US
Oil & Gas

Deutsche Bank

17 September 2002

ExxonMobil

Decision time

Rating Remains
Hold

Price at 16 September 2002
$34.40

Target Price
$37

Ticker/Code
XOM

Dr JJ Traynor
+44 131 240 7648
jj.traynor@db.com

Paul Sankey
+44 131 240 7646
paul.sankey@db.com

Jay Saunders
+44 131 240 7643
jay.saunders@db.com

Caroline Cook
+44 131 240 7642
caroline.cook@db.com

Mohan Mandrekar
+1 212 469 5073
mohan.mandrekar@db.com

Nicholas Aldridge
+44 131 240 7641
nicholas.aldrigde@db.com

Nick Griffin
+44 131 240 7645
nick.griffin@db.com

Samantha Fennell
+44 207 547 5528
samantha.fennell@db.com

Jennifer Gordon
+44 207 547 5527
jennifer.w.gordon@db.com

Mark Hastings
+1 212 469 8636
mark.hastings@db.com

Year end 31 Dec	PBT ($m) Adj	PBT ($m) Stated	EPS ($) New	% EPS Growth	P/E (x)	EV/DACF (x)	DPS (net) ($)
2001	24,593.0	24,688.0	2.25		18.3	11.1	0.90
2002E	15,511.9	15,511.9	1.58	-29.8	21.5	11.5	0.92
2003E	17,366.0	17,366.0	1.81	14.6	18.9	10.7	0.94
2004E	18,591.6	18,591.6	1.97	8.8	17.3	10.0	0.96

Source: Deutsche Bank estimates and Company data

Shares Outstanding (m):	**6743**	Market Cap(m):	**$231,957.0**
Est. 3-5 Year EPS Growth:	**2%**	Local Index (SPSA):	**891**
Daily Volume:	**10370000**	52-week High/Low:	**$ 44 - 30**

Poor industry downstream margins have pushed Exxon's returns uncomfortably close to those of its peers in 2002. With truly global-scale businesses and merger overlaps, we believe Exxon can surely still surprise on costs, its ability to offset structural declines in its production, and cyclical demand in its customer base. Is its exploration yielding enough, or are new deals needed? Will Exxon act on tail-end refining capacity, or *grow*? Can the company turn its portfolio of gas opportunities into the targeted 3%/year growth? With strategic questions emerging, and the downstream environment depressed, we retain our Hold rating.

- **Exploration questions.** Contract timings in West Africa and the Caspian (rather than a *deliberate* shift to a growth strategy?) point to a phase of modest (2-3%/year) volume growth 2002/05E, compared to a flat 10-year track record. A strong position in oil sands and Qatar's gas should support reserves, and a near-term replacement crunch looks unlikely. However, exploration accounts for just 50% of five-year reserves replacement, Exxon looks light on our assessment of industry exploration trends and intriguingly, the company has failed - so far - to dominate the global deepwater trend. We do not rule out new deals… with governments (post-war Iraq and Kuwait?), or perhaps more in China, Russia or Latin America… are there implications for returns?
- **Downstream pace to accelerate?** If crude oil input prices weaken through 2003 as we expect, there is every prospect of a downstream recovery to which ExxonMobil (selling 7mb/d a day of oil products) will be well exposed, with sophisticated capacity and a much-reduced cost base. With pooling restrictions now ended, there is scope to address excess refining capacity in Europe, Japan, and the US tail. However, Exxon seems to be mulling refining *expansion* in China… and could be slow to cut globally.
- **Recommendation.** Exxon has underperformed the US market by 9% since July, and in our view is therefore a more attractive play into late-2003. We continue to recommend a Neutral sector stance in the US (within a global European-driven overweight), with core US recommendations in ConocoPhillips (Buy) and the E&P sector. For those seeking energy weighting in the larger cap US Majors, we would recommend Exxon ahead of ChevronTexaco (Hold), given Exxon's more defensive mix. Better catalysts on both could emerge in a post-war context.

Deutsche Bank AG

EXXONMOBIL

31-Dec

Oil & Gas
Hold

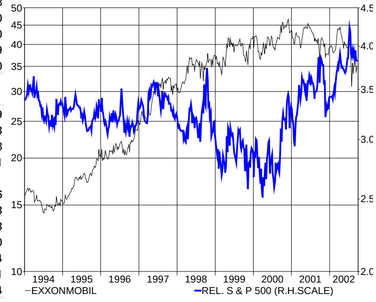
USD 34.1

Per Share Data	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002E	2003E
EPS (Before Amort. of Goodwill)	5.5	5.7	4.7	5.4	5.4	7.4	8.0	3.4	2.6	2.4	4.8	2.3	1.6	1.8
Goodwill per Share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CEPS	10.4	10.3	8.9	9.6	9.6	9.7	10.1	6.1	4.6	4.7	6.7	3.6	2.7	3.0
Net DPS	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.4	0.9	0.9	0.9
BVPS	26.6	28.1	27.2	28.0	30.1	32.6	35.1	17.7	17.9	18.0	20.1	10.7	10.7	11.0

Valuation														
P / E (x)	12.6	14.3	18.4	16.9	16.2	13.6	15.3	17.1	27.1	32.4	17.2	18.3	21.5	18.9
P / CE (x)	6.7	8.0	9.7	9.5	9.1	10.3	12.2	9.6	15.1	16.5	12.3	11.7	12.4	11.3
Yield (%)	5.1	4.7	4.7	4.5	4.7	4.3	3.7	2.8	2.4	2.2	1.1	2.2	2.7	2.8
P / BV (x)	2.6	2.9	3.2	3.3	2.9	3.1	3.5	3.3	3.9	4.3	4.1	3.9	3.2	3.1
EV / Sales (%)	89.0	101.9	105.3	115.6	106.4	109.1	119.6	112.9	146.9	139.5	123.8	132.6	116.5	112.6
EV / Adj. EBDIT (x)	7.5	8.9	9.5	9.8	9.4	9.1	9.7	7.8	11.1	12.3	7.2	8.3	9.0	8.3
EV / EBITn (x)	17.9	22.5	26.0	24.0	24.5	21.9	22.6	15.0	23.5	32.5	12.1	14.7	19.8	17.3
EV / Adj. EBIT (x)	12.5	13.9	15.8	15.8	15.5	14.5	14.5	10.8	17.0	20.6	9.0	10.8	13.3	12.0
EV / EBI (x)	22.1	22.4	24.4	25.1	25.2	26.5	25.1	15.7	23.1	28.7	14.1	16.8	18.3	16.4
EV / Free Cash Flow (x)	18.2	29.2	38.9	24.1	33.8	15.1	14.2	21.8	57.2	38.9	16.3	19.9	40.2	33.1
EV / Capital Employed (x)	1.6	1.8	1.9	2.0	1.8	2.0	2.3	2.2	2.4	1.6	1.8	1.8	1.4	1.4
Avg. Adjusted No. of Shares (m)	1,245.0	1,242.0	1,242.0	1,242.0	1,242.0	1,242.0	1,242.0	2,473.0	2,440.0	3,520.0	3,521.0	6,868.0	6,742.9	6,628.2
Avg. Market Cap. (bn)	87	102	107	114	109	124	153	145	169	270	291	287	230	226
Enterprise Value (bn)	103	117	122	127	119	133	157	153	170	255	283	278	228	230

The share price used for the market cap. and valuations is the average over that financial year, except in the current year and afterwards.

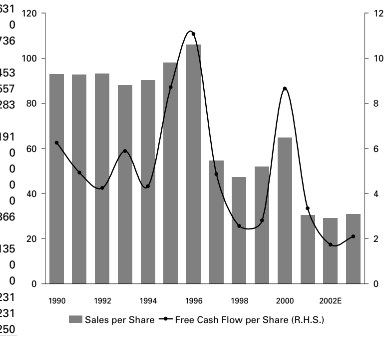
Price and Price Relative



Rel. Perf.: -1m: -3.5% -3m: -0.5% -12m: 1.5%

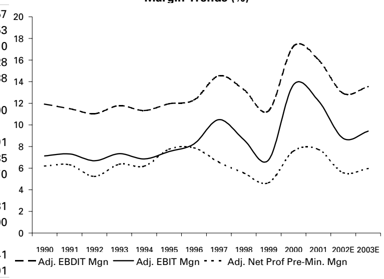
P&L (USD m)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002E	2003E
Turnover	115,794	115,068	115,672	109,532	112,128	121,804	131,543	135,142	115,417	182,529	228,439	209,417	195,910	204,631
Personnel Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted EBDIT	13,810	13,237	12,772	12,921	12,702	14,564	16,164	19,651	15,322	20,638	39,468	33,579	25,313	27,736
Depreciation	5,545	4,824	5,044	4,884	5,015	5,386	5,329	5,474	5,340	8,304	8,130	7,944	8,169	8,453
EBIT	9,752	9,495	8,318	8,983	8,810	11,314	12,764	13,619	9,341	12,459	29,488	25,729	15,797	17,557
Adjusted EBIT	8,265	8,413	7,728	8,037	7,687	9,178	10,835	14,177	9,982	12,334	31,338	25,635	17,144	19,283
Net Interest Result	-1,300	-810	-784	-681	-773	-571	-464	-415	-100	-695	-589	-293	-285	-191
Amortisation of Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Associates (Reported Pre-Tax)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Financial Items	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exceptional Items (Reported Pre-T	0	0	0	0	0	0	0	0	0	0	-1,406	-748	0	0
Pre-Tax Profit	8,452	8,685	7,534	8,302	8,037	10,743	12,300	13,204	9,241	11,764	27,493	24,688	15,512	17,366
Income Tax	3,170	2,918	2,477	2,772	2,704	3,972	4,406	4,338	2,616	3,240	11,091	9,014	4,579	5,135
Associates (Reported Post-Tax)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exceptional Items (Reported Post-	0	0	-40	0	0	0	0	0	-70	-469	1,730	215	0	0
Stated Net Profit Pre-Min.	5,282	5,767	5,017	5,530	5,333	6,771	7,894	8,866	6,555	8,055	18,132	15,889	10,933	12,231
Adj. Net Profit Pre-Min.	7,178	7,278	6,053	6,965	6,924	9,433	10,375	8,866	6,415	8,485	17,322	16,199	10,933	12,231
Minorities	272	167	247	250	233	301	384	406	185	145	412	569	250	250

Sales and Free Cash Flow per Share



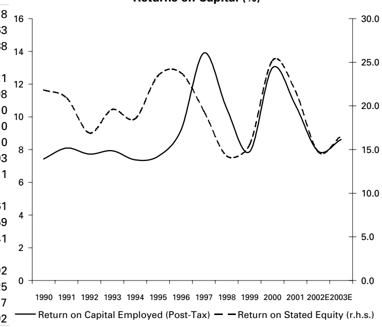
Cash Flow (USD m)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002E	2003E
EBIT	9,752	9,495	8,318	8,983	8,810	11,314	12,764	13,619	9,341	12,459	29,488	25,729	15,797	17,557
Depreciation	5,545	4,824	5,044	4,884	5,015	5,386	5,329	5,474	5,340	8,304	8,130	7,944	8,169	8,453
Increase (+) Decrease (-) in Provis	433	342	55	319	-402	-258	359	731	112	297	-652	1,148	0	0
Increase (-) Decrease(+) in NWC	89	-135	-323	1,024	-289	40	649	-971	-822	-205	78	-1,769	27	28
Operating Cash Flow	15,819	14,526	13,094	15,210	13,134	16,482	19,101	18,853	13,971	20,855	37,044	33,052	23,994	26,038
Proceeds from Share Issues	-336	-353	-210	-192	-154	14	23	-2,369	-2,747	-522	-2,086	-5,821	-5,800	-4,500
Interest Paid (-) Received (+)	-1,300	-810	-784	-681	-773	-571	-464	-415	-100	-695	-589	-293	-285	-191
Tax Paid	-3,170	-2,918	-2,477	-2,772	-2,704	-3,972	-4,406	-4,338	-2,616	-3,240	-11,091	-9,014	-4,579	-5,135
Dividends Paid	-3,397	-3,645	-3,832	-3,879	-4,079	-1,255	-1,358	-4,351	-4,127	-6,091	-6,374	-6,448	-6,444	-6,470
Capex	-6,548	-7,324	-7,225	-6,956	-6,643	-3,529	-3,424	-7,393	-8,359	-10,849	-8,446	-9,989	-13,649	-13,881
Net Other Investments	1,379	1,104	192	855	1,221	581	778	602	367	-136	5,148	1,778	-2,500	-500
Other Cash Flow Related Items	-829	363	788	-639	47	-5,072	-8,791	298	2,184	-9,216	-2,755	-1,160	12,306	7,041
Change in Net Debt (-) Cash (+)	1,618	943	-454	946	49	2,678	1,459	887	-1,427	-9,894	10,851	2,105	3,043	2,401

Margin Trends (%)



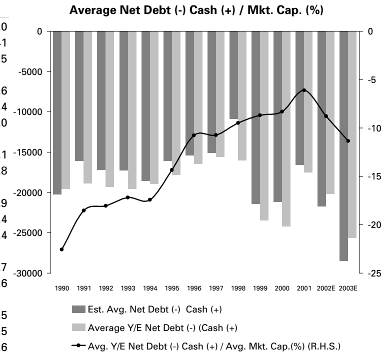
Balance Sheet (USD m)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002E	2003E
Net Working Capital	-978	-969	33	-1,274	-950	-960	-54	378	968	1,217	1,288	2,723	2,750	2,778
of which Inventories	6,386	6,081	5,807	5,472	5,541	5,681	6,442	5,487	5,605	8,492	8,304	7,904	7,983	8,063
Net Financial Debt (-) Cash (+)	-12,398	-11,455	-11,909	-10,963	-10,914	-8,236	-6,777	-5,890	-7,317	-17,211	-6,360	-4,255	-1,212	1,188
Gross Tangible Fixed Assets	107,599	112,440	110,738	111,135	116,326	122,337	126,366	127,778	128,248	189,212	197,658	190,503	226,340	240,221
Net Tangible Fixed Assets	62,688	63,864	61,799	61,962	63,425	65,446	66,607	66,414	65,199	94,043	89,829	89,602	95,076	100,098
Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Depreciable Intangible Fixe	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Depreciable Intangible Fixed A	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Participations & Associates	4,385	4,408	4,606	4,790	5,394	5,697	6,010	5,205	6,434	14,544	12,618	10,768	10,983	11,203
Other LT Assets	2,298	2,276	2,201	2,534	2,583	2,835	3,000	3,253	3,404	4,793	6,154	7,123	7,265	7,411
Pension Provisions	6,810	7,152	8,097	8,153	7,792	8,770	9,195	9,302	9,514	12,902	11,934	12,475	22,447	28,761
Other Long-Term Provisions	12,568	12,449	11,135	10,939	11,435	12,431	13,475	13,452	13,142	16,251	16,442	16,359	16,359	16,359
Other LT Liabilities	612	629	747	770	728	975	660	575	475	1,079	1,166	1,141	1,141	1,141
Stated Shareholder's Equity	33,055	34,927	33,776	34,792	37,415	40,436	43,542	43,660	43,750	63,466	70,757	73,161	71,841	73,092
Minorities	2,950	2,967	2,975	2,395	2,168	2,170	1,914	2,371	1,807	3,688	3,230	2,825	3,075	3,325
Total Net Worth	36,005	37,894	36,751	37,187	39,583	42,606	45,456	46,031	45,557	67,154	73,987	75,986	74,916	76,417
S'holder's Equity After G-will Wri	33,055	34,927	33,776	34,792	37,415	40,436	43,542	43,660	43,750	63,466	70,757	73,161	71,841	73,092

Returns on Capital (%)



