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 March 31, 1999

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 office) | (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 March 31, 1999 |
|---|---|
| Common stock, without par value | 2,427,785,417 |

EXXON CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1999

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EXXON CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | Three Months Ended March 31, 1999 | 1998 |
|---|---|---|
| REVENUE | | |
| Sales and other operating revenue, including excise taxes | $26,341 | $29,332 |
| Earnings from equity interests and other revenue | 543 | 632 |
| Total revenue | 26,884 | 29,964 |
| COSTS AND OTHER DEDUCTIONS | | |
| Crude oil and product purchases | 10,206 | 12,100 |
| Operating expenses | 2,728 | 2,911 |
| Selling, general and administrative expenses | 2,314 | 2,004 |
| Depreciation and depletion | 1,528 | 1,344 |
| Exploration expenses, including dry holes | 130 | 184 |
| Interest expense | 94 | 32 |
| Excise taxes | 3,359 | 3,447 |
| Other taxes and duties | 5,589 | 5,167 |
| Income applicable to minority and preferred interests | (67) | 66 |
| Total costs and other deductions | 25,881 | 27,255 |
| INCOME BEFORE INCOME TAXES | 1,003 | 2,709 |
| Income tax charge/(credit) | (17) | 819 |
| INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 1,020 | 1,890 |
| Cumulative effect of accounting change | - | (70) |
| NET INCOME | $ 1,020 | $ 1,820 |
| NET INCOME PER COMMON SHARE (DOLLARS) | | |
| Before cumulative effect of accounting change | $ 0.42 | $ 0.77 |
| Cumulative effect of accounting change | - | (0.03) |
| Net Income | $ 0.42 | $ 0.74 |
| NET INCOME PER COMMON SHARE - ASSUMING DILUTION (DOLLARS) | | |
| Before cumulative effect of accounting change | $ 0.42 | $ 0.76 |
| Cumulative effect of accounting change | - | (0.03) |
| Net Income | $ 0.42 | $ 0.73 |
| Dividends per common share | $ 0.41 | $ 0.41 |

(/TABLE>

# EXXON CORPORATION
## CONDENSED CONSOLIDATED BALANCE SHEET
(millions of dollars)

| | March 31, 1999 | Dec. 31, 1998 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 1,385 | $ 1,441 |
| Other marketable securities | 20 | 20 |
| Notes and accounts receivable - net | 9,161 | 9,512 |
| Inventories | | |
| Crude oil, products and merchandise | 4,263 | 4,896 |
| Materials and supplies | 684 | 709 |
| Prepaid taxes and expenses | 1,196 | 1,015 |
| Total current assets | 16,709 | 17,593 |
| Property, plant and equipment - net | 64,415 | 65,199 |
| Investments and other assets | 9,607 | 9,838 |
| TOTAL ASSETS | $90,731 | $92,630 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and loans payable | $ 3,837 | $ 4,248 |
| Accounts payable and accrued liabilities | 13,670 | 13,825 |
| Income taxes payable | 1,365 | 1,339 |
| Total current liabilities | 18,872 | 19,412 |
| Long-term debt | 4,563 | 4,530 |
| Annuity reserves, deferred credits and other liabilities | 24,294 | 24,938 |
| TOTAL LIABILITIES | 47,729 | 48,880 |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock, without par value: | | |
| Authorized: 200 million shares | | |
| Outstanding: 1 million shares at Mar. 31, 1999 | 91 | |
| 2 million shares at Dec. 31, 1998 | | 105 |
| Guaranteed LESOP obligation | (125) | (125) |
| Common stock, without par value: | | |
| Authorized: 3,000 million shares | | |
| Issued: 2,984 million shares | 2,323 | 2,323 |
| Earnings reinvested | 54,598 | 54,575 |
| Accumulated other nowowner changes in equity | | |
| Cumulative foreign exchange translation adjustment | (1,316) | (641) |
| Minimum pension liability adjustment | (282) | (282) |
| Common stock held in treasury: | | |
| 556 million shares at Mar. 31, 1999 | (12,287) | |
| 556 million shares at Dec. 31, 1998 | | (12,205) |
| TOTAL SHAREHOLDERS' EQUITY | 43,002 | 43,750 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $90,731 | $92,630 |

The number of shares of common stock issued and outstanding at March 31, 1999 and December 31, 1998 were 2,427,785,417 and 2,427,787,109, respectively.

