphasized.

Exxon spent $524 million on basic and applied research and research-related development in 1987.

A good part of this effort was concentrated on ways of reducing costs and increasing the productivity of existing facilities. Examples are low-cost platform designs for offshore production and improved catalysts to permit higher yields, increased throughput and longer runs at Exxon refineries. Other projects aimed to develop Exxon's resource base, such as research on improving recovery from oil and gas reservoirs and making liquid fuels from coal. A substantial share of outlays was for product innovation, the kind of research which led to the introduction of several new and improved fuel, lubricant and chemical products during the year.

A total of 261 U.S. patents and 613 foreign patents were granted to Exxon scientists and engineers in 1987 for technological advances in a variety of fields.



Air-gun array improves accuracy of marine seismic surveys.

Seismic data is obtained by sending pulses of acoustic energy into the earth and recording responses as the energy reflects from subsurface features. In marine surveys, where sound pulses are generated by air guns towed behind a vessel, reverberations of the high-pressure air may blur the data. Exxon has completed development and testing of an Interdependent Air Gun Array which combines a precisely timed sequence of air pulses to produce an exceptionally narrow, high-energy pulse that yields high-resolution data. Tests show a substantial improvement over conventional marine seismic sources.

Pilot plant tests Exxon process for low-cost removal of CO_2 from gas streams.

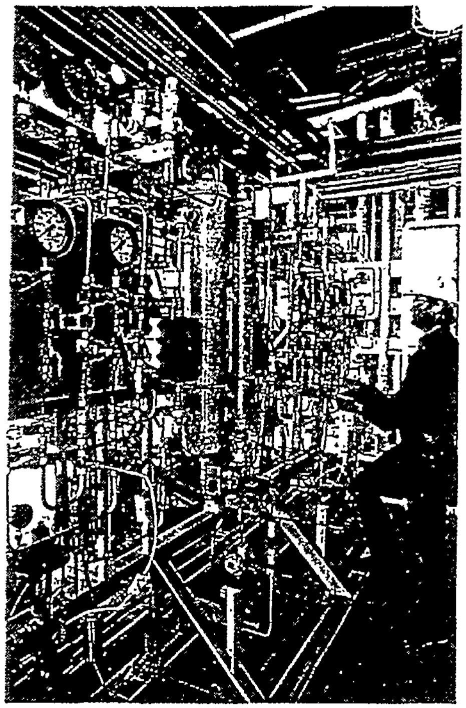
A pilot plant was successfully operated to test the Controlled Freeze Zone (CFZ) process developed by Exxon, which can significantly reduce the cost of removing carbon dioxide from natural gas streams. Conceptual studies show potential investment and operating savings of 15 to 50 percent compared with current process alternatives for treating Exxon gas reserves that contain large amounts of CO_2 or treating gases produced in miscible flooding projects for enhanced recovery.

The process involves freezing and melting CO_2 in a special section of an otherwise conventional distillation tower. The CFZ pilot plant was operated at a daily rate of 500,000 cubic feet of gas containing up to 85 percent CO_2.

New production platform designs emphasize lighter weight, lower costs.

With the crude oil price outlook uncertain and large deposits of petroleum becoming harder to find, Exxon is looking for ways to achieve a satisfactory return on smaller offshore prospects which are now uneconomical to develop. One way is to reduce the size and cost of the platforms needed to support operations in a given water depth by using advanced computer-generated designs to achieve optimal structural strength. In 1987, this technology was applied to the design of platform structures in the Gulf of Mexico and in Australia's Bass Strait. It was also used to design two platforms for deeper waters off California, the *Harmony* and *Heritage* platforms, which will be installed in more than 1,000 feet of water on Exxon's Santa Ynez unit in 1989.

Another promising approach is the use of "compliant" platforms, which need far less steel than conventional structures in deep water. Exxon has established the technical feasibility of compliant piled-tower designs.



Research technician works on the hydrogen distribution system for a coal liquefaction pilot plant operated at Baton Rouge, Louisiana, by Exxon Research & Engineering Co. The plant is demonstrating a superior method of producing gasoline and middle distillate fuels by the hydrogenation of coal.

[illegible] which utilizes embedded [illegible] for [illegible] extending [illegible] halfway up the [illegible] springs to absorb sea forces. The design can significantly reduce the cost of developing fields in [illegible] feet of water in the Gulf of Mexico, and have [illegible] applications elsewhere.

Shale oil/coal [illegible] New coal liquefaction process developed.

[illegible] Exxon proprietary shale [illegible] Exxon has also developed a new process for the liquefaction of coal to produce high yields of gasoline and middle distillate fuels. This new technology is a significant advance over the EDS process which Exxon demonstrated [illegible] in a 250-ton-per-day pilot plant.

Exxon extended its use of computer technology for refinery controls.

During 1982 Exxon strengthened its role as a leader in the application of computing technology to the control of refining operations. At the [illegible] refinery [illegible] Italy, for example, an Exxon-designed [illegible] mation system has been installed which optimizes the blending of gasoline and heating oil to attain maximum profitability while meeting strict product specifications. This system is now being expanded to provide direct control of the processing units in the refinery to optimize their operation. By increasing throughput, conserving energy and reducing use of [illegible] costly ingredients to make a given product, these automated controls will provide substantial savings in operating costs.

New marine lubricants, new engine oil additives developed.

Exxon introduced a new marine lubricant line called Exxmar to replace its existing marine diesel lubricants. The result of three years of extensive research, Exxmar was consistently superior to the [illegible] in tests for wear control, alkalinity retention and cleanliness. It is designed to meet current and expected requirements for lubricants in the new generation of higher power, slower running marine engines.

Chemical researchers developed a new family of engine oil additives to keep engines cleaner. The [illegible] additives prepare the company to meet new industry-wide line of quality specifications being introduced during 1983 in the United States and Europe.

New polymers improve [illegible] plastics.

A new family of specialty [illegible] polymers [illegible] under the [illegible] proprietary technology [illegible] in 1982 [illegible] significantly improve [illegible] when blended with [illegible] of the first applications [illegible] providing [illegible] resistance of an engineering plastic.

Another new chemical [illegible] demonstrated in 1982 produces [illegible] high-purity paraxylene for use in [illegible] polyester fibers, bottles and film. This new unit is expected to bring substantial benefits to customers [illegible] chemical intermediates for these products.

020900

Equal Employment Opportunity/Contributions

At the chemical engineering laboratory of the New Jersey Institute of Technology, Professor Deran Hanesian and student Tibor Pavleszek use an infrared analyzer to study a mass transfer problem involving the concentration of ammonia in a column of air. The analyzer and other equipment were purchased by NJIT with a general support grant from the Exxon Education Foundation under the Foundation's special program to aid universities and schools doing research and training in fields important to the petroleum and chemical industries.

Women and minorities made further gains.

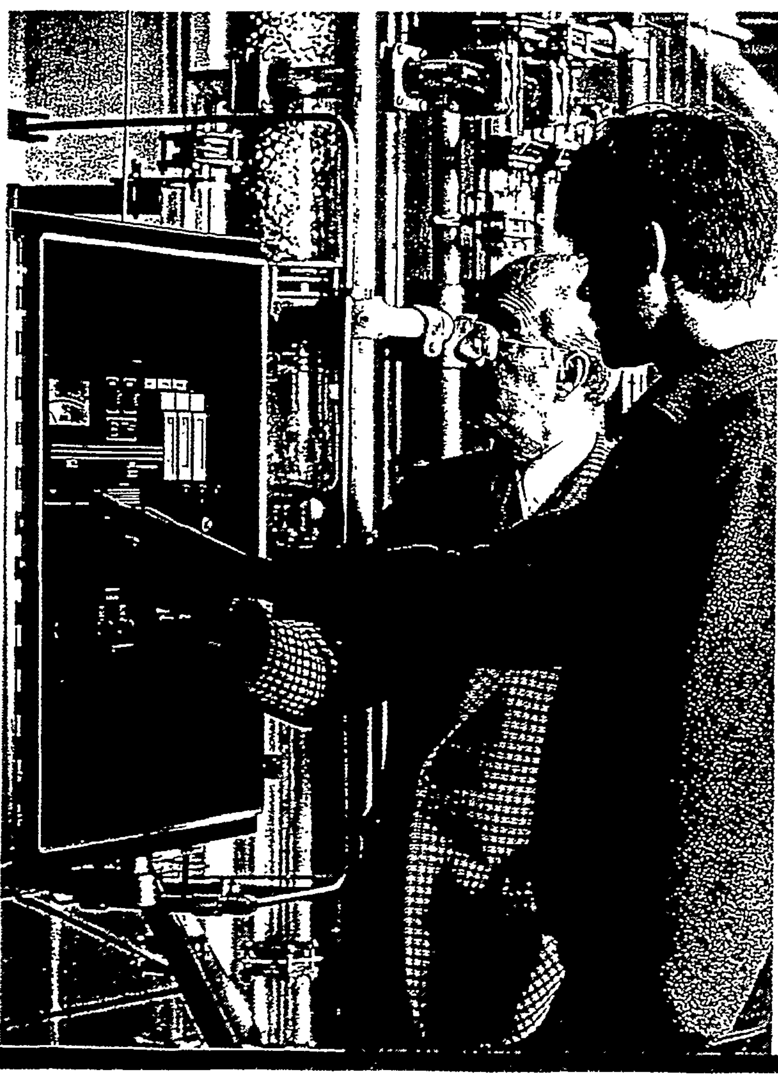
The percentage of minorities in Exxon's U.S. work force increased from 21.9 percent to 22.6 percent and the percentage of women grew from 24.4 to 25 percent, in spite of an overall reduction in the number of U.S. employees.

At year-end, minorities held 10.3 percent of managerial jobs compared with 10.2 percent a year earlier. Minority representation in professional jobs declined from 11.4 percent to 11.3 percent.

Managerial jobs held by women rose from 8.2 percent to 8.7 percent, while women's share of professional jobs increased from 18.6 percent to 18.8 percent.

Grants to nonprofit organizations totaled $52 million, including $40 million in the United States.

Exxon contributed $40 million to a wide variety of organizations and programs in the United States, while affiliates abroad contributed $12 million in countries where they operate.



Support for education accounted for 53 percent of the U.S. total, including $19.6 million in grant payments by the Exxon Education Foundation. Of that amount, $4 million was awarded through the Foundation's Research and Training Program. Research and Training grants support college and university departments, schools and programs that are particularly successful in research and in training students in scientific, technical and business fields important to the petroleum and chemical industries. They also support efforts, at both the college and precollege levels, to improve minority access to the business and engineering professions.

Some 23 percent of U.S. contributions went to health, welfare and community services. These included a $625,000, five-year grant to the National Urban League to support the Education Initiative, a program carried on by the League's 111 local affiliates to improve the educational prospects of minority youth in urban school systems. A $30,000 grant was made to the Fund for Aging Services to develop a model mental health curriculum, that can be used nationally, which will provide seniors with the knowledge and skills to cope with the changes that accompany growing older. Another health grant was the $200,000 final installment on Exxon's $400,000 pledge to the Occupational Physicians Scholarship Fund; the grant aims to alleviate the shortage of properly trained and skilled physicians in industry by awarding scholarships to prepare medical school graduates for careers in occupational medicine.

An $85,000 grant to the World Wildlife Fund supports its conservation activities in Colombia. The work includes development of a 1.2-million-acre nature reserve as a viable habitat for endangered species.

A 14 percent share of U.S. contributions went to support the arts and public television programming, while 10 percent went to public information and policy research.

