



**HESS CORPORATION**

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**Supplemental Earnings Information**

***Fourth Quarter 2006***

# Reported Net Income, Items Affecting Comparability & Adjusted Earnings by Operating Activity



Income/(Expense)	Fourth Quarter 2006	Fourth Quarter 2005	Third Quarter 2006
<b><u>Net Income (U.S. GAAP)</u></b>			
Exploration and Production	\$ 350	\$ 298	\$ 206
Marketing and Refining	67	229	153
Corporate	(27)	(41)	(31)
Interest	(31)	(34)	(31)
<b>Total Net Income</b>	<b>\$ 359</b>	<b>\$ 452</b>	<b>\$ 297</b>
<b><u>Items Affecting Comparability</u></b>			
Exploration and Production	\$ --	\$ 18	\$ (105)
Marketing and Refining	--	17	--
Corporate	--	(19)	--
<b>Total Items Affecting Comparability</b>	<b>\$ --</b>	<b>\$ 16</b>	<b>\$ (105)</b>
<b><u>Adjusted Earnings*</u></b>			
Exploration and Production	\$ 350	\$ 280	\$ 311
Marketing and Refining	67	212	153
Corporate	(27)	(22)	(31)
Interest	(31)	(34)	(31)
<b>Total Adjusted Earnings</b>	<b>\$ 359</b>	<b>\$ 436</b>	<b>\$ 402</b>

\* "Adjusted Earnings," which are presented throughout this supplemental earnings information, is defined as reported net income excluding discontinued operations, cumulative effect of changes in accounting principles, and items identified as affecting comparability of earnings between periods. We believe that investors' understanding of our performance is enhanced by disclosing this measure. This measure is not, and should not be viewed as, a substitute for U.S. GAAP net income.

# Items Affecting Comparability Between Periods



(Amounts are after income taxes)

## 4Q 2006

- None reported.

## 4Q 2005

- **Exploration & Production** – Earnings in the fourth quarter include a gain of \$30 million related to the sale of several non-producing properties in the United Kingdom and hurricane related costs of \$12 million.
- **Marketing and Refining** – Results include income of \$25 million from the liquidation of prior year LIFO inventories and a charge of \$8 million resulting from the bankruptcy of a customer in the utility industry.
- **Corporate** – Expenses include a premium of \$19 million on bond repurchases.

## 3Q 2006

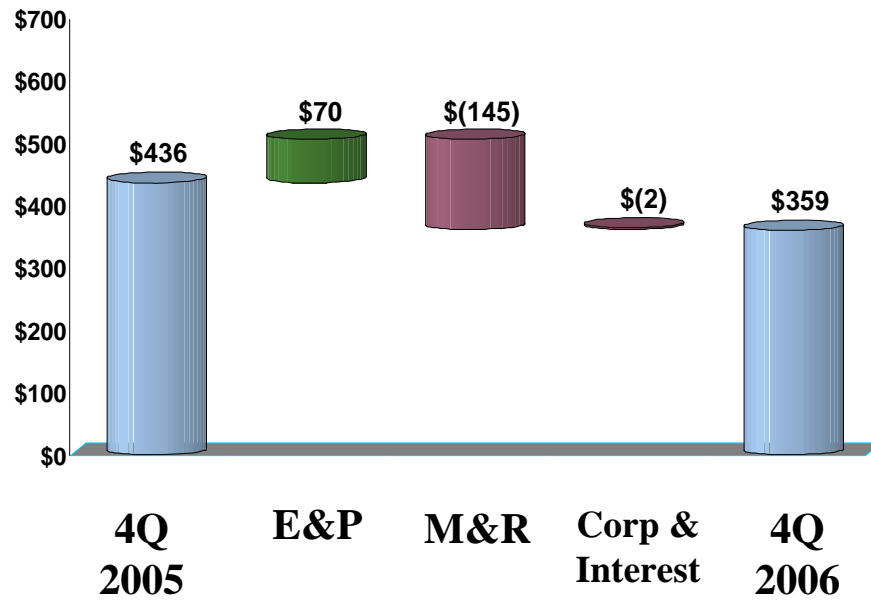
- **Exploration and Production** – In the third quarter of 2006 the United Kingdom (U.K.) increased the supplementary tax on petroleum operations from 10% to 20%, with an effective date of January 1, 2006. As a result, the Corporation recorded a charge of \$105 million consisting of an incremental income tax of \$60 million on operating earnings for the first half of 2006 and \$45 million to adjust the U.K. deferred tax liability.

