

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



Grant Porter
Vice Chairman,
Lehman Brothers

June, 2003

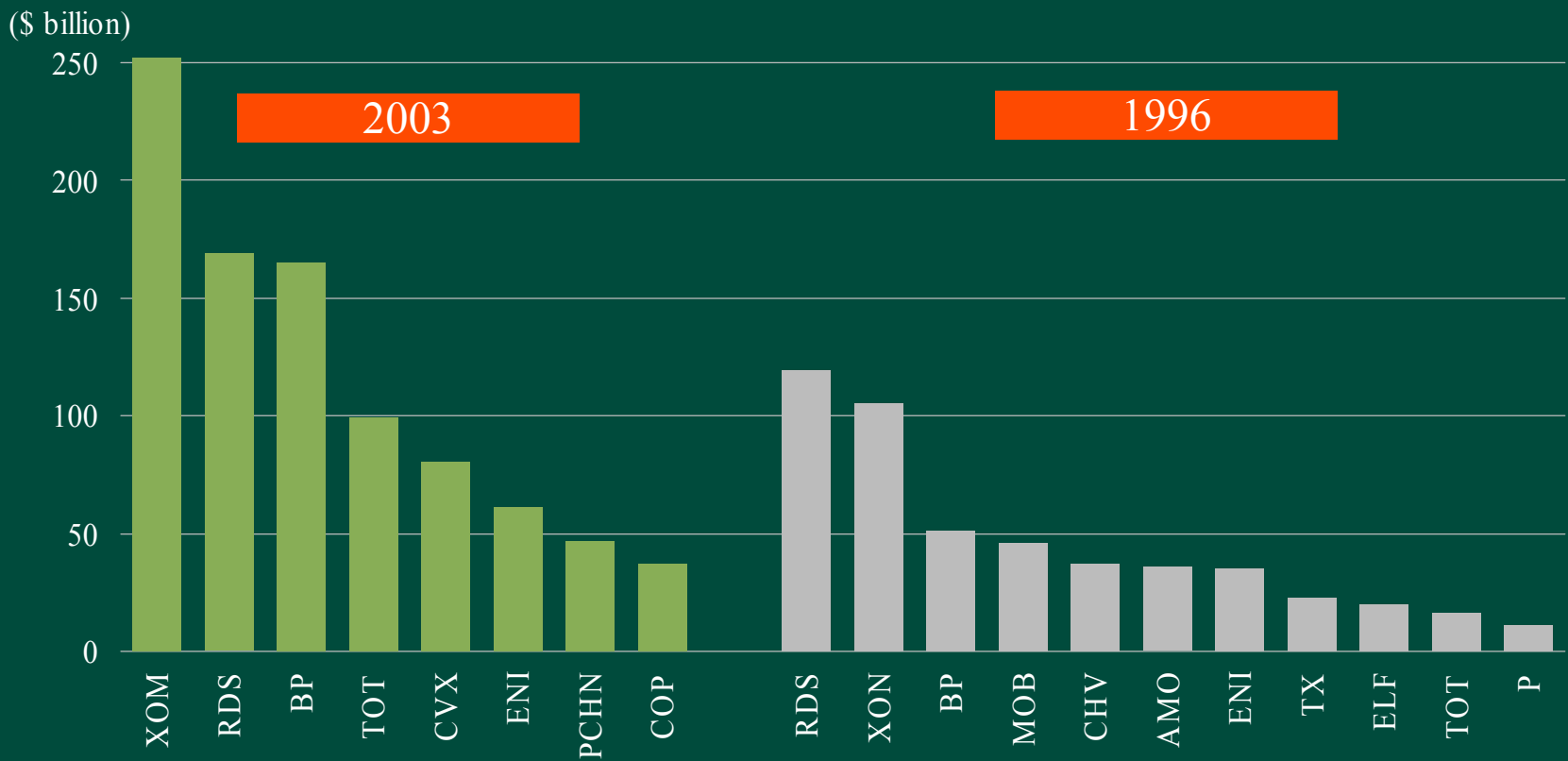
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Global Consolidation

