

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

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

For the quarterly period ended September 30, 1997

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-2256

EXXON CORPORATION

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

NEW JERSEY

13-5409005

\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)

\_\_\_\_\_  
(I.R.S. Employer  
Identification Number)

5959 Las Colinas Boulevard, Irving, Texas

75039-2298

\_\_\_\_\_  
(Address of principal executive offices)

\_\_\_\_\_  
(Zip Code)

(972) 444-1000

\_\_\_\_\_  
(Registrant's telephone number, including area code)

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

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

| Class                           | Outstanding as of September 30, 1997 |
|---------------------------------|--------------------------------------|
| Common stock, without par value | 2,465,911,285                        |

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EXXON CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

<TABLE>  
<CAPTION>

|  | Three Months Ended |               | Nine Months Ended |                 |
|--|--------------------|---------------|-------------------|-----------------|
|  | September 30,      |               | September 30,     |                 |
| <S>  | <C>                | <C>           | <C>               | <C>             |
| REVENUE  | 1997               | 1996          | 1997              | 1996            |
| Sales and other operating revenue,<br>including excise taxes | \$32,381           | \$32,938      | \$100,780         | \$95,037        |
| Earnings from equity interests and other<br>revenue          | 368                | 383           | 1,400             | 1,700           |
| Total revenue  | <u>32,749</u>      | <u>33,321</u> | <u>102,180</u>    | <u>\$96,737</u> |
| COSTS AND OTHER DEDUCTIONS                                   |                    |               |                   |                 |
| Crude oil and product purchases                              | 13,619             | 14,026        | 43,457            | 39,948          |
| Operating expenses   | 3,186              | 3,202         | 9,763             | 9,760           |
| Selling, general and administrative expenses                 | 2,088              | 2,051         | 6,276             | 6,007           |
| Depreciation and depletion                                   | 1,299              | 1,307         | 4,068             | 3,985           |
| Exploration expenses, including dry holes                    | 174                | 195           | 480               | 484             |
| Interest expense   | 107                | 97            | 289               | 309             |
| Excise taxes   | 3,616              | 3,852         | 10,904            | 10,812          |
| Other taxes and duties                                       | 5,798              | 5,972         | 17,182            | 17,101          |
| Income applicable to minority and<br>preferred interests     | 96                 | 72            | 299               | 291             |
| Total costs and other deductions                             | <u>29,983</u>      | <u>30,774</u> | <u>92,718</u>     | <u>88,697</u>   |

|   |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| INCOME BEFORE INCOME TAXES                              | 2,766                    | 2,547                    | 9,462                    | 8,040                    |
| Income taxes  | 946                      | 987                      | 3,502                    | 3,025                    |
| NET INCOME  | <u>\$ 1,820</u><br>===== | <u>\$ 1,560</u><br>===== | <u>\$ 5,960</u><br>===== | <u>\$ 5,015</u><br>===== |
| Net income per common share*                            | \$ 0.74                  | \$ 0.62                  | \$ 2.40                  | \$ 2.01                  |
| Dividends per common share*                             | \$ 0.410                 | \$ 0.395                 | \$ 1.215                 | \$ 1.165                 |
| Average number common shares outstanding<br>(millions)* | 2,470.3                  | 2,483.9                  | 2,477.3                  | 2,484.0                  |

Net income per share computed as income less dividends on preferred stock divided by the weighted average number of common shares outstanding.

\* Prior year amounts restated to reflect two-for-one stock split effective March 14, 1997.