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

| | Three Months Ended March 31, 1999 | 1998 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 1,020 | $ 1,820 |
| Depreciation and depletion | 1,528 | 1,344 |
| Changes in operational working capital, excluding cash and debt | 746 | (44) |
| All other items - net | (542) | (105) |
| Net Cash Provided By Operating Activities | 2,752 | 3,015 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (1,836) | (1,679) |
| Sales of subsidiaries and property, plant and equipment | 204 | 125 |
| Other investing activities - net | 385 | 407 |
| Net Cash Used In Investing Activities | (1,247) | (1,147) |
| NET CASH GENERATION BEFORE FINANCING ACTIVITIES | 1,505 | 1,868 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Additions to long-term debt | 0 | 127 |
| Reductions in long-term debt | 0 | (69) |
| Additions/(reductions) in short-term debt - net | (406) | (263) |
| Cash dividends to Exxon shareholders | (998) | (1,009) |
| Cash dividends to minority interests | (21) | (22) |
| Changes in minority interests and sales/(purchases) of affiliate stock | (26) | (32) |
| Acquisitions of Exxon shares - net | (108) | (797) |
| Net Cash Used In Financing Activities | (1,559) | (2,065) |
| Effects Of Exchange Rate Changes On Cash | (2) | (10) |
| Increase/(Decrease) In Cash And Cash Equivalents | (56) | (207) |
| Cash And Cash Equivalents At Beginning Of Period | 1,441 | 4,047 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 1,385 | $ 3,840 |
| SUPPLEMENTAL DISCLOSURES | | |
| Income taxes paid | $ 347 | $ 565 |
| Cash interest paid | $ 60 | $ 270 |

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 Securities and Exchange Commission in the corporation's 1998 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 fourth quarter of 1998, Exxon de-consolidated the majority owned power companies in Hong Kong and China. These financial statements reflect the de-consolidation of these companies retroactive to January 1, 1998. These affiliates are now accounted for as equity companies in compliance with the Financial Accounting Standards Board Emerging Issues Task Force ruling on Issue No. 96-16 which requires equity company reporting for a majority owned affiliate when minority shareholders possess the right to participate in significant management decisions. Exxon's 1998 net income was not affected by the de-consolidation. The effect on Exxon's January 1, 1998 consolidated balance sheet related to the de-consolidation was a decrease in total assets of $3.6 billion, including $4.2 billion of net property, plant and equipment and a decrease in total liabilities of $3.6 billion, including $2.5 billion of short and long-term debt.

The American Institute of Certified Public Accountants' Statement of Position 98-5, "Reporting on the Costs of Start-up Activities", was implemented in the fourth quarter of 1998, effective as of January 1, 1998. This statement requires that costs of start-up activities and organizational costs be expensed as incurred. The cumulative effect of this accounting change on years prior to 1998 was a charge of $70 million (net of $70 million income tax effect), or $0.03 per common share, that was reflected in the first quarter of 1998. This new accounting requirement did not have a significant effect on 1998 income before the cumulative effect of the accounting change.

2. Recently Issued Statements of Financial Accounting Standards

In June 1998, the Financial Accounting Standards Board released Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities Information." This statement, which must be adopted beginning no later than 2000, establishes accounting and reporting standards for derivative instruments. The statement requires that an entity recognize all derivatives as either assets or liabilities in the financial statements and measure those instruments at fair value, and it defines the accounting for changes in the fair value of the derivatives depending on the intended use of the derivative. No decision has been made as to whether the corporation will adopt this standard before 2000. Adoption of this statement is not expected to have a material effect upon the corporation's operations or financial condition.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. 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. Exxon has also appealed the District Court's denial of its renewed motion for a new trial. The Ninth Circuit heard oral arguments on the appeals on May 3, 1999. 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.