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

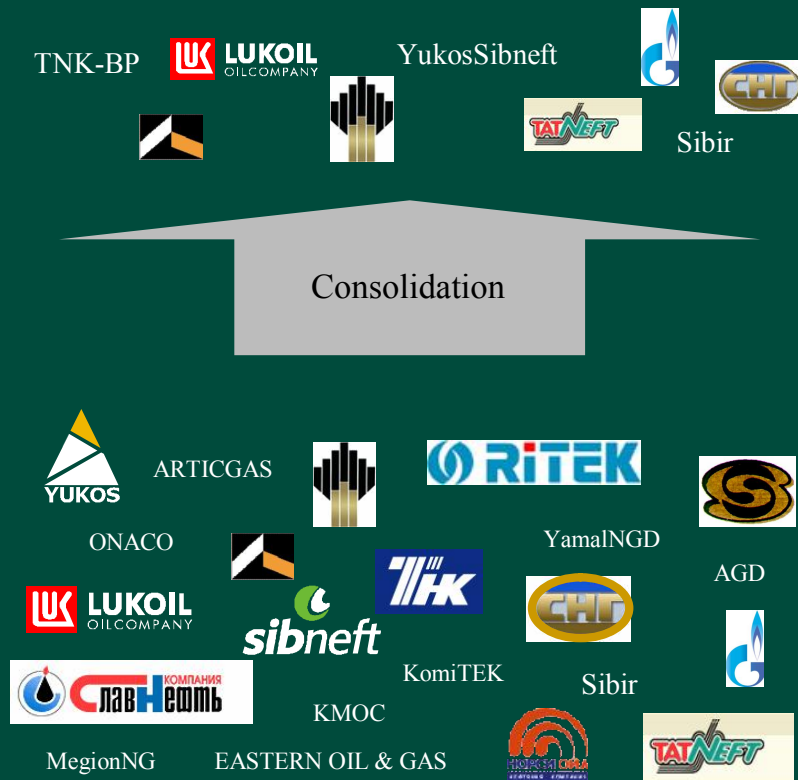
Market Capitalisation



Russian Consolidation

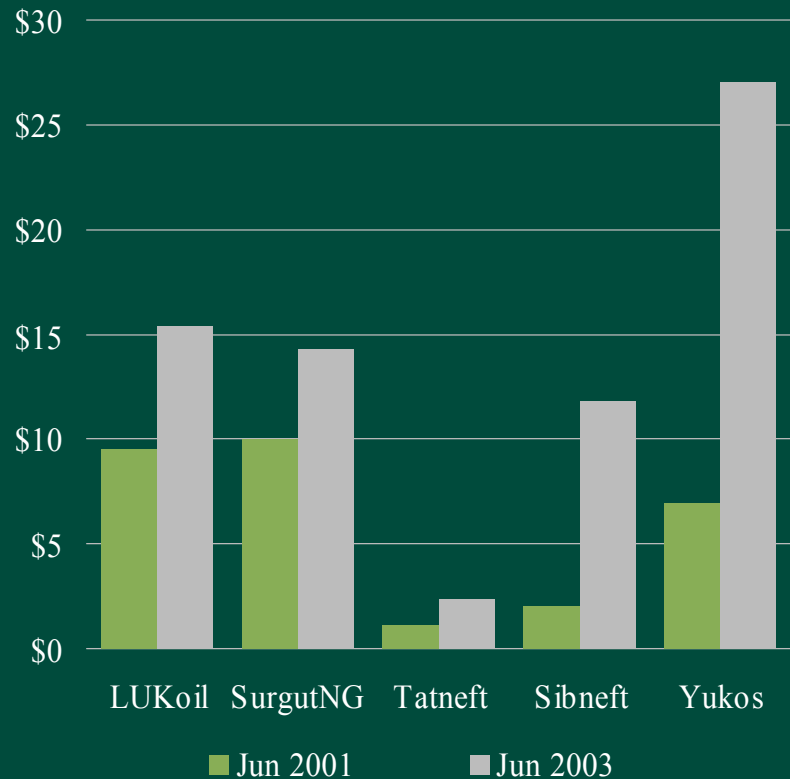
The Emergence of Russian Majors of Global Scale and Significant Capital Gains

Domestic Consolidation Largely Complete?



