

# U.S.-Russian Corporate Partnerships in Russia and Abroad – Quid Pro Quo



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*June, 2003*

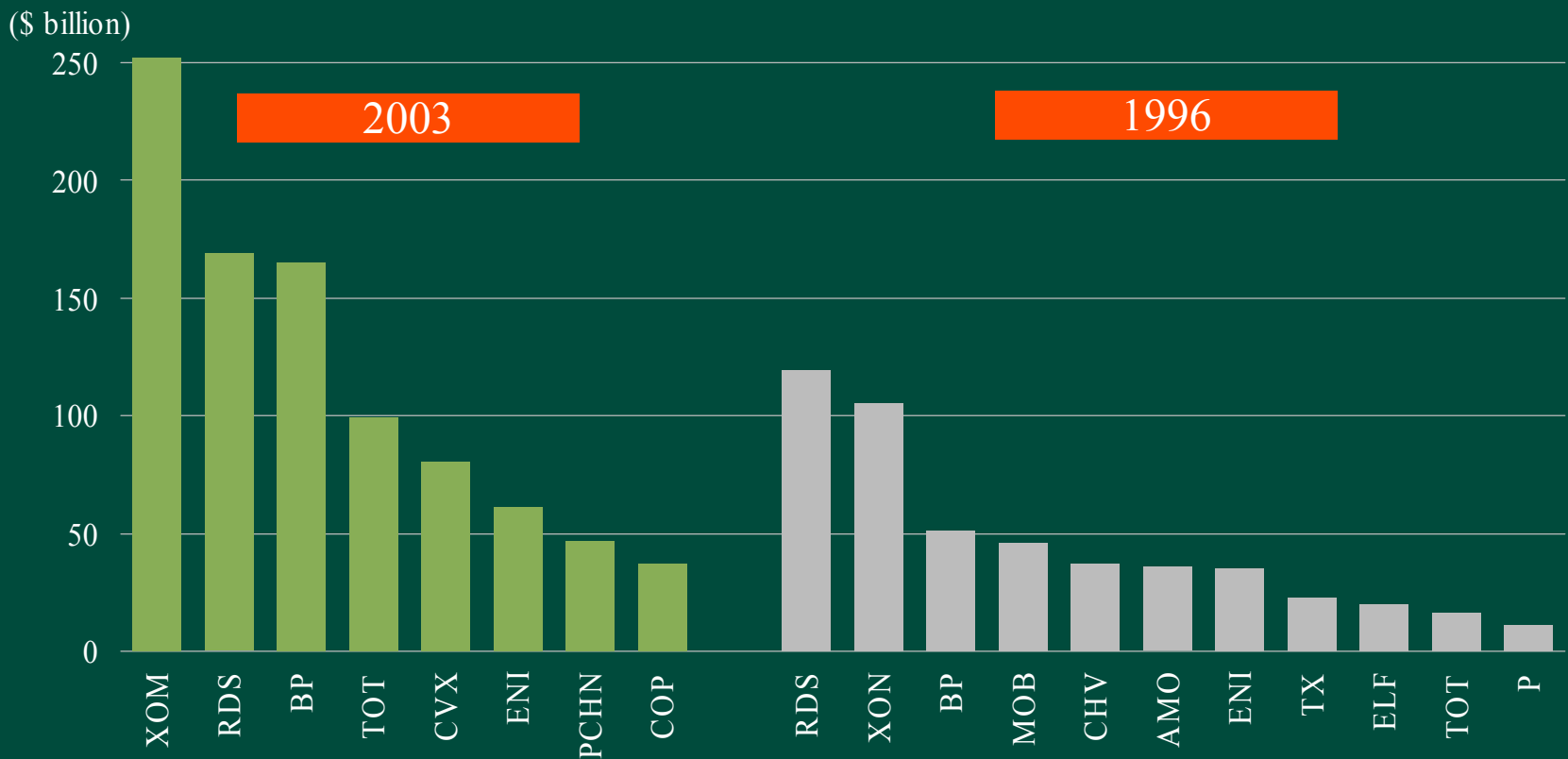
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# Global Consolidation

The Era of the SuperMajor has Arrived with a Dramatic Increase in Size Since 1996

Market Capitalisation



# Russian Consolidation

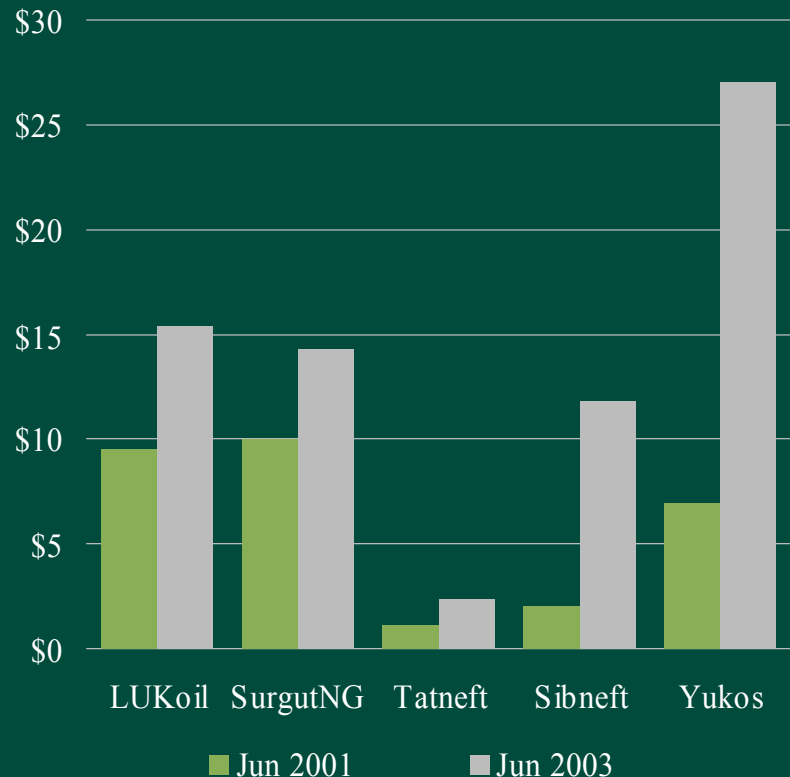
## The Emergence of Russian Majors of Global Scale and Significant Capital Gains

Domestic Consolidation Largely Complete?