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EXXON CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEET  
(millions of dollars)

<TABLE>  
<CAPTION>

|  | Sept. 30,<br>1997        | Dec. 31,<br>1996         |
|--|--------------------------|--------------------------|
|  | <C>                      | <C>                      |
| <b>ASSETS</b>  |                          |                          |
| Current assets   |                          |                          |
| Cash and cash equivalents                                | \$ 4,781                 | \$ 2,951                 |
| Other marketable securities                              | 18                       | 18                       |
| Notes and accounts receivable - net                      | 10,248                   | 10,499                   |
| Inventories  |                          |                          |
| Crude oil, products and merchandise                      | 4,717                    | 4,501                    |
| Materials and supplies                                   | 769                      | 784                      |
| Prepaid taxes and expenses                               | 1,153                    | 1,157                    |
| Total current assets                                     | <u>21,686</u>            | <u>19,910</u>            |
| Property, plant and equipment - net                      | 67,008                   | 66,607                   |
| Investments and other assets                             | 8,429                    | 9,010                    |
| <b>TOTAL ASSETS</b>                                      | <u>\$97,123</u><br>===== | <u>\$95,527</u><br>===== |
| <b>LIABILITIES</b>                                       |                          |                          |
| Current liabilities                                      |                          |                          |
| Notes and loans payable                                  | \$ 2,647                 | \$ 2,510                 |
| Accounts payable and accrued liabilities                 | 14,966                   | 14,510                   |
| Income taxes payable                                     | 2,637                    | 2,485                    |
| Total current liabilities                                | <u>20,250</u>            | <u>19,505</u>            |
| Long-term debt   | 7,281                    | 7,236                    |
| Annuity reserves, deferred credits and other liabilities | 26,236                   | 25,244                   |
| <b>TOTAL LIABILITIES</b>                                 | <u>53,767</u>            | <u>51,985</u>            |
| <b>SHAREHOLDERS' EQUITY</b>                              |                          |                          |
| Preferred stock, without par value:                      |                          |                          |
| Authorized: 200 million shares                           |                          |                          |
| Outstanding: 3 million shares at Sept. 30, 1997          | 206                      |                          |
| 5 million shares at Dec. 31, 1996                        |                          | 303                      |
| Guaranteed LESOP obligation                              | (225)                    | (345)                    |
| Common stock, without par value:                         |                          |                          |
| Authorized: 3,000 million shares                         |                          |                          |
| Issued: 2,984 million shares at Sept. 30, 1997           | 2,322                    |                          |
| See Note 3 for shares at Dec. 31, 1996                   |                          | 2,822                    |
| Earnings reinvested                                      | 50,727                   | 57,156                   |
| Cumulative foreign exchange translation adjustment       | (600)                    | 1,126                    |
| Common stock held in treasury:                           |                          |                          |
| 518 million shares at Sept. 30, 1997                     | (9,074)                  |                          |
| 1,142 million shares at Dec. 31, 1996                    |                          | (17,520)                 |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                        | <u>43,356</u>            | <u>43,542</u>            |

|  |          |          |
|--|----------|----------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$97,123 | \$95,527 |
|  | =====    | =====    |

</TABLE>

The number of shares of common stock issued and outstanding at September 30, 1997 and December 31, 1996 (restated to reflect two-for-one stock split effective March 14, 1997) were 2,465,911,285 and 2,483,492,968, respectively.