# Consolidated Adjusted Earnings

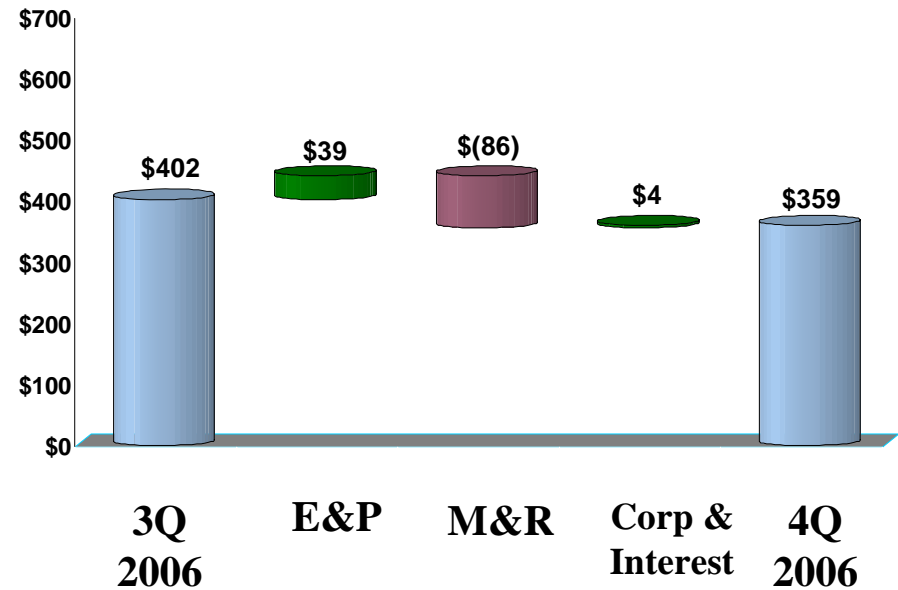


\$ Millions

4Q 2006 vs. 4Q 2005



4Q 2006 vs. 3Q 2006



# Analysis of Consolidated Adjusted Earnings

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## 4Q 2006 vs. 4Q 2005

- **Exploration and Production** – The increase in earnings reflects higher realized crude oil selling prices primarily due to reduced crude oil hedge positions in 2006 and higher volumes partially offset by higher operating costs and income taxes.
- **Marketing and Refining** – The decrease in earnings is primarily due to lower margins.

## 4Q 2006 vs. 3Q 2006

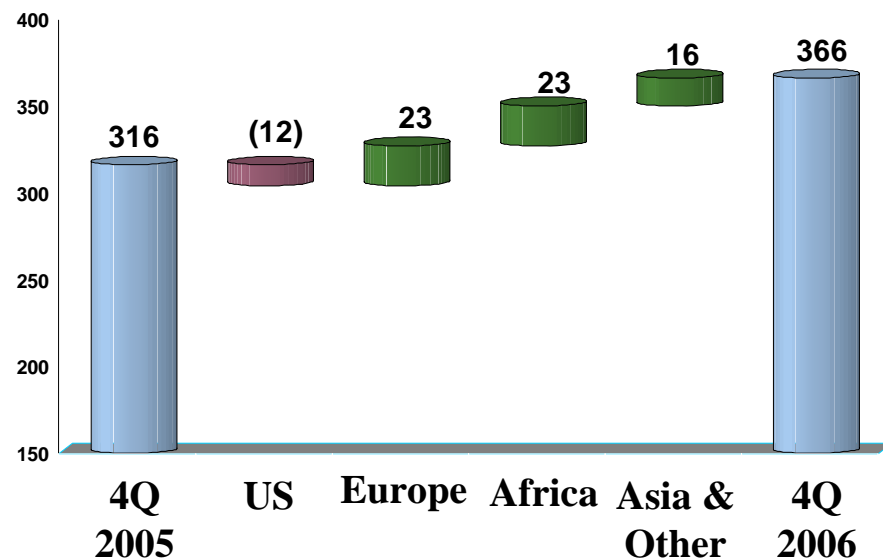
- **Exploration and Production** – The increase in earnings principally reflects higher volumes and lower exploration costs partially offset by lower realized crude oil selling prices and higher operating expenses.
- **Marketing and Refining** – The decrease in earnings is principally due to lower margins and less favorable trading results.