Key Ratios	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002E	2003E
Personnel Costs / Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Headcount (Average of the Year)	104000	102500	98000	93000	88500	84000	80500	79500	79500	93200	96400	97150	98015	98941
Value Added / Employee in EUR	98710	99044	96288	115795	119602	132655	155468	218201	173102	207733	443364	385833	279436	303315
Adj. EBDIT Mgn	11.9	11.5	11.0	11.8	11.3	12.0	12.3	14.5	13.3	11.3	17.3	16.0	12.9	13.6
Adj. EBIT Mgn	7.1	7.3	6.7	7.3	6.9	7.5	8.2	10.5	8.6	6.8	13.7	12.2	8.8	9.4
Adj. Net Prof. Pre-Min. Mgn	6.2	6.3	5.2	6.4	6.2	7.7	7.9	6.6	5.6	4.6	7.6	7.7	5.6	6.0
Depreciation / Sales	4.8	4.2	4.4	4.5	4.5	4.4	4.1	4.1	4.6	4.5	3.6	3.8	4.2	4.1
Capex / Sales	5.7	6.4	6.2	6.4	5.9	2.9	2.6	5.5	7.2	5.9	3.7	4.8	7.0	6.8
Inventories / Sales	5.5	5.3	5.0	5.0	4.9	4.7	4.9	4.1	4.9	4.7	3.6	3.8	4.1	3.9
Net Working Capital / Sales	-0.8	-0.8	0.0	-1.2	-0.8	-0.8	-0.0	0.3	0.8	0.7	0.6	1.3	1.4	1.4
Free Cash-Flow / Sales (Post-Tax)	4.9	3.5	2.7	4.8	3.1	7.2	8.5	5.2	2.6	3.6	7.6	6.7	2.9	3.4
Interest Cover (x)	6.4	10.4	9.9	11.8	9.9	16.1	23.4	34.2	99.8	17.7	53.2	87.5	60.1	100.7
Net Debt (-) Cash (+) / Equity	-34.4	-30.2	-32.4	-29.5	-27.6	-19.3	-14.9	-12.8	-16.1	-25.6	-8.6	-5.6	-1.6	1.6
Return on Stated Equity	21.8	20.9	16.9	19.6	18.5	23.5	23.8	19.4	14.3	15.6	25.2	21.7	14.7	16.5
Return on Adjusted Equity	21.8	20.9	16.9	19.6	18.5	23.5	23.8	19.4	14.3	15.6	25.2	21.7	14.7	16.5
Return on Cap. Employed (Post-Ta	7.4	8.1	7.7	7.9	7.4	7.6	9.2	13.9	10.5	7.9	13.0	10.7	7.9	8.6
Average Age of Tangible Fixed As	8.1	10.1	9.7	10.1	10.5	10.6	11.2	11.2	11.8	11.5	13.3	12.7	16.1	16.6

Average Net Debt (-) Cash (+) / Mkt. Cap. (%)



Source: Company Data, Deutsche Bank Estimates.

*****The ratios on this sheet are calculated using standard Deutsche Bank definitions which may differ from official financial forecasts contained in the following report*****

JJ Traynor **Tel:** **+44 131 240 7648**

Updated: 06-Sep-02

Investment case

Assailing the unassailable. ExxonMobil's position as the global number one Major Oil looks virtually unassailable on most scale measures. Its legacy of strong investment discipline and an emphasis on integration and organic growth has created a powerful asset base, and overall, the company could still surprise on the upside. However, this year has been a wake-up call, with a tough downstream environment exposing the group's leverage to refining margins, and continued structural decline in the US upstream gas position. Shell (just) achieved better returns in 2001 (21.4% vs. 20%), and by Q2 2002, Exxon's returns had fallen to 12%, and converged with global peers, BP and Shell.

Upstream questions. Today's declines in the US upstream look set to be replaced by a phase of modest (2-3%/year) volume growth in the coming years. This is likely to be driven by PSC timing in West Africa, as well as Caspian and US Gulf of Mexico start-ups, rather than a deliberate shift to long-term growth. However, Exxon seems to be lagging the peer group in exploration, with just 50% of five-year reserves replacement from the drill-bit, and a puzzling-low exploration score on our 2P dataset. Although massive unbooked reserves in Qatar and Canada-Venezuela oil sands should be sufficient to prevent a repeat of Shell's weak reserves replacement record, does Exxon need to spend more on exploration, or seek new development-led deals? Whether or not the Saudi Core Venture projects finally go ahead, these look more like utility deals than the reserves plays that Exxon wanted... can Exxon get new reserves access in a post-war Iraq, Kuwait, or perhaps via new Russian deals?

Downstream pressure point. Near-term, weak industry margins cloud Exxon's investment case, with downturns in both refining and marketing margins in Q3 relative to Q2 in both regions. This, of course, could evolve into a highly differentiated positive from the world's truly global downstream player, if margins recover, as we expect, in 2003. However, beyond this leverage, real structural questions are emerging. Exxon post-Mobil has the highest exposure to Asian refining. In Europe, does a 12mt/year surplus of refined products over retail sales point to the need to exit from tail-end refining capacity? In the US, are there non-core refineries in the ex-Gulf tail? While we believe there *is* a case for capacity cuts, in Asia at least Exxon's strategy runs contrary to the industry vogue – the company is looking for greenfield *opportunities* in the region (China), and chose to *integrate,* rather than rationalise Exxon and Mobil capacity in Singapore.

Recommendation. Exxon has underperformed the US market by 9% since July, and has performed in line with Royal Dutch after its falls following its S&P de-listing. This recent weakness makes Exxon a more attractive play into late-2003, in our view, although the current weakness in the global downstream environment limits our stance. Share price support should come from a strong buy-back in H2 (some $3.2bn in H2 vs. $2.5bn in H1 2002), as well as high oil prices. From a US perspective, we continue to recommend a Neutral sector stance (within a global overweight centred on Europe), with core US recommendations in small-caps ConocoPhillips and the E&P sector. For those seeking energy weighting in the larger cap US Majors, we would recommend Exxon ahead of ChevronTexaco, given that Exxon's overall mix is more defensive. In our view, better catalysts on both could emerge in a post-war context.

Strengths

- **Management systems:** Despite the organisational challenges of such huge scale, ExxonMobil is successful at allocating capital and driving out costs. The internal shift to global management and merger with Mobil have both been successfully handled.
- **Political clout:** ExxonMobil's status as the largest US oil company gives it a major political weight with the US government. As the de-facto leader of global oil negotiations on Saudi Arabian re-entry, the company may also benefit from new positions in Russia and may find itself in pole position in a changed-regime Iraq.
- **Downstream exposure.** ExxonMobil's extensive downstream exposure has hurt its relative performance in 2002, but the possibility of a downstream recovery going forward, perhaps as crude prices fall and oil demand recovers, makes the world's largest refiner and marketer strongly leveraged to a 'post-war' downstream recovery.
- **Chemicals strength.** A bright spot through the trials of 2002's downstream environment has been a resilient chemicals performance. ExxonMobil has the most profitable chemicals operations among the Majors, and the tightest integration within its refining operations.
- **US$ to Shareholders.** ExxonMobil has the financial strength to support its buy-back programme even as divisional cycles bottom out, as in 2002. We estimate that the company's buy-back programme could total $4-5bn/year during 2002-06.

Risks

- **Succession.** There has been no lead on the management succession issue from today's powerful leadership team. Despite the obvious success of the Mobil merger, how nimble has the current management been in terms of entering new non-OECD provinces, communicating a *detailed* strategy to shareholders, and dealing with the new environmental age?
- **Brand difficulties.** Greenpeace is currently pursuing ExxonMobil in a PR war that focuses on forecourt boycotts of its biggest European market, the UK. Less tangibly, but equally-troubling, Exxon seems (probably unfairly) to have the reputation of linkages with the Bush regime's anti-Kyoto stance, and questions the popular belief of a linkage between hydrocarbons and global warming. While the company insists that it has suffered no fiscal impact from the boycott, being handed a reputation as environmental enemy number one for such a big customer-facing business has to be considered a brand risk.
- **Lower margins as mature fields decline.** Future project development time lines suggest a move into high tax deepwater West Africa and high transport cost Caspian growth areas, as well as a Qatar LNG project that offers solid, but unspectacular, returns. Political constraints on West African oil growth rates are an additional concern. Can ExxonMobil grow 'on time' and sustain margins and returns from such a high existing base?
- **Step on the gas.** ExxonMobil has lagged its competitors on upstream gas commercialisation. While it has the biggest gas position of all, in Qatar, where 900tcf of 1P gas is available for export, elsewhere results have been mixed. When and where will another legacy emerge: from Saudi Arabia, Russia's Sakhalin, or North America's Alaska and Mackenzie Delta perhaps? In the meantime, Yemen, Venezuela and PNG look troubled projects, while Angola and Nigeria LNG look like post-2010 start-ups.

ExxonMobil's strategy and targets

Table 1: **ExxonMobil's targets**

Segment	Target	Comment
Group	"Leadership in all functions", with size for economies of scale, efficiency and market share.	ExxonMobil is the biggest major in every base industry segment: upstream, downstream and chemicals.
ROCE	Returns leadership through the cycle.	We forecast ExxonMobil to retain its returns leadership (16.8% in 2005). However, 2002 performance has slipped owing to the weak downstream environment.
Costs	Merger synergies and revenue enhancement of $7bn by end-2002 upgraded to $8bn by end 2003, up from original $2.8bn (set in December 1998).	Most remaining cost savings now in downstream and chemicals.
Upstream	Grow production *capacity* for both oil and gas at 3% per annum.	Capacity rising, but *actual* production volumes under pressure (-2% H1 2002) due to OPEC, weather and GDP.
Refining & Marketing	Develop best in class operating performance, including $2.8bn of structural improvements before end 2002.	Captured $2bn through 2001.
Share Buy-backs	No formal policy.	We estimate buy-back of $5-6bn annually, among the most aggressive of the Majors.
Dividend Payout	No formal policy.	Should grow at or above the rate of inflation, as they have for the past 19 years.

Source: Company data, Deutsche Bank estimates

Group strategy

Key Players

Chairman and CEO
Management Committee
Lee Raymond (63)

Director, EVP
Management Committee
Rene Dahan (60)

Director, EVP
Management Committee
Harry Longwell (61)
SVP Chemicals
Management Committee
Ed Galante (51)

SVP Development
Management Committee
Rex Tillerson (50)

Simple model. ExxonMobil is proud of its 'simple business model', which focuses on capital discipline and returns. The emphasis is on scale, control, and incremental growth opportunities, and a desire for industry-leading returns in all businesses. As the dominant listed reserves holder, refiner and chemicals player, and ROCE that has consistently been best in class, Exxon's record does not take criticism easily, despite two consecutive quarters of disappointing earnings in 2002, and returns that slipped to be level with the peers' in Q2 2002. Management warned over irrational exuberance in 2001, and has equally remained stolid through the trials of 2002. One distinctive feature of Exxon's strategy is the limited use of external targets. While internally, we suspect that capital discipline and risk assessment are carried out in a rigorous structure, little of this is reflected in targets disclosed to equity investors. This, combined with a somewhat macho image makes analysis of Exxon relative to its internal performance targets less straightforward than for its peers, BP and Shell… though this is only a problem when earnings disappoint.

Scale. The company has a huge opportunity set. Capex levels are expected to stay at current $14bn/year levels. ExxonMobil has identified $100bn of upstream projects during the current decade, including $55bn for major projects and $15bn for exploration. However, the major areas to have benefited from cost-cutting, namely downstream and chemicals, will, we believe, both see slower capital expenditure going forward, with Exploration & Production spending rising from 50% in recent years to closer to 60% across the next five years. The emphasis is on replacing upstream legacy assets (deepwater, oil sands, FSU and Middle East), with integration themes dominating refining and chemicals (Europe, Asia and the US).

Cost upside. The final total of $8bn of merger cost-cutting and revenue gains by 2003 (against an original merger target of $2.4bn by 2002), could be the last financial target that will be identified against the Exxon-Mobil merger. However, with the oil industry's most global scale, intuitively Exxon could continue to surprise on cost performance, with a mix of large-scale overlaps (US, Europe and Asia), globalised R&D and procurement, and important diversity in the 'legacy' asset base. Amongst the peer group, we suspect that Shell has similar potential, albeit without the catalyst of a merger, while BP's scope for more surprises on costs could be limited by an already-slimmed portfolio.

Table 2: **Key company events**

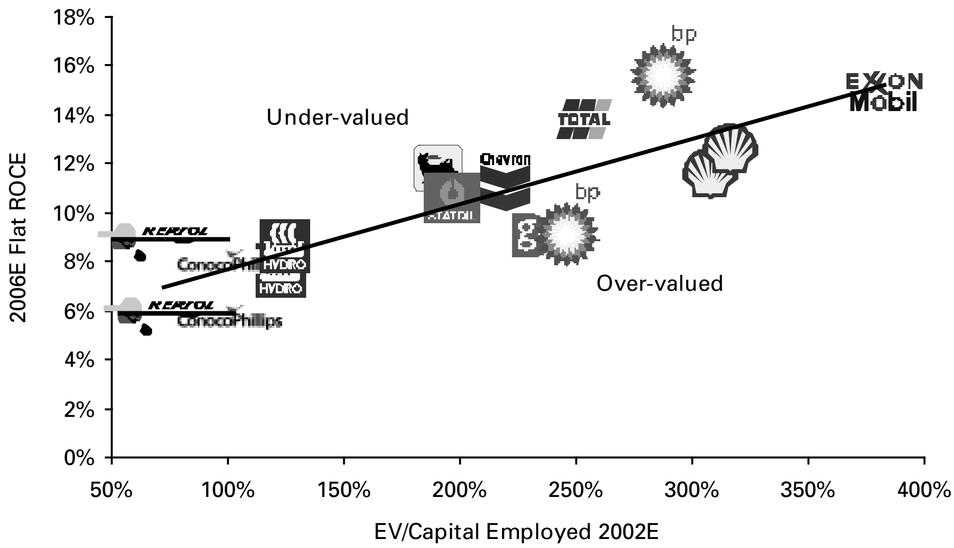
1882	Standard Oil Company founded.
1911	Standard Oil Co. break-up into Jersey Standard (Exxon) and Socony (Mobil).
1948	Exxon joins Mobil, Chevron and Texaco in Saudi Aramco.
1959	Groningen gas field discovered in Netherlands.
1963	Lee Raymond joins Exxon as a production research engineer.
1964	"The Year of the Tiger Along Madison Avenue." Exxon sells to growing gasoline markets.
1965	Exxon Global Chemical Company established.
1969	Gaddafi takes power in Libya, where Exxon production is 750 kb/d. Gains higher tax rate.
1972-4	Saudis take 60% share in Aramco.
1976	Saudis disband Aramco concession, Aramco remains as operator and marketer.
1977	First deliveries of North Slope oil from Alaska.
1978	Mobil discovers Arun field (14tcf, 100% equity).
Mar 1989	Exxon Valdez runs aground spilling 260 kbbls of crude.
1994	$5bn punitive damages awarded against Exxon over Exxon Valdez.
Dec 1999	Merger between Exxon and Mobil.
Mar 2001	Arun LNG plant shut down due to violence in Indonesia.
Arp 2001	World's largest ever LNG contract signed between Exxon's Rasgas and India's Petronet.
May 2001	Selected lead for two projects in Saudi Arabia Gas Initiative.
1Q 2002	'Worst downstream environment since early 1980s'.
July 2002	Record sales volumes of chemicals achieved of 6.7mt for the quarter.
August 2002	Company misses consensus earnings estimates for the second consecutive quarter.
Still to come	
Late 2002	Early production system, FPSO, in place for accelerated production at Yoho, Nigeria.
Late 2002	Final commitment to West-East pipeline, Saudi Gas Venture negotiations.
Early 2003	Sable Island Tier 2 (365 mmcfd) startup.