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

<TABLE>

<CAPTION>

|   | Nine Months Ended<br>September 30, |                |
|---|------------------------------------|----------------|
|   | 1997                               | 1996           |
|   | <C>                                | <C>            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                    |                |
| Net income  | \$5,960                            | \$5,015        |
| Depreciation and depletion  | 4,068                              | 3,985          |
| Changes in operational working capital, excluding cash and debt                                   | 229                                | 634            |
| All other items - net   | 1,758                              | 566            |
| Net Cash Provided By Operating Activities   | <u>12,015</u>                      | <u>10,200</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                    |                |
| Acquisitions and additions to property, plant and equipment                                       | (5,300)                            | (5,101)        |
| Sales of subsidiaries and property, plant and equipment   | 331                                | 372            |
| Other investing activities - net  | (232)                              | 44             |
| Net Cash Used In Investing Activities   | <u>(5,201)</u>                     | <u>(4,685)</u> |
| <b>NET CASH GENERATION BEFORE FINANCING ACTIVITIES</b>  | <u>6,814</u>                       | <u>5,515</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                    |                |
| Additions to long-term debt   | 483                                | 550            |
| Reductions in long-term debt  | (220)                              | (711)          |
| Additions/(reductions) in short-term debt - net   | (294)                              | (129)          |
| Cash dividends to Exxon shareholders  | (3,024)                            | (2,915)        |
| Cash dividends to minority interests  | (258)                              | (242)          |
| Additions/(reductions) to minority interests and sales/(redemptions) of affiliate preferred stock | (87)                               | (329)          |
| Acquisitions of Exxon shares - net  | (1,555)                            | (321)          |
| Net Cash Used In Financing Activities   | <u>(4,955)</u>                     | <u>(4,097)</u> |
| Effects Of Exchange Rate Changes On Cash  | (29)                               | (16)           |
| Increase/(Decrease) In Cash And Cash Equivalents  | 1,830                              | 1,402          |
| Cash And Cash Equivalents At Beginning Of Period  | 2,951                              | 1,508          |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | <u>\$4,781</u>                     | <u>\$2,910</u> |
| <b>SUPPLEMENTAL DISCLOSURES</b>   |                                    |                |
| Income taxes paid   | \$2,502                            | \$1,957        |
| Cash interest paid  | \$ 576                             | \$ 643         |

</TABLE>

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EXXON CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis Of Financial Statement Preparation

These unaudited condensed consolidated financial statements should be read in the context of the consolidated financial statements and notes thereto filed with the S.E.C. in the corporation's 1996 Annual Report on Form 10-K. In the opinion of the corporation, the information furnished herein

reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The corporation's exploration and production activities are accounted for under the "successful efforts" method.

During the third quarter of 1997, the corporation increased its ownership in General Sekiyu K.K. (GSK) from 49% to 50.1%. These financial statements reflect consolidation of GSK retroactive to the beginning of the year. GSK was previously accounted for as an equity company. The January 1, 1997 balance sheet of GSK had total assets of \$3.9 billion, including \$0.1 billion of cash and cash equivalents and \$2.0 billion of net property, plant and equipment and total liabilities of \$3.2 billion including \$0.3 billion of short and long term debt and \$0.7 billion of equity of minority interests. Revenues for the first nine months of 1997 included \$4.3 billion for GSK. Consolidated net income was unchanged as a result of the restatement of prior quarter statements of income to reflect inclusion of GSK revenues and expenses.

## 2. Recently Issued Statements Of Financial Accounting Standards

In February 1997, the Financial Accounting Standards Board released Statement No. 128, "Earnings per Share" which must be adopted for both interim and annual periods ending after December 15, 1997, with earlier application not permitted. Based on preliminary estimates, basic earnings per share defined by the statement is consistent with current reporting of net income per common share. The difference between basic and diluted earnings per share is expected to be insignificant.

In June 1997, the Financial Accounting Standards Board released Statement No. 130, "Reporting Comprehensive Income" and Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." Both statements become effective for fiscal years beginning after December 15, 1997 with early adoption permitted. These statements require disclosure of certain components of changes in equity and certain information about operating segments and geographic areas of operation. No decision has been made as to when the company will adopt the statements. These statements will not have any effect on the results of operations or financial position.

## 3. Capital

On February 26, 1997, the corporation's Board of Directors approved a two-for-one stock split to Common Stock shareholders of record on March 14, 1997 and canceled 321,000,000 shares (pre-split basis) of Common Stock without par value held by the corporation as treasury shares. These canceled shares were returned to the status of authorized but unissued shares. The treasury stock account was credited for \$9,869 million, the Common Stock account charged for \$500 million and the retained earnings account charged for \$9,369 million to cancel these treasury shares.