# Worldwide Oil & Gas Production

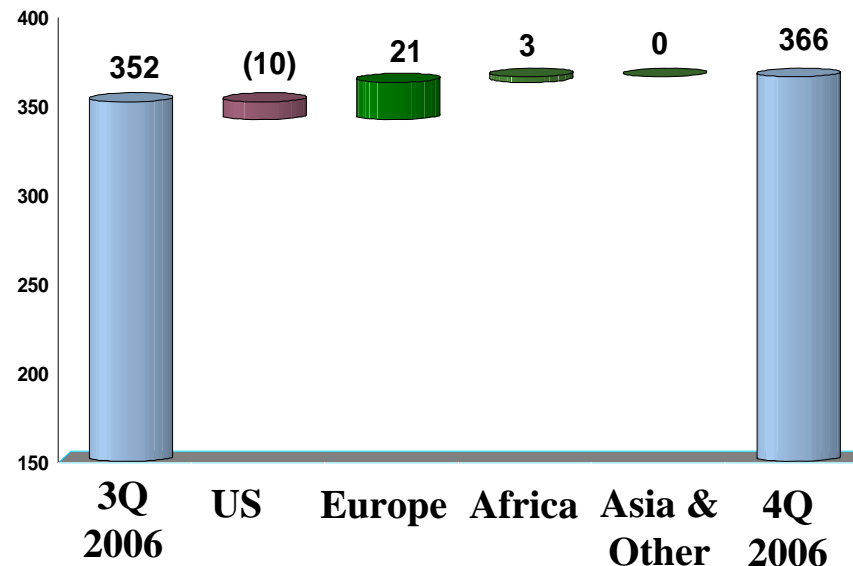
(MBOEPD)

4Q 2006 vs. 4Q 2005



	<u>4Q 2005</u>	<u>4Q 2006</u>	<u>Inc/(Dec)</u>
United States	65	53	(12)
Europe	151	174	23
Africa	66	89	23
Asia & Other	<u>34</u>	<u>50</u>	<u>16</u>
<b>Total</b>	<b><u>316</u></b>	<b><u>366</u></b>	<b><u>50</u></b>

4Q 2006 vs. 3Q 2006

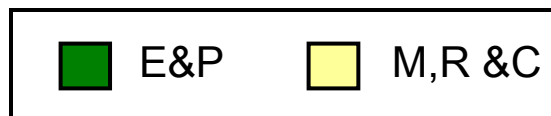
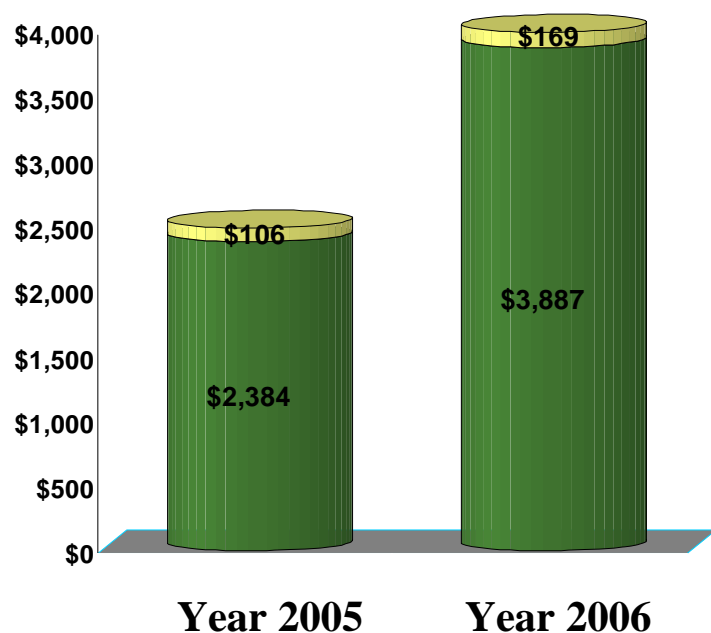


	<u>3Q 2006</u>	<u>4Q 2006</u>	<u>Inc/(Dec)</u>
United States	63	53	(10)
Europe	153	174	21
Africa	86	89	3
Asia & Other	<u>50</u>	<u>50</u>	<u>-</u>
<b>Total</b>	<b><u>352</u></b>	<b><u>366</u></b>	<b><u>14</u></b>



# Capital & Exploratory Expenditures

\$ Millions



	<u>Year 2005</u>	<u>Year 2006*</u>	<u>Full Year Forecast 2007**</u>
<b>Exploration &amp; Production</b>			
U.S.	\$ 353	\$ 908	\$ 1,700
International	<u>2,031</u>	<u>2,979</u>	<u>2,200</u>
<b>Total E&amp;P</b>	2,384	3,887	3,900
<b>Marketing, Refining &amp; Corporate</b>			
	<u>106</u>	<u>169</u>	<u>100</u>
<b>Total</b>	<u>\$ 2,490</u>	<u>\$ 4,056</u>	<u>\$ 4,000</u>

\* Total 2006 capital & exploratory expenditures include \$775 million for the acquisition of an interest in the West Mediterranean Block 1 in Egypt and the re-entry into the Waha Concessions in Libya.