FINANCIAL SECTION

Financial Review
Financial Summary

	1983	1984	1985	1986	1987
			(millions of dollars)		
Sales and other operating revenue					
Petroleum and natural gas	$ 83,622	85,415	81,399	65,477	73,197
Chemicals	6,392	6,870	6,670	6,079	7,177
Coal and minerals	387	424	465	542	594
Hong Kong power generation	566	608	586	637	699
Other and eliminations	2,480	2,556	2,500	2,252	416
Total sales and other operating revenue	93,447	95,873	91,620	74,987	**82,083**
Farnings from equity interests and other revenue	1,287	1,415	1,249	1,568	1,252
Revenue	$ 94,734	97,288	92,869	76,555	**83,335**
Earnings					
Petroleum and natural gas					
Exploration and production	$ 4,079	4,789	4,937	3,060	3,767
Refining and marketing	1,055	345	807	1,934	489
Total petroleum and natural gas	5,134	5,134	5,744	4,994	4,256
Chemicals	270	430	249	470	750
Coal and minerals	(20)	(9)	18	12	(38)
Hong Kong power generation	71	88	90	132	162
Other operations	11	58	11	70	74
Corporate and financing	(412)	(31)	(510)	(551)	(404)
Restructuring	(76)	(142)	(187)	233	40
Hawkins provision	–	–	(545)	–	–
Net income	$ 4,978	5,528	4,870	5,360	**4,840**
Net income per share*	$ 2.89	3.39	3.23	3.71	**3.43**
Cash dividends per share*	$ 1.55	1.675	1.725	1.80	1.90
Net income to average shareholders' equity *(percent)*	17.2	19.0	16.8	17.5	14.7
Net income to total revenue *(percent)*	5.3	5.7	5.2	7.0	5.8
Working capital	$ 3,556	1,974	(1,734)	1,100	95
Ratio of current assets to current liabilities	1.24	1.13	0.91	1.07	1.01
Property, plant and equipment, less allowances	$ 40,868	42,776-	48,262	49,289	53,434
Total additions to property, plant and equipment	$ 7,124	7,842	8,844	5,402	5,787
Total assets	$ 62,963	63,278	69,160	69,484	74,042
Exploration expenses, including dry holes	$ 1,408	1,365	1,495	1,231	818
Research and development costs	$ 692	736	681	616	524
Long-term debt	$ 4,669	5,105	4,820	4,294	5,021
Total debt	$ 5,536	6,382	7,909	7,878	7,885
Fixed charge coverage ratio (SEC definition)	9.5	9.7	9.6	8.8	8.5
Debt to capital *(percent)*	15.3	17.5	20.6	19.0	18.2
Shareholders' equity	$ 29,443	28,851	29,096	32,012	33,626
Shareholders' equity per share*	$ 17.40	18.42	19.91	22.30	24.38
Average number of shares outstanding *(thousands)**	1,722,798	1,632,338	1,508,186	1,445,317	1,411,950
Number of shareholders at year-end *(thousands)*	889	839	785	740	732
Wages, salaries, and employee benefits	$ 5,849	5,550	5,381	5,553	4,646
Number of employees at year-end *(thousands)*	151	148	144	102	100

*Reflects August 1987 two-for-one stock split. See Note 5, page 31.

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Review of 1987 Results

1987 net income of $4,840 million, $3.43 per share, compared to $5,360 million, $3.71 per share, in 1986.

World crude oil prices firmed moderately during most of 1987, with some weakening in evidence late in the year. As a result, Exxon's average crude realizations were stronger than in 1986, and this factor, together with operating cost reductions, resulted in higher earnings from exploration and production operations. In addition, earnings from chemicals operations established an all-time record, reflecting stronger sales volumes and margins in most businesses.

However, earnings from refining and marketing operations were significantly below 1986, when unusually strong margins were in evidence for much of the year. Refined product margins were severely depressed during most of 1987 because increased supply costs were only partly recovered through higher product prices.

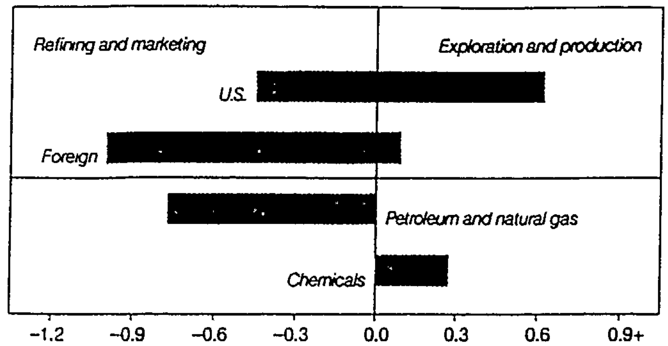
All operations benefited from sizable cost savings attributable to the 1986 corporate reorganization.

Revenue totaled $83,335 million, up 9 percent from $76,555 million in 1986, the result of higher petroleum product realizations, strong chemicals sales, and foreign exchange translation effects. The absence of $2.0 billion of revenues associated with operations divested in 1986, primarily Reliance Electric, partly offset these increases.

Crude oil and product purchases of $34,331 million rose 19 percent above 1986, chiefly reflecting higher 1987 crude price levels worldwide.

Combined operating and selling, general, and administrative expenses of $14.9 billion rose $0.5 billion. Aside from foreign exchange translation effects (estimated at close to $1 billion) and one-time restructuring gains ($0.5 billion) credited against 1986 expenses, such costs would have been lower, reflecting cost reduction measures and the absence of costs incurred by operations divested in 1986.

Net income—major changes from 1986 billions of dollars



Return on average shareholders' equity was 14.7 percent in 1987. Return on average capital employed, which includes debt, was 11.9 percent.

Petroleum and Natural Gas

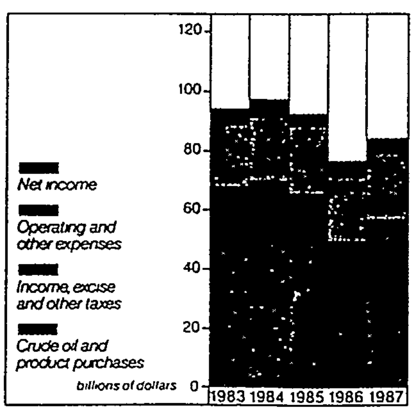
Exploration and Production

Earnings from U.S. exploration and production operations rose $621 million to $1,319 million, mainly on the strength of higher crude prices and cost savings. However, natural gas prices and volumes were lower in the intensely competitive U.S. market. Net liquids production in the U.S. was essentially unchanged as field declines in the lower-48 states offset increased Alaskan production.

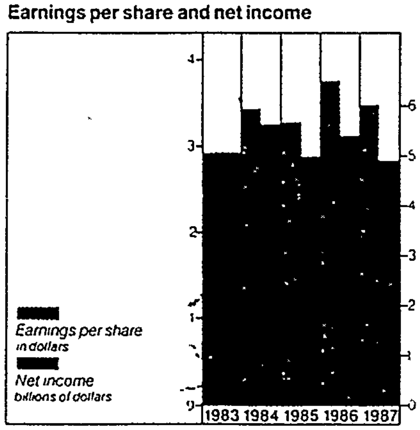
Earnings from foreign operations of $2,448 million rose $86 million. Higher average crude prices and increased liquids and natural gas production were the major positive factors. Liquids production increased substantially in Canada, up 13 percent, and Australia, up 11 percent. Natural gas realizations, while rising toward the end of 1987, averaged below 1986 for the year as a whole.

Exploration expenses declined $413 million to $818 million, indicative of reductions in activity which began in 1986 as the industry environment changed.

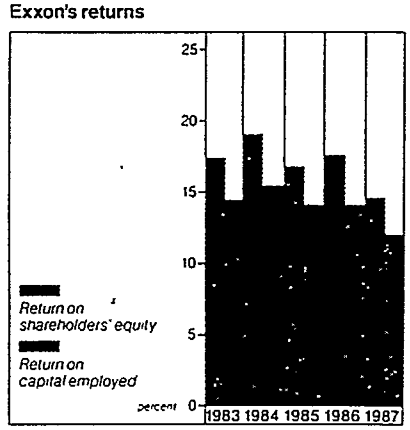
Revenue and costs



Earnings per share and net income



Exxon's returns



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Refining and Marketing

Earnings from U.S. refining and marketing operations were $32 million compared to earnings of $478 million last year. Earnings from foreign refining and marketing operations fell $999 million to $457 million. Both the U.S. and foreign reduction resulted from lower margins in the first three quarters of 1987 in comparison to the very strong results in 1986; fourth quarter margins were higher than in the previous year. Worldwide product sales volumes were unchanged at 4,043 thousand barrels per day (kbd).

Chemicals

Earnings from chemicals operations totaled $750 million, up $127 million in the U.S. and $153 million abroad. Strong demand and tight industry production capacity in key sectors boosted sales volumes and margins in major markets, both in the U.S. and abroad. Foreign earnings also benefited from one-time tax adjustments.

Other

Coal and minerals operations posted a loss of $38 million compared to a $12 million profit in the prior year. Principal factors were higher expenses related to the new Colombian coal mine and weakness in the international steam coal market. Favorable effects from expanded Chilean copper operations and an improved copper market provided a partial offset.

Earnings from Hong Kong power operations reached $162 million, an increase of $30 million, reflecting increased investment in expanded plant generating capacity.

Corporate and Financing

Corporate and financing charges of $404 million compared to $551 million in 1986. Debt-related foreign exchange gains and elimination in 1987 of tax reserves related to certain foreign operations were partly offset by lower levels of capitalized interest and smaller gains from securities transactions.

Restructuring

Restructuring gains of $40 million in 1987 from several asset disposals compared to a gain of $233 million in 1986. The previous year's gains arose from the sale of Reliance Electric, the New York office building and Danish refining and marketing operations; charges associated with the corporate reorganization provided a partial offset.

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Review of 1986 Results*

1986 net income of $5,360 million was $490 million, 10 percent, higher than in 1985. Net income per share was $3.71, up 15 percent. The larger percentage increase was influenced by treasury share purchases as average shares outstanding were reduced 4 percent.

1986 was a highly unsettled year in world oil markets. Crude prices dropped precipitously during the first quarter, and surplus capacity and excess supplies were in evidence during much of the year. Despite the unfavorable environment, Exxon net income reached a record $3.71 per share in 1986. Refining and marketing results were especially strong during the first half, and chemicals results were good throughout the period. All businesses benefited from steps taken in recent years to streamline operations. For the full year, these factors in combination compensated for the slippage in exploration and production earnings resulting from weak crude prices.

Revenue totaled $76,555 million, down 18 percent from $92,869 million in 1985 chiefly due to the lower price levels for crude, natural gas, and derived products. A 5 percent drop in natural gas sales volumes and absence of sales volumes of divested operations further reduced revenue. The impact of the weaker dollar on the translation of foreign currency revenues partly compensated for these factors.

Crude oil and product purchases of $28,876 million dropped 35 percent below the prior-year level primarily due to the sharp decline in crude oil prices.

Operating and selling, general, and administrative costs in total were down $87 million. The decline reflected savings related to prior restructuring and other efficiency steps, as well as 1986 one-time restructuring gains compared to net charges in 1985. The weakening of the dollar led to increased costs in dollar terms, as local currency costs translated into higher dollar equivalents.

*Per share amounts adjusted to reflect August 1987 two-for-one stock split. See Note 5, page 31.

Petroleum and Natural Gas

Exploration and Production

Earnings from exploration and production operations in the U.S. were $698 million, a $1,413 million reduction from 1985. Lower crude and natural gas realizations were primarily responsible for the decline. The lower realizations were only partly offset by reduced operating expenses. Liquids production was fractionally lower than in 1985. Natural gas production available for sale was down 8 percent reflecting reduced demand.

Earnings from foreign exploration and production operations fell $464 million to $2,362 million as a result of lower crude prices. Partial offsets were provided by a number of factors, including higher crude production and stronger natural gas results owing to the weaker dollar. Earnings benefited from increased crude production in the North Sea, Canada, and Malaysia. Crude production in total grew 9 percent; natural gas production available for sale was down 5 percent. Results were also favorably affected by the restoration to income of $160 million representing provisions made in prior years for possible additional liabilities associated with foreign operations; these provisions are no longer required.

Exploration expenses were $1,231 million, down $264 million, 18 percent, reflecting sharp curtailments in activity brought about by the unfavorable industry environment.

Refining and Marketing

Earnings from U.S. refining and marketing operations rose $249 million to $478 million, primarily on the strength of higher margins. Total sales volumes of 1,106 kbd were down 2 percent. Excluding heavy fuel oil, U.S. sales were up 2 percent. Earnings in 1985 included $67 million in last-in, first-out (LIFO) inventory gains.

Earnings from foreign refining and marketing operations amounted to $1,456 million, an increase of $878 million over 1985. Lower crude prices and the weaker dollar reduced local raw material costs more rapidly than product prices fell, resulting in stronger margins. Total foreign sales volumes of 2,937 kbd were essentially even with 1985 levels. Excluding heavy fuel oil, sales were up 2 percent. LIFO gains of $38 million were included in 1986 compared to $224 million in 1985.

Chemicals

Earnings from chemical operations totaled $470 million, up $221 million, including increases of $124 million and $97 million from U.S. and foreign sources, respectively. Improved demand for chemical products and lower petrochemical feedstock costs were the primary reasons.

Other

Earnings from coal operations dropped to $25 million from $39 million a year earlier. Higher costs associated with the foreign coal business outweighed improved U.S. results and higher worldwide volumes.

Reduced losses from minerals operations traced primarily to lower exploration and development activity.

Earnings from Reliance Electric operations, prior to the sale of this business at year-end 1986, rose to $61 million in 1986, an increase of $31 million, attributable to improved markets for key product lines and operating cost savings from restructuring steps taken in prior years.

Earnings from Hong Kong power generation of $132 million were up $42 million as a result of increased investment in generating plant.

Corporate and Financing

Corporate and financing charges increased by $41 million. $160 million of U.S. federal excise taxes on the recapture of excess assets from major U.S. pension funds was partly offset by a $109 million gain from the sale of certain long-term U.S. government securities.

Restructuring

1986 net income included net gains of $233 million, after tax, associated with restructuring, as the corporation continued to pursue a vigorous program of divesting low return operations, implementing work force reductions, and reorganizing into more effective operating units. Significant gains were realized in 1986 from the sale of Reliance Electric ($270 million) and the New York office building ($258 million). Also reflected in 1986 were $319 million of one-time costs associated with the corporate reorganization and personnel reductions. In contrast, 1985 net income included $187 million in net charges for restructuring.