Source: Company data and Deutsche Bank estimates

Payout power. Although ExxonMobil does not have a formal dividend or share repurchase policy, we believe it should continue to be amongst the best in the industry at returning money to shareholders. Dividends have risen by 2.1% in 2002 and 2.7% annually over the past four years. Look for continued growth in the dividend at or above the rate of US inflation. We estimate the company will buy-back $4-5bn of stock annually, based on projected cashflow and capital spending plans and a stated desire to re-lever the balance sheet up toward 20% debt to total capitalisation, from a base of 5.5% in 2001.

Group returns. We expect group-level ROCE to remain top quartile through to at least 2005, given the low tax, depreciated asset base in the US, and our \$20-\$22 medium-term oil price view. However, we note that an increasing proportion of Exxon's growth is scheduled to come from new hub investments in higher tax regimes (Caspian, Middle East and west Africa). From such a high base (Exxon's returns have been best in class in recent years), are there risks that underlying returns erode? On one hand, Exxon has the potential to deliver better volume growth rates near-term as its new hubs emerge, for example in Angola and Kazakhstan, but on the other hand, capital-intensity and tax rates appear to be rising, limiting the scope for returns growth. We note that with pooling restrictions now ended from the Mobil transaction, Exxon could move to sell down lower-returning and non-core assets, to mitigate this effect. Australian and Colombian coal assets have been sold recently – are there more fundamental moves (Mobil UK? The copper assets? US coal?).

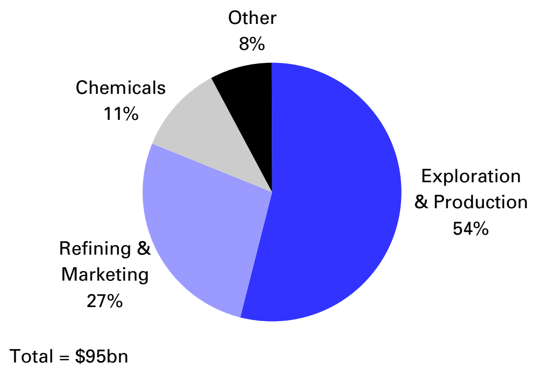
Figure 1: **Exxon's ROCE performance remains competitive... at a price (%)**



Source: Deutsche Bank estimates. Based on \$18 Brent oil price scenario

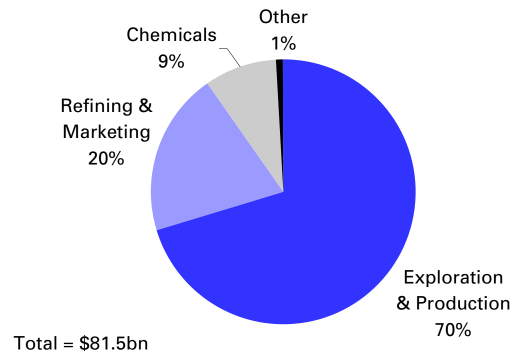
ExxonMobil's cashflow and capex

Figure 2: ExxonMobil's fixed asset split in 2001



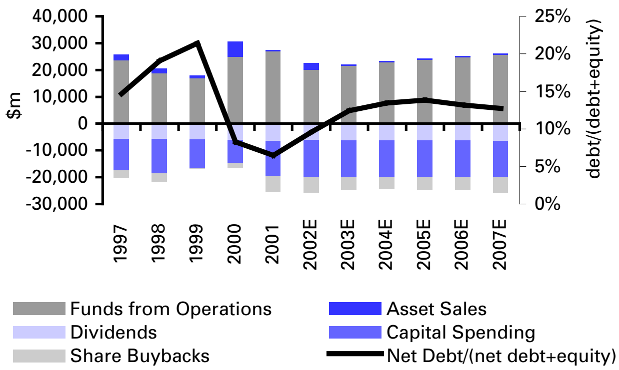
Source: Company data, Deutsche Bank estimates

Figure 3: ExxonMobil's capital spending programme 2001-07E



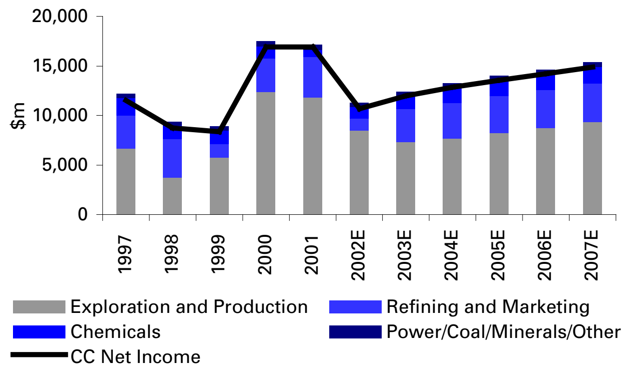
Source: Company data, Deutsche Bank estimates

Figure 4: ExxonMobil's cash balance



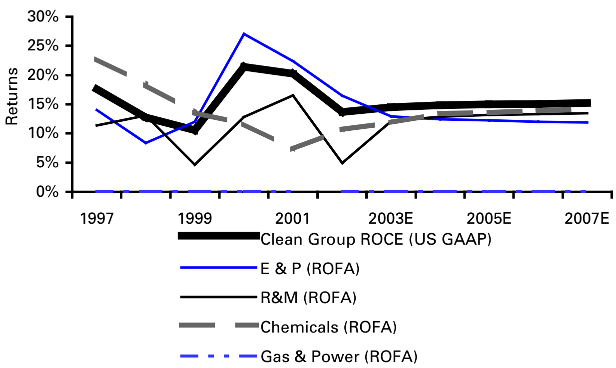
Source: Company data, Deutsche Bank estimates

Figure 5: ExxonMobil's earnings momentum 1996/06E



Source: Company data, Deutsche Bank estimates

Figure 6: ExxonMobil's returns profile



Source: Company data, Deutsche Bank estimates

ExxonMobil's financial trends

- Much depends on downstream and chemicals recovery in 2003, with ROCE falling close to Shell's level this year.
- Spending focused on upstream, although R&M spend could rise if China deals progress.
- We forecast a re-levering of the balance sheet towards 10%, allowing for sustained dividend growth and high levels of share buy-backs.

Source: Company data, Deutsche Bank estimates

Exploration & Production... replacement questions

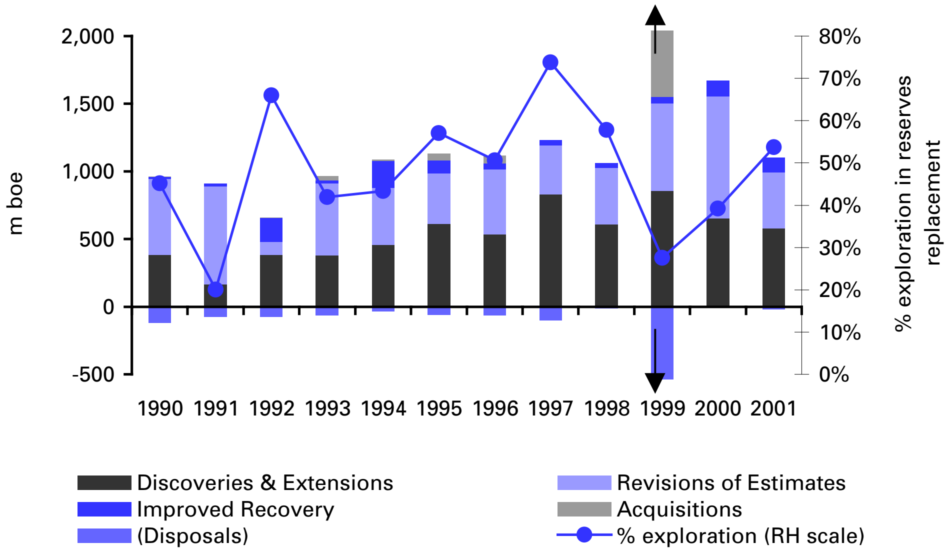
Exxon has a global spread of upstream assets, with some 2/3rds of its reserves in North American and Europe, alongside Asia, Latin America and west Africa, with only minor exposure to north Africa and the FSU. ExxonMobil, selling 1 in 10 of every barrel of oil consumed globally, has such scale that it becomes a political entity, and in many cases this scale seems attractive to governments keen to see investment in new infrastructure.

Growth phase unfolding. ExxonMobil's upstream volumes have been flat for the past decade. However, several new provinces are emerging, notably deepwater west Africa, Gulf of Mexico, Qatar and the Caspian, which should underpin a phase of better near-term growth rates – we expect to see 2-3%/year average growth 2002-06E. These growth rates look comparable to plans at Shell. We forecast overall 3.2%/year oil production growth, driven by Tengiz in the Caspian and, particularly, by a range of projects in Angola, such as Kizomba A, B, and C, and Dalia, alongside 2001 start-up, Girassol. West African production looks key, and we expect acceleration from 6%/year growth to over 20%/year growth over the next four years. Interestingly, much of Exxon's oil growth is set to come from regimes where there are government pressures for *slower* growth rates, notably in Angola and Nigeria.

In gas, growth looks likely to be slower than oil (2%/year), with spectacular international expansion (Middle East-driven) offsetting steep declines across the portfolio. US gas production is now down 9% YoY for the first half of 2002, having fallen 9% in 2001 over 2000. In the UK, production is also falling away, as will be the case in Indonesia after the higher volumes seen now that security is re-established in Aceh begin falling again in natural decline. The emergence of Qatargas (via Mobil) looks likely to be a key element of the long-term gas strategy, alongside an emerging position in China.

Exploration pressure. Gas declines were particularly notable in a 98% reserves replacement ratio for 2001, the first time since 1994 that ExxonMobil has fallen below 100%. However, a 2tcf booking, mostly from Qatar, in non-consolidated discoveries, took gas reserves replacement to just over 100%.

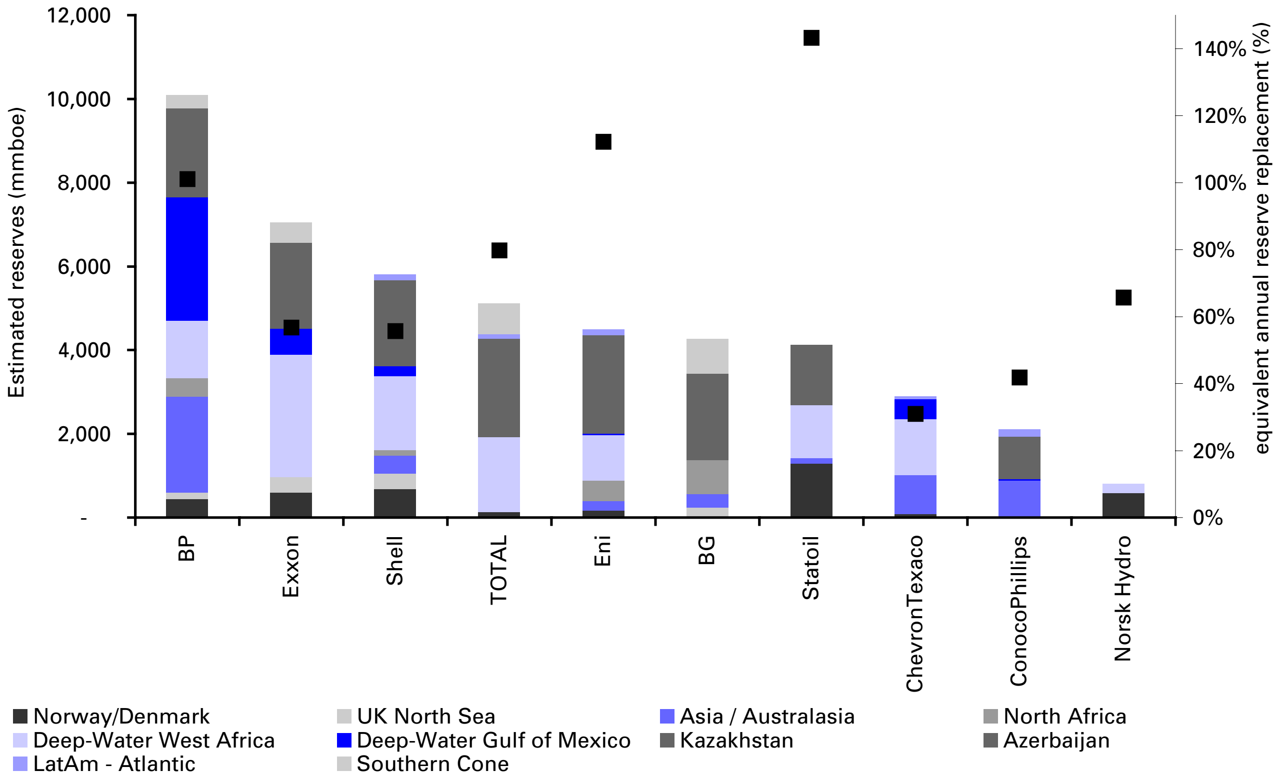
Figure 7: **Exxon's reserves replacement… is exploration faltering?**



Source: Company data

Exxon has the highest tar sands and syn-crude exposure of the Three Sisters, with projects in Canada and Venezuela, which, alongside a substantial position in Qatargas, provides a powerful reserves and production cushion. Including these non-conventional reserves, its reserves replacement was 111% in 2001, and a five-year average of 120%. Excluding these reserves (i.e. on an SEC basis), reserves replacement was 98% in 2001, and a gas reserves replacement ratio in consolidated companies of just 35%, and F&D costs a high $4.93/boe (compared to an industry average of $3.54). Can Exxon deliver on reserves growth in politically-complex and higher cost provinces, to offset these unflattering trends? Scale clearly brings its own challenges. ExxonMobil is running to stand still, and while we feel higher growth – of around 3%/year against the historical 0.3% rate - is possible going forward, there is increasing focus on the *exploration* performance.

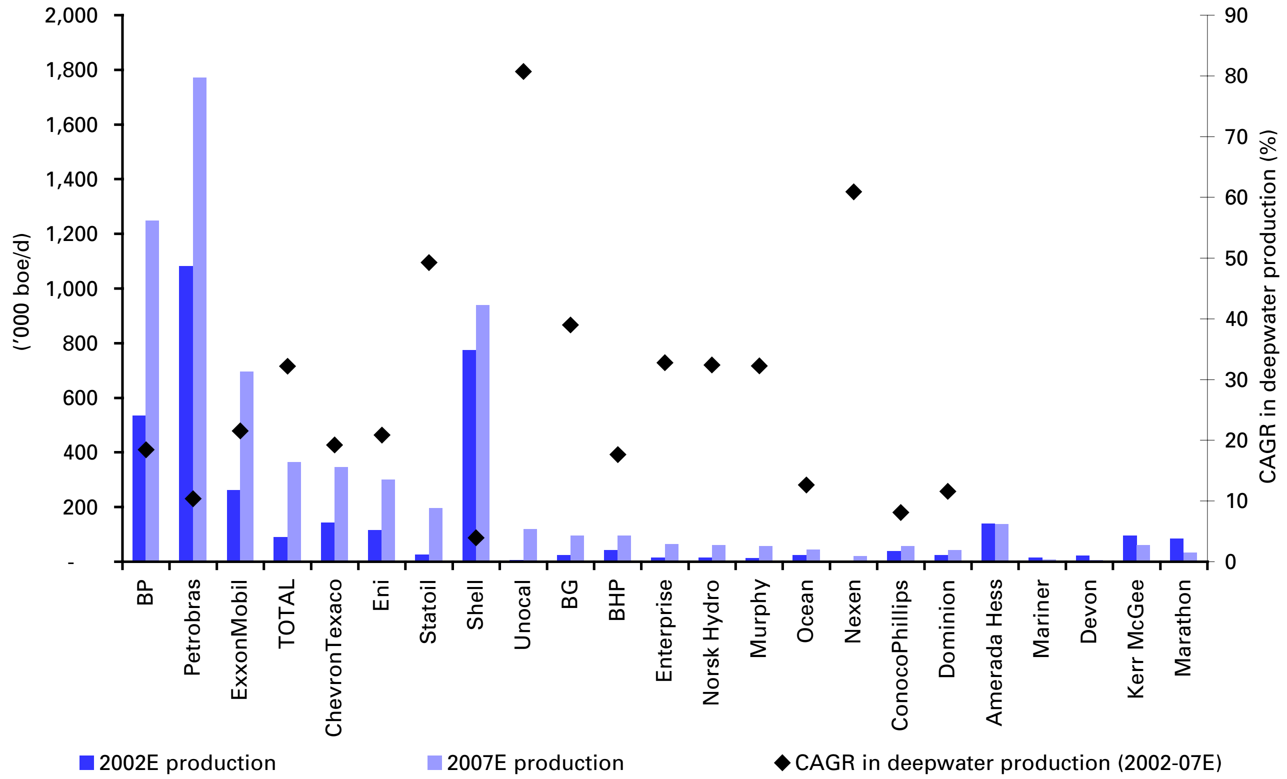
Figure 8: **Exxon's exploration performance... lagging the peer group? (1995-2001)**



Source: Deutsche Bank estimates, Wood Mackenzie. Data shows 2P reserves found 1995-01 ex onshore US and Russia

We have assessed the exploration performances of the Major Oils over the past seven years. We note that Exxon seems to have had comparatively weak exploration results, with the lowest 2P reserves accretion in the 'Three Sisters'. For example, an aggressive foray into deepwater acreage has yielded mixed results, Exxon has slipped to third position in the US Gulf of Mexico, and is the global number three in deepwater reserves. In addition, the company was late into the deepwater west African plays, and seems to have paid relatively high signature bonuses across this trend. Both BP (in an absolute sense) and Shell (relative to its size), have larger 2P reserves bases in deep water than Exxon, and the company looks biased towards maturing deepwater acreage.