On January 29, 1997, a settlement agreement was concluded resolving all remaining matters between Exxon and various insurers arising from the Valdez accident. Under terms of this settlement, Exxon received $480 million. Final income statement recognition of this settlement continues to be deferred in view of uncertainty regarding the ultimate cost to the corporation of the Valdez accident.

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.

In each of the years 1998, 1997 and 1996, $70 million in payments were made under the October 8, 1991 civil agreement and consent decree with the U.S. and Alaska governments. These payments were charged against the provision that was previously established to cover the costs of the settlement.

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.

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 operations or financial condition.

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 1979-1988 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 operations or financial condition.

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.

4. Nonowner Changes in Shareholders' Equity

The total nonowner changes in shareholders' equity for the three months ended March 31, 1999 and 1998 were $345 million and $1,791 million, respectively. Total nonowner changes in shareholders' equity include net income and the change in the cumulative foreign exchange translation adjustment and minimum pension liability adjustment components of shareholders' equity.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Earnings Per Share

| | Three Months Ended March 31, 1999 | 1998 |
|---|---|---|
| **NET INCOME PER COMMON SHARE** | | |
| Income before cumulative effect of accounting change (millions of dollars) | $1,020 | $1,890 |
| Less: Preferred stock dividends | (2) | (3) |
| Income available to common shares | $1,018 | $1,887 |
| Weighted average number of common shares outstanding (millions of shares) | 2,428 | 2,451 |
| Net income per common share | | |
| Before cumulative effect of accounting change | $ 0.42 | $ 0.77 |
| Cumulative effect of accounting change | - | (0.03) |
| Net income | $ 0.42 | $ 0.74 |
| **NET INCOME PER COMMON SHARE - ASSUMING DILUTION** | | |
| Income before cumulative effect of accounting change (millions of dollars) | $1,020 | $1,890 |
| Weighted average number of common shares outstanding (millions of shares) | 2,428 | 2,451 |
| Plus: Issued on assumed exercise of stock options | 24 | 26 |
| Plus: Assumed conversion of preferred stock | 3 | 6 |
| Weighted average number of common shares outstanding | 2,455 | 2,483 |
| Net income per common share | | |
| Before cumulative effect of accounting change | $ 0.42 | $ 0.76 |
| Cumulative effect of accounting change | - | (0.03) |
| Net income | $ 0.42 | $ 0.73 |

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Disclosures about Segments and Related Information

| | Three Months Ended March 31, 1999 | 1998 |
|---|---|---|
| | (millions of dollars) | |
| EARNINGS AFTER INCOME TAX | | |
| (Before the cumulative effectof accounting changes) | | |
| Exploration and Production | | |
| United States | $ 136 | $ 227 |
| Non-U.S. | 425 | 683 |
| Refining and Marketing | | |
| United States | (28) | 100 |
| Non-U.S. | 154 | 496 |
| Chemicals | | |
| United States | 158 | 232 |
| Non-U.S. | 147 | 142 |
| All Other | 28 | 10 |
| Corporate Total | $ 1,020 | $ 1,890 |
| SALES AND OTHER OPERATING REVENUE | | |
| Exploration and Production | | |
| United States | $ 482 | $ 596 |
| Non-U.S. | 1,696 | 2,295 |
| Refining and Marketing | | |
| United States | 3,450 | 4,144 |
| Non-U.S. | 18,309 | 19,275 |
| Chemicals | | |
| United States | 1,103 | 1,255 |
| Non-U.S. | 1,120 | 1,557 |
| All Other | 181 | 210 |
| Corporate Total | $26,341 | $29,332 |
| INTERSEGMENT REVENUE | | |
| Exploration and Production | | |
| United States | $ 549 | $ 673 |
| Non-U.S. | 674 | 619 |
| Refining and Marketing | | |
| United States | 223 | 352 |
| Non-U.S. | 443 | 545 |
| Chemicals | | |
| United States | 271 | 369 |
| Non-U.S. | 138 | 191 |
| All Other | 28 | 32 |

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7. Restructuring Charge

In the first quarter of 1999 the company recorded a $120 million after-tax charge for the restructuring of Japanese refining and marketing operations in its wholly owned Esso Sekiyu K.K. and 50.1 percent owned General Sekiyu K.K. affiliates. The restructuring resulted in the reduction of approximately 700 administrative, financial, logistics and marketing service employee positions during the quarter. The Japanese affiliates recorded a combined charge of $216 million (before tax) to selling, general and administrative expenses for the employee related costs. General Sekiyu also recorded a $211 million (before tax) charge to depreciation and depletion for the write-off of costs associated with the cancellation of a power plant project at the Kawasaki terminal.