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Impact of Inflation and Changing Prices

The general rate of inflation in most major countries of operations has been relatively low in recent years, and the associated impact on costs has been countered by cost reductions from efficiency and productivity improvements, as well as organizational streamlining. Costs for drilling and development services have actually declined from levels prevailing several years ago as a result of industry-wide cutbacks in activity induced by lower crude oil prices and surplus natural gas supplies.

The sharp decline in crude oil prices in 1986, in combination with the wide fluctuations which followed, have had significant effects on the company's operations. The impacts on earnings from exploration and production operations, refining and marketing operations, and chemical operations have been varied, and have, at times, tended to be offsetting.

Taxes

Provision for worldwide income, excise, and other taxes and duties of $23.5 billion in 1987 increased $2.1 billion, or 10 percent. Income tax expense, both current and deferred, was $2.7 billion compared to $3.2 billion in 1986. The effective income tax rate declined from 42 percent to 41 percent.

Excise taxes and other taxes and duties increased by a combined $2.6 billion, 14 percent, traceable primarily to foreign exchange translation effects, as well as increased levies by some countries.

In reporting 1987 income taxes in this report, the company continued to apply the accounting practice which has been required in past years. In late December, 1987 the Financial Accounting Standards Board issued a new guideline, FAS-96, which permits a new practice for 1987 and requires the new practice no later than 1989. The company expects to adopt the new practice in 1988 or 1989. If FAS-96 had been implemented for 1987, the effect would have been to decrease net deferred tax balances and increase both net income and shareholders' equity by amounts possibly in excess of $1 billion. The company's liquidity and cash flow would not have been affected.

Provision for worldwide income, excise and other taxes and duties of $21.4 billion in 1986 was the same as in 1985. Income tax expense, both current and deferred, was $3.2 billion compared to $4.7 billion in 1985, and the effective income tax rate dropped from 52 percent in 1985 to 42 percent in 1986. The primary reason was the decline in earnings from relatively higher taxed exploration and production operations.

Excise taxes increased $0.2 billion. Other taxes and duties increased $1.4 billion, representing an increase of $2.0 billion abroad and a decline of $0.6 billion in the U.S. The overseas increase was traceable to the weaker dollar and increased levies by some countries as product prices fell. The domestic decline was primarily the result of lower wind-fall profits tax triggered by the decline in crude prices.

U.S. tax legislation increased 1986 tax expense by $210 million, reflecting excise taxes on the recapture of excess assets from major U.S. pension funds and loss of investment tax credits. The overall impact on future results is not estimated to be substantial in relation to worldwide cash flow and earnings, aside from a one-time impact on earnings associated with future adoption of FAS-96, as previously described.

Capital and Exploration Expenditures

In 1987 capital and exploration expenditures totaled $7.1 billion, down 1 percent from the $7.2 billion spent in 1986. Three major oil and gas acquisitions totaling $1.8 billion were completed in 1987, acquiring producing properties in the United States, Canada, and Australia, along with promising exploration acreage.

Excluding these acquisitions, capital and exploration expenditures for ongoing activities were down 25 percent from 1986 to $5.3 billion. While improved cost effectiveness and some reduction in activity were factors, the main reason for the lower spending level was the completion of several large projects in 1986.

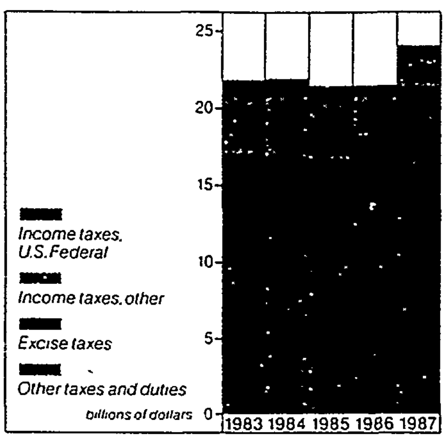
Exploration and production expenditures, excluding the major acquisitions, were $3.3 billion versus $4.6 billion in 1986. The reduction was due mostly to lower project spending, with the 1986 completion of the large natural gas project in LaBarge, Wyoming, and reduced spending in Alaska. Spending in 1987 included acquisition of acreage, exploratory and development drilling, and enhanced oil recovery projects. Spending continued on major projects under way in Alaska, offshore California, Cold Lake, Alberta, the North Sea, Malaysia, and the Yemen Arab Republic.

Refining and marketing expenditures of $1.3 billion fell $0.3 billion from 1986. These expenditures were primarily for efficiency improvements and upgrading of refinery units, and continued modernization of retail marketing outlets.

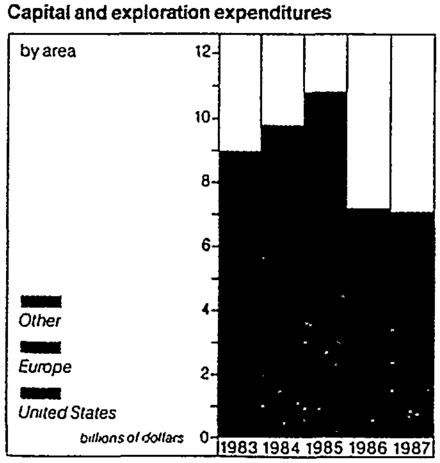
Energy-related investments were 93 percent of worldwide expenditures, predominantly in oil and natural gas. Chemicals expenditures of $0.3 billion accounted for an additional 4 percent of total spending.

Geographically, expenditures in the U.S. accounted for one-third of total spending, or $2.4 billion. In Europe and the Eastern Hemisphere, expenditures were $1.7 billion and $1.6 billion, respectively. Spending in Canada and other Western Hemisphere areas totaled $1.4 billion.

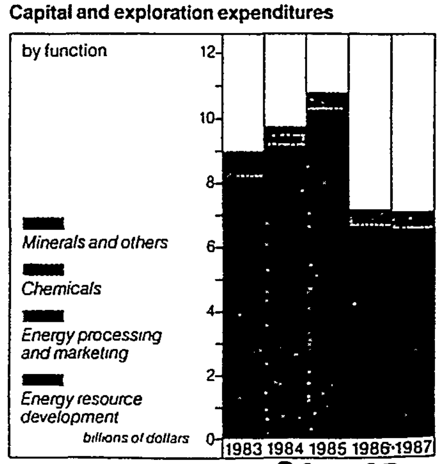
Taxes



Capital and exploration expenditures



Capital and exploration expenditures



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Liquidity and Capital Resources

In 1987, funds from operations and other sources, before financing, totaled $9.8 billion, down $2.6 billion from 1986 due to lower levels of net income and lower other funds from operations. The major sources of funds were net income of $4.8 billion and depreciation and depletion of $4.2 billion. Other sources provided a net of $0.8 billion. This included the $1.3 billion collection of interest bearing notes from the 1986 sale of Reliance Electric and other companies.

Total balance sheet debt of $7.9 billion was unchanged reflecting reductions in short-term debt offset by increases in long-term debt. Funds utilized totaled $11.1 billion. Additions to plant consumed $5.8 billion. Dividend payments to Exxon shareholders at $1.90 per share totaled $2.7 billion, 55 percent of net income. $2.5 billion was spent to purchase shares for the treasury.

The excess of funds utilized over funds provided reduced cash and marketable securities $1.3 billion to $2.5 billion at the end of 1987.

Net working capital declined $1.0 billion to $0.1 billion reflecting primarily the drawdown in cash and marketable securities.

The ratio of debt to capital (short- and long-term debt plus shareholders' equity plus minority interest) was 18.2 percent in 1987 compared to 19.0 percent in 1986.

In 1986, funds from operations and other sources, before financing, totaled $12.4 billion compared to $11.9 billion in 1985. The major sources of funds in 1986 were net income of $5.4 billion and depreciation and depletion of $4.4 billion. Recapture of surplus pension assets provided $1.6 billion. Net proceeds from divestments (sales of the New York office building, Reliance Electric, Danish refining and marketing operations and other smaller interests) provided $0.7 billion in 1986.

Total balance sheet debt of $7.9 billion remained essentially unchanged as $0.5 billion of net additions in short-term debt offset a similar net reduction in long-term borrowings. Exxon continued to take advantage of lower interest rates in 1986 by replacing $950 million of relatively high cost long-term debt with lower cost long- and short-term issues.

Funds utilized included additions to plant of $5.4 billion, down $3.4 billion from 1985. Dividend payments to Exxon shareholders at $1.80 per share were $2.6 billion, 49 percent of net income. During 1986, $0.8 billion was spent to acquire shares of stock for the treasury, down $1.9 billion from 1985. The payment for the Hawkins judgment in February 1986 required $2.1 billion.

The excess of funds provided over funds utilized increased cash and marketable securities $1.3 billion to $3.8 billion at year-end 1986.

Net working capital of $1.1 billion was up $2.8 billion. This was primarily attributable to settlement of 1985 obligations and the 1986 sale of Reliance. The lower crude price environment of 1986 did not have a major impact on working capital, as the resulting decrease in accounts payable was roughly offset by declines in accounts receivable and prepaid taxes, the latter related to inventory valuation differences in foreign taxing jurisdictions.

The ratio of debt to capital was 19.0 percent in 1986 compared to 20.6 percent in 1985.

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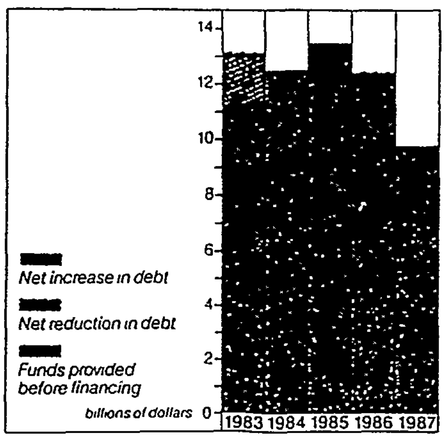
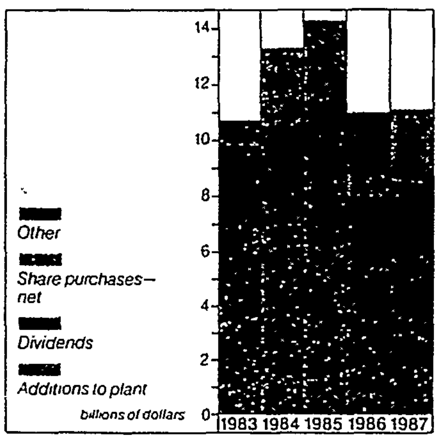
The corporation maintained its strong financial position and flexibility to meet future financial needs. Although the corporation accesses financial markets from time to time, internally generated funds cover the majority of its financial requirements.

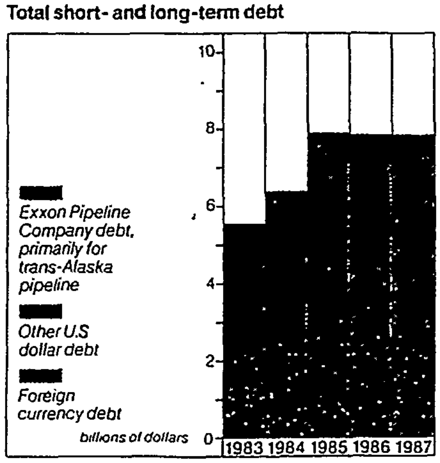
Funds provided



Funds utilized



Total short- and long-term debt



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Consolidated Balance Sheet

EXXON CORPORATION

	Dec. 31, 1986	Dec. 31, 1987
	(millions of dollars)	
Assets		
Current assets		
Cash	$ 2,908	$ 1,911
Marketable securities	908	620
Notes and accounts receivable, less estimated doubtful amounts	6,784	6,278
Inventories		
Crude oil, products and merchandise	3,603	4,200
Materials and supplies	948	972
Prepaid taxes and expenses	1,169	1,410
Total current assets	16,320	**15,391**
Investments and advances	2,778	3,822
Property, plant and equipment, at cost, less accumulated depreciation and depletion	49,289	53,434
Other assets, including intangibles	1,097	1,395
Total assets	$69,484	**$74,042**
Liabilities		
Current liabilities		
Notes and loans payable	$ 3,584	$ 2,864
Accounts payable and accrued liabilities	9,515	10,248
Income taxes payable	2,121	2,184
Total current liabilities	15,220	**15,296**
Long-term debt	4,294	5,021
Annuity reserves and accrued liabilities	5,121	5,902
Deferred income tax credits	10,828	11,863
Deferred income	466	560
Equity of minority shareholders in affiliated companies	1,543	1,774
Total liabilities	37,472	**40,416**
Shareholders' equity		
Capital stock without par value (authorized 2 billion shares, 1,813 million issued*)	2,822	2,822
Earnings reinvested	37,322	39,476
Cumulative foreign exchange translation adjustment	(196)	1,750
Capital stock held in treasury, at cost (378 million shares in 1986, 434 million shares in 1987*)	(7,936)	(10,422)
Total shareholders' equity	32,012	**33,626**
Total liabilities and shareholders' equity	$69,484	**$74,042**

The information on pages 29 through 36 is an integral part of these statements.
* Reflects August 1987 two-for-one stock split. See Note 5, page 31.