Figure 9: **Exxon seems to be lagging in global deepwater production**



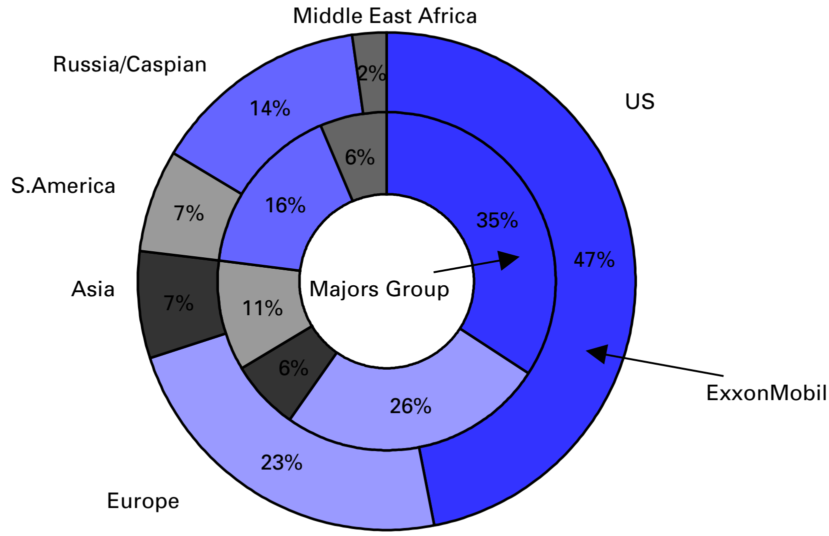
Source: Company data, Deutsche Bank estimates and Wood Mackenzie

For now, there is no sense of crisis: group reserves life looks supported by bookings in the vast Qatar, and in oil sands plays, and Exxon is involved in recent discoveries in deepwater west Africa and Indonesia. However, Exxon's exploration has accounted for an average 50% for 1997-01 (less than BP's 70%, and disturbingly similar to Shell's 54%), and is not creating reserves growth. While we see near-term volume growth (see below), this is more a function of PSC timing, rather than a sustained change, and we suspect that Exxon will seek more development-led deals to support its reserves life going forward... or see the reserves replacement challenges faced by Shell. Can Exxon break into Middle East reserves – post-Saddam Iraq, Saudi, or Kuwait? Are there potential deals in Russia?

What about margins? ExxonMobil has a high relative weighting to the declining lower tax, low depreciation areas of the US and Europe, which presents a future challenge in terms of maintaining margins. From this perspective, ExxonMobil is similar to BP and ChevronTexaco, with all three companies trying to replace low tax, depreciated upstream assets with higher tax and capital intensive growth in the OECD. Players such as Shell and TOTAL are facing the same challenge, from higher tax bases, so that for them, growth margins are less of an issue.

ExxonMobil actively targets a balanced geographic, as well as functional, approach, but with such large US onshore and North Sea positions in decline, there is a natural move to greater levels of production in west Africa, Kazakhstan, and, in 2002 in particular, Malaysia.

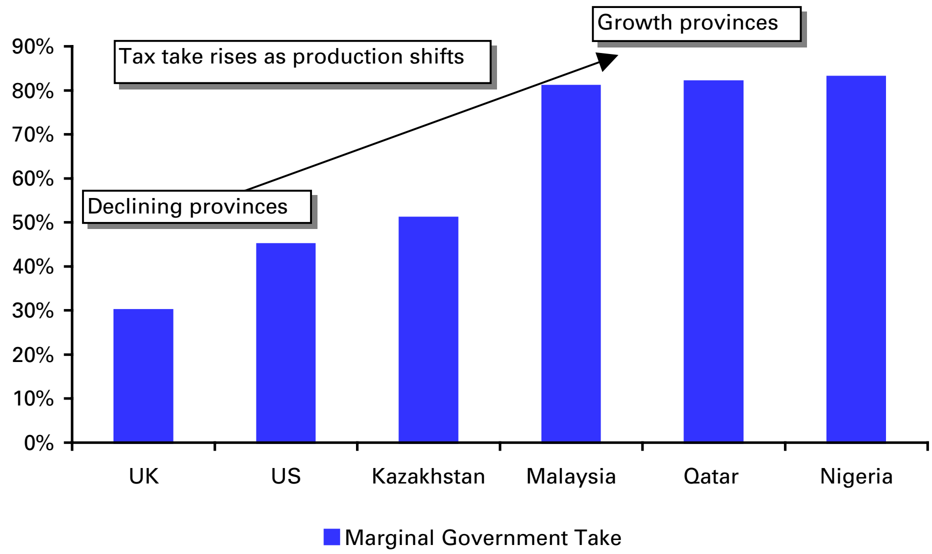
Figure 10: **Current upstream value by province: Overweight OECD high margin**



Source: Deutsche Bank Estimates. NAV 2002E

Will ExxonMobil's future growth in upstream be in lower margin provinces? The US marginal government take is around 42%. In deepwater Angola, it is 60% - and a lot further to market. Similarly, while Kazakhstan has a 51% tax rate, the higher transport costs of the CPC pipeline and tankers through the Straits of Bosphorus also take their share of the margin. In gas, Qatari production, even ignoring a theoretical 80% marginal government tax take, and allowing for the upside in associated condensate production, still needs to be liquefied and transported – unlike higher margin onshore US production. Even if ExxonMobil can achieve its targeted 3% growth rate in upstream, we have forecast declining margins in our model for the company and upstream underlying earnings growth of a slower 2.5%.

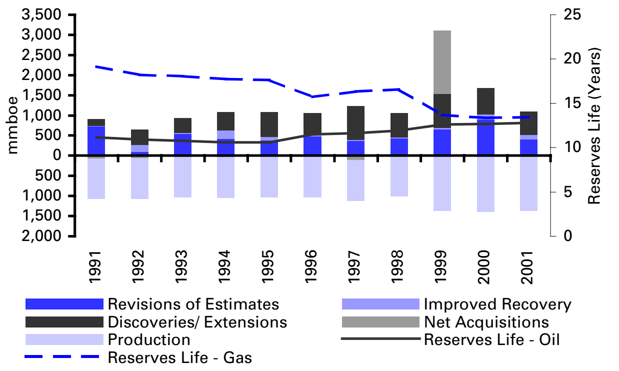
Figure 11: **Production shifts to lower margin regions**



Source: Deutsche Bank estimates

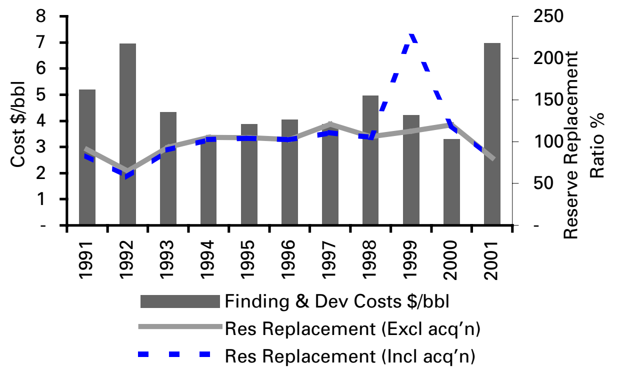
ExxonMobil's exploration & production: Key trends

Figure 12: **ExxonMobil's reserves replacement**



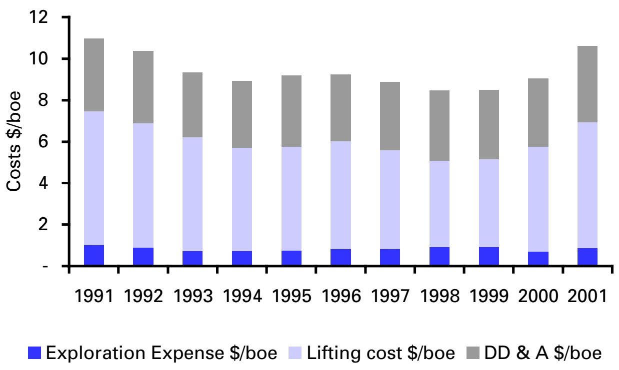
Source: Company data, Deutsche Bank estimates

Figure 13: **ExxonMobil's reserves ratios and costs 1990/01**



Source: Company data, Deutsche Bank estimates

Figure 14: **ExxonMobil's technical costs 1991/01**



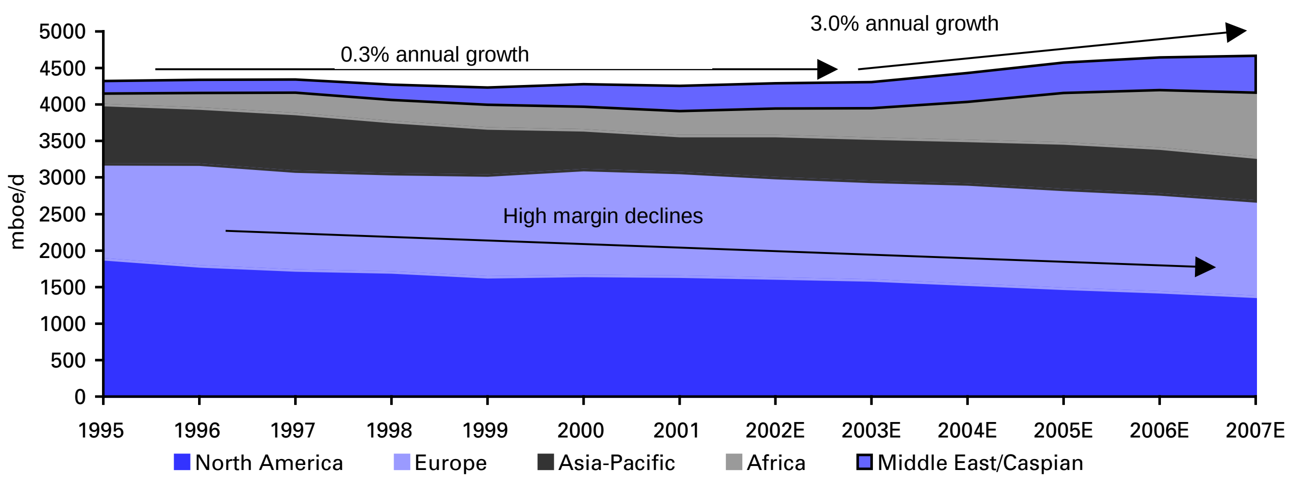
Source: Company data, Deutsche Bank estimates

ExxonMobil's upstream trends

- In 2001, reserves replacement ex-affiliates (and tar sands) fell below 100% for the first time since 1994. Qatar position should support reserves base, although questions emerging over exploration performance.
- Rising costs reflect industry-wide pressure as synergy gains wind down.
- Production growth accelerates towards 3% 2002-06E. As with reserves replacement trends, there is a counter-intuitive faster growth in oil than in gas.

Source: Company data, Deutsche Bank estimates

Figure 15: **ExxonMobil's oil & gas production profile**



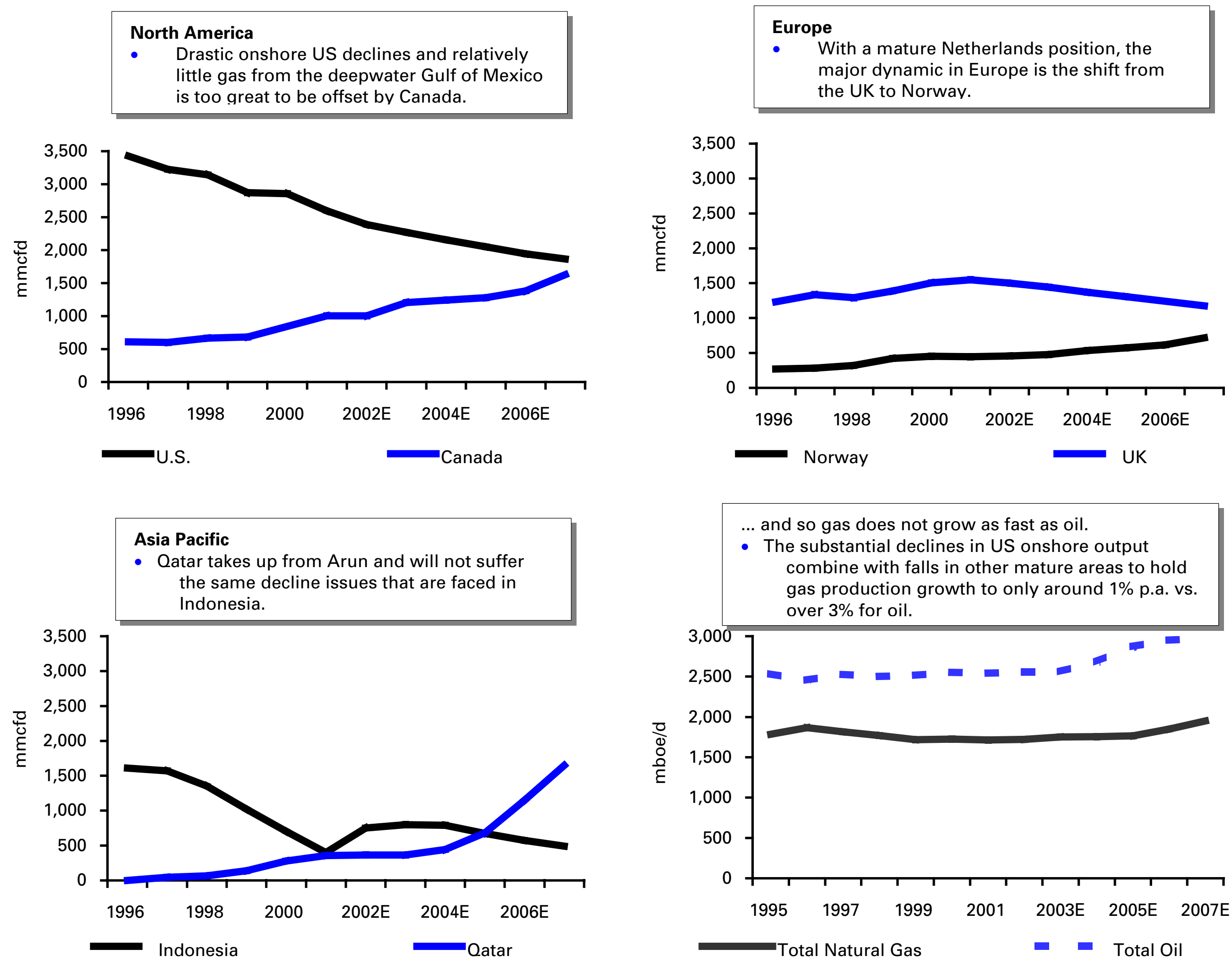
Source: Company data, Deutsche Bank estimates

ExxonMobil's exploration & production focus: International gas challenges

ExxonMobil's stated aim to "capitalise on growing natural gas markets" has led the company into several high-profile opportunities across the global gas map. It is worth considering the company's progress in this area given that we are forecasting faster growth in oil production than gas production going forward, despite the company's target to grow both streams equally.

