

Remarks by Lee R. Raymond  
Chairman, Exxon Corporation  
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- Thank you, \_\_\_\_\_. It's a pleasure to be here and to have the opportunity to talk with you about Exxon's business.
- As you know, we had an excellent year in 1995, achieving record earnings of \$6.5 billion or \$5.18 per share — a 27 percent increase over the prior year.
- Those earnings reflected our strong operating performance — with profitable volume increases in all business segments, continued progress in improving productivity and the benefit of improved market conditions in many areas where we operate.
- I believe we are also seeing the benefits of our Operations Integrity Management System. It is helping to reduce risk and improve performance at all levels. To illustrate, since 1989, total significant operating incidents worldwide have declined by more than 50 percent.
- Looking at our business by segment, 1995 exploration and production earnings of \$3.4 billion improved by 23 percent, reflecting higher volumes and crude realizations.
- Refining and marketing earnings were lower due to very weak industry refining margins. Within this business, however, our fuel products marketing and lubricating oil businesses continued to perform well.
- Chemicals earnings reached a record \$2 billion, more than double 1994 results. Our coal, electric power and minerals segments also contributed higher profits.

- Overall, Exxon's return on capital employed in 1995 was nearly 14 percent, the highest level since 1988. Return on equity was about 17 percent, up from 14 percent in 1994. These returns have continued to lead the industry.
- Exxon's 1995 return to shareholders was one of the best in three decades. Total return exceeded 38 percent — higher than any of our major international competitors — benefiting in part from dividend payments that increased for the 13th consecutive year.
- Our strong performance has continued into 1996. In the first quarter we reported net income of \$1.9 billion, up 14 percent over last year's first quarter — the second highest first quarter in the company's history.
- Our excellent performance in 1995 and in the first quarter of 1996 was driven by many steps we've taken over a number of years to improve our business. It is no secret that over the past five years, we've had a very challenging industry environment. From 1991 through 1995, falling crude prices and downstream margins were a significant drag on earnings.
- To offset these negatives and strengthen our business, we've applied several key strategies over the long term. Let me briefly describe three of these.
- First, Exxon is committed to capturing attractive, high-quality investment opportunities. During the last five years, we've invested aggressively, with capital and exploration spending of more than \$42 billion.
- In doing so, the company has replaced more oil and gas reserves than it has produced over the last 10 years.
- And, we have an active and cost-effective exploration program. At year-end, our total discovered resource base stood at 39 billion oil-equivalent barrels, or nearly three times our proved reserves.

- In 1995, we had major projects under way to develop about 2 billion oil-equivalent barrels of reserves for production. Projects representing another 12 billion barrels are currently under consideration.
- In the downstream, we are focusing on markets where we have or can develop a competitive advantage in logistics and market position. Within these markets, we continue to increase the productivity of our refining, distribution and retail chains.
- We have continued to expand our retail offerings, including those in the high-growth markets of Southeast Asia and Eastern Europe. There, we have expanded our retail networks to more than 1,400 stores. As a result, retail sales have increased by some 30 percent over the last five years.
- We've been expanding our profitable chemicals business, investing more than \$1 billion in 1995, which included significant acquisitions and capacity additions at below grass-roots investment costs.
- A large share of the future growth in energy demand will be in the Asia-Pacific region, where Exxon has a large and long-standing presence which we are actively working and investing to expand.
- Another major strategy is investment in advanced technology. Our leadership in this area has allowed us to develop new products, lower project costs and capitalize on new opportunities.
- Advances continue throughout the organization — from exploration, where 3-D seismic analysis provides new insight for finding oil and gas, to chemicals, where patented Exxpol metallocene catalyst technology provides new horizons for plastic products.
- A third strategy, which you are very familiar with here, involves our continuous efforts to improve productivity. This is not simply an exercise in cutting costs, potentially at the expense of profitable opportunities.

- Instead, it is a way of maximizing the value added and capitalizing on the strength of all of Exxon's international resources — people, assets, raw materials and services — and doing so in the context of profitable growth and safe, reliable operations.
- It is an activity that, in our increasingly competitive environment, is absolutely essential and will always be with us.
- Our efforts in this area are paying off as well. Exxon's total 1995 operating costs were \$1.3 billion lower than in 1991, despite a significant increase in volumes, with unit operating costs down in each of our three major business segments.
- Similarly, we have been effective in identifying those assets that are no longer strategic to us, yet are worth considerably more to others. Disposal of such assets has on average generated more than \$1 billion of annual cash proceeds in the last five years.
- Of course, we could not effectively execute these strategies without our people. We are grateful to more than 80,000 talented and hard-working Exxon employees for helping us achieve the success we enjoy.
- To ensure our continued success, we need to stay focused on our business and all the issues that affect it, both internal and external.
- One such issue, and probably the most important external issue, is the theory of "global climate change." At this point, in spite of massive research programs and considerable debate, scientific evidence remains inconclusive as to whether human activities, including the burning of fossil fuels, are affecting global climate.
- But the lack of scientific support has not prevented activists from politicizing the issue and seeking to stir up all kinds of fears. They do so in an effort to force wrenching changes in our lifestyles and in the economies of the world's