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Consolidated Statement of Income

	1985	1986	1987
		(millions of dollars)	
Revenue			
Sales and other operating revenue, including excise taxes	$91,620	$74,987	**$82,083**
Earnings from equity interests and other revenue	1,249	1,568	1,252
	92,869	76,555	**83,335**
Costs and other deductions			
Crude oil and product purchases	44,536	28,876	34,331
Operating expenses	9,702	9,209	9,315
Selling, general and administrative expenses	4,824	5,230	5,621
Depreciation and depletion	4,274	4,415	4,239
Exploration expenses, including dry holes	1,495	1,231	818
Interest expense	627	614	451
Hawkins provision*	948	—	—
Income taxes	4,688	3,196	2,703
Excise taxes	4,947	5,099	5,667
Other taxes and duties	11,719	13,076	15,084
Income applicable to minority interests	239	249	266
	87,999	71,195	**78,495**
Net Income	$ 4,870	$ 5,360	**$ 4,840**
Per share**	$3.23	$3.71	**$3.43**

*Results for 1985 include a provision of $948 million, or $545 million net of income taxes, related to the Hawkins field unit litigation.

Consolidated Statement of Shareholders' Equity

	1985		1986		1987	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
			(millions)			
Capital stock**						
Authorized—2 billion shares without par value						
Issued at end of year	1,813	$ 2,822	1,813	$ 2,822	**1,813**	**$ 2,822**
Earnings reinvested						
At beginning of year		32,302		34,565		37,322
Net income for year		4,870		5,360		4,840
Dividends ($1.725 per share in 1985, $1.80 in 1986 and $1.90 in 1987**)		(2,607)		(2,603)		(2,686)
At end of year		34,565		37,322		**39,476**
Cumulative foreign exchange translation adjustment						
At beginning of year		(1,818)		(1,149)		(196)
Change during the year		669		953		1,946
At end of year		(1,149)		(196)		**1,750**
Capital stock held in treasury, at cost**						
At beginning of year	(247)	(4,455)	(352)	(7,142)	(378)	(7,936)
Acquisitions	(108)	(2,748)	(29)	(867)	(58)	(2,566)
Dispositions	3	61	3	73	2	80
At end of year	(352)	(7,142)	(378)	(7,936)	**(434)**	**(10,422)**
Shareholders' equity						
At end of year		$29,096		$32,012		**$33,626**
Shares outstanding at end of year**	1,461		1,435		1,379	

The information on pages 29 through 86 is an integral part of these statements.
**Reflects August 1987 two-for-one stock split. See Note 5, page 31.

Consolidated Statement of Funds Provided and Utilized

EXXON CORPORATION

	1985	1986	1987
	(millions of dollars)		
Funds from operations			
Net income			
Accruing to Exxon shareholders	$ 4,870	$ 5,360	$ 4,840
Accruing to minority interests	239	249	266
Costs charged to income not requiring funds			
Depreciation and depletion	4,274	4,415	4,239
Deferred income tax charges/(credits)	1,174	(413)	110
Annuity and accrued liability provisions	190	(41)	353
Dividends received which were in excess of/(less than) equity in current earnings of equity companies	(49)	(522)	18
Funds provided from operations	10,698	9,048	9,826
Funds from other sources, excluding financing activities			
Sales of property, plant and equipment	288	356	336
Reversion of surplus pension assets	—	1,600	—
All other decreases/(increases) in long-term items–net	(140)	1,300	(776)
Changes in working capital, excluding cash and debt			
Reduction/(increase)–Notes and accounts receivable	(161)	743	506
–Inventories	(94)	245	(621)
–Prepaid taxes and expenses	(677)	1,389	(241)
Increase/(reduction)–Accounts payable	2,514	(1,775)	733
–Income taxes payable	(502)	(520)	63
Funds from other sources, excluding notes and loans payable, cash and marketable securities	1,228	3,338	—
Funds provided before financing	11,926	12,386	9,826
Funds from /(used in) financing activities			
Additions to long-term debt	429	1,036	1,520
Reductions in long-term debt	(714)	(1,562)	(793)
Net additions/(reductions) in notes and loans payable	1,812	495	(720)
Funds from/(used in) financing activities	1,527	(31)	7
Total funds provided, excluding cash items	13,453	12,355	9,833
Utilization of funds			
Additions to property, plant and equipment	8,844	5,402	5,787
Cash dividends to Exxon shareholders	2,607	2,603	2,686
Cash dividends to minority interests	131	145	159
Acquisition of Exxon shares–net	2,687	794	2,486
Payment of Hawkins judgment	—	2,069	—
Funds utilized	14,269	11,013	11,118
Increase /(decrease) in cash and marketable securities	$ (816)	$ 1,342	$ (1,285)

The information on pages 29 through 36 is an integral part of these statements.

Report of Independent Accountants

To the Shareholders of Exxon Corporation

In our opinion, the consolidated financial statements appearing on pages 26 through 36 present fairly the financial position of Exxon Corporation and its subsidiary companies at December 31, 1986 and 1987, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements 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.

153 East 53rd Street
New York, New York
February 29, 1988

Price Waterhouse

Notes to Consolidated Financial Statements

The accompanying consolidated financial statements and the supporting and supplemental material are the responsibility of the management of Exxon Corporation.

Accounting principles underlying the financial statements are generally accepted in the United States. The financial statements are consistent with the guidelines of the International Accounting Standards Committee with minor exceptions.

1. Summary of accounting policies

Principles of consolidation The consolidated financial statements include the accounts of those significant subsidiaries owned directly or indirectly more than 50 percent.

Amounts representing the corporation's percentage interest in the underlying net assets of less than majority-owned companies in which a significant equity ownership interest is held are included in "Investments and advances." The corporation's share of the net income of these companies is included in the consolidated statement of income caption "Earnings from equity interests and other revenue."

Investments in all other companies, none of which is significant, are included in "Investments and advances" at cost or less. Dividends from these companies are included in income as received.

Marketable securities Marketable securities are stated at the lower of cost or market.

Inventories Crude oil, products and merchandise inventories are carried at the lower of current market value or cost (generally determined under the last-in, first-out method-LIFO). Costs include applicable purchase costs and operating expenses, but not general and administrative expenses or research and development costs. Inventories of materials and supplies are valued at cost or less.

Property, plant and equipment Depreciation, depletion and amortization, based on cost less estimated salvage value of the asset, are primarily determined under either the unit of production method or the straight-line method. Unit of production rates are based on oil, gas and other mineral reserves estimated to be recoverable from existing facilities. The straight-line method of depreciation is based on estimated asset service life taking obsolescence into consideration.

Maintenance and repairs are expensed as incurred. Major renewals and improvements are capitalized, and the assets replaced are retired.

The corporation's exploration and production activities are accounted for under the "successful efforts" method. Under this method, costs of productive wells and development dry holes, both tangible and intangible, as well as productive acreage are capitalized and amortized on the unit of production method. Costs of that portion of undeveloped acreage likely to be unproductive, based largely on historical experience, are amortized over the period of exploration. Other exploratory expenditures, including geophysical costs, other dry hole costs and annual lease rentals, are expensed as incurred.

Income taxes Income taxes are reported on the basis of the deferral method. Financial Accounting Standard No. 96—Accounting for Income Taxes, issued in December 1987, requires an asset and liability approach. Exxon will adopt the new standard in 1988 or 1989, as permitted under the transition rules.

Foreign currency translation The "functional currency" for translating the accounts of the majority of foreign refining, marketing and chemical operations is the local currency. Local currency is also used for exploration and production operations that are relatively self-contained and integrated within a particular country, such as in Australia, Canada, the United Kingdom, Norway and continental Europe. The U.S. dollar is used for operations in highly inflationary economies and in some exploration and production operations, primarily in Malaysia and the Middle East.

2. Miscellaneous financial information
Cash included time deposits of $2,362 million at the end of 1986 and $1,444 million at the end of 1987.

Marketable securities at year-end 1986 were carried at cost, which was $1 million less than their fair market value. At year-end 1987, marketable securities were carried at their fair market value, which was $5 million below cost.

Estimated doubtful notes and accounts receivable were $151 million at the end of 1986 and $164 million at the end of 1987.

Accumulated depreciation and depletion totaled $28,602 million at the end of 1986 and $32,785 million at the end of 1987.

Research and development costs totaled $681 million in 1985, $616 million in 1986 and $524 million in 1987.

Aggregate foreign exchange transaction gains included in determining net income totaled $82 million, $67 million and $267 million for 1985, 1986 and 1987, respectively.

Interest capitalized in 1985, 1986 and 1987 was $371 million, $431 million and $111 million, respectively.

Net income included $316 million in 1985 attributed to the sale of relatively low-cost crude and products obtained from drawdowns of LIFO inventory quantities. In 1986 and 1987 net income included a $25 million gain, and a $3 million loss, respectively, attributable to the combined effects of LIFO inventory accumulations and drawdowns. The aggregate replacement cost of inventories was estimated to exceed their LIFO carrying values by $2,745 million and $3,107 million at December 31, 1986 and 1987, respectively.

3. Investments and advances
Components of investments and advances were:

	Dec. 31, 1986	Dec. 31, 1987
	(millions of dollars)	
In less than majority-owned companies		
Carried at equity in underlying assets		
Investments	$1,997	$2,445
Advances	46	452
	2,043	2,897
Carried at cost or less	154	118
	2,197	3,015
Long-term receivables and miscellaneous investments at cost or less	581	807
Total	$2,778	**$3,822**

4. Equity company information
The summarized financial information below includes those less than majority-owned companies for which Exxon's share of net income is included in consolidated net income (see Note 1, page 29). These companies are primarily engaged in natural gas production and distribution in the Netherlands and West Germany, as well as refining and marketing operations in Japan.

	1985		1986		1987	
	Total	Exxon share	Total	Exxon share	Total	Exxon share
			(millions of dollars)			
Total revenues Includes sales to companies in the Exxon consolidation which amounted to 15% in 1985, 12% in 1986 and 16% in 1987	$29,669	$8,653	$21,851	$6,647	**$27,395**	**$8,306**
Net income before income taxes	$ 3,169	$1,400	$ 4,007	$1,802	$3,444	$1,427
Less: Related income taxes	(1,415)	(604)	(1,794)	(695)	(1,618)	(622)
Net income	$ 1,754	$ 796	$ 2,213	$1,107	**$1,826**	**$ 805**
Current assets	$ 9,340	$2,986	$ 8,265	$2,518	$10,591	$3,338
Property, plant and equipment, less accumulated depreciation	7,359	2,930	10,289	3,935	12,493	4,804
Other long-term assets	2,256	776	2,330	799	3,031	1,005
Total assets	18,955	6,692	20,884	7,252	26,115	9,147
Short-term debt	2,183	700	1,931	573	2,225	760
Other current liabilities	6,699	2,500	5,643	2,030	6,552	2,295
Long-term debt	2,805	992	3,230	1,125	4,167	1,397
Other long-term liabilities	3,148	1,076	4,249	1,481	5,106	1,798
Advances from shareholders	45	45	46	46	905	452
Net assets	$ 4,075	$1,379	$ 5,785	$1,997*	**$7,160**	**$2,445***

*Includes $882 million in 1986 and $713 million in 1987 of liabilities guaranteed by consolidated affiliates.

5. Capital

On August 13, 1987, authorized capital stock was increased from one billion shares without par value to two billion shares without par value and the issued shares were split on a two-for-one basis. All capital stock data and per share amounts presented in this report have been adjusted for the stock split.

At December 31, 1986 and 1987, there were 1,813 million shares issued. Of the issued shares, 378 million shares at year-end 1986 and 434 million shares at year-end 1987 were held in treasury at a net cost of $7,936 million and $10,422 million, respectively. During 1986 and 1987, the company acquired for the treasury 29 million shares at a cost of $867 million and 58 million shares at a cost of $2,566 million, respectively. In 1986 and 1987, 3 million shares for $73 million and 2 million shares for $80 million, respectively, were utilized in connection with stock options exercised, bonuses and stock appreciation rights under incentive programs.

6. Long-term debt

At December 31, 1987, long-term debt consisted of $3,169 million due in U.S. dollars and $1,852 million representing the U.S. dollar equivalent at year-end exchange rates of amounts payable in foreign currencies. These amounts exclude that portion of long-term debt, totaling $595 million, which matures within one year and is included in current liabilities. Long-term borrowings at year-end 1986 and 1987 are summarized below, with weighted average interest rates for 1987 in parentheses.