Technical market leader. In the more technical gas markets (North America and Europe), ExxonMobil continues to excel, although its growing Canadian position will struggle to overcome the precipitous declines in US gas production seen over the past two years. The finding of a market for North American produced gas is not an issue, given the supply tightness of the huge US gas market.

Figure 16: **Shifting portfolio: Fundamental geographic moves**

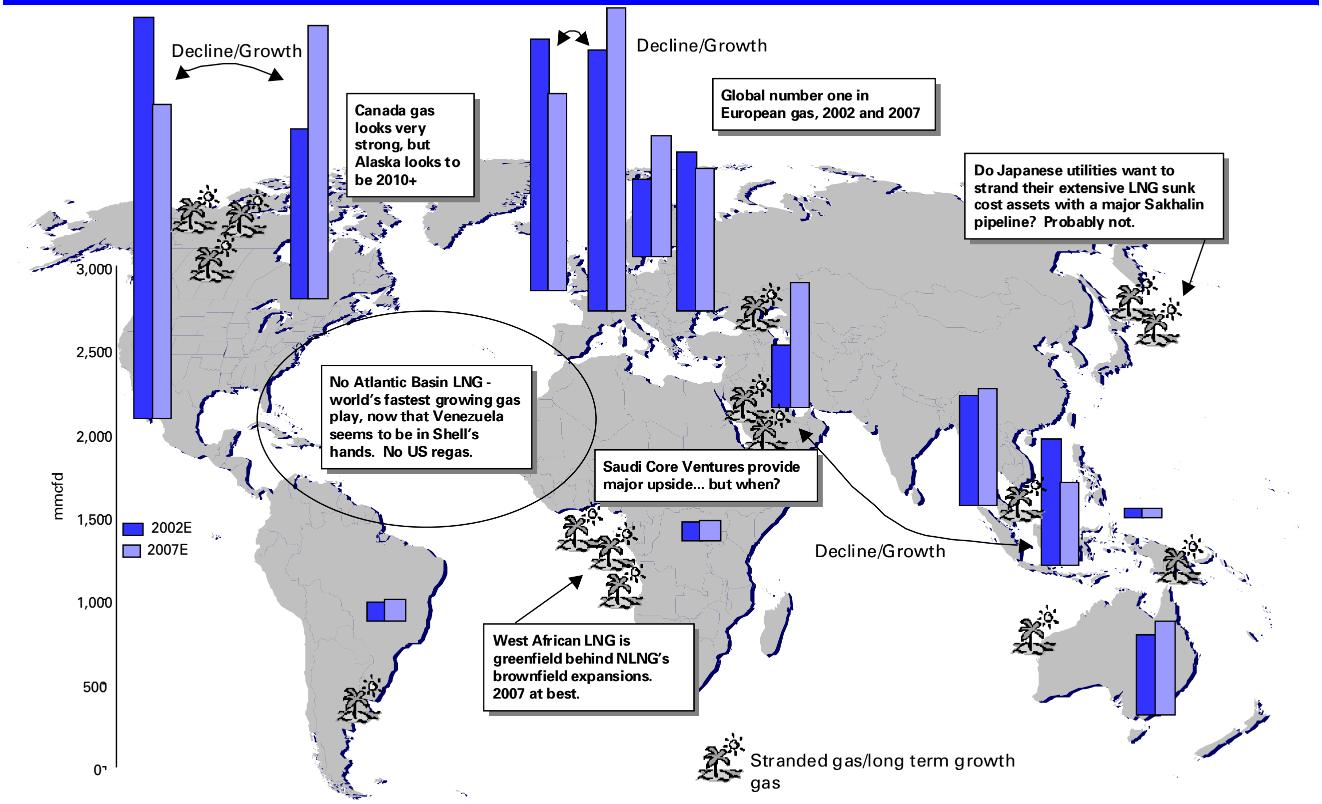


Source: Company data, Deutsche Bank estimates

Commercialisation challenge. However, with its huge reserves and developing markets, the pursuit of international gas growth has become primarily a commercial, rather than a technical discipline. ExxonMobil's high reputation sits firmly in the latter. The more commercial orientation of Mobil, and its hugely successful sale and development of LNG from Arun and Qatar, may well have been somewhat subsumed by the ExxonMobil technocratic culture. An additional complication is a natural aversion by Exxon towards shipping, which has become a necessary part of playing the global LNG trading game. ExxonMobil's outstanding position in Qatar is well leveraged into both the Atlantic Basin and Asian markets, but the question remains whether a more aggressive pursuit of traded LNG would damage the project, as seems to be the fear, or its competitors, which seems more likely, in our view.

Qatar is a remarkable asset. With 900tcf of 1P gas, ExxonMobil has access to a staggering 150bn barrels of oil equivalent – almost a global, rather than corporate, legacy asset. The expected LNG expansion is likely to see the QatarGas/RasGas combination become the largest LNG plant in the world by 2015 and will be in addition to the development of pipeline gas through the Enhanced Gas Utilisation (EGU) project for sale to domestic and regional markets. With 16% annualised growth in Qatari gas, the declines seen in other areas, particularly the US and UK North Sea, will be more than offset.

Figure 17: **Global gas long-term supply projects focus**



Source: Company data, Deutsche Bank estimates

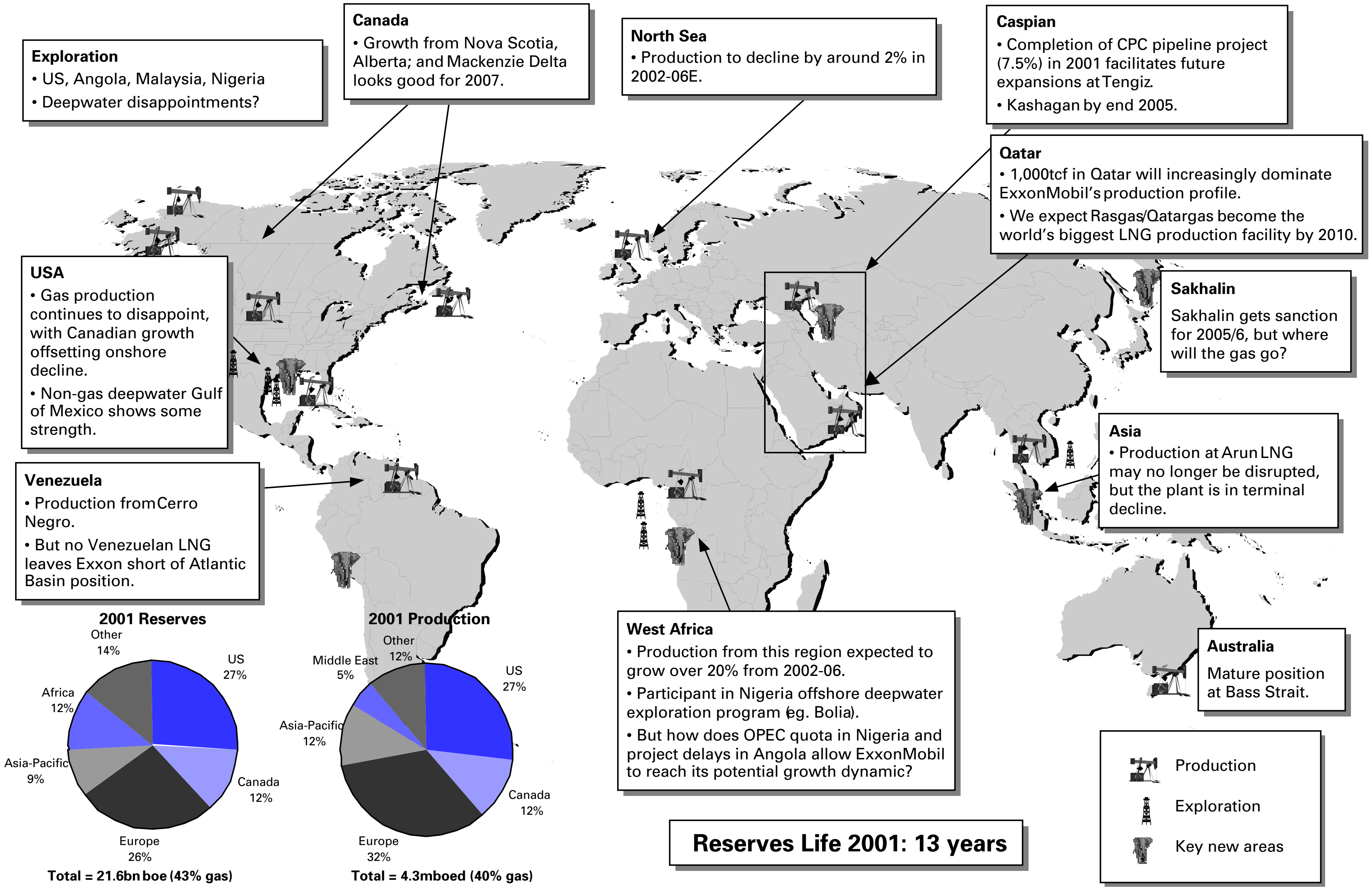
There is a question as to whether the company is over-dependent on Qatar going forward. While growth here *is* strong, other major gas projects being pursued by ExxonMobil have not fared anything like as well. For example, Yemen LNG, the legacy Exxon project, could be seen as a clear competitor to Qatar, but has not yet been successfully marketed.

Greenfield challenge. Perhaps more significantly, given its lack of Atlantic Basin LNG presence other than Qatar, which has relatively high transport costs to the US market, is the unexplained exclusion from the Venezuela LNG development. This seems to have been a political development, but nevertheless was a disappointing culmination to many years of negotiations. This has left ExxonMobil short of a truly low cost US LNG supply, and looking short in Atlantic Basin gas projects, notwithstanding its position as the largest gas producer in Europe. Beyond Yemen and Venezuela, there are other projects that have not progressed as quickly as might have been hoped. Sakhalin I gas remains to be sold, and PNG-Queensland seems to have been dealt a body blow by one of the major off-takers committing to burn gas from coal-bed methane.

Another high profile difficulty has been the Saudi Gas Ventures. In May 2001, when ExxonMobil was selected as the leader and operator for Core Ventures 1 and 2 in the Saudi Arabian Natural Gas Initiative, the two projects were expected to be finalised by end-year. Despite the involvement of Crown Prince Abdullah, the projects are widely seen to be drifting over differences in required rates of return.

Capital dilemma. This conundrum of ExxonMobil's relative underweight in long-term legacy gas developments may be related to the company's capital discipline. It is hardly likely that a company known for its long-term view and financial clout can be concerned about high initial capital costs. More likely, the company is examining full lifecycle returns on these projects and finding them unattractive. For example, the company is not committing fully to the West East pipeline, and is not acknowledging the 12% return that PetroChina says is the project's midstream return. Saudi Gas Ventures are very publicly stalling on lifecycle returns, not on high initial costs. Ultimately, in our analysis, most oil developments have higher returns than gas developments. ExxonMobil's limited international gas growth may well be the price for returns discipline, and to this extent, lack of growth may be no bad thing, in our view.

Figure 18: **ExxonMobil's exploration & production**



Source: Company data, Deutsche Bank estimates

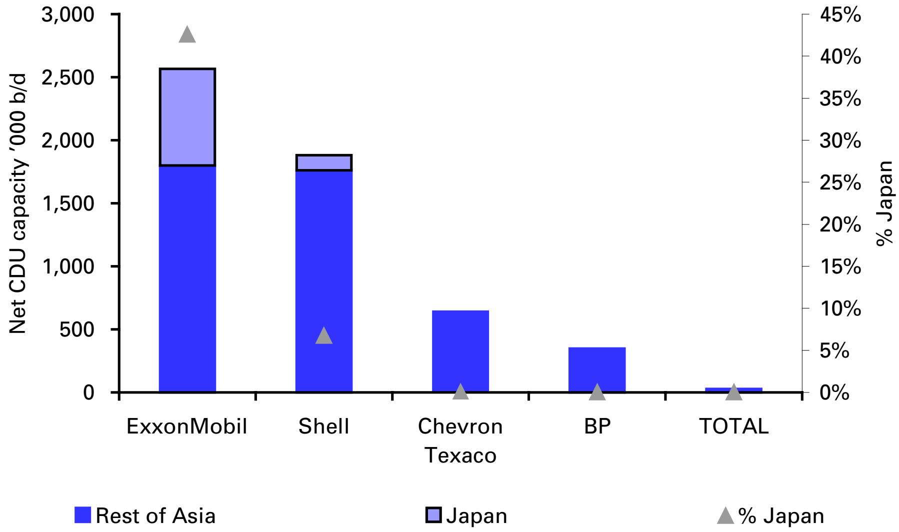
Downstream and chemicals: Scale

Despite the huge cost savings benefits achieved by ExxonMobil in the wake of its merger, industry conditions were sufficiently bad in early 2002 to force the company to miss its targeted minimum 10% downstream returns. Looking through currently low margins (created by post-11 September inventory builds), ExxonMobil's downstream strategy is all about refinery scale and chemicals integration, and a global footprint and brand leverage. Much of the earnings upside rests in an industry recovery downstream... the investment case for Exxon if-and-when oil prices soften and demand growth improves.

Integration play. The company wants large-scale refining plants (typically 50%-100% bigger than the industry average), which are closely integrated with lubricants and/or chemicals facilities. On average, ExxonMobil's plants are among the most sophisticated of the Three Sisters, providing better margins when upgrading is advantaged and reducing outlays required to meet upcoming, stricter fuel specifications. Recent years have seen a fundamental industrial integration of Exxon and Mobil refineries and petrochemicals operations in the Gulf Coast and Singapore, alongside global lubes and retail integration. Intermediate feedstock, and powergen sharing is a key element of the downstream strategy, and refining & supply costs are scheduled to fall by some $2.8bn 1998-2002E, through a suite of initiatives on yields, energy management, supply-chain optimisation and maintenance programmes. Much of this activity is concentrated in the Gulf Coast and Singapore. Retail strategy has included maintenance of legacy brands (including the key Mobil 1 lubricants), experiments with un-staffed retail sites, and non-core closures.

Refining pressure points? In some regions, the merger has left ExxonMobil overweight in areas of low, and even negative, returns. Of particular note in this respect is the Japanese downstream position, that looks, with Japanese oil demand falling in a totally mature economy with a declining population, to be unlikely to ever bring good results in its current form. Current plans call for more integration with also-troubled Showa Shell... is an exit on the agenda? Equally, the merger of refining positions in Singapore, with the linking of two refineries into a mega-site rather than a part disposal, leaves ExxonMobil heavily exposed to a refining environment notable for its occasional negative margins and frequently low utilisation rates. Exxon remains the most exposed of the Three Sisters to the Asian downstream.