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EXXON CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On March 14, 1997, the authorized Common Stock was increased from two billion shares without par value to three billion shares without par value and the issued shares were split on a two-for-one basis.

Since canceled treasury shares were returned to the status of authorized but unissued shares and used to partially accomplish the two-for-one stock split, the restated number of Common Stock shares issued (on a post-split basis) at December 31, 1996 is not meaningful.

The number of shares of Common Stock issued and outstanding as of December 31, 1996 and 1995, restated to reflect the two-for-one stock split, were 2,483,492,968 and 2,483,543,658, respectively. Earnings per share for the years ended December 31, 1996, 1995 and 1994, restated for the effect of the two-for-one stock split, are \$3.01, \$2.59, and \$2.04, respectively.

## 4. Litigation And Other Contingencies

A number of lawsuits, including class actions, were brought in various courts against Exxon Corporation and certain of its subsidiaries relating to the accidental release of crude oil from the tanker Exxon Valdez in 1989. Essentially all of these lawsuits have now been resolved or are subject to appeal.

On September 24, 1996, the United States District Court for the District of Alaska entered a judgment in the amount of \$5.058 billion in the Exxon

Valdez civil trial that began in May 1994. The District Court awarded approximately \$19.6 million in compensatory damages to fisher plaintiffs, \$38 million in prejudgment interest on the compensatory damages and \$5 billion in punitive damages to a class composed of all persons and entities who asserted claims for punitive damages from the corporation as a result of the Exxon Valdez grounding. The District Court also ordered that these awards shall bear interest from and after entry of the judgment. The District Court stayed execution on the judgment pending appeal based on a \$6.75 billion letter of credit posted by the corporation. Exxon has appealed the judgment. The corporation continues to believe that the punitive damages in this case are unwarranted and that the judgment should be set aside or substantially reduced by the appellate courts.

The ultimate cost to the corporation from the lawsuits arising from the Exxon Valdez grounding is not possible to predict and may not be resolved for a number of years.

German and Dutch affiliated companies are the concessionaires of a natural gas field subject to a treaty between the governments of Germany and the Netherlands under which the gas reserves in an undefined border or common area are to be shared equally. Entitlement to the reserves is determined by calculating the amount of gas which can be recovered from this area. Based on the final reserve determination, the German affiliate has received more gas than its entitlement. Arbitration proceedings, as provided in the agreements, have been underway to determine the manner of resolving the issues between the German and Dutch affiliated companies.

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#### EXXON CORPORATION

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On July 8, 1996, an interim ruling was issued establishing a provisional compensation payment for the excess gas received. Additional compensation, if any, remains subject to further arbitration proceedings or negotiation. Other substantive matters remain outstanding, including recovery of royalties paid on such excess gas and the taxes payable on the final compensation amount. The net financial impact on the corporation is not possible to predict at this time given these outstanding issues. However, the ultimate outcome is not expected to have a materially adverse effect upon the corporation's consolidated financial condition or operations.

The U.S. Tax Court has decided the issue with respect to the pricing of crude oil purchased from Saudi Arabia for the years 1979-1981 in favor of the corporation. This decision is subject to appeal. Certain other issues for the years 1979-1982 remain pending before the Tax Court. The ultimate resolution of these issues is not expected to have a materially adverse effect upon the corporation's operations or financial condition.

Claims for substantial amounts have been made against Exxon and certain of its consolidated subsidiaries in other pending lawsuits, the outcome of which is not expected to have a materially adverse effect upon the corporation's financial condition or operations.

The corporation and certain of its consolidated subsidiaries are directly and indirectly contingently liable for amounts similar to those at the prior year-end relating to guarantees for notes, loans and performance under contracts, including guarantees of non-U.S. excise taxes and customs duties of other companies, entered into as a normal business practice, under reciprocal arrangements.