	Dec. 31, 1986	Dec. 31, 1987
	(millions of dollars)	
Exxon Corporation		
Floating rate pollution-control revenue bonds–due 2012-2024	$ 390	$ 389
Other obligations–due 1989-1999	20	30
	410	**419**
Exxon Pipeline Company		
5.5% marine terminal revenue bonds–due 2007	161	161
8¼% guaranteed debentures–due 2001	173	169
Other obligations–due 1997-2025	122	122
	456	**452**
Other consolidated subsidiaries		
Capitalized lease obligations*		
United States dollars	262	178
Other currencies	243	256
United States dollars (6.6%)	1,611	2,120
British pounds (9.0%)	709	826
Canadian dollars (5.2%)	253	414
Hong Kong dollars (7.8%)	238	244
French francs (8.9%)	38	37
Italian lire (8.2%)	19	36
Norwegian kroner (11.0%)	16	9
Other currencies (6.2%)	39	30
	3,428	**4,150**
Total long-term debt	$4,294	**$5,021**

*At an average imputed interest rate of 10.2% in 1986 and 10.1% in 1987.

The amounts of long-term debt maturing, together with sinking fund payments required, in each of the four years after December 31, 1988, in millions of dollars, are: 1989–$661; 1990–$347; 1991–$219; 1992–$195.

During 1984, an affiliate issued at a discount $1,800 million of zero coupon notes due in 2004. The affiliate received $199 million as proceeds from these notes. No payment of interest is provided for by zero coupon notes. During 1986 and 1987, $557 million and $97 million (face amount), respectively, of these notes were purchased in the open market with $1,146 million remaining and payable to noteholders at maturity. At December 31, 1986 and 1987, these notes were included in the United States dollars category of other consolidated subsidiaries as follows:

	Dec. 31, 1986	Dec. 31, 1987
	(millions of dollars)	
Principal	$1,243	$1,146
Less unamortized discount	(1,069)	(967)
Total	$ 174	$ 179

During 1982, an affiliate issued at a discount $771 million of deferred interest debentures due in 2012. There will be no payment of interest on the debentures prior to maturity. At maturity, the holder of each debenture will be entitled to a payment of interest of $730 in addition to the $270 principal amount of the debentures. At December 31, 1986 and 1987, these debentures were included in the United States dollars category of other consolidated subsidiaries as follows:

	(millions of dollars)	
Principal	$ 771	$ 771
Less unamortized discount	(644)	(639)
Total	$ 127	$ 132
Deferred interest	$ 51	$ 66

In 1982, debt totaling $515 million was removed from the balance sheet as a result of the deposit of U.S. Government securities in irrevocable trusts. The principal and interest of the securities deposited with the trustee were sufficient to fund the scheduled principal and interest payments of these Exxon debt issues. In 1987, the corporation placed an additional $172 million of government securities in the trusts. As a result of an improved matching of maturity dates between the government securities in the trusts and the corresponding Exxon debt, the addition of $172 million of government securities permitted the removal of $240 million of debt from the balance sheet, and 1987 net income was increased by $40 million after tax. The balance of outstanding debt in these trusts at year-end 1987 was $704 million.

7. Annuity benefits

Exxon and many of its affiliates have defined benefit retirement plans which cover substantially all of their employees. Plan benefits are generally based on years of service and employees' compensation during their last years of employment. Benefits are paid from funds previously provided to trustees and insurance companies, or are paid directly by the corporation or its affiliates and charged against book reserves. Contributions to plans are made in accordance with local laws and tax regulations. As of year-end 1987, approximately 70 percent of the funded assets for U.S. plans and approximately 55 percent of the funded assets for foreign plans were invested in equity securities. The remainder was in fixed income securities.

In the company's principal U.S. plan, covering most U.S. employees, funds were provided to an insurance company to cover accrued obligations through August 12, 1986. After making the necessary arrangements with the insurance company and satisfying other legal requirements, on August 13, 1986, the company withdrew $1.6 billion of surpl. from funded assets.

Charges to consolidated income for the cost of annuity plans were $115 million, $239 million and $184 million for the years 1985, 1986, and 1987, respectively. Net pension cost/(credit), annuity plans status and rate assumptions for 1986 and 1987 are detailed below:

	U.S. Plans		Foreign Plans	
Annuity plans net pension cost/(credit)	1986	1987	1986	1987
	(millions of dollars)			
Cost of benefits earned during the year	$ 114	$ 81	$ 114	$ 11C
Interest cost on benefits earned in prior years	395	330	277	340
Actual return on plan assets	(880)	(178)	(265)	(180
Deferred gains/(losses) on plan assets	396	(165)	78	(59
Amortization of actuarial (gains)/losses and prior-service cost	(93)	(78)	—	(12
Net pension enhancement costs and curtailment/settlement gains	(37)	(23)	140	18
Net pension cost/(credit) for the year	$ (105)	$ (33)	$ 344	$ 217

Annuity plans status	Dec. 31, 1986	Dec. 31, 1987	Dec. 31, 1986	Dec. 31, 1987
	(millions of dollars)			
Estimated amount of assets required to provide funds for future payment of:				
Projected benefits based on employment service to date and present pay levels				
Vested	$3,112	$2,976	$2,859	$3,515
Non-vested	152	135	207	184
Accumulated benefit obligation	3,264	3,111	3,066	3,699
Additional amounts related to projected pay increases	523	430	836	997
Projected benefit obligation	3,787	3,541	3,902	4,696
Assets dedicated for pension benefits				
Funded assets (market values)	3,608	3,375	2,459	2,882
Company assets (book reserves)	1,435	1,389	1,585	1,861
Total dedicated assets	5,043	4,764	4,044	4,743
Assets in excess of projected benefit obligation	$1,256	$1,223	$ 142	$ 47
Consisting of—				
Unrecognized net gain/(loss) at transition to FAS-87	$ 849	$ 820	$ 122	$ 120
Unrecognized actuarial gain/(loss) since transition	407	474	32	67
Unrecognized prior-service costs incurred since transition	—	(71)	(12)	(140
Assumed long-term rate of return on plan assets (percent)	10.0	10.0	4.0-12.0	4.0-12.0
Assumed year-end discount rate for projected benefit obligation (percent)	9.0	10.0	4.0-11.0	4.0-12.0
Assumed long-term rate of compensation increase (percent)	6.5	6.5	2.0-11.0	4.0-12.0

8. Other post-employment benefits

In addition to providing annuity benefits, the company and many of its affiliates provide certain health care and life insurance benefits for retired employees. Employees may become eligible for these benefits if they retire with annuitant status. These benefits are provided primarily through payments to insurance companies, based on the benefits paid during the year. The company recognizes the cost of providing these benefits by expensing the annual insurance premiums, which were $78 million in 1985, $90 million in 1986 and $94 million in 1987.

9. Additional working capital data

Consolidated notes and accounts receivable include:

	Dec. 31, 1986	Dec. 31, 1987
	(millions of dollars)	
Trade, less reserves of $136 million and $144 million	$4,344	$5,143
Reliance/Gilbarco notes receivable	1,250	—
Other, less reserves of $15 million and $20 million	1,190	1,135
	$6,784	**$6,278**

Notes, loans, accounts payable and accrued liabilities include:

	Dec. 31, 1986	Dec. 31, 1987
	(millions of dollars)	
Bank loans	$ 647	$ 1,167
Commercial paper	2,550	1,026
Long-term debt due within one year	362	595
Other	25	76
Total notes and loans payable	3,584	**2,864**
Trade payables	5,623	6,172
Obligations to equity companies	302	415
Accrued taxes other than income taxes	1,595	1,587
Other	1,995	2,074
Total accounts payable and accrued liabilities	9,515	**10,248**
	$13,099	$13,112

Unused lines of credit for short-term financing available at December 31, 1987, totaled approximately $5,700 million.

10. Litigation

Claims for substantial amounts have been made against Exxon and certain of its consolidated subsidiaries in pending lawsuits, the outcome of which will not be materially important in relation to the consolidated financial position of the corporation in the opinion of its general counsel.

11. Leased facilities

At December 31, 1987, the corporation and its consolidated subsidiaries held non-cancelable operating charters and leases covering tankers, service stations and other properties for which minimum lease commitments were as follows:

	Minimum commitment after reduction for related rental income		Related rental income
	Tankers	Other	
	(millions of dollars)		
1988	$71	$257	$33
1989	37	190	34
1990	20	137	27
1991	10	94	21
1992	7	74	14
1993 and beyond	31	376	92

Net rental expense for 1985, 1986 and 1987 totaled $1,193 million, $961 million and $782 million, respectively, after being reduced by related rental income of $93 million, $101 million and $82 million, respectively. Minimum rental expense totaled $1,254 million in 1985, $1,021 million in 1986 and $818 million in 1987.

12. Dispositions

During 1986, the corporation completed a number of asset dispositions, including the sale of Reliance Electric Company and other companies managed by Reliance, and the corporation's interest in the Exxon Building in New York City. The impact from these two dispositions was to increase 1986 net income by $528 million.

13. Investment in property, plant and equipment

	Investment Dec. 31, 1986	Additions—1987			Investment Dec. 31, 1987	
	Less accumulated depreciation and depletion	United States	Foreign	Total	At cost	Less accumulated depreciation and depletion
	(millions of dollars)					
Petroleum and natural gas						
Exploration and production	$28,213	$ 1,391	$ 2,417	$ 3,808	$ 49,712	$ 30,485
Refining and marketing	10,978	405	865	1,270	21,752	12,409
Total petroleum and natural gas	39,191	1,796	3,282	5,078	71,464	42,894
Chemicals	3,433	135	135	270	6,541	3,720
Other	6,665	95	344	439	8,214	6,820
Total	**$49,289**	**$ 2,026**	**$ 3,761**	**$ 5,787**	**$ 86,219**	**$ 53,434**

14. Other contingencies

The corporation and certain of its consolidated subsidiaries were contingently liable at December 31, 1987, for $1,245 million for guarantees primarily relating to notes, loans and performance under contracts. This includes $596 million representing guarantees of foreign excise taxes and customs duties of other companies, entered into as a normal business practice, under reciprocal arrangements. Not included in this figure are guarantees by consolidated affiliates of $713 million representing Exxon's share of obligations of certain equity companies, as shown in Note 4.

Additionally, the corporation and its affiliates have numerous long-term sales commitments in their various business activities, all of which are expected to be fulfilled with no adverse consequences material to the corporation's consolidated financial position.

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

15. Stock option plans

The 1983 Incentive Program makes provision for the grant of options on a maximum of 26,000,000 shares* of corporation stock over the five-year period ending May 31, 1988. As under earlier plans, options may be granted at prices not less than 100 percent of market value on the date of grant. Options granted are exercisable after one year of continuous employment following date of grant.

The 1983 plan permits granting stock appreciation rights (SARs) to holders of options under present and past plans, which allows them to surrender exercisable options in exchange for shares of the corporation's stock having an aggregate market value, at the time of surrender, equal to the difference between the option price and market value of shares covered by surrendered options, or to receive such difference in cash to the extent provided in the SARs.

Outstanding options were 23,204,002* and 23,424,260* shares at December 31, 1986 and 1987, respectively. All of the December 31, 1986 outstanding options had SARs attached; of the December 31, 1987 outstanding options, 20,284,060* had SARs attached. In anticipation of settlement of such SARs at market value of the shares covered by the options to which they are attached, $76 million was charged to earnings in 1985, $90 million in 1986 and $80 million in 1987. The exercise of SARs releases the corporation from the obligation of providing stock under the option at the option price.

Changes that occurred during 1987 in options outstanding are summarized below.

	1973 plan	1978 plan	1983 plan
		(number of shares)*	
Outstanding at December 31, 1986	140,376	6,352,856	16,710,770
Granted at $40.00 average per share	—	—	4,901,450
Less: Exercised	54,796	598,948	564,546
Expired	—	—	122,400
Surrendered	85,580	1,512,022	1,742,900
Outstanding at December 31, 1987	—	4,241,886	19,182,374
Available for grant after December 31, 1987	None	None	1,267,750

The average option price per share of the options outstanding at December 31, 1987, for the plans was $28.29*.

The effect on reported earnings per share from the assumed exercise of stock options outstanding at year-end 1985, 1986 or 1987 would be insignificant.

16. Bonus plan

The 1983 Incentive Program makes provision for grants of bonuses in respect of each of the five years beginning with 1983 which are not to exceed 3 percent of the amount by which net income in a given year exceeds 6 percent of capital invested (as defined in the plan). Bonuses may be granted to eligible employees of the corporation and of those affiliates at least 95 percent owned. Bonuses may be granted in cash, shares of the corporation's stock or earnings bonus units, which are rights entitling the grantee to receive on the settlement date, with certain limitations, an amount of cash equal to the corporation's cumulative earnings per share as reflected in its quarterly earnings statements as initially published, commencing with earnings for the first full quarter following the date of grant to and including the last full quarter preceding the date of settlement. Bonuses other than units may be paid in cash or shares of the corporation's stock in full at the time of grant, deferred to retirement or a later date, or paid in annual installments. Any unpaid amounts are subject to certain forfeiture provisions contained in the plan.