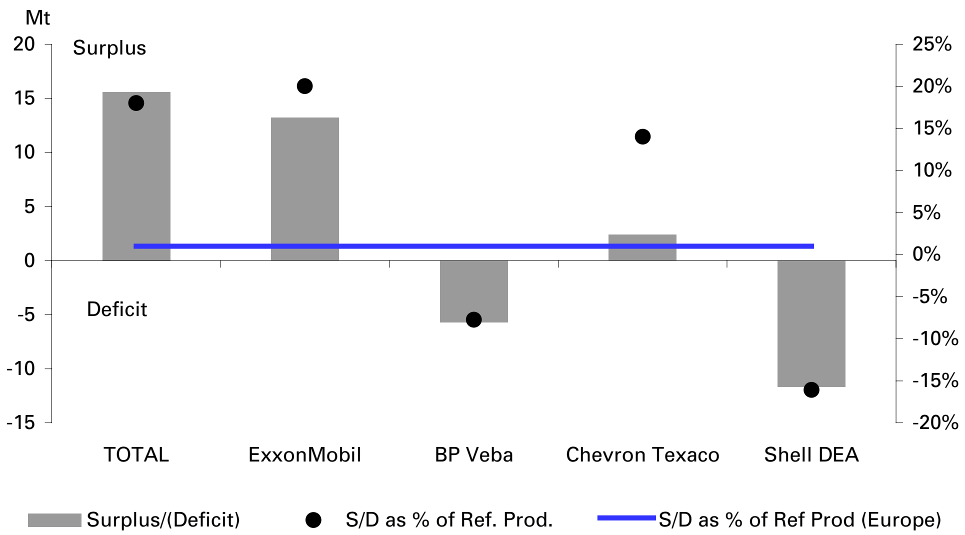
Figure 19: **Asian refining capacity and Japan pressure point**



Source: Company data 2001

We note that in Europe, Exxon has a 12mt/year surplus of refined products over its retail sales – dominated by hard-to-commercialise fuel oil. In the US, refining capacity in Montana looks distant from the Gulf core, and seems to lack scale. Should Exxon sell down refining capacity in the US, Europe and Asia?

Figure 20: **European refined product surplus... refinery exits?**



Source: Wood Mackenzie, Deutsche Bank estimates 2002E

Chemicals integration. Exxon's chemicals operations are concentrated in large-scale integrated refining-petrochemicals sites, with substantial PP and PE growth since 1999. More recently, Exxon bought Basell's PP assets in Lillebonne (France), adjacent to its Port Jerome-Gravenchon refinery complex… integration is underway. Industrial scale and refinery integration have made Exxon's chemicals returns the envy of the peer group in recent years.

Over the past decade, the company has sought to raise its 'bottom-of-the-cycle' chemicals returns by increasing investments in less cyclical speciality chemicals and achieving greater scale in the more cyclical segments. Earnings stability has also been achieved by having the tightest integration with its refining operations. Over the past four years, ExxonMobil has invested heavily in order to double its manufacturing capacity to the Asia Pacific region, and the company is now best positioned in the industry to benefit from the region's projected strong long-term demand growth rates. Cost savings of $300m have been achieved since the merger.

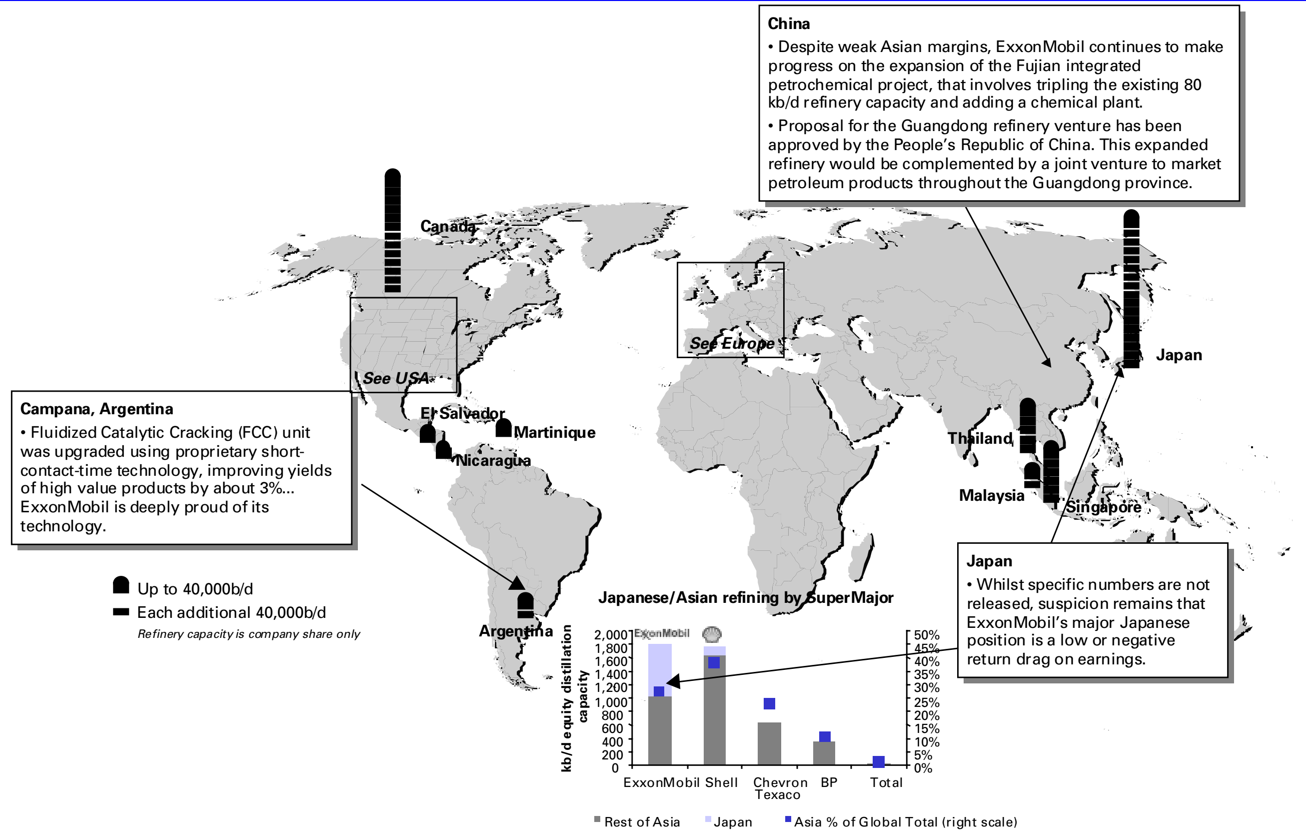
Downstream and chemicals *growth.* Exxon has perhaps the most ambitious plans of the Three Sisters to grow its refining-chemicals business, with an emphasis on Asian markets. Feasibility studies are underway for refinery projects in China (Fujian and Guangdong), alongside Chinese petrochemicals projects. In addition, there are (were) plans to build new petrochemicals capacity in the Middle East – notably in Saudi Arabia, with the 'Core Ventures' projects, currently stalled over negotiations on returns. These refinery growth plans run contrary to strategies in the peer group, and have to be seen as a near-term risk to sentiment, albeit a longer-term play on growth in the Chinese market. While Exxon's peer group is investing in China's fuels retail and lubes markets, neither Shell nor BP (yet) has new refinery investment plans there, or elsewhere in Asia.

Gas & power. ExxonMobil does not report a separate gas & power earnings stream and as such has remained focused on core oil & gas activities without venturing into customer facing businesses in liberalised energy markets, or gas and power trading, in the now maligned Enron model. However, with its downstream bias, ExxonMobil has led the industry in less visible *cogeneration* development at refining sites. Added to its huge incumbent position in Hong Kong within dominant power generator, Capco, and the company is, perhaps surprisingly, the largest amongst the Majors for power generation. We note that there are regulatory pressures in Hong Kong, and we speculate that the upside in Exxon's power generation assets there may have passed, despite a gas offtake agreement with BP's Yacheng that seems to favour Exxon. Will Exxon ultimately exit from Hong Kong power?

The company does have a very discreet joint venture with Duke energy to market gas within the US, but has not pursued power trading substantially. Apart from the Qatar position in LNG supply, the company has not gone after regasification projects in the Atlantic Basin, and particularly US market, as a means of leveraging LNG supply. With Qatar becoming such an important part of the company's future portfolio, in our view, the lack of a US regasification option is very surprising. Plans to export Qatari gas to the UK may mark an entry into regasification there… will Exxon make similar moves into the US?

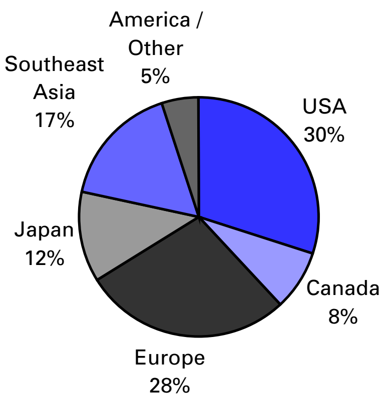
ExxonMobil's refining & marketing

Figure 21: **ExxonMobil's global refining & marketing portfolio**



Source: Company data, Deutsche Bank estimates; insert chart as at end-2001

Figure 22: **ExxonMobil's refining capacity 2001**



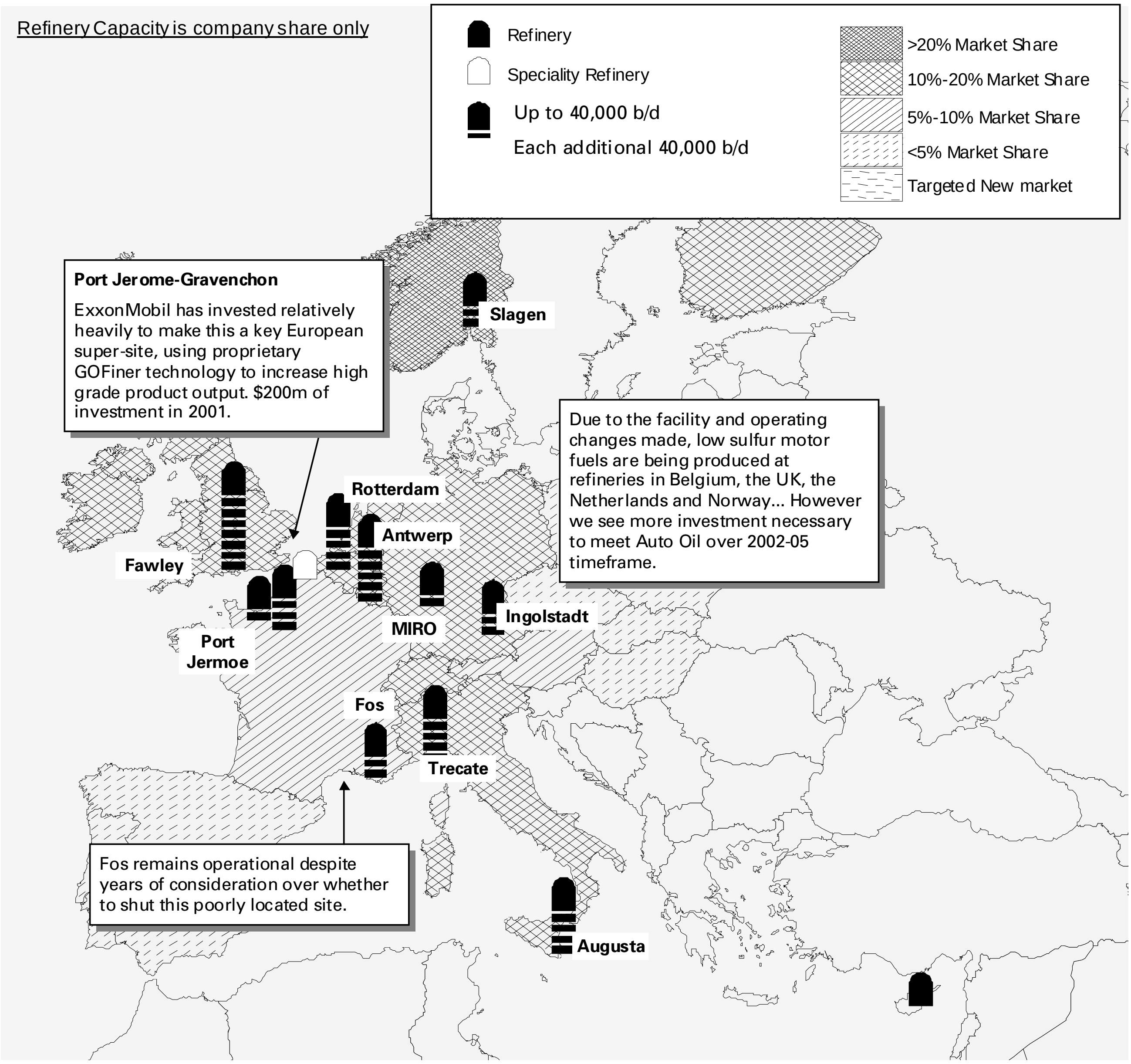
Source: Company data, Deutsche Bank estimates

ExxonMobil's downstream trends

- Investment in key super sites with overall reduction in capital expenditure going forward.
- Company targeting $0.8bn of pre-tax savings in 2002.
- Continued weakness in Japanese markets presents a major challenge, with ExxonMobil heavily exposed to declining Japanese oil demand. Is Singapore a further Asian pressure point?
- Extremely high concentration in US Gulf makes ExxonMobil heavily leveraged to refining margins there. Non-core assets in Montana?
- European fuel-oil surplus is a disadvantage through warm winters, which sits heavily with high European gas leverage.