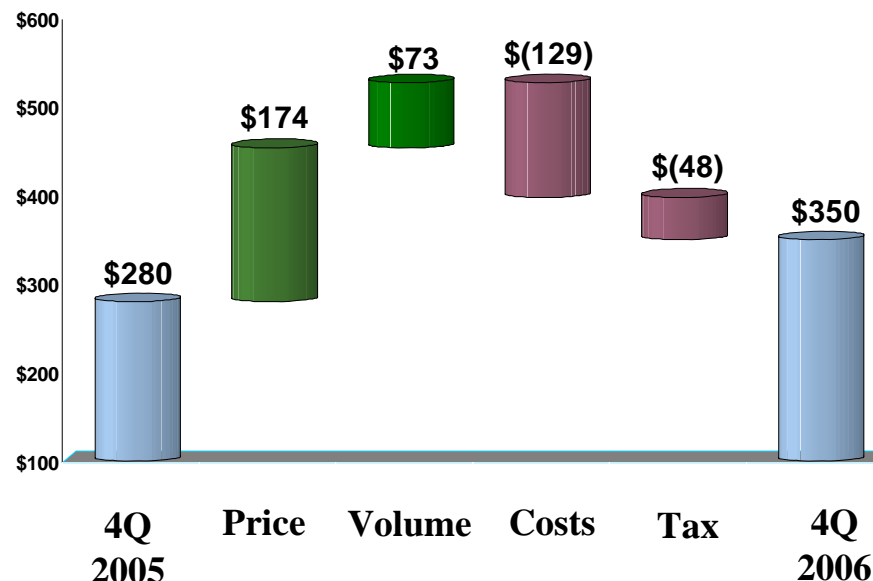
\*\* The 2007 forecast includes the acquisition of an interest in the Genghis Khan development in the deepwater Gulf of Mexico.



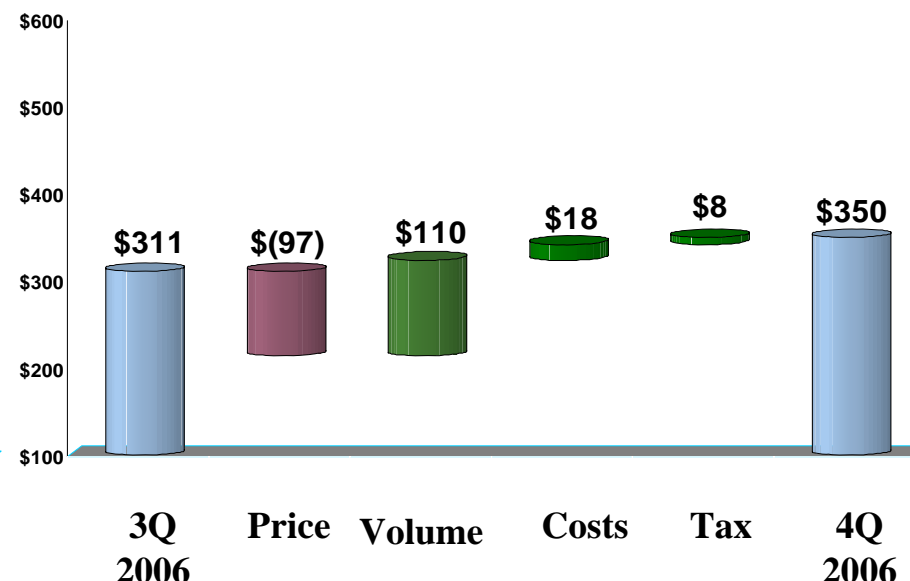
# Exploration and Production Adjusted Earnings

\$ Millions

4Q 2006 vs. 4Q 2005



4Q 2006 vs. 3Q 2006



	<u>4Q 2005</u>	<u>4Q 2006</u>	<u>Inc/(Dec)</u>
United States	\$ 97	\$ 21	\$ (76)
International	<u>183</u>	<u>329</u>	<u>146</u>
<b>Total</b>	<b>\$ 280</b>	<b>\$ 350</b>	<b>\$ 70</b>