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

FUNCTIONAL EARNINGS SUMMARY

| | First Quarter | |
|---|---|---|
| | 1999 | 1998 |
| | (millions of dollars) | |
| Petroleum and natural gas | | |
| Exploration and production | | |
| United States | $ 136 | $ 227 |
| Non-U.S. | 425 | 683 |
| Refining and marketing | | |
| United States | (28) | 100 |
| Non-U.S. | 154 | 496 |
| Total petroleum and natural gas | 687 | 1,506 |
| Chemicals | | |
| United States | 158 | 232 |
| Non-U.S. | 147 | 142 |
| Other operations | 97 | 89 |
| Corporate and financing | (69) | (79) |
| Earnings before accounting changes | $ 1,020 | $ 1,890 |
| Cumulative effect of accounting change | 0 | (70) |
| NET INCOME | $ 1,020 | $ 1,820 |

FIRST QUARTER 1999 COMPARED WITH FIRST QUARTER 1998

Exxon Corporation estimated first quarter 1999 net income of $1,020 million. Net income for the first quarter of 1999 included a $120 million charge for the restructuring of Japanese operations, while the prior year's quarter included a $70 million charge relating to an accounting change. Excluding non-recurring items, first quarter 1999 net income declined 40 percent to $1,140 million or $0.47 per share, compared to $1,890 million or $0.76 per share last year.

Exxon's first quarter net income was $1.0 billion. After excluding non-recurring charges in both years, earnings were down $750 million or 40 percent. The decline was driven by continued weakness in crude oil prices which on average were about $2.75 per barrel or 20 percent lower than last year's first quarter. Earnings were also adversely affected by lower natural gas prices, weaker downstream and chemicals margins, and depressed copper and coal prices.

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Crude oil prices continued to run at near 20-year lows for most of the quarter, reflecting the worldwide surplus in crude oil supplies. Liquids production was down versus the prior year reflecting natural field declines in some producing areas and steps to curtail marginal volumes in the recent low price environment. The first quarter production levels are consistent with the company's plan for increased liquids volumes in 1999. Higher gas volumes and reductions in exploration and production expenses partly offset the effects of lower crude and gas prices and liquids volumes. In the downstream, refining margins and marketing margins were significantly weaker in most geographic areas. Partly offsetting the lower margins were higher petroleum product sales, which achieved the highest first quarter level since 1979. Chemicals earnings declined 18 percent from last year as a result of lower margins. Worldwide commodity prices continued at depressed levels due to excess industry capacity and the slowdown in Asian economies. Earnings from other operations increased as lower copper and coal prices were offset by higher production volumes and reduced operating expenses.

OTHER COMMENTS ON FIRST QUARTER COMPARISON

Exploration and production earnings were adversely impacted by lower industry crude prices which averaged about $2.75 per barrel less than last year. Average U.S. natural gas prices were down 19 percent and European gas prices were down 19 percent versus the first quarter of 1998.

Liquids production decreased to 1,564 kbd (thousand barrels per day) compared to 1,624 kbd in the first quarter 1998, primarily due to natural field declines and steps to curtail marginal volumes in the current low price environment. Partly offsetting this was production from new developments in the U.K. North Sea and Azerbaijan.  Natural gas production of 7,533 mcfd (million cubic feet per day) was up 324 mcfd from 1998 due to colder European weather.

Earnings from U.S. exploration and production were $136 million compared with $227 million last year.  Outside the U.S., earnings from exploration and production were $425 million, versus $683 million in the first quarter of 1998.

Petroleum product sales of 5,490 kbd increased 2 percent from last year's first quarter reflecting improvements in all geographic areas. Refining margins and marketing margins were much weaker in most markets. Total downstream results were also adversely affected by higher scheduled refinery maintenance in the U.S. and Europe.