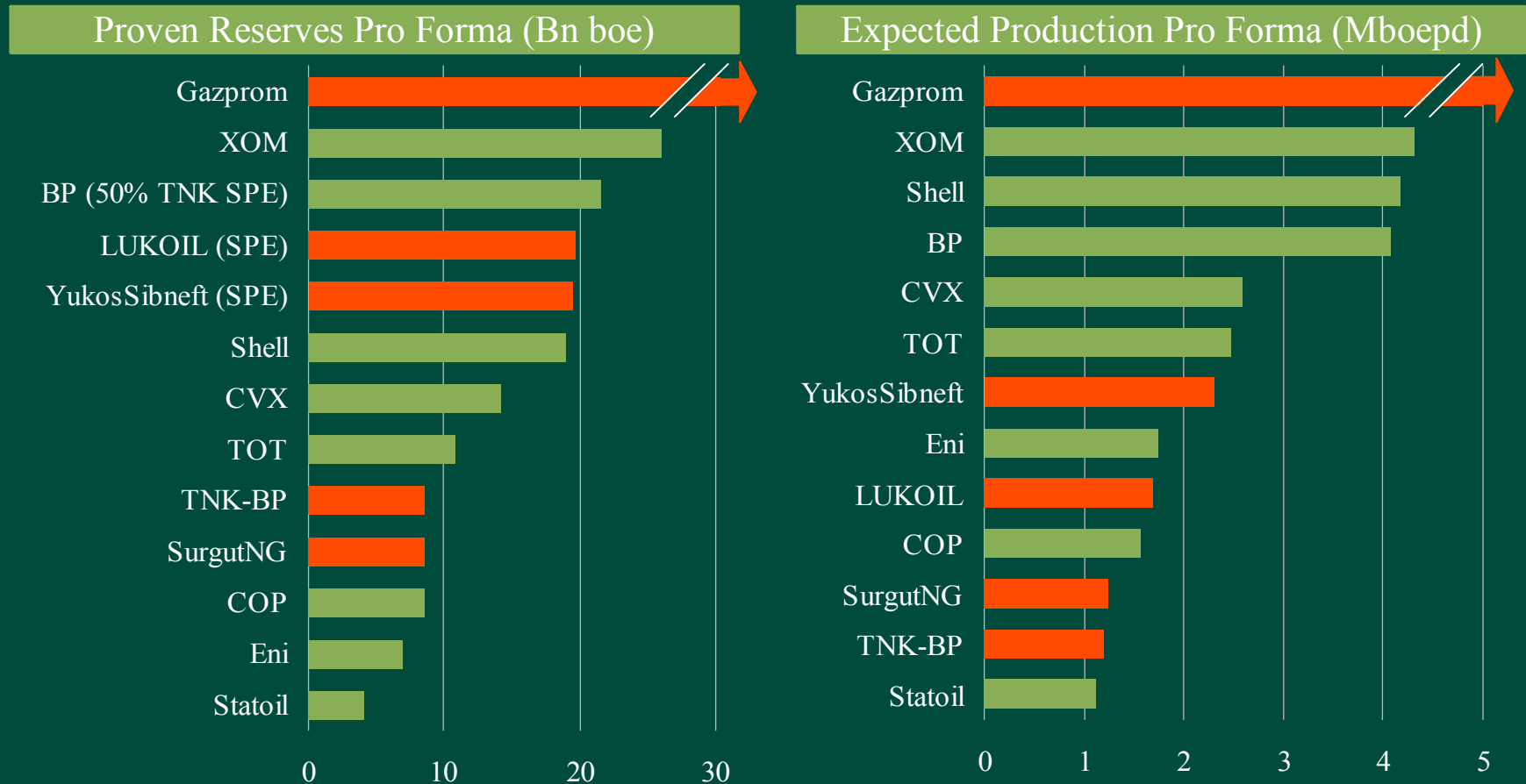
Market Capitalisation

(\$ billion)