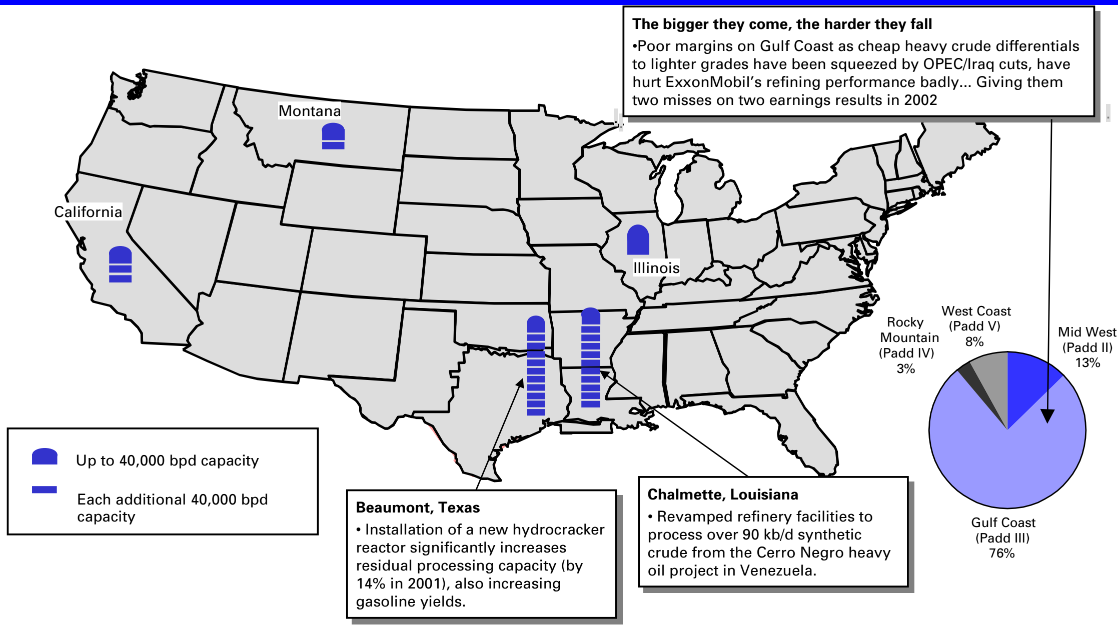
Source: Company data, Deutsche Bank

Figure 23: **ExxonMobil's European refining & marketing portfolio**



Source: Company data, Deutsche Bank estimates

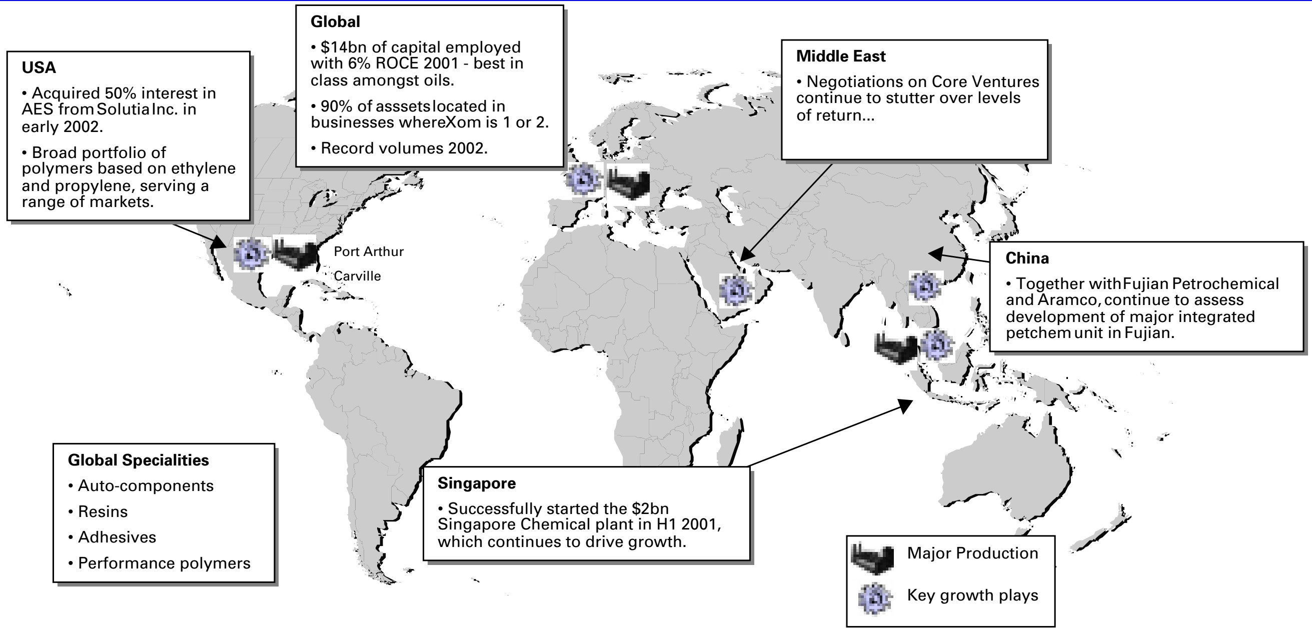
Figure 24: **ExxonMobil's US downstream**



Source: Company data, Deutsche Bank estimates; insert pie chart as at September 2002

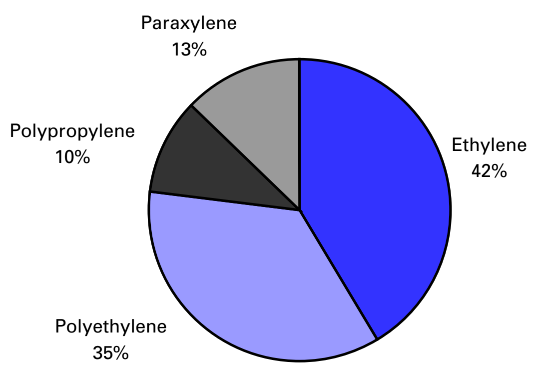
ExxonMobil's chemicals

Figure 25: **ExxonMobil's global chemicals**



Source: Company data, Deutsche Bank estimates

Figure 26: **ExxonMobil's chemical's capacity 2001**



Source: Company data, Deutsche Bank estimates

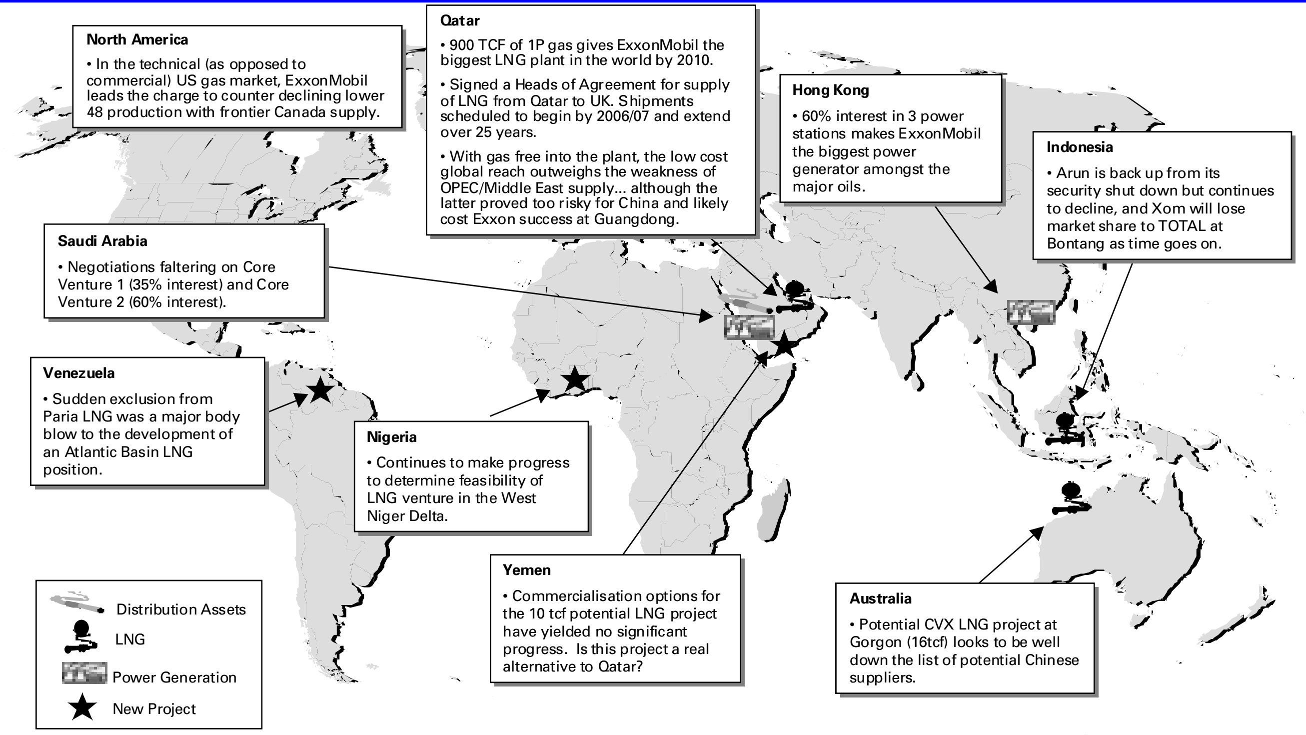
ExxonMobil's chemical's trends

- Record quarterly volumes of 6785kt achieved in Q2 2002 - the culmination of a three-year growth phase globally.
- Asia Pacific expansion in 1998-01 has positioned ExxonMobil to capture long-term growth in the region, with margins also improved.
- Growth plans now focused in China, with incremental add-ons in the US and Europe.
- High degree of integration with its refining operations and scale helps to make ExxonMobil's chemicals business the most profitable of the major oils: ROCE is best in class.

Source: Company data, Deutsche Bank estimates

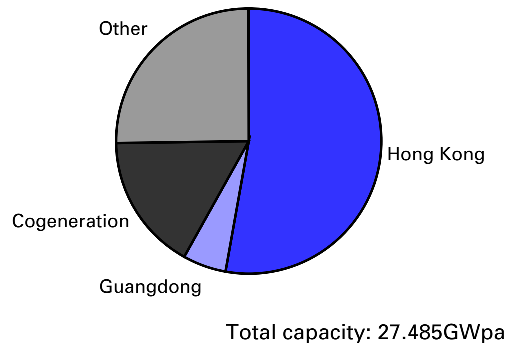
ExxonMobil's gas & power

Figure 27: **ExxonMobil's gas & power portfolio**



Source: Company data, Deutsche Bank estimates

Figure 28: **ExxonMobil's 2001 power generation capacity**



Source: Company data, Deutsche Bank estimates

Figure 29: **ExxonMobil's gas and power trends**

- Pursuing power generation opportunities where synergies among ExxonMobil's operations could provide an attractive premium: Xom leads in Cogen.
- Well-established presence in China, with interest in 7GW of power generation.
- The least exposed of the SuperMajors to gas-power trading: no power tolling arrangements here.

Source: Company data, Deutsche Bank

A year ago… where were the surprises?

The combination of high sour crude prices and post-11 September weak oil demand has damaged refining margins and hurt ExxonMobil's returns.

Impact on future strategy

The Saudi core ventures are clearly in the political realm. While we expect a downstream recovery, the political landscape is changed. Will we also see ExxonMobil engaged in Iraq rather than Saudi?

ExxonMobil: What could happen next?

Tough times continue. As long as OPEC cohesion keeps the sour-sweet differential tight and demand for oil is weak, refining & marketing is set to remain a tough place to be the biggest. ExxonMobil should be well positioned to benefit from our expectation that as 2003 progresses, lower oil prices will help to generate higher GDP growth rates and oil demand, to herald a downstream recovery.

Disposals. The combination of the end of pooling restrictions in 2002, and the onset of upstream production in higher tax upstream provinces, in our view, points to the scope for asset sales in low-returning businesses to sustain group returns. The remaining coal assets and the copper business are obvious candidates, as well as key decisions on Hong Kong power, and tail-end refining capacity in the US, Europe and Asia. Exxon hardly needs the cash, so we would expect a drawn out disposals process, as the right prices are sought.

Upstream pressures emerging? Exxon has the reserves base to improve its growth rates across the next three-to-five years, and seems to have the cushion of large gas reserves in Qatar, oil sands and deepwater finds. However, does its comparative lack of exploration success increase the emphasis on higher exploration spending, or potential deals?

NOC alliances. With its huge political weight, we believe ExxonMobil is likely to have a major part to play in the shifting global geopolitical landscape post-11 September. ExxonMobil's major Qatari growth going forward is protected by a growing US military presence in Qatar. The expansion of Sakhalin 1 provides an eastern Russian position, but is there more potential in western facing Russian oil? Equally, is the health of the Saudi Core Ventures negotiations likely to improve as the Saudis reach out to the (reportedly disgruntled) US administration? In China, can ExxonMobil square away the low returns on the West-East pipeline with its desire for greater engagement in the world's fastest growing energy market? Could ExxonMobil's historically dominant position in Libya be re-kindled as a reward for Colonel Gaddafi's acquiescence over Lockerbie, and recently more moderate rhetoric towards the US? In a post-regime Iraq, would ExxonMobil be chosen to raise the American corporate flag, and would this shift put pressure on Kuwait to sign the much-discussed North Fields contracts? It is clear that the global geopolitical landscape is shifting - we will find it fascinating to watch how ExxonMobil's historically large role in that landscape plays out over the coming years.

Table 3: **Exxon Mobil net asset value as at 14 July 2002 ($m)**

Upstream	Comment	Value ($m)	% of Total GAV	Value per Share ($)
Abu Dhabi		399	0.2	0.06
Angola PSC		3,256	2.0	0.48
Argentina		493	0.3	0.07
Australia		2,898	1.7	0.43
Azerbaijan		625	0.4	0.09
Bolivia Shared Risk		188	0.1	0.03
Brazil		100	0.1	0.01
Cameroon		35	0.0	0.01
Imperial Oil (Canada)	Includes gas, heavy oil and downstream infrastructure	7,234	4.3	1.06
Canada (Mobil)		6,751	4.1	0.99
Chad		866	0.5	0.13
Equatorial Guinea		780	0.5	0.11
France		22	0.0	0.00
Germany	Ruhrgas 15%, BEB 50%	3,937	2.4	0.58
Indonesia		1,237	0.7	0.18
Italy		88	0.1	0.01
Kazakhstan JV		5,043	3.0	0.74
Malaysia	Includes infrastructure	2,562	1.5	0.38
Netherlands	Includes infrastructure	7,665	4.6	1.13
Nigeria		3,468	2.1	0.51
Norway	Includes infrastructure	4,927	3.0	0.72
Papua New Guinea		338	0.2	0.05
Russia		1,715	1.0	0.25
Qatar	Includes LNG plant share and infrastructure	6,500	3.9	0.95
Thailand		152	0.1	0.02
Turkmenistan PSC		228	0.1	0.03
United Kingdom	Includes infrastructure	8,563	5.1	1.26
USA	Includes infrastructure	36,824	22.1	5.41
Venezuela		1,497	0.9	0.22
Yemen		132	0.1	0.02
Sub-Total		**108,523**	**65.3**	**15.94**
Implied per barrel of booked reserves	20,903	5.2		
Implied PER on 2000-3E average earnings $m	9,495	11.4		
Refining and Marketing				
Europe Refining		3,574	2.1	0.52
Europe Marketing		5,092	3.1	0.75
North America Refining	Excludes Imperial Oil	5,830	3.5	0.86
North America Marketing	Excludes Imperial Oil	10,885	6.5	1.60
Asia Refining		4,157	2.5	0.61
Asia Marketing		5,206	3.1	0.76
Latin America/Africa Refining		737	0.4	0.11
Latin America/Africa Marketing		4,916	3.0	0.72
Sub-Total		**40,397**	**24.3**	**5.93**
Implied PER on 2000-3E average earnings $m	3,996	10.1		
Gas, Power, etc				
CAPCO	Majority stake in Hong Kong's biggest generator	5,708	3.4	0.84
Coal		583	0.4	0.09
Minerals		344	0.2	0.05
Other investments				
Sub-Total		**6,635**	**4.0**	**0.97**
Petrochemicals				
Chemicals		10,740	6.5	1.58
Implied PER on 2003E average earnings	903	11.9		
Gross Asset Value		**166,295**	**100.0**	**24.42**
Adjusted end-2001 Net Debt		6,196	3.7	0.91
Net Asset Value		**160,099**	**96.3**	**23.51**
Market Capitalisation		**277,085**		**40.69**
Premium to NAV (%)		**73**		**73**
Implied PER on 2003E average earnings $m.	14,525	11.0		
Memo:				
Number of Shares in Issue (m)	6,810			