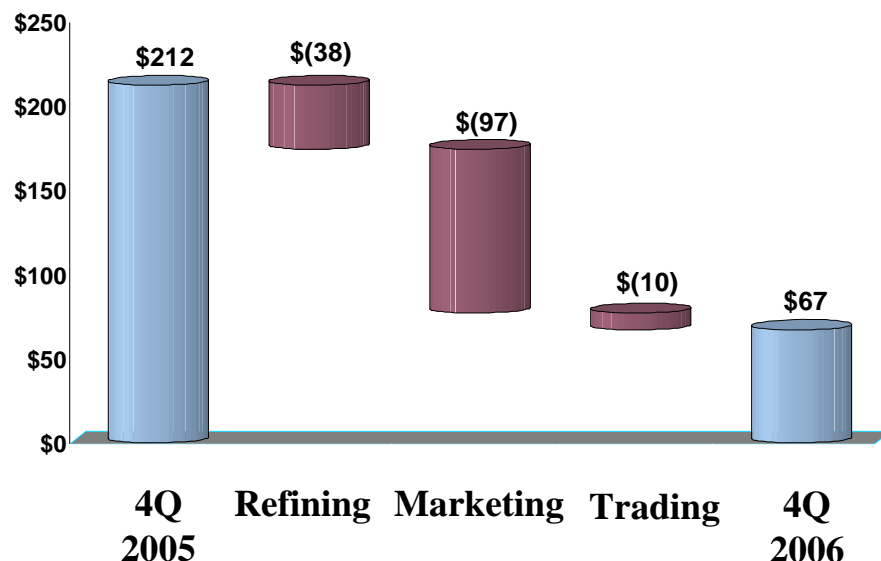
	<u>3Q 2006</u>	<u>4Q 2006</u>	<u>Inc/(Dec)</u>
United States	\$ 33	\$ 21	\$ (12)
International	<u>278</u>	<u>329</u>	<u>51</u>
<b>Total</b>	<b>\$ 311</b>	<b>\$ 350</b>	<b>\$ 39</b>



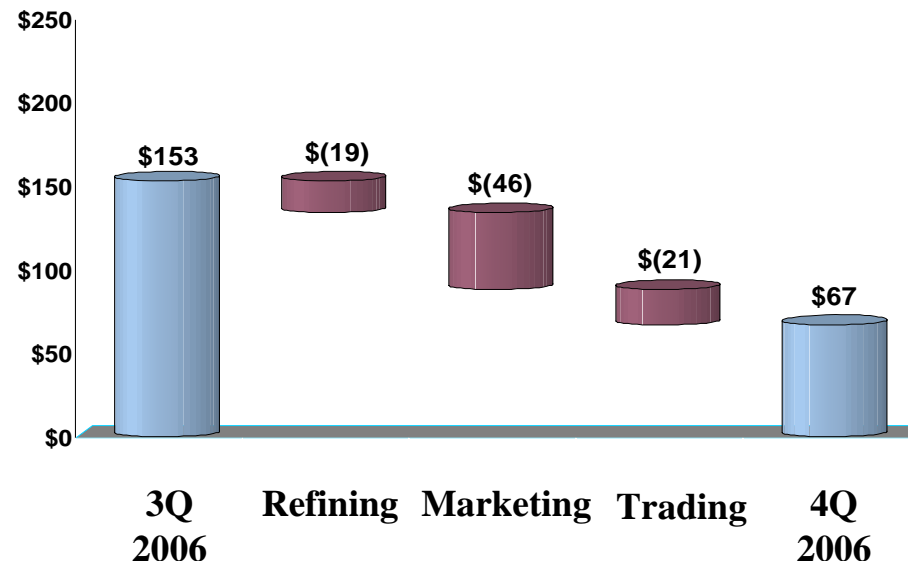
# Marketing and Refining Adjusted Earnings

\$ Millions

**4Q 2006 vs. 4Q 2005**



**4Q 2006 vs. 3Q 2006**



	<u>4Q 2005</u>	<u>4Q 2006</u>	<u>Inc/(Dec)</u>
Refining	\$ 83	\$ 45	\$ (38)
Marketing	114	17	(97)
Trading	<u>15</u>	<u>5</u>	<u>(10)</u>
Total	<u>\$ 212</u>	<u>\$ 67</u>	<u>\$ (145)</u>

	<u>3Q 2006</u>	<u>4Q 2006</u>	<u>Inc/(Dec)</u>
Refining	\$ 64	\$ 45	\$ (19)
Marketing	63	17	(46)
Trading	<u>26</u>	<u>5</u>	<u>(21)</u>
Total	<u>\$ 153</u>	<u>\$ 67</u>	<u>\$ (86)</u>