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

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

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EXXON CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<TABLE>  
<CAPTION>  
FUNCTIONAL EARNINGS SUMMARY

|                                 | Third Quarter |         | First Nine Months |         |
|---------------------------------|---------------|---------|-------------------|---------|
|                                 | 1997          | 1996    | 1997              | 1996    |
|                                 | (millions of  |         | dollars)          |         |
| <S>                             | <C>           | <C>     | <C>               | <C>     |
| Petroleum and natural gas       |               |         |                   |         |
| Exploration and production      |               |         |                   |         |
| United States                   | \$ 326        | \$ 395  | \$1,215           | \$1,237 |
| Non-U.S.                        | 569           | 583     | 2,079             | 2,202   |
| Refining and marketing          |               |         |                   |         |
| United States                   | 182           | 58      | 401               | 140     |
| Non-U.S.                        | 345           | 168     | 1,024             | 492     |
|                                 | 1,422         | 1,204   | 4,719             | 4,071   |
| Total petroleum and natural gas |               |         |                   |         |
| Chemicals                       |               |         |                   |         |
| United States                   | 214           | 208     | 652               | 527     |
| Non-U.S.                        | 135           | 133     | 400               | 405     |
| Other operations                | 111           | 116     | 366               | 333     |
| Corporate and financing         | (62)          | (101)   | (177)             | (321)   |
| NET INCOME                      | \$1,820       | \$1,560 | \$5,960           | \$5,015 |

</TABLE>  
THIRD QUARTER 1997 COMPARED WITH THIRD QUARTER 1996

Exxon Corporation estimated third quarter 1997 net income of \$1,820 million, an increase of \$260 million or 17 percent from \$1,560 million in the third quarter 1996. On a per share basis, net income increased to \$0.74 in the third quarter of 1997 compared to \$0.62 in the prior year's quarter.

Exxon achieved record third quarter net income of \$1.82 billion, and earnings for the first nine months of nearly \$6 billion were the highest in Exxon's history. This year's third quarter results benefited from much improved downstream margins, as well as higher sales of petroleum products, chemicals and natural gas.

During the quarter, crude oil prices were on average about \$2.50 per barrel lower than last year. Natural gas sales were higher this year with increases in North America and the Far East, while liquids production was similar to last year's third quarter. Third quarter downstream earnings more than doubled from last year. Margins improved as industry refining profitability in the U.S. and Europe improved from last year's depressed levels. Petroleum product sales in the third quarter again achieved record levels, with increases from last year in nearly all major markets. Chemicals sales volumes continued strong, establishing a quarterly record. However, chemical product prices and industry margins weakened during the quarter. Copper prices were much improved this year relative to last year's third quarter decline, and both copper and coal production were higher.

During the quarter, Exxon continued its active investment program, spending nearly \$2.3 billion on capital and exploration projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

OTHER COMMENTS ON THIRD QUARTER COMPARISON

Exploration and production earnings were adversely impacted by lower crude prices which averaged about \$2.50 per barrel less than the prior year. U.S. gas prices were higher than last year and strengthened considerably at the end of the quarter, while European realizations were lower due to the stronger U.S. dollar in 1997.

Liquids production of 1,558 kbd (thousand barrels per day) compared to 1,570 kbd in the third quarter 1996. Production increases from Canadian heavy oil operations and new developments in the North Sea and Australia were offset by planned maintenance, property sales, and field declines. Gas production of 5,204 mcf (million cubic feet per day) was up 2 percent from 1996, due to higher North America and Asia Pacific sales.

Earnings from U.S. exploration and production were \$326 million compared with \$395 million last year. Outside the U.S., earnings from exploration and production were \$569 million, versus \$583 million in the third quarter 1996.

Downstream industry margins improved from the depressed levels of third quarter 1996. Refining margins in the U.S. and Europe improved. Worldwide marketing margins benefited from an improved retail environment in the U.K. Petroleum product sales of 5,410 kbd increased 4 percent from last year's third quarter. Sales volumes increased in North America and Asia Pacific. Refinery throughput increased 213 kbd relative to last year, principally reflecting lower scheduled maintenance.