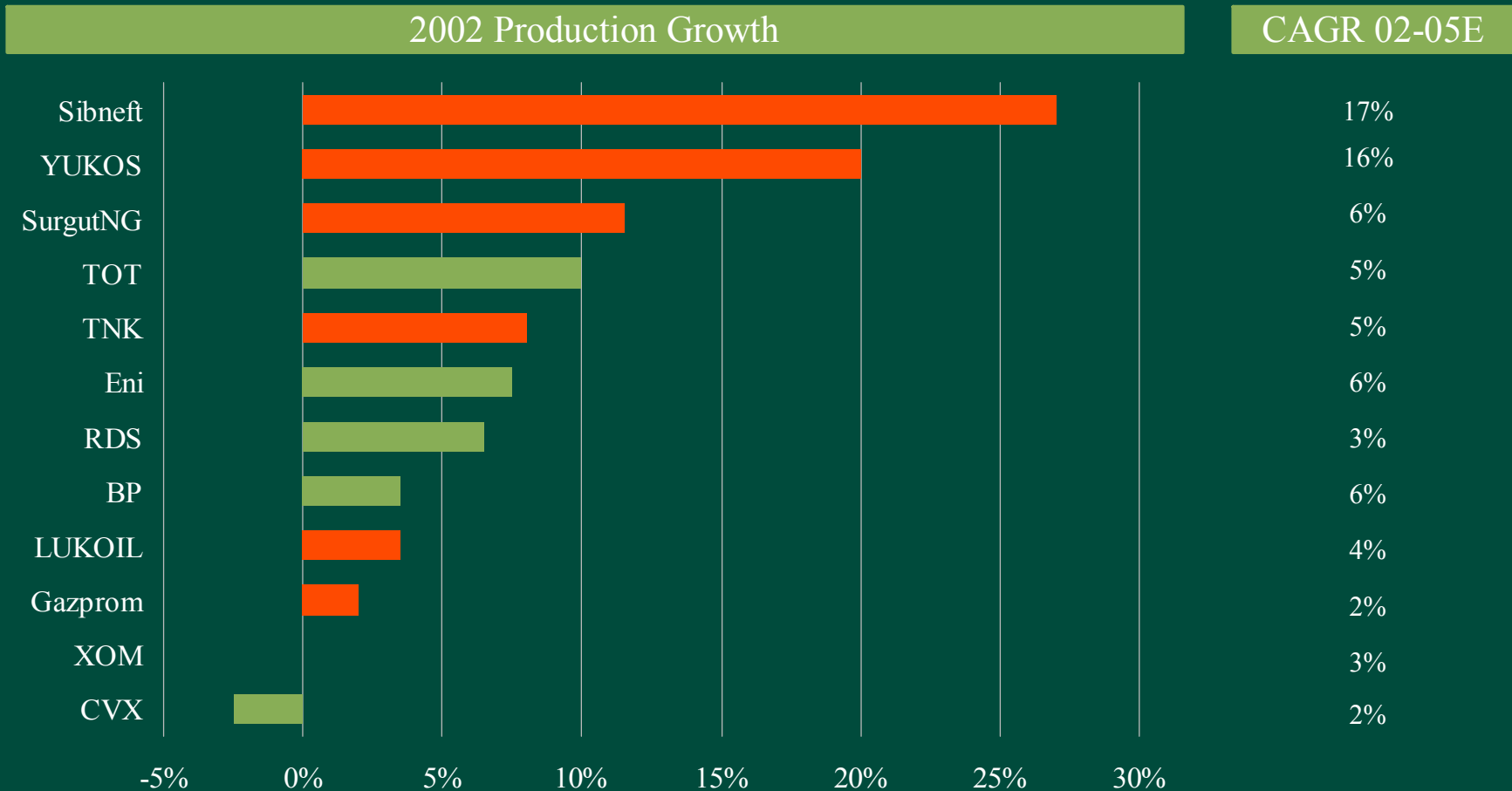
# Russian Consolidation

## World Scale Companies Emerge as Genuine Contenders on the International Stage



# Production Growth

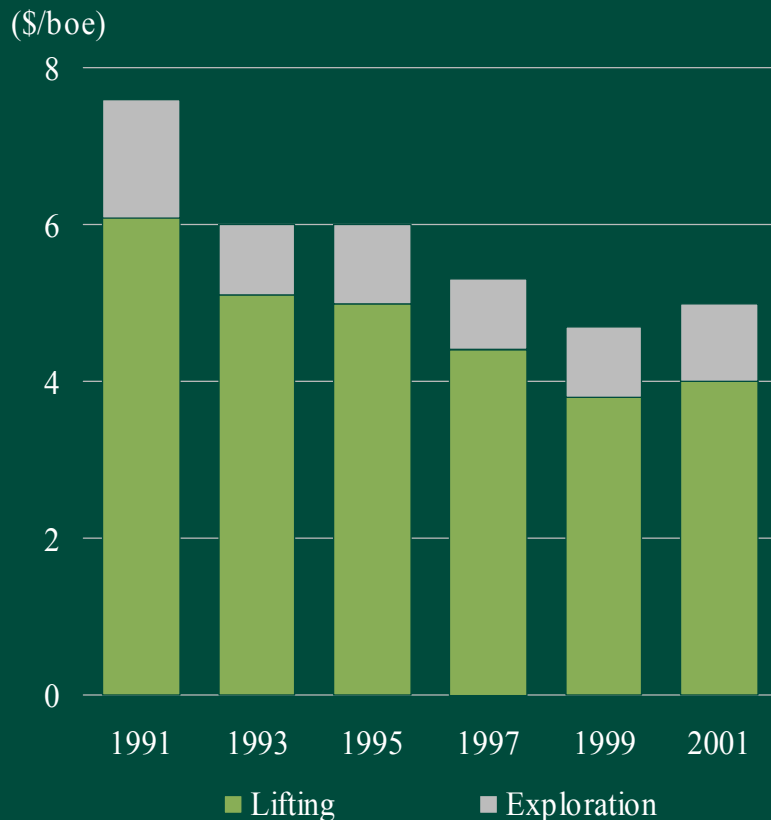
## Double-digit Growth From a Material Production Base Distinguishes Russian Integrated from their Global Peers