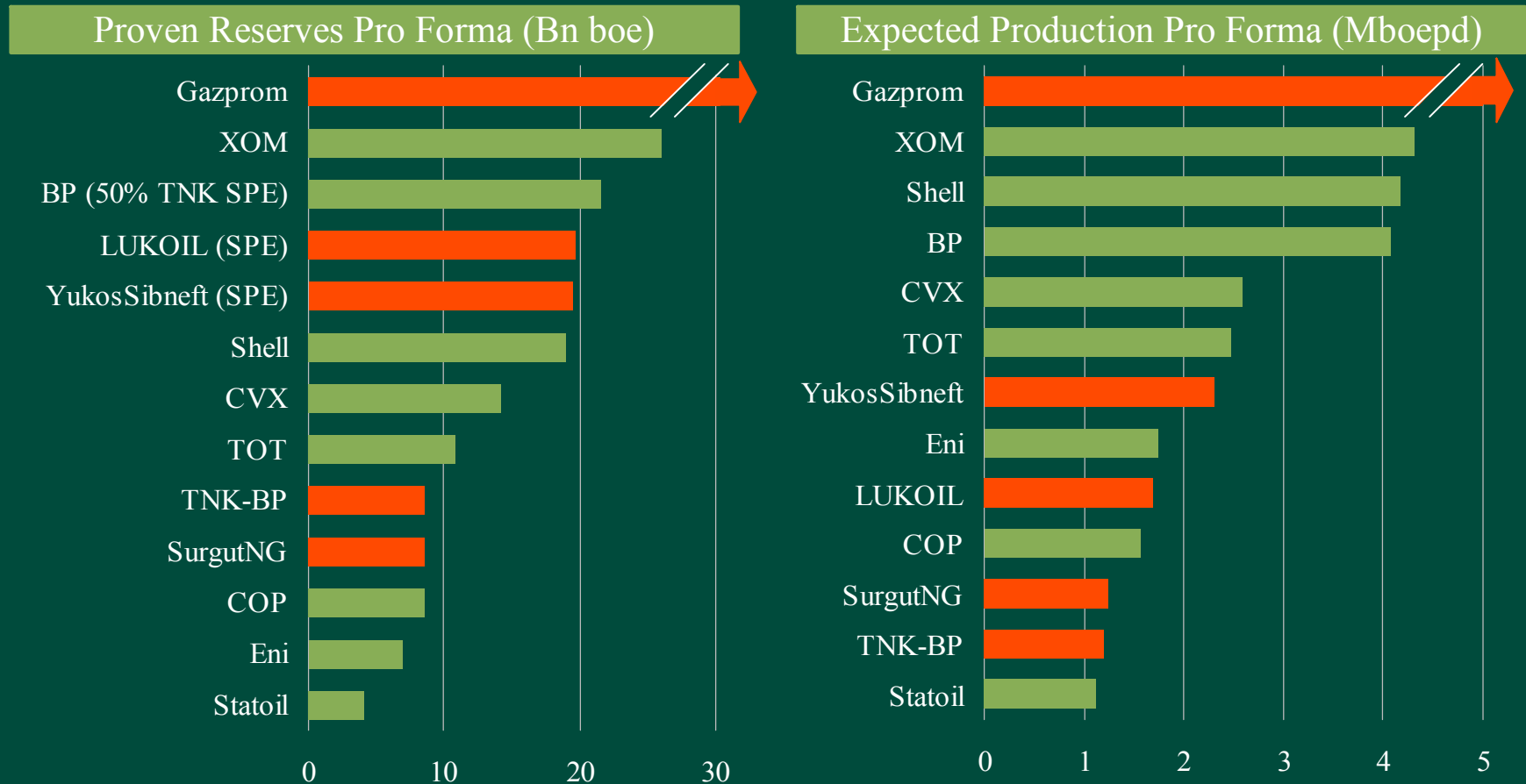
Market Capitalisation

(\$ billion)