In the U.S., refining and marketing results were a loss of $28 million, down $128 million from the prior year. Earnings from refining and marketing operations outside the U.S. were $274 million after excluding the Japanese restructuring charge, compared with $496 million in the first quarter of 1998.

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Chemicals earnings were $305 million compared with $374 million in the first quarter of last year. Prime product sales of 4,377 kt (thousand metric tons) were 3 percent higher than the same period last year primarily reflecting stronger demand in Europe. Margins were lower as commodity chemical prices continued at depressed levels and were only partly offset by lower feedstock costs.

Earnings from other operations totaled $97 million, up from $89 million in the first quarter of 1998 as higher copper and coal production volumes and lower operating expenses more than offset the impact of lower copper and coal prices.

Corporate and financing expenses totaled $69 million compared with $79 million in the first quarter of last year. During the quarter, the company's operating segments continued to benefit from lower income tax expense. First quarter 1999 income tax expense was a credit of $17 million compared to a charge of $819 million in last year's first quarter. This lower income tax expense reflects pre-tax income that was down significantly from last year and the impact of lower foreign tax rates, favorable resolution of tax related issues, foreign exchange impacts on tax liabilities and investment related tax credits.

Net cash generation before financing activities was $1,505 million in the first three months of 1999 versus $1,868 million in the same period last year. Operating activities provided net cash of $2,752 million, a decrease of $263 million from the prior year, influenced by lower net income. Investing activities used net cash of $1,247 million, $100 million more than a year ago, reflecting a higher level of capital investment.

Net cash used in financing activities was $1,559 million in the first quarter of 1999 versus $2,065 million in the same quarter last year, the decrease due to lower purchases of shares of Exxon common stock. During the first quarter of 1999, Exxon purchased 2.4 million shares of Exxon common stock for the treasury at a cost of $170 million, representing a continuation of purchases to offset shares issued in conjunction with the company's benefit plans and programs. Purchases are made in open market and negotiated transactions. As a consequence of the proposed merger of Exxon and Mobil, the repurchase program to reduce the number of Exxon shares outstanding was discontinued in December 1998.

Revenue for the first quarter of 1999 totaled $26,884 million compared to $29,964 million in the first quarter 1998.

Capital and exploration expenditures were $2,104 million in the first quarter 1999 compared to $2,023 million in last year's first quarter.

Total debt of $8.4 billion at March 31, 1999 decreased $0.4 billion from year-end 1998. The corporation's debt to total capital ratio was 15.8 percent at the end of the first quarter of 1999, compared to 16.2 percent at year-end 1998.

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Over the twelve months ended March 31, 1999, return on average shareholders' equity was 12.9 percent. Return on average capital employed, which includes debt, was 10.9 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 3 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.

YEAR 2000 ISSUE

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define a specific year. Absent corrective actions, a computer program that has date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruptions to various activities and operations.

The corporation initiated assessments in prior years to identify the work efforts required to assure that systems supporting the business successfully operate beyond the turn of the century. The scope of this work effort encompasses business information systems, infrastructure, and technical and field systems, including systems utilizing embedded technology, such as microcontrollers. The program places particular emphasis on mission critical systems, defined as those which could have a significant safety, environmental or financial impact, should Year 2000 issues arise.

Plans for achieving Year 2000 compliance were finalized during 1997, and implementation work was underway at year-end 1997. The initial phases of this work, an inventory and assessment of potential problem areas, have been essentially completed. Modification and testing phases continue, with over 90 percent of required system modifications to mission critical systems completed. Some work is continuing into 1999, including final testing of some systems and scheduled implementation of new systems with Year 2000 impacts. Attention has also been focused on compliance attainment efforts of vendors and others, including key system interfaces with customers and suppliers. Most key suppliers and business partners have been contacted for clarification of their Year 2000 plans and approximately three-fourths have confirmed that compliance plans are in place. Follow-up discussions are being held with key suppliers when necessary to gain satisfaction on their state of readiness. These reviews will continue through 1999. Testing of critical third party products and services is underway, including such areas as process control systems, credit card processing, banking transactions and telecommunications.