# Global Productivity Improvements

## Cost-Cutting through Outsourcing and Merger Synergies Have Reduced the Cost Base of the International Majors

### The Majors' Lifting and Exploration Costs



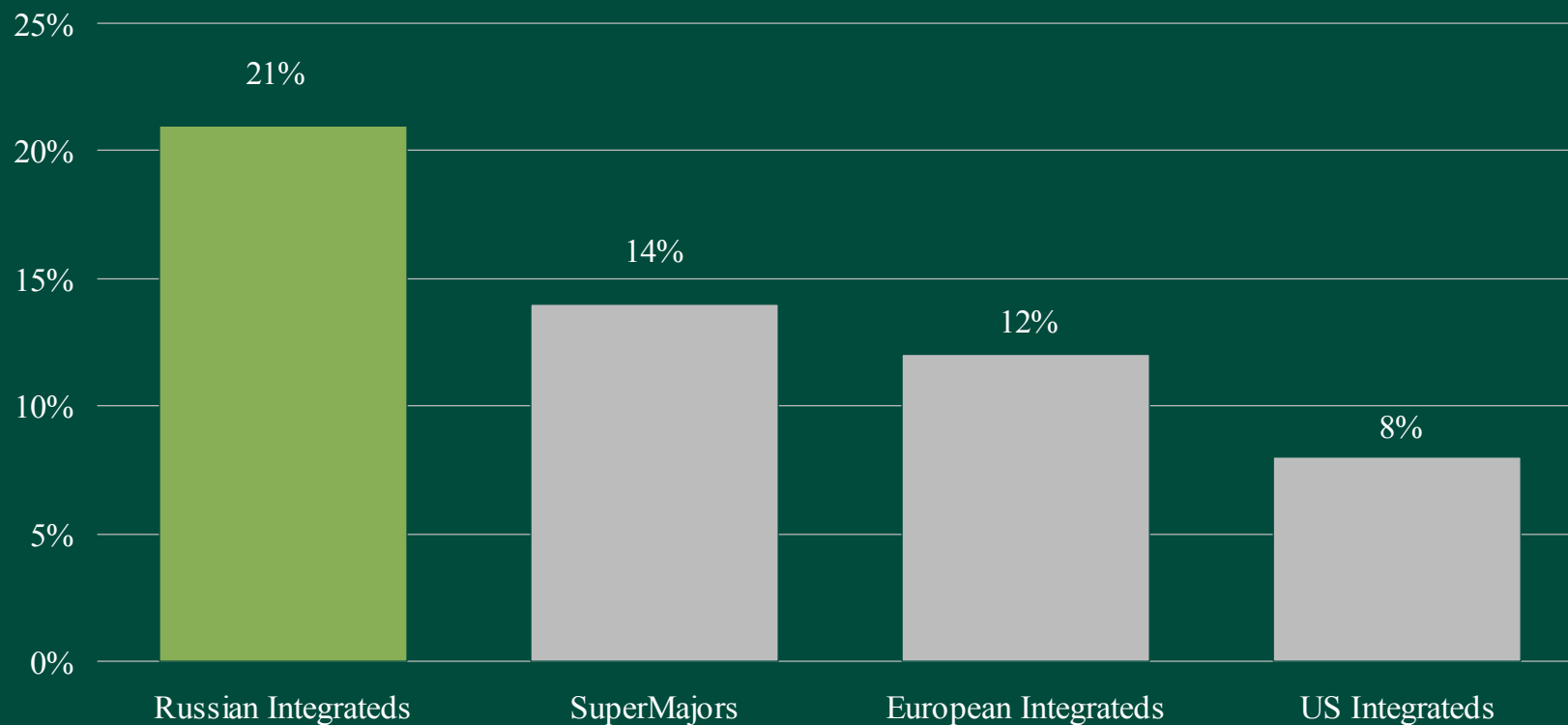
### Significant Merger Synergies

| (\$ millions)   | Announced | Revised | % Change |
|-----------------|-----------|---------|----------|
| ExxonMobil      | 2,800     | 4,600   | 64%      |
| BP-Amoco        | 2,000     | 3,800   | 90%      |
| BP Amoco-ARCO   | 1,000     | 1,200   | 20%      |
| ChevroTexaco    | 1,800     | 2,200   | 22%      |
| Total-Petrofina | 370       | 600     | 62%      |
| TotalFina-Elf   | 1,200     | 1,750   | 46%      |
| ConocoPhillips  | 750       | 1,250   | 67%      |
| Median          |           |         | 62%      |