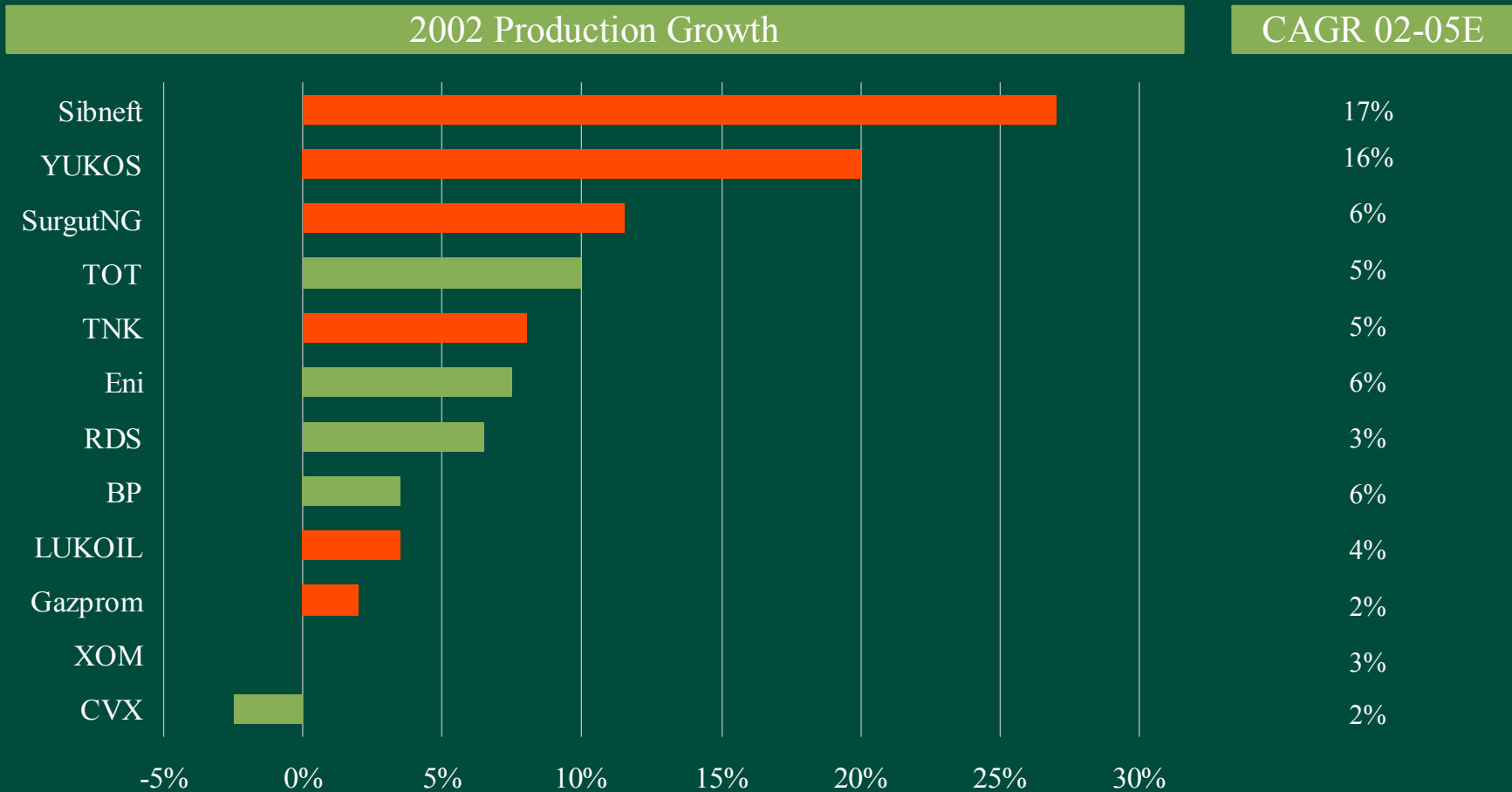
Russian Consolidation

World Scale Companies Emerge as Genuine Contenders on the International Stage



Production Growth

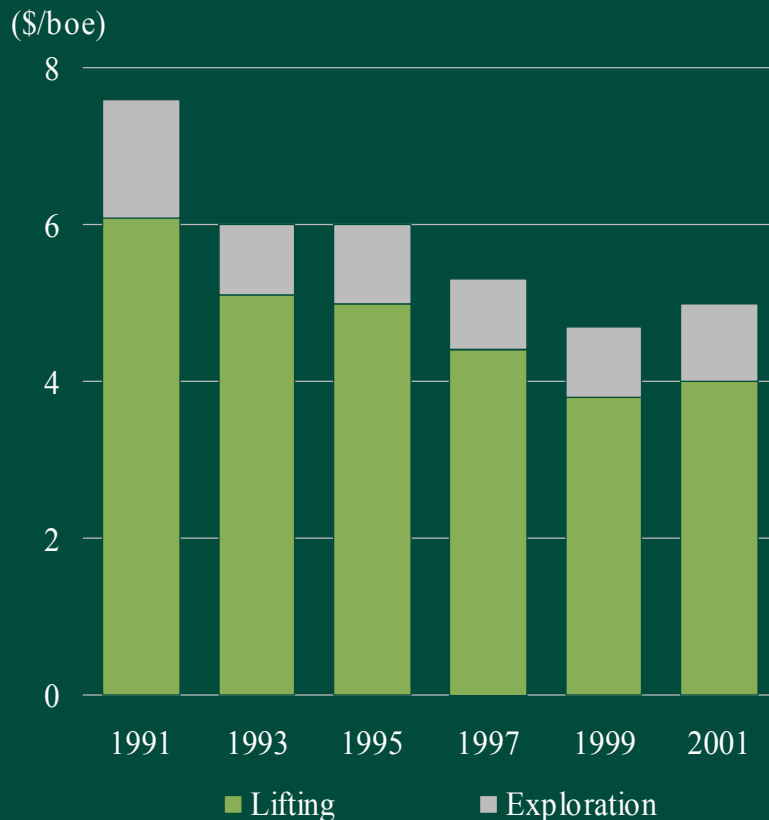
Double-digit Growth From a Material Production Base Distinguishes Russian Integrateds from their Global Peers