Grants in cash and shares of the corporation's stock are charged to earnings in the year of grant. Amounts earned under earnings bonus units are accrued as they occur. Total charges to earnings in 1985, 1986 and 1987 were $33 million, $31 million and $29 million, respectively, reflecting grants substantially less than the maximum permitted.

*Reflects August 1987 two-for-one stock split. See Note 5, page 31.

17. Income, excise and other taxes

	1985 United States	1985 Foreign	1985 Total	1986 United States	1986 Foreign	1986 Total	1987 United States	1987 Foreign	1987 Total
					(millions of dollars)				
Income taxes									
Federal or foreign – current	$ 609	$ 2,857	$ 3,466	$ 124	$ 1,846	$ 1,970	$ 514	$ 1,983	$ 2,497
– deferred – net	534	597	1,131	680	423	1,103	337	(97)	240
U.S. tax on foreign operations	62	—	62	24	—	24	(75)	—	(75)
	1,205	3,454	4,659	828	2,269	3,097	**776**	**1,886**	**2,662**
State	29	—	29	99	—	99	41	—	41
Total income tax expense	1,234	3,454	4,688	927	2,269	3,196	817	1,886	2,703
Excise taxes	1,264	3,683	4,947	1,319	3,780	5,099	1,368	4,299	5,667
Other taxes and duties*	1,713	10,006	11,719	1,090	11,986	13,076	861	14,223	15,084
Total	$4,211	$17,143	$21,354	$3,336	$18,035	$21,371	**$3,046**	**$20,408**	**$23,454**

Reconciliation between income tax expense and a theoretical U.S. tax computed by applying a rate of 46 percent to earnings before income taxes in 1985 and 1986 and 40 percent in 1987:

	1985	1986	1987
		(millions of dollars)	
Earnings before Federal and foreign income taxes			
United States	$2,627	$2,150	$2,159
Foreign	6,902	6,307	5,343
Total	$9,529	$8,457	$7,502
Theoretical tax	$4,383	$3,890	$3,001
Adjustments for foreign taxes in excess of/(less than) theoretical U.S. tax	279	(632)	(251)
U.S. tax on foreign operations			
—current	27	18	55
—deferred	35	6	(130)
U.S. investment tax credit	(229)	(119)	(20)
Other U.S.	164	(66)	7
Federal and foreign income tax expense	$4,659	$3,097	$2,662

Effective income tax rate, including income taxes of equity companies and state income taxes:

	1985	1986	1987
		(percent)	
United States	44.4	40.6	40.9
Foreign	54.8	42.6	40.7
Total	52.1	42.1	40.7

Exxon's share of income taxes of equity companies included above totaled $604 million in 1985, $695 million in 1986 and $622 million in 1987, essentially all in the foreign area.

Net deferred income tax expense, above, represents the sum of tax effects related to timing differences, generally between amounts reportable currently for tax purposes and related amounts included in earnings for financial reporting, as follows:

Tax effects of timing differences for:	1985	1986	1987
		(millions of dollars)	
Depreciation	$ 684	$ 316	$ 235
Inventories	253	656	(45)
Intangible development costs	95	(48)	(102)
Reversion of surplus pension assets	—	(736)	—
Hawkins provision	(353)	353	—
Other	452	562	152
Net deferred income taxes	$1,131	$1,103	$ 240

Tax effects of timing differences for:	1987 United States	1987 Foreign	1987 Total
Depreciation	$ 325	$ (90)	$ 235
Inventories	(7)	(38)	(45)
Intangible development costs	(140)	38	(102)
Other	159	(7)	152
Net deferred income taxes	$ 337	$ (97)	$ 240

Income taxes do not include $44 million, $38 million and $21 million in 1985, 1986 and 1987, respectively, of state franchise taxes which are based on income.

Possible taxes, beyond those provided, on remittances of undistributed earnings of subsidiary companies, after giving consideration to amounts which are reinvested indefinitely, are not expected to be material.

*Includes U.S. "windfall profit" tax of $540 million in 1985; 1986 and 1987 amounts were not significant. Also includes, in 1986, $160 million of taxes related to the reversion of surplus U.S. pension fund assets.

18. Distribution of earnings and assets

Segment	1985 Petroleum	1985 Chemicals	1985 Corporate total	1986 Petroleum	1986 Chemicals	1986 Corporate total	1987 Petroleum	1987 Chemicals	1987 Corporate total
				(millions of dollars)					
Sales and operating revenue									
Non-affiliated	$81,399	$6,670	$91,620	$65,477	$6,079	$74,987	$ 73,197	$ 7,177	$ 82,083
Intersegment	3,090	1,262	—	1,918	942	—	2,441	1,158	—
Total	$84,489	$7,932	$91,620	$67,395	$7,021	$74,987	**$75,638**	**$8,335**	**$82,083**
Operating profit	$ 10,463	$ 385	$ 10,956	$ 7,117	$ 817	$ 8,288	$ 6,274	$ 1,087	$ 7,630
Add/(deduct):									
Income taxes	(5,326)	(118)	(5,408)	(3,038)	(331)	(3,476)	(2,599)	(354)	(2,972)
Minority interests	(194)	(5)	(268)	(181)	(13)	(286)	(169)	(15)	(309)
Earnings of equity companies	848	(14)	832	1,163	1	1,152	820	35	855
Intersegment adjustments	(47)	1	—	(67)	(4)	—	(70)	(3)	—
Corporate and financing	—	—	(510)	—	—	(551)	—	—	(404)
Restructuring	(43)	(19)	(187)	(187)	(58)	233	20	—	40
Hawkins provision	(545)	—	(545)	—	—	—	—	—	—
Earnings	$ 5,156	$ 230	$ 4,870	$ 4,807	$ 412	$ 5,360	**$ 4,276**	**$ 750**	**$ 4,840**
Identifiable assets	$52,884	$5,337	$69,160	$51,327	$5,508	$69,484	$ 57,572	$ 6,285	$ 74,042
Depreciation and depletion	3,496	234	4,274	3,762	287	4,415	3,658	276	4,239
Additions to plant	7,448	286	8,844	4,131	257	5,402	5,078	270	5,787

Geographic		Sales and other operating revenue: Non-affiliated	Interarea	Total	Earnings	Identifiable assets
		(millions of dollars)				
1985	**Petroleum and chemicals**					
	United States	$ 25,319	$ 904	$ 26,223	$ 1,918	$ 28,160
	Other Western Hemisphere	14,397	287	14,684	473	7,367
	Eastern Hemisphere	48,353	918	49,271	2,995	22,682
	Other/eliminations	3,551	(2,109)	1,442	(516)	10,951
	Corporate total	$ 91,620	—	$ 91,620	$ 4,870	$ 69,160
1986	**Petroleum and chemicals**					
	United States	$ 17,439	$ 771	$ 18,210	$ 1,309	$ 26,095
	Other Western Hemisphere	12,054	200	12,254	379	6,671
	Eastern Hemisphere	42,063	789	42,852	3,531	24,069
	Other/eliminations	3,431	(1,760)	1,671	141	12,649
	Corporate total	$ 74,987	—	$ 74,987	$ 5,360	$ 69,484
1987	**Petroleum and chemicals**					
	United States	$ 18,700	$ 1,129	$ 19,829	$ 1,725	$ 26,115
	Other Western Hemisphere	12,640	291	12,931	384	8,051
	Eastern Hemisphere	49,034	408	49,442	2,917	29,691
	Other/eliminations	1,709	(1,828)	(119)	(186)	10,185
	Corporate total	**$82,083**	—	**$82,083**	**$4,840**	**$74,042**

Transfers between business activities or areas are at estimated market prices.

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Supplemental Information on Oil and Gas Exploration and Production Activities

This section provides historical revenue, cost, operating earnings and reserve information regarding Exxon's oil and gas exploration and production operations during 1985, 1986 and 1987. In the company's opinion, the information on earnings below, oil and gas reserves, pages 38 and 39, and costs incurred and capitalized costs, page 40, provides more relevant information to assist in an evaluation of oil and gas operations than the information on standardized measure of discounted future net cash flows required by the Financial Accounting Standards Board (FASB), shown on page 41.

Earnings	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
	(millions of dollars)						
Year 1985							
Revenue	$17,967	$8,107	$1,041	$ 98	$5,108	$ 30	$3,583
Less costs:							
Production costs*	5,902	2,707	376	23	708	18	2,070
Exploration expense	1,462	966	44	35	257	58	102
Depreciation, depletion and amortization expense	2,847	1,705	113	44	712	16	257
	7,756	2,729	508	(4)	3,431	(62)	1,154
Related income tax	4,085	1,175	228	1	2,088	3	590
Earnings from own production	3,671	1,554	280	(5)	1,343	(65)	564
Proportional interest in earnings of equity companies	578	—	—	—	551	14	13
Other earnings**	688	557	14	4	95	3	15
Total earnings from exploration and production	$ 4,937	$2,111	$ 294	$ (1)	$1,989	$(48)	$ 592
Year 1986							
Revenue	$10,707	$4,338	$ 755	$ 62	$3,499	$ 62	$1,991
Less costs:							
Production costs*	3,812	1,619	300	14	793	37	1,049
Exploration expense	1,206	656	70	48	300	70	62
Depreciation, depletion and amortization expense	2,964	1,666	121	18	795	27	337
	2,725	397	264	(18)	1,611	(72)	543
Related income tax	1,076	167	109	2	553	5	240
Earnings from own production	1,649	230	155	(20)	1,058	(77)	303
Proportional interest in earnings of equity companies	806	—	—	—	609	195	2
Other earnings**	605	468	(1)	(2)	139	5	(4)
Total earnings from exploration and production	$ 3,060	$ 698	$ 154	$(22)	$1,806	$123	$ 301
Year 1987							
Revenue	$12,180	$4,860	$ 965	$ 80	$3,762	$ 82	$2,431
Less costs:							
Production costs*	3,810	1,529	268	14	856	31	1,112
Exploration expense	806	333	48	30	204	64	127
Depreciation, depletion and amortization expense	2,918	1,505	145	20	896	38	314
	4,646	1,493	504	16	1,806	(51)	878
Related income tax	1,888	487	209	11	691	12	478
Earnings from own production	2,758	1,006	295	5	1,115	(63)	400
Proportional interest in earnings of equity companies	486	—	—	—	458	16	12
Other earnings**	523	313	(46)	(9)	190	58	17
Total earnings from exploration and production	$ 3,767	$1,319	$ 249	$ (4)	$1,763	$ 11	$ 429
Revenue							
Year 1985 – Sales to third parties	$ 7,042	$1,674	$ 293	$ 98	$2,354	$ 18	$2,605
Sales to consolidated affiliates	10,925	6,433	748	—	2,754	12	978
Year 1986 – Sales to third parties	5,250	1,242	126	62	2,334	42	1,444
Sales to consolidated affiliates	5,457	3,096	629	—	1,165	20	547
Year 1987 – Sales to third parties	5,983	1,037	195	80	2,901	54	1,716
Sales to consolidated affiliates	6,197	3,823	770	—	861	28	715

* Includes taxes other than income taxes. Specifically included are U.S. "windfall profit" tax: $540 million (1985), not significant in 1986 and 1987, and Australian excise tax: $1,653 million (1985), $749 million (1986), $818 million (1987).

** Includes earnings related to transportation of oil and gas, sale of supplies from other sources, oil sands operations and technical services agreements, and reduced by minority interests.

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Oil and Gas Reserves*

The following information describes changes during the years and balances of oil and gas reserves at year-end 1985, 1986 and 1987.

The definitions used are those developed by the Department of Energy for its Financial Reporting System and adopted by the FASB.

Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions (that is, at year-end prices and costs). They include some reserves which may or may not be producible within the lives of existing agreements. In some cases, substantial new investments in additional wells and related facilities will be required to recover these proved reserves.

Proved reserves include 100 percent of each majority-owned affiliate's participation in proved reserves and Exxon's ownership percentage of the proved reserves of equity companies, but exclude royalties and quantities due others when produced. Gas reserves exclude the gaseous equivalent of liquids expected to be removed from the gas on leases, at field facilities and at gas processing plants. These liquids are included in net proved reserves of crude oil and natural gas liquids.