# Return on Capital Employed

**Low Capital Base and Strong Cash Flows Support Class Leading ROACE**

2004E ROACE

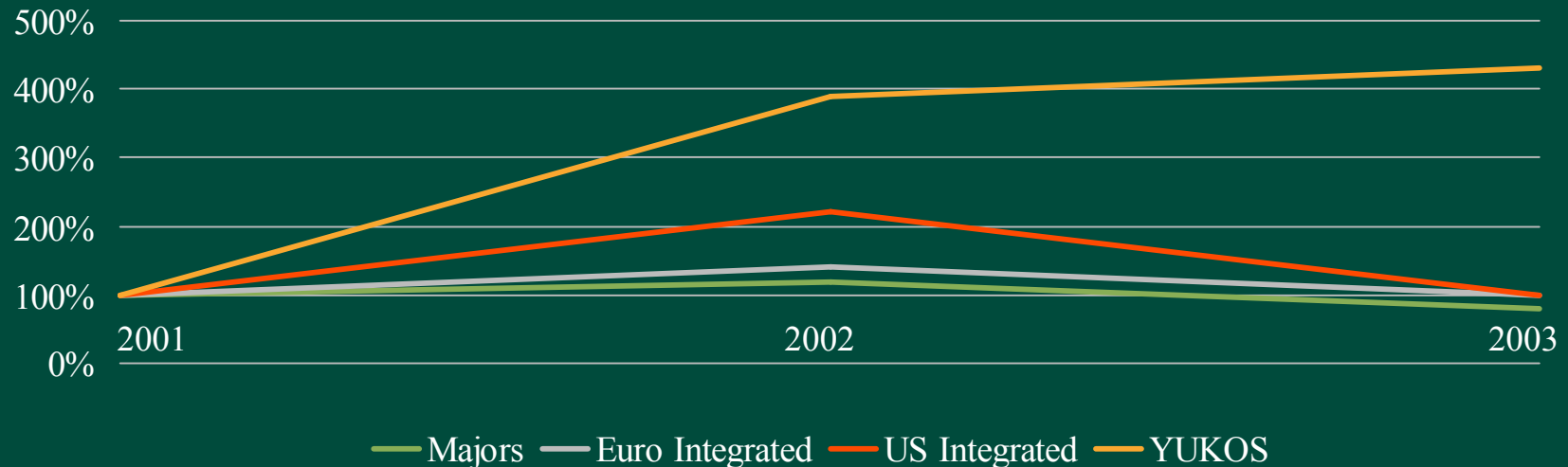


# Convergence of Valuation Multiples

## Valuation Gap Between Russian Integrateds and their International Peers has Narrowed

### The Yukos Case Study - Valuation Evolution FY1 P/E

FY-1 P/E Ratio



|      | Majors   |        | Euro Integrated |        | US Integrated |        | YUKOS    |        |
|------|----------|--------|-----------------|--------|---------------|--------|----------|--------|
|      | FY-1 P/E | Change | FY-1 P/E        | Change | FY-1 P/E      | Change | FY-1 P/E | Change |
| 2001 | 15.2x    | 100%   | 8.9x            | 100%   | 8.9x          | 100%   | 1.6x     | 100%   |
| 2002 | 18.6x    | 122%   | 12.3x           | 138%   | 20.0x         | 225%   | 6.3x     | 386%   |
| 2003 | 12.2x    | 80%    | 9.2x            | 103%   | 9.3x          | 104%   | 7.0x     | 430%   |

# Brownfields and Greenfields

U.S. Producers and Service Companies can Provide Technology and Experience to Support Russian Oil & Gas