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



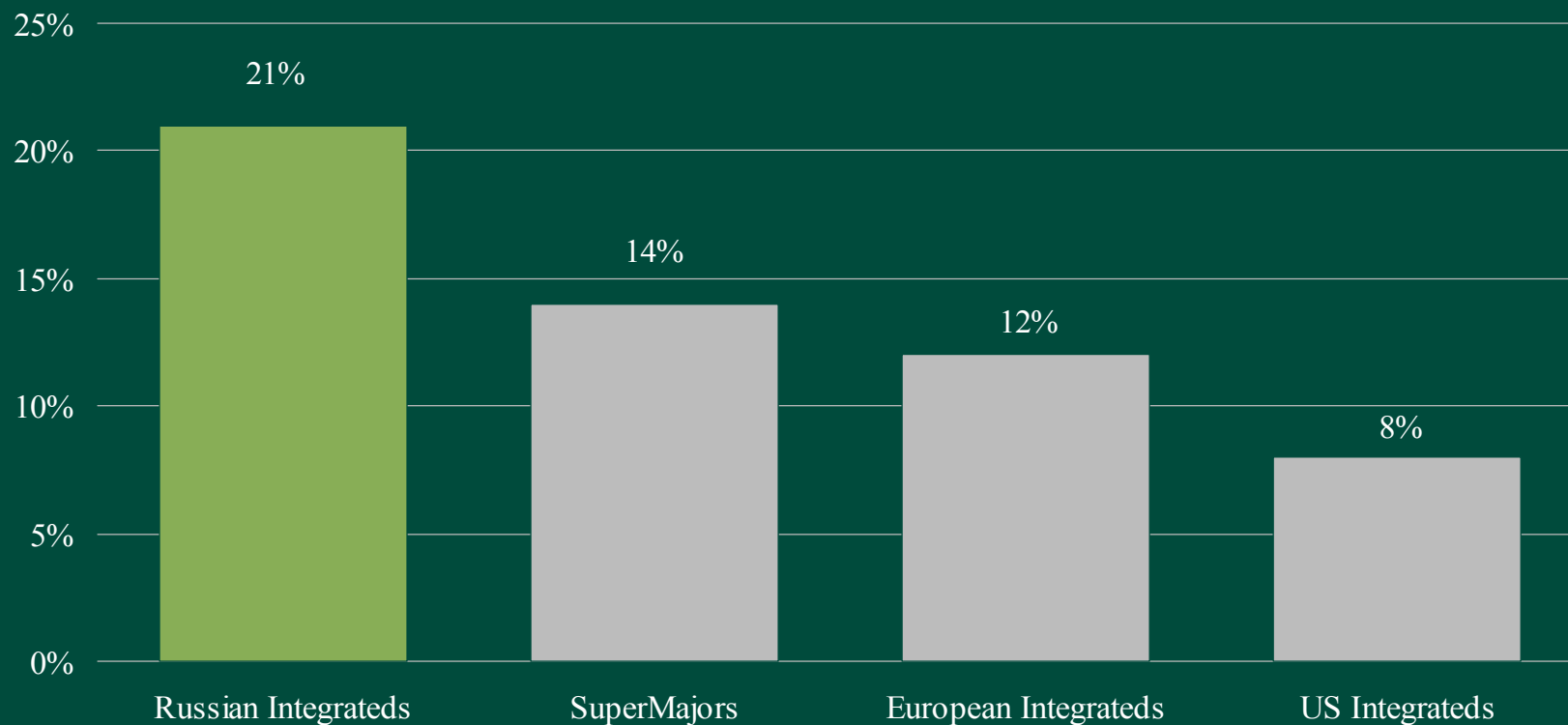
Significant Merger Synergies

(\$ 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

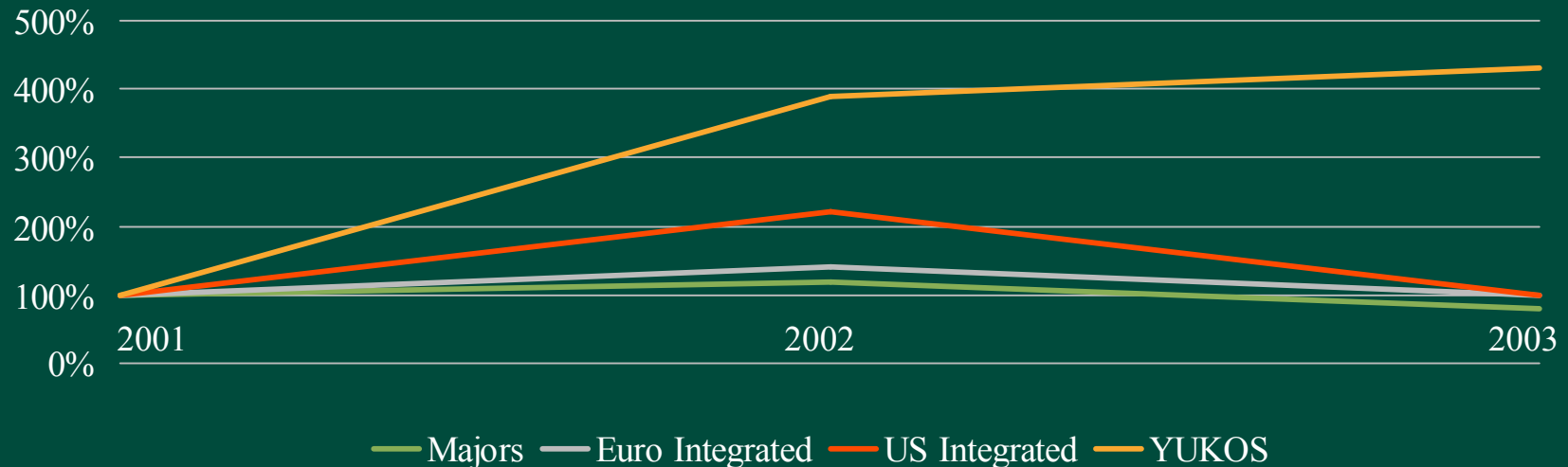