Notwithstanding the substantive work efforts described above, the corporation could potentially experience disruptions to some mission critical operations or deliveries to customers as a result of Year 2000 issues, particularly in the first few weeks of the year 2000. Such disruptions could include impacts from potentially non-compliant systems utilized by suppliers, customers, government entities or others. Given the diverse nature of Exxon's operations, the varying state of readiness of different countries and suppliers, and the interdependence of Year 2000 impacts, the potential financial impact or liability associated with such disruptions cannot be reasonably estimated.

Exxon operating sites around the world, including those in developing countries, are working with key suppliers in their respective countries to address Year 2000 issues. In addition, Year 2000 Business Contingency Guidelines are being used by all operating organizations and affiliates, and include specific reference to areas such as transportation, telecommunications and utility services. Existing site contingency plans are being updated in order to attempt to mitigate the extent of potential disruption to business operations. This work is targeted to be essentially complete by mid-1999.

Through March 31, 1999, about $190 million of costs had been incurred in the corporation's efforts to achieve Year 2000 compliant systems. The total cost to the corporation of achieving Year 2000 compliant systems is currently estimated to be $225 to $250 million, primarily over the 1997-1999 timeframe, and is not expected to be a material incremental cost impacting Exxon's operations, financial condition or liquidity.

FORWARD-LOOKING STATEMENTS

Statements in this report regarding future events or conditions are forward-looking statements. Actual results, including projections of liquids production levels and the impact of the Year 2000 Issue, could differ materially due to, among other things, factors discussed in this report and in Item 1 of the corporation's most recent Annual Report on Form 10-K.

EXXON CORPORATION

SPECIAL ITEMS

| | First Quarter | |
|---|---|---|
| | 1999 | 1998 |
| | (millions of dollars) | |
| REFINING & MARKETING | | |
| Non-U.S. | | |
| Restructuring | $(120) | $ 0 |
| TOTAL INCLUDED IN EARNINGS BEFORE ACCOUNTING CHANGES | (120) | 0 |
| CUMULATIVE EFFECT OF ACCOUNTING CHANGES | 0 | (70) |
| TOTAL INCLUDED IN NET INCOME | $(120) | $ (70) |

EXXON CORPORATION

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about market risks for the three months ended March 31, 1999 does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for 1998.

## PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As reported in the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 and the registrant's Annual Report on Form 10-K for the year ended December 31, 1997, the Department of Justice, acting on behalf of the Environmental Protection Agency, filed suit against the registrant's Exxon Company, U.S.A. division in the U.S. District Court for the Southern District of Texas. The suit alleged violations of the Clean Air Act at the registrant's Baytown refinery relating to, among other things, refinery flares. As reported in the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, the registrant agreed to pay a civil penalty of $250,000 to settle this matter. This penalty was paid in December 1998 and an Order of Dismissal was entered by the court on January 19, 1999.

On December 30, 1998, the District Attorney of Solano County, California filed eight related suits against the registrant in the Superior Court of the State of California, County of Solano. These suits allege that gasoline and/or diesel fuel has been discharged from underground storage tanks located at eight service stations into the drinking water of the State of California. The State has not proposed a specific penalty, but has requested in its suit that the registrant pay a civil penalty up to $2,500 per day for each violation.

Refer to the relevant portions of Note 3 on pages 7 through 8 of this Quarterly Report on Form 10-Q for further information on legal proceedings.

Item 6. Exhibits and Reports on Form 8-K

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.

EXXON CORPORATION

SIGNATURE

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: May 13, 1999

/s/ DONALD D. HUMPHREYS

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

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM EXXON'S CONDENSED CONSOLIDATED BALANCE SHEET AT 3/31/99 AND EXXON'S CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED 3/31/99, THAT ARE CONTAINED IN EXXON'S FORM 10-Q FOR THE QUARTERLY PERIOD ENDED 3/31/99. THE SCHEDULE IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

3-MOS
DEC-31-1999
MAR-31-1999
1,385
20
6,441
98
4,947
16,709
127,667
63,252
90,731
18,872
4,563
0
91
2,323
40,588
90,731
26,341
26,884
10,206
10,206
4,386
0
94
1,003
(17)
1,020
0
0
0
1,020
0.42
0.42