## Greenfields



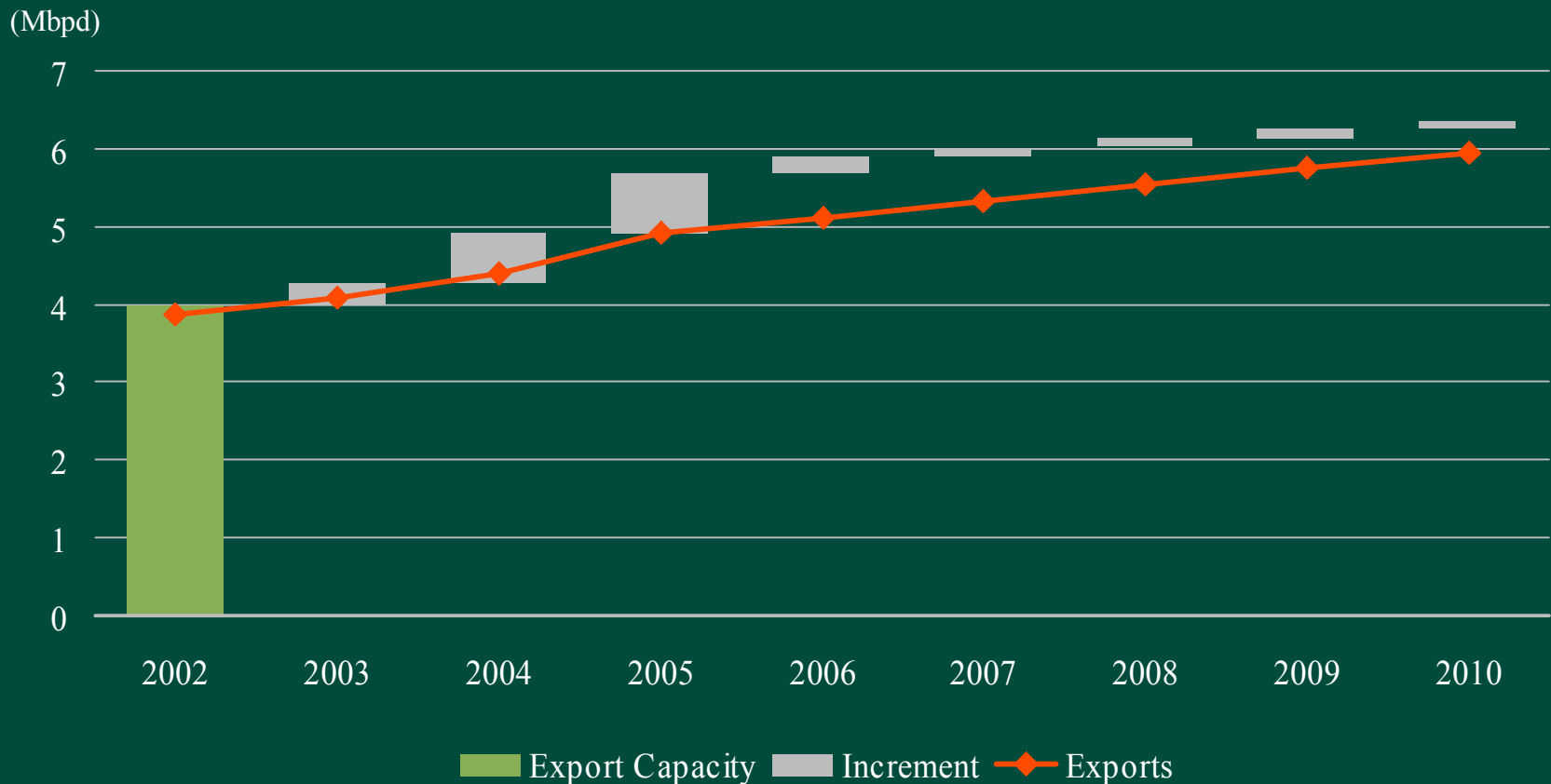
## Brownfields EOR



# Oil Exports

## Infrastructure Growth and Capacity Creep Supports Russian Crude Oil Exports

Russian Crude Oil Export Capacity Projections



# PDVSA's U.S. Market Entry Programme

**PDVSA's Expansion Strategy was Conceived and Implemented over a 10-Year Period**



Secure Market Access

Uno-Ven JV