Convergence of Valuation Multiples

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



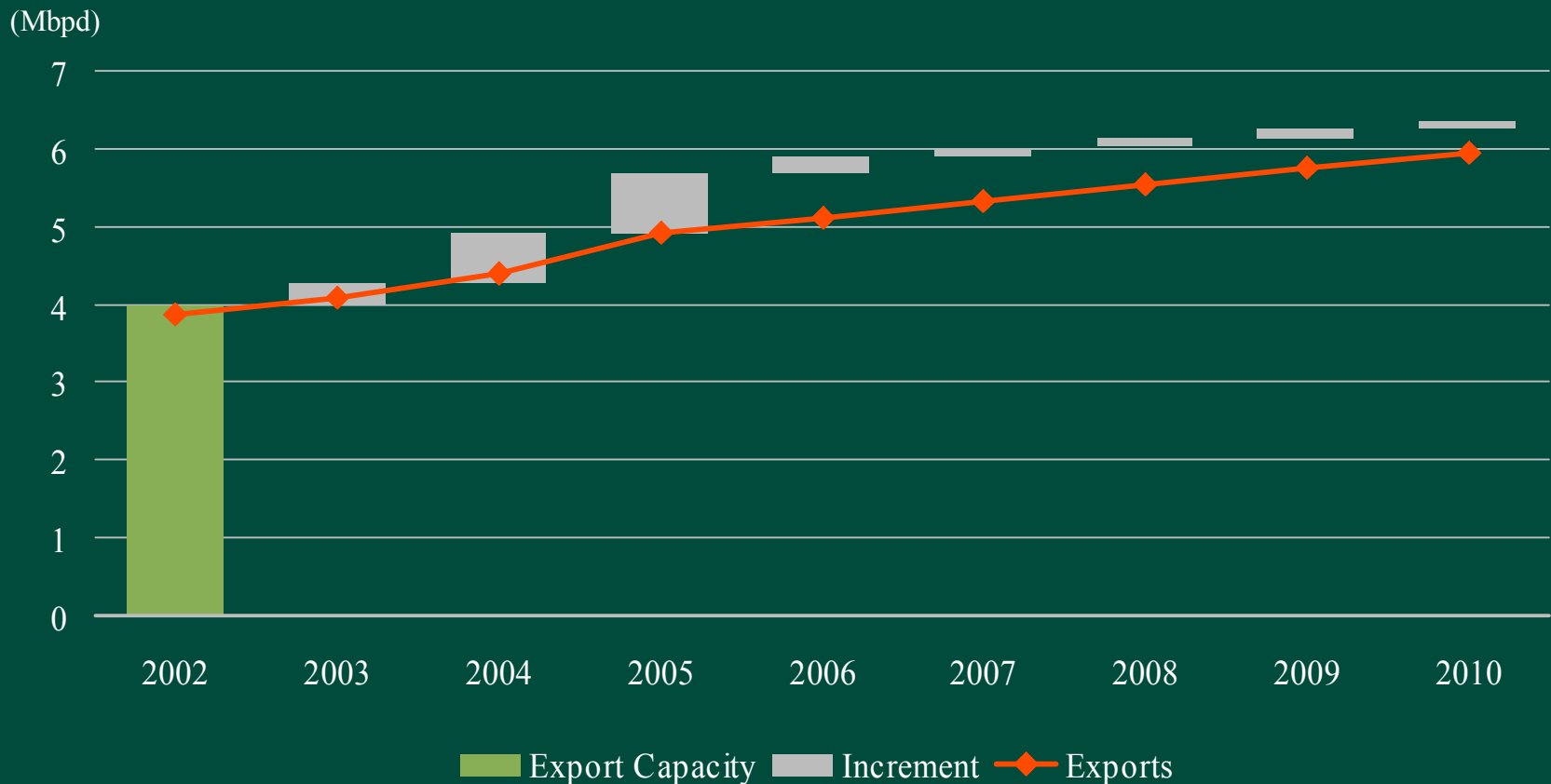
Brownfields EOR



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

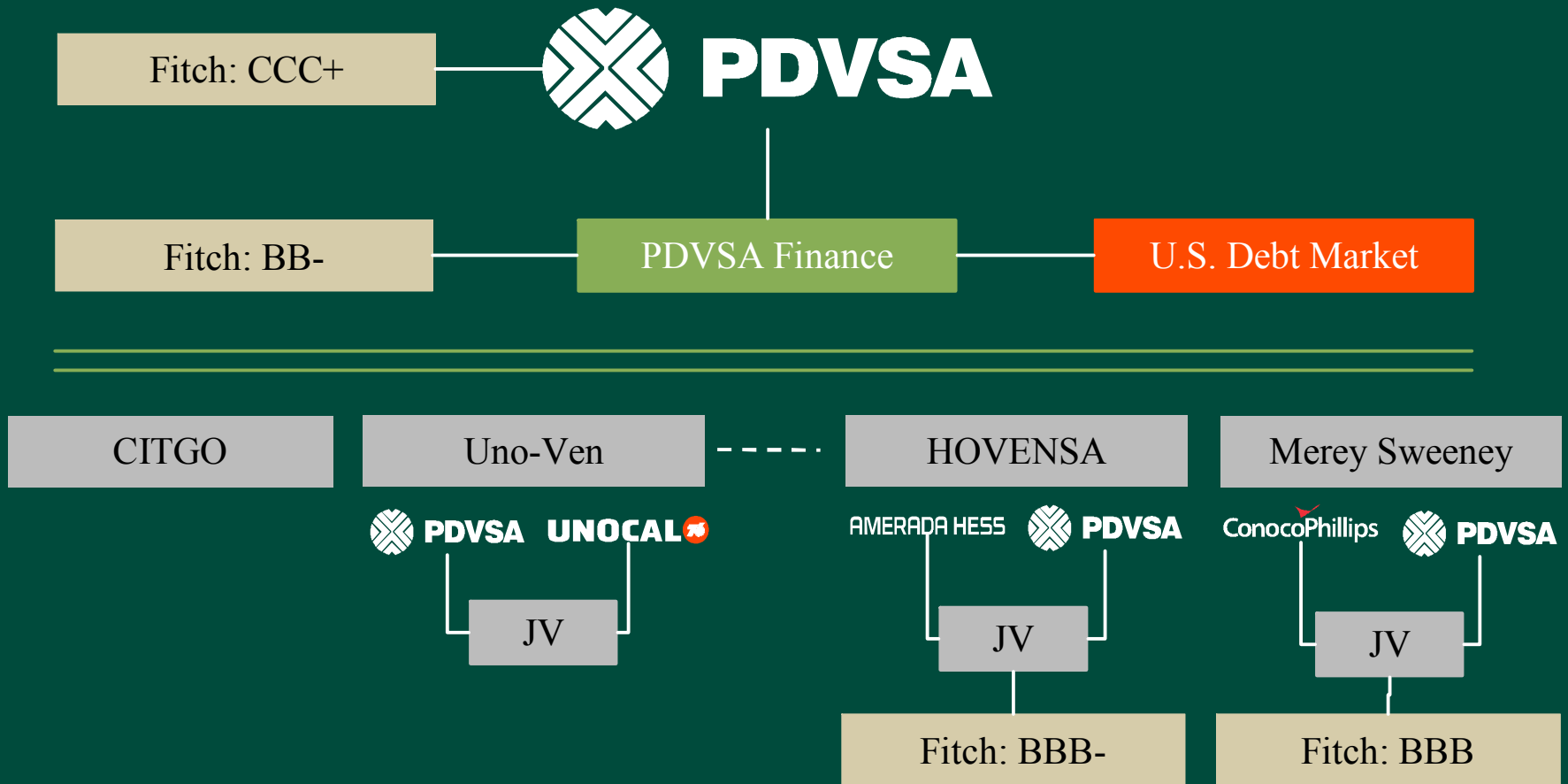