In the U.S., third quarter refining and marketing earnings were \$182 million, up \$124 million from the prior year. Earnings from refining and marketing operations outside the U.S. were \$345 million, an increase of \$177 million from last year.

Chemical earnings were \$349 million, up \$8 million from the third quarter 1996. Record prime product sales of 4,433 kt (thousand metric tons) were up 13 percent from the prior year. Overall margins declined due in part to lower commodity chemicals prices.

Earnings from other operations, including coal, minerals and power, totaled \$111 million compared to \$116 million in the third quarter 1996. Copper realizations and production were higher in this year's third quarter, offset by lower coal earnings. Corporate and financing expenses of \$62 million compared to \$101 million in the third quarter of last year, reflecting lower tax and debt-related charges.

Revenue for the third quarter of 1997 totaled \$32,749 million compared to \$33,321 million in the third quarter 1996. Capital and exploration expenditures were \$2,274 million in the third quarter 1997 compared to \$2,320 million in last year's third quarter.

During the third quarter of 1997, Exxon purchased 11.1 million shares of its common stock for the treasury at a cost of \$698 million, reducing shares outstanding from 2,474.4 million at the end of this year's second quarter to 2,465.9 at the end of the third quarter. Purchases are made in open market and negotiated transactions and may be discontinued at any time.

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EXXON CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

FIRST NINE MONTHS 1997 COMPARED WITH FIRST NINE MONTHS 1996

Net income was \$5,960 million for the first nine months of 1997, an increase of 19 percent from the \$5,015 million earned in 1996. On a per share basis, net income was \$2.40 for the first nine months of 1997 compared to \$2.01 last year. Net income for the first nine months of 1996 included \$125 million in non-recurring credits. Excluding these credits, the increase in net income this year was \$1,070 million or 22 percent.

Exploration and production earnings declined slightly from last year. Liquids production of 1,590 kbd compared to 1,616 kbd last year. Increased Canadian heavy oil production and production from new developments, primarily in Norway and Australia, were more than offset by the near term effect of revised contractual arrangements in Malaysia, field declines, and property sales.



Natural gas production of 6,116 mcf was down 242 mcf from the first nine months of 1996, reflecting warmer European weather. Crude oil prices on average were about \$0.50 per barrel lower than last year, while natural gas prices were somewhat higher.

Earnings from U.S. exploration and production were \$1,215 million, down from \$1,237 million in 1996. Outside the U.S., exploration and production earnings were \$2,079 million, flat with the same period last year, after excluding non-recurring credits of \$125 million in the first quarter of 1996.

Downstream industry margins in the U.S. and Europe improved from last year's low levels. The retail environment in the U.K. also showed improvement. Petroleum product sales of 5,389 kbd increased 243 kbd over last year, with volume growth in all major geographic areas.

Earnings from U.S. refining and marketing operations were \$401 million, up \$261 million from the prior year. Refining and marketing operations outside the U.S. earned \$1,024 million in the first nine months of 1997, an increase of \$532 million from last year.

Chemicals earnings totaled \$1,052 million, an increase of \$120 million from the first nine months of 1996. Prime product sales grew 10 percent over 1996 to 12,923 kt. On average, industry commodity prices and margins were also improved from last year's levels although they were weaker in the third quarter.

Earnings from other operations totaled \$366 million, an increase of \$33 million from the first nine months of 1996. Copper and coal production and copper prices were higher. Corporate and financing expenses declined \$144 million to \$177 million, reflecting lower tax-related charges and lower debt costs.