CITGO

CITGO-Lyondell JV

Efficient Financing

Multi-year Finance Plan

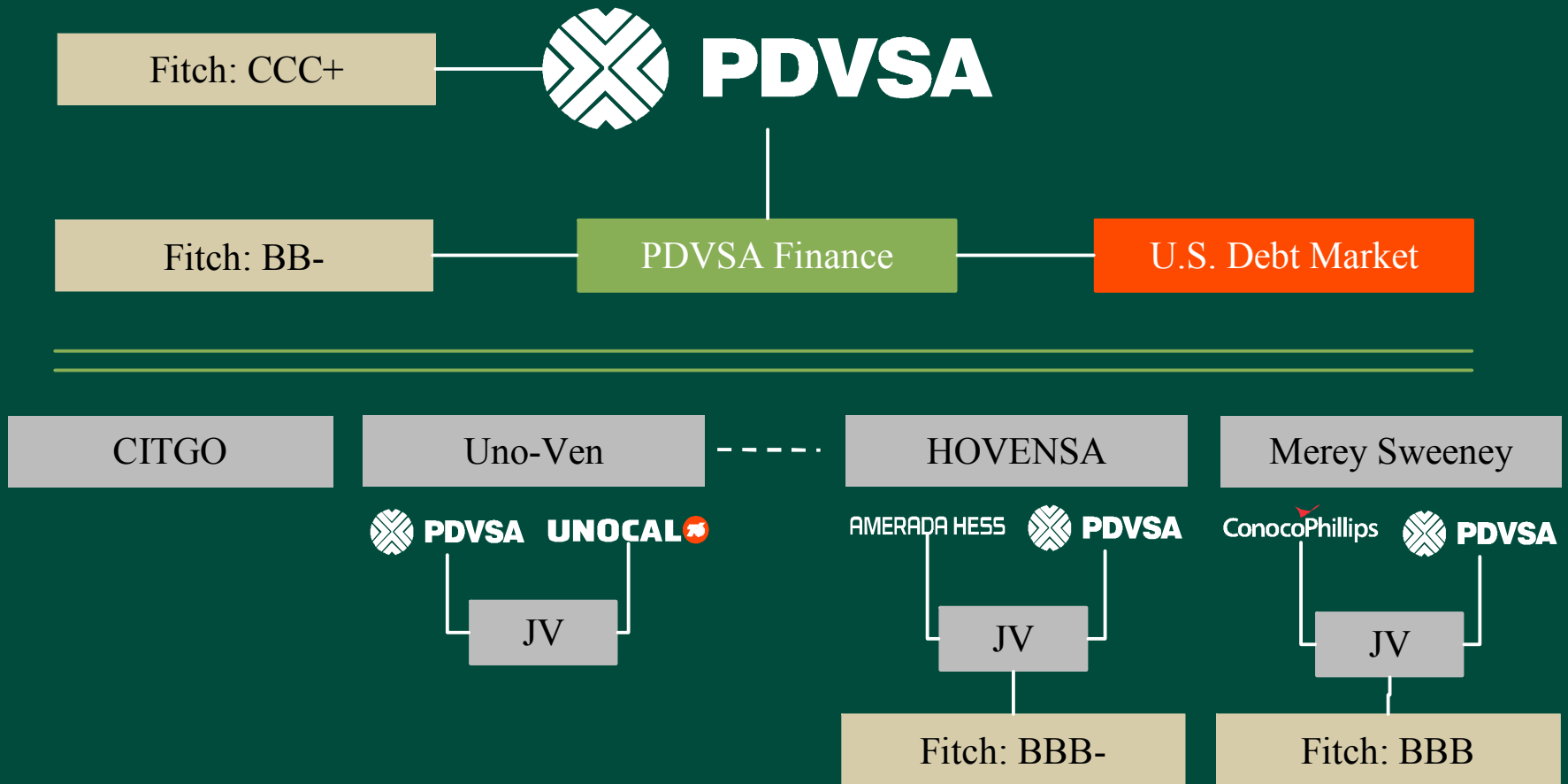
Selective Additions

Chalmette

HOVENSA

# U.S. Entry Strategies – Financing Structures

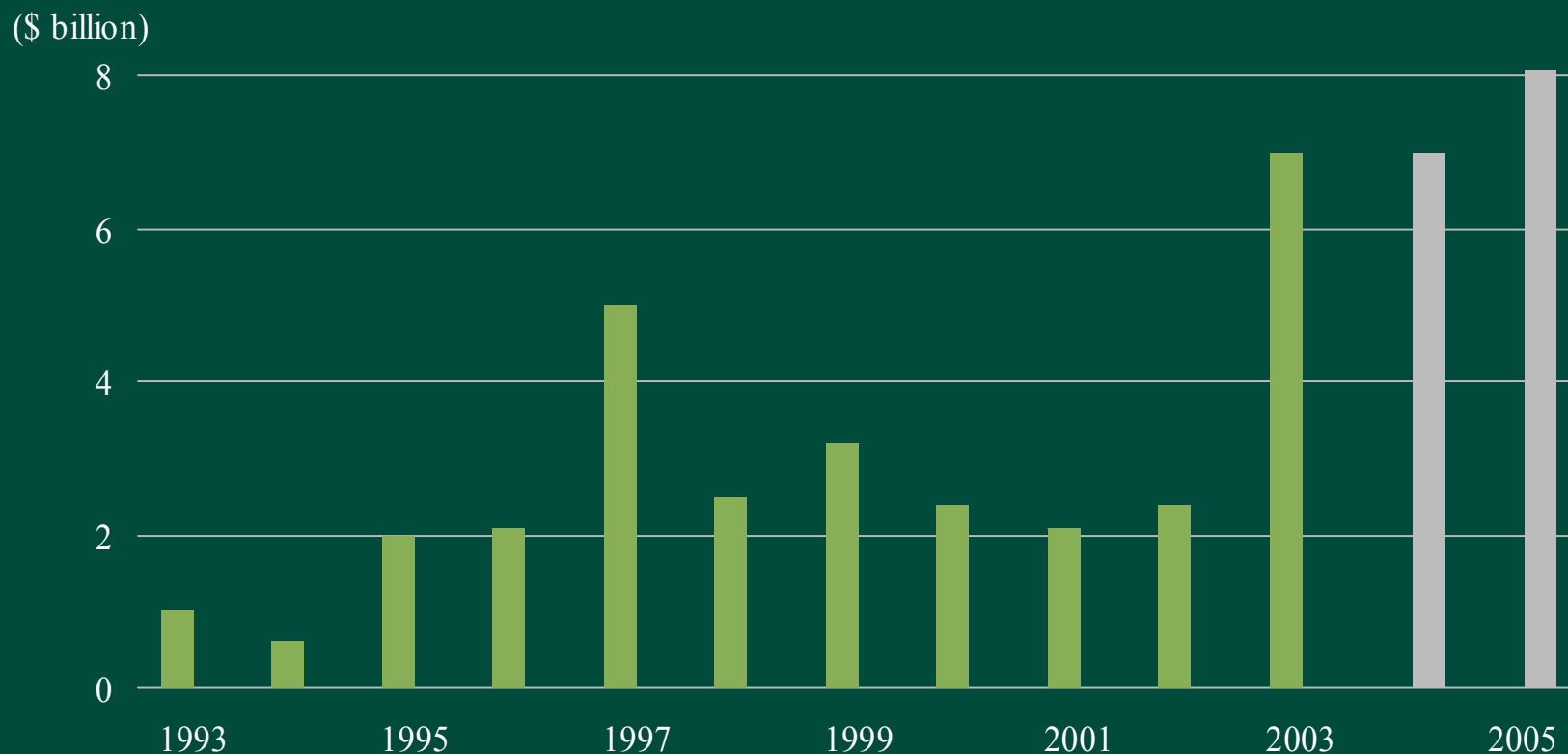
**PDVSA Utilised Creative Financial Structures for Entry into the U.S. Market and Credit Ratings Broke the Sovereign Ceiling**