Selective Additions

Chalmette

HOVENSA

U.S. Entry Strategies – Financing Structures

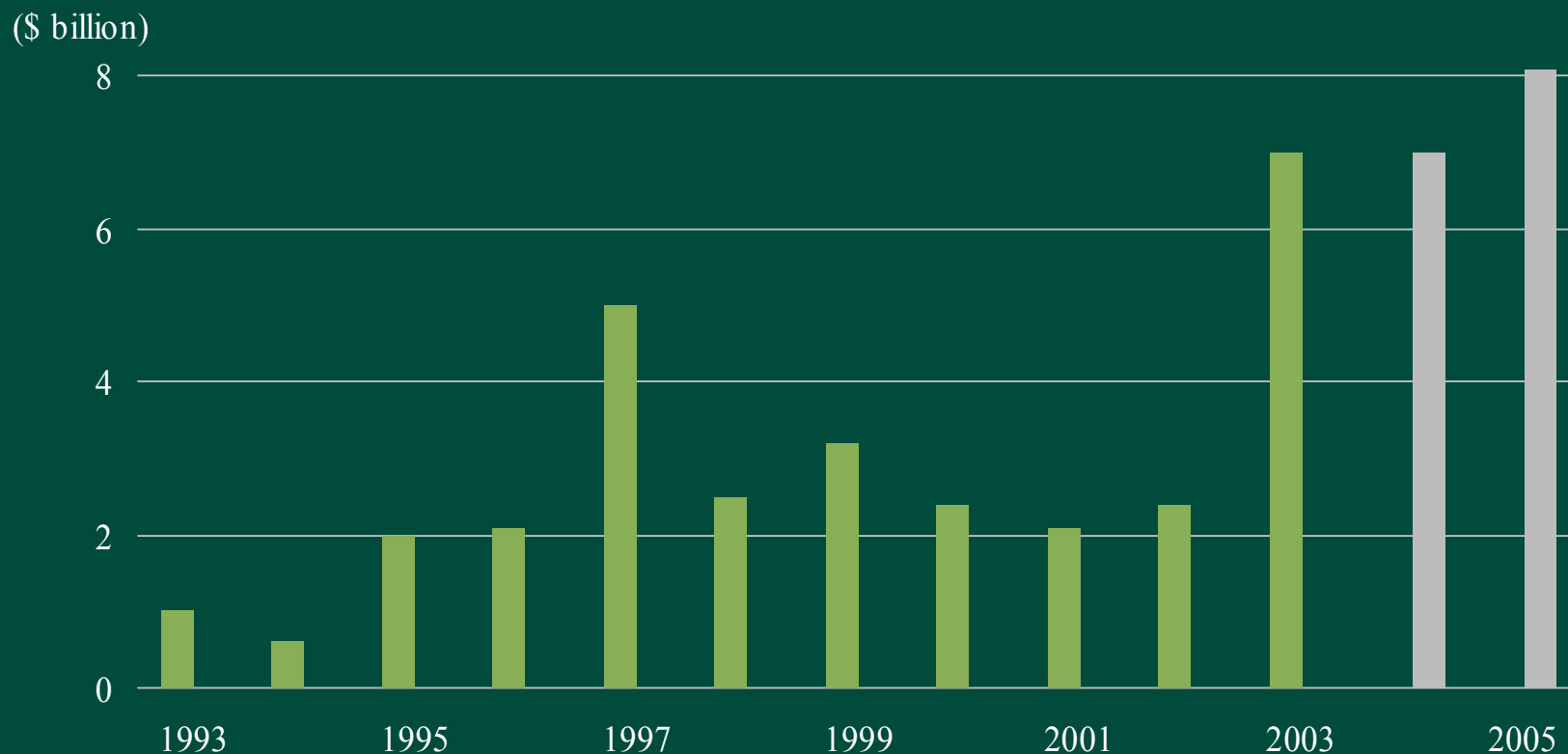
PDVSA Utilised Creative Financial Structures for Entry into the U.S. Market and Credit Ratings Broke the Sovereign Ceiling



