Exxon Earnings Rise as Chemicals Profits Surge

JONATHAN FAHEY, AP Energy Writer

NEW YORK (AP) — Exxon Mobil Corp. said earnings rose slightly in the first quarter as profits from chemicals production surged enough to offset declining production of oil and gas. Lower taxes also helped.

The Irving, Texas, company reported Thursday that net income totaled $9.5 billion in the quarter, or $2.12 per share, on revenue of $108.8 billion. During last year's quarter, Exxon earned $9.45 billion, or $2 per share, on revenue of $124.1 billion.

Analysts expected Exxon to earn $2.05 per share, on average.

Exxon's chemicals and U.S. refining operations took advantage of the same low prices that dented revenue and profitability in its oil and gas production operations.

Prices of oil and natural gas in the U.S. have been lower in the U.S. in recent months than prices abroad. That has reduced Exxon's earnings from U.S. oil and gas production, and forced the company to cut back natural gas production.

But those low prices meant lower raw material costs for the company's U.S. refineries and chemicals operations, which consume enormous amounts of natural gas. Exxon was then able to sell those cheaply-produced chemicals and fuels around the world at enormous profit.

"It's just a huge cost advantage," said Brian Youngberg, an energy analyst at Edward Jones, of the low domestic natural gas prices.

Profit at Exxon's global chemicals operation grew 62 percent in the quarter, to $639 million. U.S. refining profit grew 72 percent to $1 billion.

Exxon's results were also helped by a sharp decline in corporate and financing expenses, which Exxon attributed to "favorable tax impacts."

The company's per share earnings grew faster than net income because the company has been aggressively buying back shares from investors.

Exxon, the nation's largest oil and gas company and the world's most valuable company by market capitalization, produced 3.5 percent less oil and gas in the quarter, an acceleration of a long-term trend in declining production at the company that worries investors. Oil production slipped as its oil fields experienced natural declines from peak production. Natural gas output in the U.S. was cut back in the face of low prices.

"This company has been very growth-challenged for some time," Youngberg said. "If they can get to the point they could keep (production) flat investors would look very

positively at that."

Exxon shares slipped 63 cents, or 0.7 percent, to $88.80 in trading before the market opened Thursday.

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