# Foreign Direct Investment in Russia

**BP and Shell Leading the Way with a Response from the U.S. Majors Still to Come**

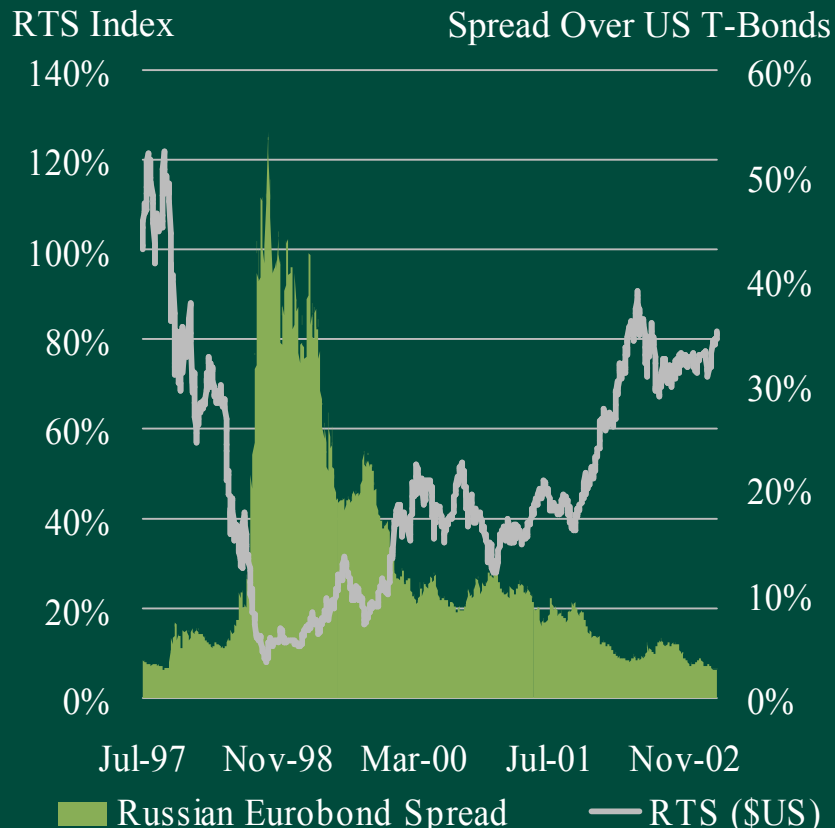
Foreign Investment In Russia



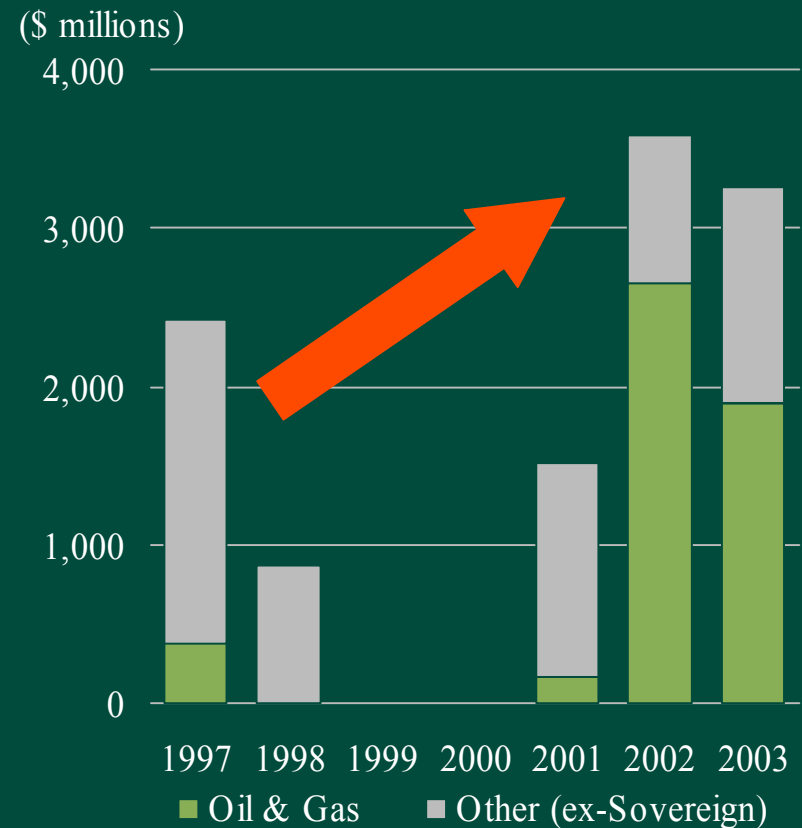
# Russian Debt Capital Markets Positioning

## Significant Tightening of Russian Credit Spreads as Debt Markets Open to Oil & Gas

### Significant Capital Markets Improvements



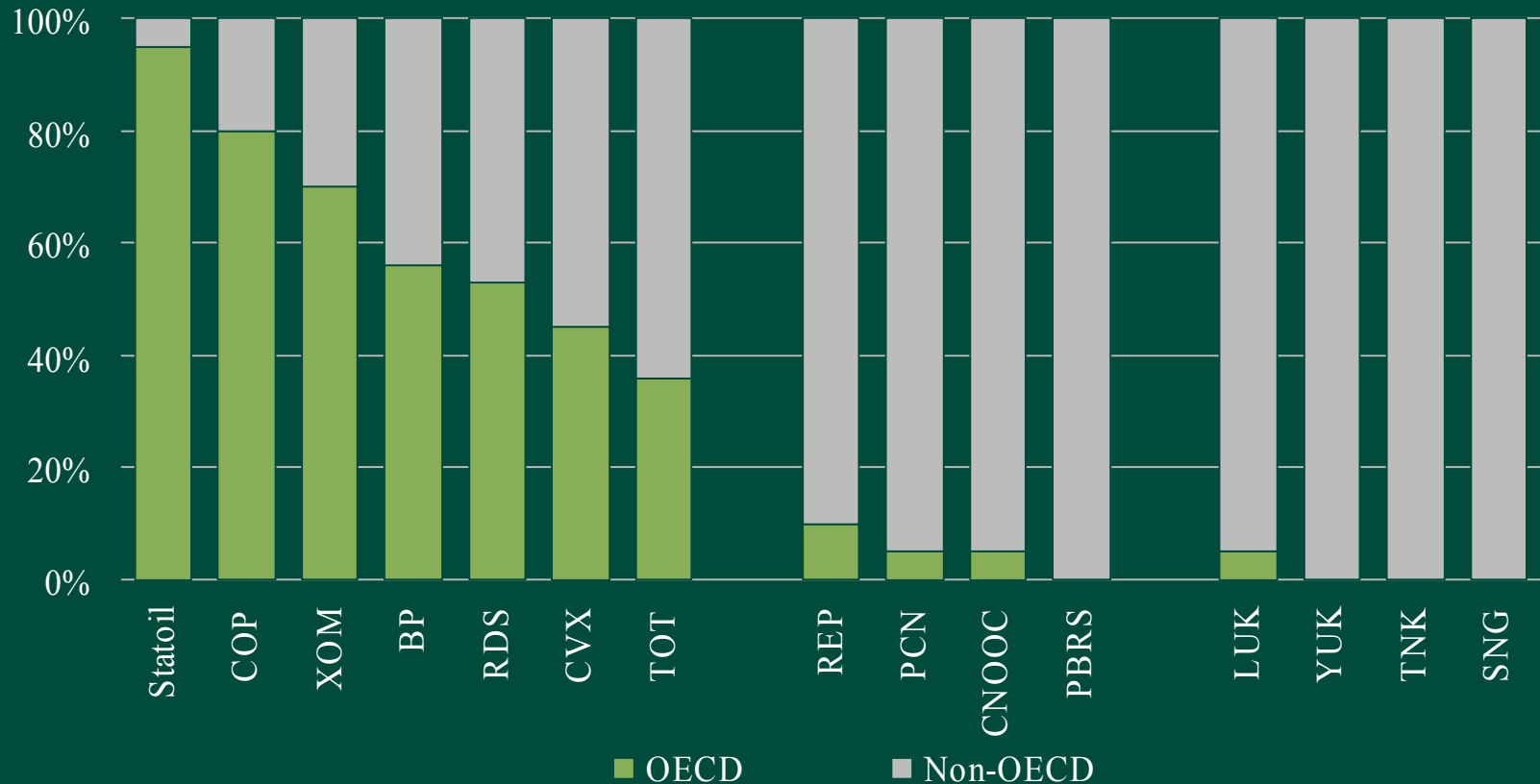
### Russian Foreign Debt Issuance



# Outbound Investment Opportunities

## Portfolio Balance and Skills Development may Drive International Expansion

Expected Production by Geography in 2003





# Culminating in Growth Partnerships

## Careful Partner Selection Yields a Win-Win Situation

### ◆ From a U.S. Perspective

- Attractive investment opportunities abiding by ROACE criteria
- Long-term production growth supported by extensive reserves
- A significant service sector with scope for outsourcing

### ◆ From a Russian Perspective

- Access to lower-cost capital markets
- Access to a skills supporting Greenfields developments and longer term EOR plays
- The capital markets “Halo effect” from partnerships with U.S. Majors