Foreign Direct Investment in Russia

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

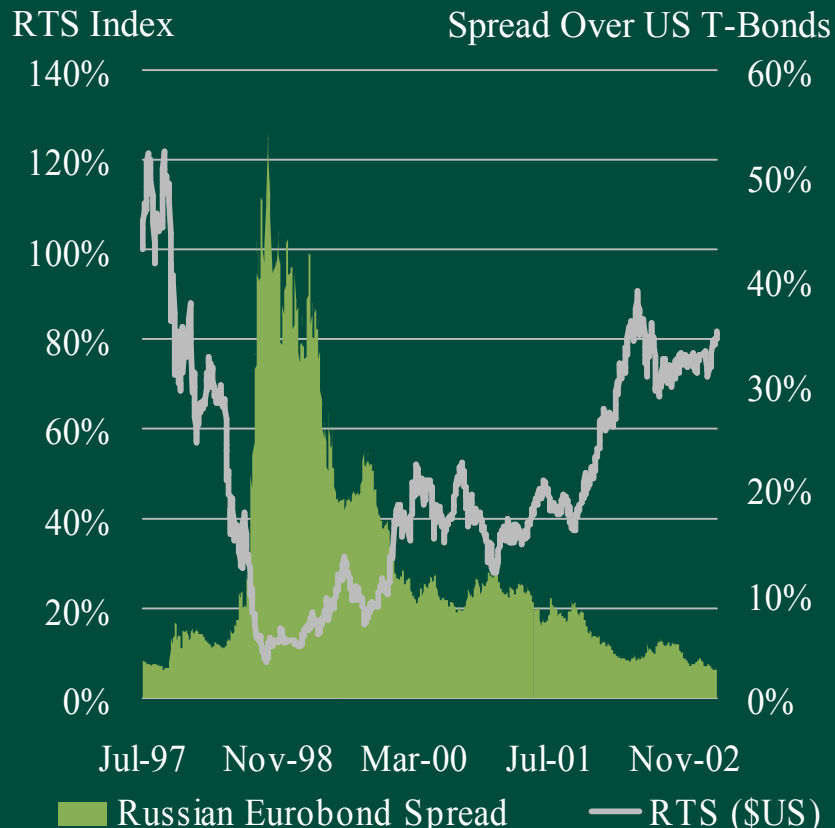
Foreign Investment In Russia



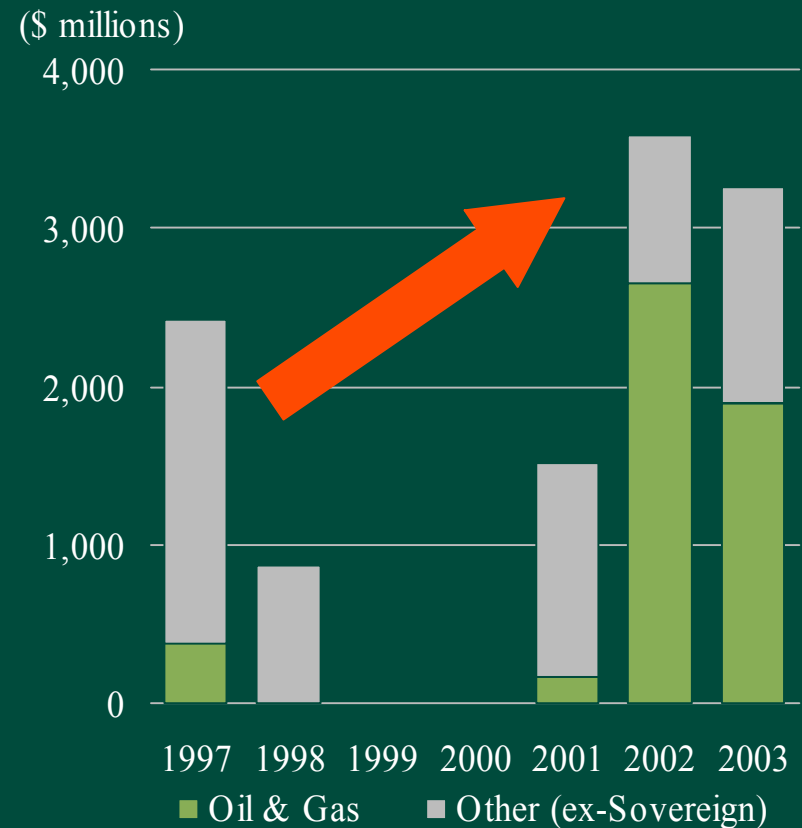
Russian Debt Capital Markets Positioning

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

Significant Capital Markets Improvements



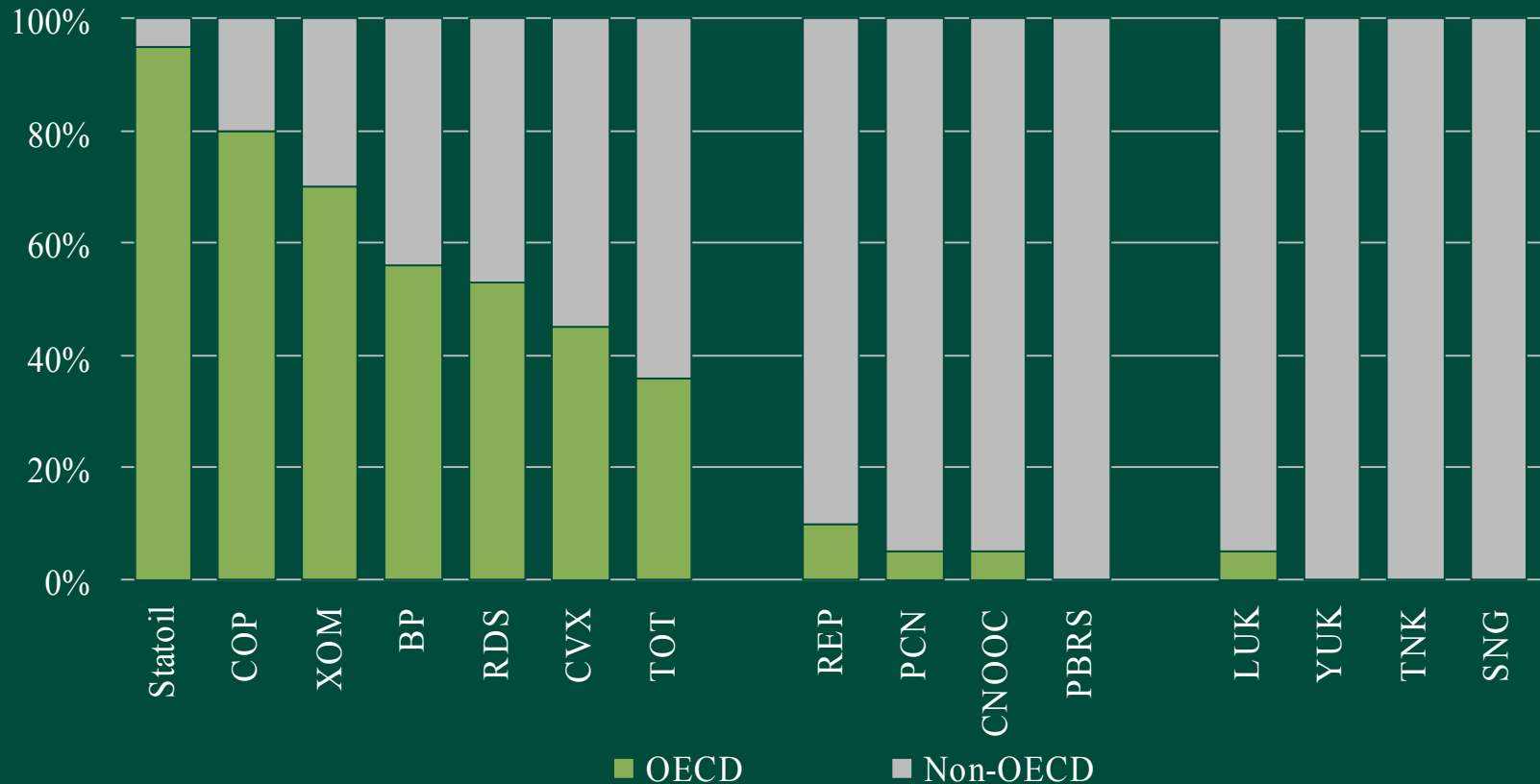
Russian Foreign Debt Issuance



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