	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
Crude oil and natural gas liquids				(millions of barrels)			
Net proved developed and undeveloped reserves							
Beginning of year 1985	**6,474**	**2,715**	**909**	**24**	**1,764**	**18**	**1,044**
Revisions of previous estimates	168	92	(6)	16	—	—	66
Purchases of minerals in place	141	43	—	—	—	98	—
Improved recovery	86	63	19	—	4	—	—
Extensions and discoveries	467	90	187	—	112	—	78
Production	(603)	(281)	(42)	(7)	(152)	(1)	(120)
End of year 1985	**6,733**	**2,722**	**1,067**	**33**	**1,728**	**115**	**1,068**
Revisions of previous estimates	249	92	93	1	(28)	27	64
Purchases of minerals in place	25	21	1	—	—	—	3
Improved recovery	31	30	—	—	1	—	—
Extensions and discoveries	100	40	9	3	1	9	38
Production	(626)	(278)	(60)	(7)	(167)	(3)	(111)
End of year 1986	**6,512**	**2,627**	**1,110**	**30**	**1,535**	**148**	**1,062**
Revisions of previous estimates	178	81	(34)	9	117	(15)	20
Purchases of minerals in place	172	109	24	—	—	—	39
Improved recovery	56	56	—	—	—	—	—
Extensions and discoveries	353	37	240	9	34	18	15
Production	(637)	(276)	(68)	(7)	(161)	(6)	(119)
End of year 1987	**6,634**	**2,634**	**1,272**	**41**	**1,525**	**145**	**1,017**
Net proved developed reserves (included above)							
Beginning of year 1985	3,924	2,030	530	21	597	3	743
End of year 1985	4,536	2,082	860	23	841	17	713
End of year 1986	4,889	2,100	1,092	24	809	128	736
End of year 1987	4,876	2,071	1,103	27	792	143	740
Proportional interest in proved reserves of equity companies							
End of year 1985	96	—	—	—	75	—	21
End of year 1986	124	—	19	—	70	—	35
End of year 1987	117	—	19	—	66	—	32
Proportional interest in proved reserves of other non-consolidated affiliates							
End of year 1985	497	—	—	—	—	497	—
End of year 1986	488	—	—	—	—	488	—
End of year 1987	478	—	—	—	—	478	—
Oil sands reserves							
End of year 1985	242	—	242	—	—	—	—
End of year 1986	230	—	230	—	—	—	—
End of year 1987	217	—	217	—	—	—	—
Worldwide net proved developed and undeveloped reserves (including non-consolidated and oil sands)							
End of year 1985	7,568	2,722	1,309	33	1,803	612	1,089
End of year 1986	7,354	2,627	1,359	30	1,605	636	1,097
End of year 1987	7,446	2,634	1,508	41	1,591	623	1,049

*See footnote on page 39.

Net proved developed reserves are those volumes which are expected to be recovered through existing wells with existing equipment and operating methods. Undeveloped reserves are those volumes which are expected to be recovered as a result of major future investments to drill new wells, to recomplete existing wells and/or to install facilities to collect and deliver the production from existing and future wells.

For year-end 1987 reporting, the company has elected to remove 7.8 trillion cubic feet of Prudhoe Bay natural gas reserves from the proved undeveloped category. Although geologically identified, these reserves are excess to local consumption and require a transportation system to additional markets. This change reflects no lessening of efforts to achieve timely development of this important resource, which the company is confident will occur in the future.

Reserves attributable to certain oil and gas discoveries in the U.S., Canada, Colombia, the U.K., the Netherlands, Norway, France, Germany, the Yemen Arab Republic, Chad, Malaysia, Australia, Thailand, Indonesia and China were not considered proved as of year-end 1987 due to geological, technological or economic uncertainties and therefore are not included in the tabulation.

Crude oil and natural gas liquids and natural gas production quantities shown are the net volumes withdrawn from Exxon's oil and gas reserves. The natural gas quantities differ from the quantities of gas delivered for sale by the producing function as reported on page 43 due to volumes consumed or vented and inventory changes. Such quantities amounted to approximately 192 billion cubic feet in 1985, 202 billion cubic feet in 1986, and 214 billion cubic feet in 1987.

	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
Natural gas			(billions of cubic feet)				
Net proved developed and undeveloped reserves							
Beginning of year 1985	**29,785**	**17,884**	**1,279**	**213**	**7,688**	**3**	**2,718**
Revisions of previous estimates	130	45	144	26	(204)	—	119
Purchases of minerals in place	49	49	—	—	—	—	—
Improved recovery	26	18	8	—	—	—	—
Extensions and discoveries	1,242	840	54	4	342	—	2
Production	(1,509)	(874)	(52)	(28)	(447)	(1)	(107)
End of year 1985	**29,723**	**17,962**	**1,433**	**215**	**7,379**	**2**	**2,732**
Revisions of previous estimates	576	441	29	14	153	1	(62)
Purchases of minerals in place	38	4	33	—	—	—	1
Improved recovery	2	2	—	—	—	—	—
Extensions and discoveries	540	379	23	12	80	—	46
Production	(1,449)	(818)	(55)	(23)	(438)	(1)	(114)
End of year 1986	**29,430**	**17,970**	**1,463**	**218**	**7,174**	**2**	**2,603**
Revisions of previous estimates*	(7,183)	(7,788)	17	1	593	—	(6)
Purchases of minerals in place	1,057	51	491	—	—	—	515
Improved recovery	9	9	—	—	—	—	—
Extensions and discoveries	488	254	14	7	117	—	96
Production	(1,436)	(735)	(66)	(25)	(476)	(1)	(133)
End of year 1987	**22,365**	**9,761**	**1,919**	**201**	**7,408**	**1**	**3,075**
Net proved developed reserves (included above)							
Beginning of year 1985	23,160	16,194	1,100	157	3,568	3	2,138
End of year 1985	24,010	16,483	1,244	152	3,995	2	2,134
End of year 1986	16,846	9,292	1,258	148	4,071	2	2,075
End of year 1987	17,215	8,579	1,566	115	4,552	1	2,402
Proportional interest in proved reserves of equity companies							
End of year 1985	17,079	—	—	—	16,982	—	97
End of year 1986	16,867	—	165	—	16,558	—	144
End of year 1987	16,439	—	170	—	16,137	—	132
Worldwide net proved developed and undeveloped reserves							
End of year 1985	46,802	17,962	1,433	215	24,361	2	2,829
End of year 1986	46,297	17,970	1,628	218	23,732	2	2,747
End of year 1987	38,804	9,761	2,089	201	23,545	1	3,207

*These and other tables, as noted, in this report do not include reserve, supply, cost and other data relating to Exxon's interest in the Arabian American Oil Company (Aramco) because the government of Saudi Arabia prohibits the disclosure of confidential information under a directive issued by the Minister of Petroleum and Mineral Resources bearing Number 1030/Z. During 1980, the government acquired the beneficial interest in substantially all of Aramco's assets and operations. However, Aramco continues to have access to a significant volume of Saudi Arabian crude oil.

Oil and Gas Exploration and Production Costs

This table summarizes capitalized costs at December 31, 1986 and 1987 and certain costs incurred in oil and natural gas producing activities during 1985, 1986 and 1987.

The amounts shown for net capitalized costs are $3,015 million less at year-end 1986 and $3,240 million less at year end 1987 than the amounts reported as investments in property, plant and equipment for exploration and production in Note 13, on page 33, due to excluding from the capitalized costs certain transportation and research assets and assets relating to the oil sands operations of Syncrude in Canada and to including accumulated provisions for site restoration costs, all as required by the FASB in Statement No. 19.

The amounts reported as costs incurred in property acquisition, exploration and development activities include both capitalized costs and costs charged to expense during the year.

Costs incurred in 1986 were $3,792 million, down 45 percent from 1985 mainly due to lower activity caused by sharply lower worldwide prices. Costs incurred in 1987 were up $822 million due to acquisition activity.

	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
			(millions of dollars)				
Capitalized costs							
As of December 31, 1986							
Property (acreage) costs							
Proved	$ 2,854	$ 2,109	$ 103	$ 3	$ 20	$519	$ 100
Unproved	2,993	2,783	143	—	28	1	38
Total property costs	5,847	4,892	246	3	48	520	138
Producing assets	31,463	18,544	2,073	277	7,929	198	2,442
Support facilities	1,280	500	87	22	226	52	393
Incomplete construction	2,799	812	224	8	1,184	152	419
Total capitalized costs	41,389	24,748	2,630	310	9,387	922	3,392
Accumulated depreciation, depletion, amortization and valuation provisions	16,191	9,819	810	235	3,864	102	1,361
Net capitalized costs	**$25,198**	**$14,929**	**$1,820**	**$ 75**	**$5,523**	**$820**	**$2,031**
Proportional interest of net capitalized costs of equity companies	$ 1,101	—	—	—	$1,053	—	$ 48
As of December 31, 1987							
Property (acreage) costs							
Proved	$ 4,189	$ 3,097	$ 414	—	$ 24	$361	$ 293
Unproved	2,200	1,702	241	—	38	2	217
Total property costs	6,389	4,799	655	—	62	363	510
Producing assets	35,623	19,073	2,538	$295	10,515	229	2,973
Support facilities	1,510	582	95	39	296	55	443
Incomplete construction	3,077	639	331	18	1,316	331	442
Total capitalized costs	46,599	25,093	3,619	352	12,189	978	4,368
Accumulated depreciation, depletion, amortization and valuation provisions	19,354	10,411	981	268	5,741	159	1,794
Net capitalized costs	**$27,245**	**$14,682**	**$2,638**	**$ 84**	**$6,448**	**$819**	**$2,574**
Proportional interest of net capitalized costs of equity companies	$ 1,407	—	—	—	$1,352	—	$ 55
Costs incurred in property acquisition, exploration and development activities							
During 1985							
Property acquisition costs	$ 1,217	$ 689	$ 14	—	—	$506	$ 8
Exploration costs	1,746	1,108	61	$ 42	$ 351	75	109
Development costs	3,961	2,599	446	26	592	55	243
Total	**$ 6,924**	**$ 4,396**	**$ 521**	**$ 68**	**$ 943**	**$636**	**$ 360**
Proportional interest of costs incurred by equity companies	$ 209	—	—	—	$ 189	—	$ 20
During 1986							
Property acquisition costs	$ 210	$ 106	$ 2	—	—	$ 8	$ 94
Exploration costs	1,137	491	70	$ 48	$ 382	81	65
Development costs	2,445	1,350	173	21	532	158	211
Total	**$ 3,792**	**$ 1,947**	**$ 245**	**$ 69**	**$ 914**	**$247**	**$ 370**
Proportional interest of costs incurred by equity companies	$ 249	—	—	—	$ 229	—	$ 20
During 1987							
Property acquisition costs	$ 1,421	$ 690	$ 385	—	$ 4	—	$ 342
Exploration costs	804	333	40	$ 37	257	$ 75	62
Development costs	2,389	668	455	22	512	184	548
Total	**$ 4,614**	**$ 1,691**	**$ 880**	**$ 59**	**$ 773**	**$259**	**$ 952**
Proportional interest of costs incurred by equity companies	$ 245	—	—	—	$ 224	—	$ 21

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows of proved oil and gas reserves is computed by applying year-end average prices and production costs, statutory tax rates enacted at year-end and a discount factor of 10 percent per year. Accordingly, year-end projections do not give effect to events which have occurred since the year-end dates.

As noted on page 37, the company does not believe this information provides the most meaningful information on the results of oil and gas operations.

	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
	(millions of dollars)						
As of December 31, 1985							
Future cash inflows from sales of oil and gas	$217,131	$100,950	$22,793	$403	$65,257	$2,996	$24,732
Future production and development cash costs	84,562	37,476	8,222	188	27,788	948	9,940
Future income tax expenses	63,843	27,999	6,823	40	20,581	955	7,445
Future net cash flows	68,726	35,475	7,748	175	16,888	1,093	7,347
Effect of discounting net cash flows at 10%	37,904	21,193	4,409	43	7,984	605	3,670
Standardized measure of discounted future net cash flows	**$ 30,822**	**$ 14,282**	**$ 3,339**	**$132**	**$ 8,904**	**$ 488**	**$ 3,677**
As of December 31, 1986							
Future cash inflows from sales of oil and gas	$121,527	$ 51,444	$13,251	$203	$36,676	$2,153	$17,800
Future production and development cash costs	65,411	22,770	7,661	113	22,767	923	11,177
Future income tax expenses	21,809	8,916	2,596	—	6,547	600	3,150
Future net cash flows	34,307	19,758	2,994	90	7,362	630	3,473
Effect of discounting net cash flows at 10%	17,898	11,161	1,611	17	3,093	266	1,750
Standardized measure of discounted future net cash flows	**$ 16,409**	**$ 8,597**	**$ 1,383**	**$ 73**	**$ 4,269**	**$ 364**	**$ 1,723**
As of December 31, 1987							
Future cash inflows from sales of oil and gas	$124,555	$ 43,389	$15,958	$455	$42,688	$2,429	$19,636
Future production and development cash costs	67,678	20,341	9,549	144	26,371	537	10,736
Future income tax expenses	23,061	6,935	3,153	94	8,077	672	4,130
Future net cash flows	33,816	16,113	3,256	217	8,240	1,220	4,770
Effect of discounting net cash flows at 10%	14,902	7,182	1,806	55	3,545	307	2,007
Standardized measure of discounted future net cash flows	**$ 18,914**	**$ 8,931**	**$ 1,450**	**$162**	**$ 4,695**	**$ 913**	**$ 2,763**
Proportional interest in the standardized measure of discounted future net cash flows related to proved reserves of equity and other non-consolidated companies*							
At December 31, 1985	$ 5,696	—	—	—	$ 5,442	$ 165	$ 89
At December 31, 1986	3,993	—	$ 91	—	3,715	136	51
At December 31, 1987	4,300	—	128	—	3,956	134	82

Change in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves—Consolidated Affiliates

In 1985, the standardized measure increased $873 million, mainly reflecting the value of reserves added during the year and the effects of lower income taxes.