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EXXON CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

FIRST NINE MONTHS 1997 COMPARED WITH FIRST NINE MONTHS 1996

Net cash generation before financing activities was \$6,814 million in the first nine months of 1997 versus \$5,515 million in the same period last year. Operating activities provided net cash of \$12,015 million, an increase of \$1,815 million from the prior year, influenced by higher net income and an insurance related settlement. Investing activities used net cash of \$5,201 million, or \$516 million more than a year ago, including a higher level of capital investment.

Net cash used in financing activities was \$4,955 million in the first nine months of 1997 versus \$4,097 million for the year-ago period. The increase of \$858 million reflects the purchase of additional shares of Exxon common stock. During the first nine months of 1997, a total of 31.3 million shares of Exxon common stock were acquired for the treasury at a cost of \$1,840 million. Purchases are made in both the open market and through negotiated transactions. Purchases may be discontinued at any time.

Capital and exploration expenditures of \$6,279 million in the first nine months of 1997 compared to \$6,612 in the same period last year. Total capital and exploration activity in 1997 should be at similar levels to 1996 as attractive investment opportunities continue to be developed in each of the major business segments.

Total debt of \$9.9 billion at September 30, 1997 compares to \$9.7 billion at year-end 1996. The corporation's debt to capital ratio was 17.8 percent at the end of the first nine months of 1997, similar to the 17.7 percent at year-end 1996.

Over the twelve months ended September 30, 1997, return on average shareholders' equity was 19.9 percent. Return on average capital employed, which includes debt, was 16.4 percent over the same time period.

Although the corporation issues long-term debt from time to time and maintains a revolving commercial paper program, internally generated funds cover the majority of its financial requirements.

Litigation and other contingencies are discussed in note 4 to the unaudited condensed consolidated financial statements. There are no events or uncertainties known to management beyond those already included in reported financial information that would indicate a material change in future operating results or future financial condition.

The corporation, as part of its ongoing asset management program, continues to evaluate its mix of assets for potential upgrade. Because of the ongoing nature of this program, dispositions will continue to be made from time to time which will result in either gains or losses.

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EXXON CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

SPECIAL ITEMS

|                          | Third Quarter         |      | First Nine Months |       |
|--------------------------|-----------------------|------|-------------------|-------|
|                          | 1997                  | 1996 | 1997              | 1996  |
|                          | (millions of dollars) |      |                   |       |
| EXPLORATION & PRODUCTION |                       |      |                   |       |
| Non-U.S.<br>Tax related  | -                     | -    | -                 | \$125 |
| TOTAL                    | -                     | -    | -                 | \$125 |
|                          | ====                  | ==== | ====              | ====  |

PART II. OTHER INFORMATION

EXXON CORPORATION

FOR THE QUARTER ENDED SEPTEMBER 30, 1997

Item 1. Legal Proceedings

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As reported in the registrant's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1995 and September 30, 1996, the United States Environmental Protection Agency has alleged violations of the Clean Air Act by Esso Virgin Islands, Inc. ("EVII"), a subsidiary of the registrant, involving failure to conduct performance testing on a timely basis and underestimations of daily throughput of gasoline in an emissions permit application. EVII has agreed to pay a civil penalty of \$294,200 to settle this matter.

Item 6. Exhibits and Reports on Form 8-K

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a) Exhibits

Exhibit 27, Financial Data Schedule (included only in the electronic filing of this document).

b) Reports on Form 8-K

The registrant has not filed any reports on Form 8-K during the quarter.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXXON CORPORATION

Date: November 12, 1997

/s/ Donald D. Humphreys

Donald D. Humphreys, Vice President, Controller  
and Principal Accounting Officer

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM EXXON'S CONDENSED CONSOLIDATED BALANCE SHEET AT SEPT. 30, 1997 AND EXXON'S CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THIRD QUARTER 1997, THAT ARE CONTAINED IN EXXON'S FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPT. 30, 1997. THE SCHEDULE IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<FN>  
<F1>Prior period primary earnings per share amounts have been restated for the two-for-one stock split effective March 14, 1997.  
</FN>

</TABLE>