In 1986, the standardized measure decreased $14,413 million primarily due to lower worldwide crude prices, partially offset by lower taxes.

In 1987, the standardized measure increased by $2,505 million due principally to higher prices for crude oil and natural gas.

	1985	1986	1987
	(millions of dollars)		
Value of reserves added during the year due to extensions, discoveries, other additions and improved recovery, less related costs	$ 3,916	$ 1,208	$ 1,869
Changes in value of previous-year reserves due to:			
Sales and transfers of oil and gas produced during the year, net of production costs	(12,065)	(6,892)	(8,103)
Development costs incurred during the year	4,205	2,184	2,610
Net change in prices and costs	(3,252)	(36,064)	5,560
Revision of previous reserves estimates	831	281	(171)
Accretion of discount	6,268	6,137	2,548
Other changes	(1,210)	(585)	319
Net change in income taxes	2,180	19,318	(2,127)
Total change in the standardized measure during the year	$ 873	$(14,413)	$ 2,505

*See footnote on page 39.

Quarterly Information

	1986					1987				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Summarized financial information										
Sales and other operating revenue (millions)	$21,700	17,732	16,953	18,602	74,987	$19,072	19,895	21,658	21,458	82,083
Gross profit (millions)*	$ 8,759	7,631	7,812	8,285	32,487	$ 7,619	8,260	9,278	9,041	34,198
Net income (millions)	$ 1,710	1,115	1,055	1,480	5,360	$ 1,070	1,150	1,065	1,555	4,840
Net income per share**	$ 1.18	.77	.73	1.03	3.71	$ .75	.81	.75	1.12	3.43
Dividends per share**	$ .45	.45	.45	.45	1.80	$ .45	.45	.50	.50	1.90
Stock prices**										
High	$28.563	30.813	35.625	37.063	37.063	$44.500	47.125	50.375	50.000	50.375
Low	$24.188	27.063	28.750	32.750	24.188	$35.063	42.125	45.125	30.875	30.875

The price range of Exxon stock is based on the Composite Tape of the several U.S. exchanges where Exxon stock is traded. The principal market where Exxon stock (XON) is traded is the New York Stock Exchange, although the stock is traded on most major exchanges in the United States, as well as on the Tokyo, London and other foreign exchanges.

At February 11, 1988, there were 735,033 holders of record of Exxon stock.

On January 27, 1988, the corporation declared a $0.50 dividend per share payable March 10, 1988.

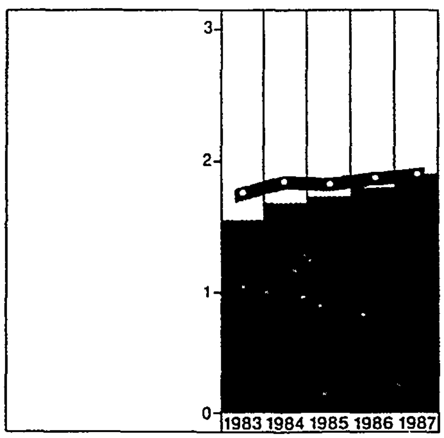
*Gross profit equals sales and other operating revenue less estimated costs associated with products sold.
**Reflects August 1987 two-for-one stock split. See Note 5, page 31.

Exxon Dividends, Share Price and Return to a Shareholder Adjusted for General Inflation

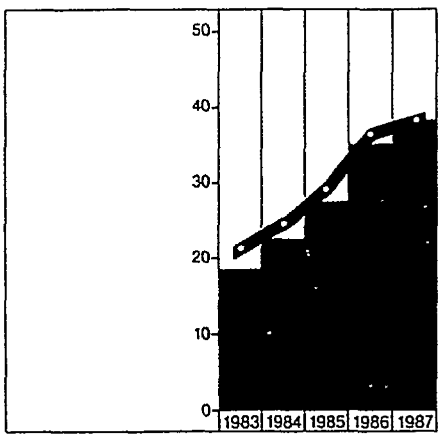
The first two charts below depict historical information as shown by the bars, while the solid line plots trends in average 1987 dollars (adjustments made using the U.S. CPI-U). These charts have been adjusted to reflect the August 1987 two-for-one stock split. See Note 5, page 31.

The return to a shareholder from holding Exxon stock is shown on the third chart for various periods prior to year-end 1987. The before-tax returns are shown on both an unadjusted basis (blue bar) and adjusted for general inflation, as measured by the U.S. CPI-U (gray bar).

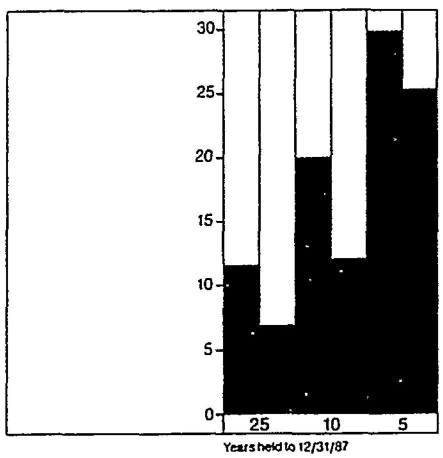
Dividends to Exxon shareholders
dollars per share



Exxon share price
dollars at year-end



Return to a shareholder from holding Exxon stock
percent per year



Operating Summary

	1983	1984	1985	1986	1987
Net production of crude oil and natural gas liquids	(thousands of barrels daily)				
Net production					
United States	781	778	768	761	756
Canada	90	93	116	164	188
Other Western Hemisphere	14	16	18	18	19
Europe	370	412	417	458	441
Middle East and Africa	5	4	3	9	16
Australia and Far East	267	310	330	304	326
Total consolidated affiliates	1,527	1,613	1,652	1,714	1,746
Proportional interest in production of equity companies	32	21	20	25	27
Proportional interest in production of other non-consolidated companies	25	23	19	25	28
Oil sands production–Canada	23	21	29	32	34
Worldwide	1,607	1,678	1,720	1,796	1,835
Refinery crude oil runs					
United States	958	1,021	1,054	1,080	1,026
Canada	378	365	344	332	351
Other Western Hemisphere	341	295	98	87	86
Europe	1,135	1,111	1,003	1,112	1,116
Middle East and Africa	5	4	5	6	5
Australia and Far East	449	424	399	415	397
Worldwide	3,266	3,220	2,903	3,032	2,981
Petroleum product sales					
Aviation fuels	316	312	326	317	338
Gasoline, naphthas	1,344	1,380	1,397	1,434	1,460
Home heating oils, kerosene, diesel oils	1,280	1,349	1,343	1,340	1,316
Heavy fuels	681	685	539	447	405
Specialty products	464	466	477	505	524
Total	4,085	4,192	4,082	4,043	4,043
United States	1,146	1,149	1,123	1,106	1,057
Canada	393	407	404	396	430
Other Western Hemisphere	436	400	377	380	388
Europe	1,566	1,684	1,629	1,636	1,634
Other Eastern Hemisphere	544	552	549	525	534
Worldwide	4,085	4;192	4,082	4,043	4,043
Natural gas production available for sale	(millions of cubic feet daily)				
Net production					
United States	2,345	2,485	2,085	1,919	1,698
Canada	181	168	141	142	128
Other Western Hemisphere	70	70	69	54	61
Europe	851	1,069	1,086	1,058	1,179
Middle East and Africa	—	—	1	1	1
Australia and Far East	225	215	231	246	289
Total consolidated affiliates	3,672	4,007	3,613	3,420	3,356
Proportional interest in production of equity companies	1,956	1,911	2,048	1,909	1,871
Worldwide	5,628	5,918	5,661	5,329	5,227
	(thousands of deadweight tons, daily average)				
Tanker capacity, owned and chartered	15,820	13,540	12,720	10,152	9,218
	(thousands of barrels daily)				
Pipeline throughput	2,600	2,694	2,933	2,791	2,680

Operating statistics other than pipeline throughput include 100 percent of operations of majority-owned affiliates; for other companies, gas and crude production include Exxon's ownership percentage, and crude runs include quantities processed for Exxon.

Pipeline throughput represents quantities delivered for Exxon by all companies in which a stock interest is held. Net production excludes royalties and quantities due others when produced, whether payment is made in kind or cash.

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Directors

William A. Andres	*Retired Chairman of the Executive Committee*, Dayton Hudson Corporation [retailing]
J. F. Bennett	*Senior Vice President*
Randolph W. Bromery	*Commonwealth Professor of Geophysics*, University of Massachusetts at Amherst *President*, Geoscience Engineering Corporation
J. G. Clarke	*Senior Vice President*
Jess Hay	*Chairman of the Board and Chief Executive Officer*, Lomas & Nettleton Financial Corporation [mortgage banking, insurance and other financial services]
William R. Howell	*Chairman of the Board and Chief Executive Officer*, J. C. Penney Company, Inc. [department stores and catalog chain]
Sir Hector Laing	*Chairman*, United Biscuits (Holdings) plc [food and confectionary products; restaurants]
Philip E. Lippincott	*Chairman, President and Chief Executive Officer*, Scott Paper Company [sanitary paper, printing and publishing papers, forestry operations]
D. S. MacNaughton	*Chairman of the Executive Committee*, HealthTrust, Inc. [hospital ownership]
Margaret L. A. MacVicar	*Dean for Undergraduate Education, Professor of Physical Science, and Cecil and Ida Green Professor of Education*, Massachusetts Institute of Technology
Donald K. McIvor	*Senior Vice President*
Bert Phillips	*Retired Chairman of the Board*, Clark Equipment Company [material-handling and construction equipment, axles and transmissions]
L. G. Rawl	*Chairman of the Board and Chief Executive Officer*
L. R. Raymond	*President*
Charles R. Sitter	*Senior Vice President*
Otto Wolff von Amerongen	*Chairman of the Supervisory Board*, Otto Wolff AG [iron and steel, machinery and metallurgical products]

Committees of the Board

Audit Committee	B. Phillips *(Chairman)*, M. L. A. MacVicar *(Vice Chairman)*, W. R. Howell, H. Laing, D. S. MacNaughton
Board Advisory Committee on Contributions	J. G. Clarke *(Chairman)*, R. W. Bromery *(Vice Chairman)*, W. A. Andres, J. Hay, P. E. Lippincott
Board Compensation Committee	D. S. MacNaughton *(Chairman)*, W.R. Howell *(Vice Chairman)*, W. A. Andres, P.E. Lippincott, B. Phillips
Executive Committee	L. G. Rawl *(Chairman)*, L. R. Raymond *(Vice Chairman)*, R. W. Bromery, W. R. Howell, B. Phillips
Finance Committee	L. G. Rawl *(Chairman)*, L. R. Raymond *(Vice Chairman)*, J. F. Bennett
Nominating Committee	L. G. Rawl *(Chairman)*, R. W. Bromery, J. Hay, H. Laing, M. L. A. MacVicar

Officers

L. G. Rawl	*Chairman of the Board and Chief Executive Officer*
L. R. Raymond	*President*
J. F. Bennett	*Senior Vice President*
J. G. Clarke	*Senior Vice President*
D. K. McIvor	*Senior Vice President*
C. R. Sitter	*Senior Vice President*
E. R. Cattarulla	*Vice President—Corporate and Public Affairs and Secretary*
T. A. Kirkley	*Vice President*
R. J. Kruizenga	*Vice President—Corporate Planning*
R. S. Lombard	*Vice President and General Counsel*
H. E. McBrayer	*Vice President*
T. J. McDonagh	*Vice President—Medicine and Environmental Health*
W. B. Nobles, Jr.	*Vice President—Information Systems and Central Services*
S. J. Reso	*Vice President*
E. A. Robinson	*Vice President and Treasurer*
R. A. Schroder	*Vice President and General Tax Counsel*
D. E. Smiley	*Vice President—Washington Office*
D. Steine	*Vice President and Controller*
W. D. Stevens	*Vice President*
T.H. Tiedemann, Jr.	*Vice President—Human Resources*

Chief Executives, Regional and Operating Organizations

DIVISIONS OF EXXON CORPORATION

T. A. Kirkley	*President, Exxon Coal and Minerals Company*
H. E. McBrayer	*President, Exxon Chemical Company*
W. B. Nobles, Jr.	*General Manager, Exxon Central Services*
S. J. Reso	*President, Exxon Company, International*
W. D. Stevens	*President, Exxon Company, U.S.A.*

AFFILIATED COMPANIES

D. R. Clair	*President, Exxon Research and Engineering Company*
A. R. Haynes	*Chairman of the Board, Imperial Oil Limited*
F.M. Perkins	*President, Exxon Production Research Company*

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