Source: Company data, Wood Mackenzie, Deutsche Bank estimates

Table 4: **ExxonMobil reserves & costs**

Oil (million barrels)	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**Avg 1999-01**
Reserves (as at 1 January)	7,467	7,150	6,996	6,805	6,564	6,596	6,670	6,782	6,790	6,812	9,304	9,650	8,589
Revisions of Estimates	206	435	186	312	227	168	358	285	136	368	547	256	390
Improved Recovery	14	17	94	20	175	83	36	31	28	26	97	101	74
Discoveries & Extensions	136	50	179	62	264	432	300	350	433	720	514	341	525
Acquisitions	3	0	2	14	9	47	52	1	0	2514	0	0	838
(Disposals)	-51	-30	-28	-40	-19	-26	-43	-75	-3	-346	-6	-6	-119
(Production)	-625	-626	-624	-609	-624	-630	-591	-584	-572	-790	-806	-790	-795
Reserves (as at 31 December)	7,150	6,996	6,805	6,564	6,596	6,670	6,782	6,790	6,812	9,304	9,650	9,552	9,502
Reserves replacement (excluding acquisitions) %	57	80	74	65	107	108	117	114	104	141	144	88	124
Reserves replacement (including acquisitions) %	49	75	69	60	105	112	119	101	104	415	143	88	215
Reserves life (years)	11.4	11.2	10.9	10.8	10.6	10.6	11.5	11.6	11.9	11.8	12.0	12.1	11.9
Including affiliates....													
Affiliates production	0	0	0	0	0	0	0	0	0	-102	-107	-109	-106
Year-end reserves including affiliates	7,150	6,996	6,805	6,564	6,596	6,670	6,782	6,790	6,812	11,260	11,561	11,491	11,437
Reserves replacement (excluding acquisitions) %	57	80	74	65	107	108	117	114	104	136	134	93	121
Reserves replacement (including acquisitions) %	49	75	69	60	105	112	119	101	104	599	133	92	275
Reserves life (years)	11.4	11.2	10.9	10.8	10.6	10.6	11.5	11.6	11.9	12.6	12.7	12.8	12.7
Gas (million boe)	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**Avg 1999-01**
Reserves (as at 1 January)	6,995	7,173	7,157	6,925	7,065	7,061	7,029	6,939	7,045	7,072	6,313	6,241	6,542
Revisions of Estimates	356	288	-92	222	196	206	121	74	286	278	355	155	263
Improved Recovery	0	0	82	3	23	12	10	5	3	20	19	5	15
Discoveries & Extensions	245	116	205	315	191	179	234	483	173	136	138	241	172
Acquisitions	1	0	0	16	1	2	6	0	0	1310	2	0	437
(Disposals)	-67	-47	-46	-25	-17	-33	-19	-26	-9	-1919	-1	-11	-644
(Production)	-358	-374	-380	-391	-398	-398	-442	-432	-426	-585	-586	-569	-580
Reserves (as at 31 December)	7,173	7,156.7	6,924.9	7,065.1	7,061.2	7,029.1	6,939.5	7,044.6	7,072.2	6,313.2	6,240.6	6,062.5	6,205.5
Reserves replacement (excluding acquisitions) %	168	108	51	138	103	100	83	130	109	74	88	71	77
Reserves replacement (including acquisitions) %	150	96	39	136	99	92	80	124	106	-30	88	69	42
Reserves life (years)	20.0	19.1	18.2	18.1	17.7	17.6	15.7	16.3	16.6	10.8	10.7	10.7	10.7
Including affiliates....													
Affiliates production	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-109.4	-113.0	-126.6	-116.3
Year-end reserves including affiliates	7,173	7,157	6,925	7,065	7,061	7,029	6,939	7,045	7,072	9,498	9,342	9,355	9,398
Reserves replacement (excluding acquisitions) %	168	108	51	138	103	100	83	130	109	71	78	104	84
Reserves replacement (including acquisitions) %	150	96	39	136	99	92	80	124	106	449	78	102	210
Reserves life (years)	20.0	19.1	18.2	18.1	17.7	17.6	15.7	16.3	16.6	13.7	13.4	13.5	13.5
Total reserves (million boe)	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**Avg 1999-01**
Reserves (as at 1 January)	14,462	14,323	14,153	13,730	13,629	13,657	13,699	13,721	13,835	13,884	15,617	15,891	15,131
Revisions of Estimates	562	723	94	534	423	374	479	359	422	646	902	411	653
Improved Recovery	14	17	176	23	198	95	46	37	31	46	116	106	90
Discoveries & Extensions	381	166	384	377	455	611	534	833	606	856	652	582	697
Acquisitions	3	0	2	30	10	49	58	1	0	3,824	1	0	1,275
(Disposals)	-118	-77	-74	-65	-36	-59	-62	-101	-12	-2265	-7	-17	-763
(Production)	-983	-1,000	-1,004	-1,000	-1,022	-1,028	-1,033	-1,016	-998	-1,375	-1,392	-1,359	-1,375
Reserves (as at 31 December)	14,323	14,153	13,730	13,629	13,657	13,699	13,721	13,835	13,884	15,617	15,891	15,614	15,707
Affiliates production	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-211.4	-220.0	-235.6	-222.3
Year-end reserves including affiliates	14,323	14,153	13,730	13,629.1	13,657.2	13,699.1	13,721.5	13,835	13,884.2	20,758	20,903.1	20,846.5	20,836
Key measures	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**Avg 1999-01**
Reserves replacement (excluding acquisitions)	98	91	65	93	105	105	103	121	106	113	120	81	105
Reserves replacement (including acquisitions)	86	83	58	90	103	104	102	111	105	226	120	80	142
Reserves life (years)	14.6	14.2	13.7	13.6	13.4	13.3	13.3	13.6	13.9	11.4	11.4	11.5	11.4
Lifting costs ($/boe)	6.12	6.47	5.99	5.50	4.96	5.00	5.19	4.77	4.15	4.22	5.07	6.06	5.12
Finding costs ($/boe)	1.30	1.32	1.48	0.94	0.80	0.87	0.96	0.93	1.17	0.81	0.73	1.42	0.99
Finding & development costs ($/boe)	4.45	5.20	6.96	4.33	3.37	3.88	4.05	3.89	4.97	4.21	3.30	6.98	4.83
DD&A ($/boe)	3.94	3.49	3.48	3.11	3.22	3.43	3.23	3.29	3.39	3.33	3.29	3.67	3.43
Including affiliates....													
Reserves replacement (excluding acquisitions) %	98	91	65	93	105	105	103	121	106	108	109	98	105
Reserves replacement (including acquisitions) %	86	83	58	90	103	104	102	111	105	533	109	96	246
Reserves life (years)	14.6	14.2	13.7	13.6	13.4	13.3	13.3	13.6	13.9	13.1	13.0	13.1	13.0
Lifting costs ($/boe)	6.12	6.47	5.99	5.50	4.96	5.00	5.19	4.77	4.15	4.22	5.07	5.16	4.82
Finding costs ($/boe)	1.30	1.32	1.48	0.94	0.80	0.87	0.96	0.93	1.17	0.81	0.73	1.00	0.85
Finding & development costs ($/boe)	4.45	5.20	6.96	4.33	3.37	3.88	4.05	3.89	4.97	4.21	3.30	4.93	4.15
DD&A ($/boe)	3.94	3.49	3.48	3.11	3.22	3.43	3.23	3.29	3.39	3.33	3.29	3.13	3.25

Source: Company data, Deutsche Bank estimates

Table 5: **ExxonMobil profit and loss account ($m)**

Year end 31 December	1997	1998	1999	2000	2001	2002E	2003E	2004E	2005E	2006E	2007E
Exploration & Production											
US E&P	2,294	1,035	1,842	4,545	3,932	2,419	2,173	2,237	2,295	2,345	2,384
Foreign E&P	4,347	2,680	3,925	7,824	6,497	6,033	5,136	5,449	5,938	6,394	6,935
Total E&P	6,641	3,715	5,767	12,369	10,429	8,452	7,309	7,686	8,233	8,739	9,319
Refining & Marketing											
US R&M	1,155	1,191	577	1,561	1,924	786	1,439	1,590	1,644	1,683	1,723
Foreign R&M	2,220	2,686	770	1,857	2,303	478	1,889	2,000	2,087	2,145	2,206
Total R&M	3,375	3,877	1,347	3,418	4,227	1,264	3,328	3,590	3,730	3,828	3,928
Chemicals											
US Chemicals	1,053	800	738	644	298	365	635	704	711	718	726
Foreign Chemicals	665	603	616	517	409	752	709	855	877	899	904
Total Chemicals	1,718	1,403	1,354	1,161	707	1,117	1,344	1,559	1,588	1,617	1,630
Other											
Power/Coal/Minerals/Other	434	381	426	551	489	416	440	444	449	453	458
Corporate & Financing	-583	-563	-514	-589	-222	-566	-440	-440	-440	-440	-440
Total Other	-149	-182	-88	-38	267	-150	0	4	9	13	18
Non-Operating Items	147	-732	-470	810	-310						
Reported Net Income	11,516	8,746	8,340	16,910	15,630	10,683	11,981	12,839	13,560	14,197	14,895
Clean Net Income	**11,585**	**8,813**	**8,380**	**16,910**	**15,630**	**10,683**	**11,981**	**12,839**	**13,560**	**14,197**	**14,895**
Preferred Dividend	69	67	40	0	0	0	0	0	0	0	0
Reported EPS ($)	1.64	1.14	1.12	2.52	2.21	1.58	1.81	1.97	2.11	2.25	2.40
Clean EPS ($)	1.62	1.25	1.19	2.40	2.25	1.58	1.81	1.97	2.11	2.25	2.40
Per Share ($)	0.02	-0.10	-0.07	0.12	-0.04						
Reported Net Income	11,732	8,081	7,910	17,720	15,320	10,683	11,981	12,839	13,560	14,197	14,895
Dividend per share ($)	0.80	0.83	0.83	0.87	0.90	0.92	0.94	0.96	0.98	1.00	1.02
Payout ratio %	49	72	74	35	41	58	52	49	46	44	43
Oil Price (WTI) $	20.66	14.40	19.36	30.25	25.92	24.22	21.50	22.00	22.50	23.00	23.50
Gas Price (US Spot) $	2.48	2.10	2.16	4.09	4.05	3.10	3.16	3.15	3.15	3.15	3.15
Oil and Gas Production kb/d	4,343	4,271	4,235	4,277	4,213	4,202	4,153	4,224	4,352	4,583	4,737
Refined Product Sales kb/d	6,234	6,093	6,068	5,642	5,571	5,466	5,575	5,687	5,800	5,916	6,035
Shares (million)	7,162	7,066	7,040	7,038	6,941	6,743	6,628	6,522	6,416	6,318	6,211
Buy-back ($m)	4,054	1,018	1,859	5,420	5,721	5,800	4,500	4,500	5,000	5,000	6,000

Source: Company data, Deutsche Bank estimates

Table 6: **ExxonMobil cashflow ($m)**

Year end 31 December	1997	1998	1999	2000	2001	2002E	2003E	2004E	2005E	2006E	2007E
Sources of Cashflow											
Net Income	11,732	8,074	7,910	17,720	15,320	10,683	11,981	12,839	13,560	14,197	14,895
Depreciation	8,228	8,355	8,304	8,130	7,944	7,865	8,089	8,408	8,630	8,972	9,215
Exploration	1,252	1,506	1,246	936	1,175	1,247	1,267	1,287	1,307	1,327	1,348
Deferred taxes	834	318	-1,439	10	650	0	0	0	0	0	0
Minority Interest	526	265	145	412	569	250	250	250	250	250	251
Other	666	-182	298	-3,413	175	0	0	0	0	0	0
Funds from operations	**23,238**	**18,336**	**16,464**	**23,795**	**25,833**	**20,045**	**21,587**	**22,784**	**23,748**	**24,747**	**25,708**
Asset Sales	2,193	1,884	972	5,770	1,078	2,500	500	500	500	500	500
Sales of Investments	402	394	429	1,067	1,735	0	0	0	0	0	0
Total Sources	**25,833**	**20,614**	**17,865**	**30,632**	**28,646**	**22,545**	**22,087**	**23,284**	**24,248**	**25,247**	**26,208**
Applications											
Capex and exploration expense	14,117	15,535	13,307	11,168	12,311	13,649	13,881	13,606	13,481	13,456	13,506
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Additional Investments	1,778	1,530	1,537	1,689	1,035	0	0	0	0	0	0
Common Stock Dividends	5,757	5,843	5,872	6,123	6,254	6,204	6,230	6,262	6,288	6,318	6,335
- - Dividends Per Share	0.80	0.83	0.83	0.87	0.90	0.92	0.94	0.96	0.98	1.00	1.02
Dividends to Minority Interests	420	387	219	251	194	240	240	240	240	240	240
Minority Interests Sold/(Acquired)	204	84	200	227	401	0	0	0	0	0	0
Stock Repurchases	3,546	4,054	1,018	1,859	5,420	5,800	4,500	4,500	5,000	5,000	6,000
- - Number of Shares (m)					132	161	100	91	92	83	91
- - Employee Stock Programme					15	15	15	15	15	15	16
Effect of FX Changes on cash	127	-23	-53	82	170	0	0	0	0	0	0
Total Applications	**24,171**	**25,880**	**20,563**	**19,710**	**24,750**	**25,893**	**24,852**	**24,608**	**25,009**	**25,013**	**26,081**
Working Capital Changes	544	394	205	-78	1,769	0	0	0	0	0	0
Surplus / Deficit	**1,662**	**-5,266**	**-2,698**	**10,922**	**3,896**	**-3,347**	**-2,764**	**-1,324**	**-761**	**233**	**127**
Net Debt	10,868	14,630	17,284	6,361	4,255	7,602	10,367	11,690	12,451	12,218	12,091
Net Debt/Equity %	17.2	23.6	27.2	9.0	5.8	10.6	14.2	15.6	16.1	15.2	14.6
Net Debt/(debt + equity) %	**14.7**	**19.1**	**21.4**	**8.2**	**5.5**	**9.6**	**12.4**	**13.5**	**13.9**	**13.2**	**12.7**
Capital employed	0	75,370	78,750	78,934	77,267	78,430	81,451	85,159	88,376	91,216	93,756
ROCE %	**15.9**	**12.2**	**10.6**	**21.4**	**20.2**	**13.6**	**14.7**	**15.1**	**15.3**	**15.6**	**15.9**
ROE %	0.0	19.3	14.5	13.1	24.0	21.8	15.0	16.3	16.9	17.3	17.5

Source: Company data, Deutsche Bank estimates

Table 7: Global oil and gas valuation table as at 16 September 2002

Company	Price/ Currency	Price target	Rec.	Price/ Earnings Ratio (x) (Clean Earnings) 2001	2002E	2003E	2004E	2005E	2006E	Debt-Adjusted Cashflow Multiple (x) 2001	2002E	2003E	2004E	2005E	2006E	Debt/ (debt+ equity) (%) 2002E	2006E	Debt/ Equity (%) 2002E	2006E	Yield: F'cast Div. 2002E	Yield: F'cast Div. Yield 2002E	Earn'gs Cover 2002E	Cash Cover 2002E
Integrated																							
US/UK average				**16.2**	**18.8**	**16.2**	**14.6**	**13.8**	**13.0**	**8.6**	**9.5**	**8.7**	**8.1**	**7.7**	**7.4**	**21**	**18**	**28**	**22**	**6.0**	**3.1**	**2.0**	**4.3**
OECD average				**36.7**	**14.9**	**13.2**	**12.0**	**11.2**	**10.6**	**8.8**	**7.5**	**7.2**	**6.6**	**6.2**	**5.8**	**23**	**13**	**31**	**18**	**5.0**	**3.1**	**2.7**	**6.7**
Emerging Markets average				**12.9**	**5.7**	**10.0**	**9.2**	**7.7**	**6.1**	**5.8**	**5.9**	**5.5**	**4.8**	**4.3**	**3.9**	**15**	**5**	**76**	**53**	**0.5**	**3.8**	**9.3**	**13.4**
Global average				**26.5**	**10.9**	**11.8**	**10.8**	**9.7**	**8.9**	**7.5**	**6.9**	**6.5**	**5.8**	**5.4**	**5.1**	**20**	**10**	**50**	**31**	**6.5**	**3.4**	**5.4**	**9.4**
Three Sisters																							
BP	456.00p	540	Buy	17.4	23.3	21.8	19.7	18.3	17.3	9.6	9.7	9.3	8.8	8.4	8.1	23	23	29	30	16.1	3.5	1.2	3.2
Exxon Mobil	$34.08	37.00	Hold	18.3	21.5	18.9	17.3	16.1	15.1	11.1	11.5	10.7	10.0	9.5	8.9	9	13	10	16	0.9	2.7	1.7	3.3
Shell RD	E43.45	47.00	Hold	16.9	16.9	14.8	13.6	12.8	12.5	10.5	9.5	8.4	8.0	7.7	7.6	17	17	20	20	1.7	3.8	1.6	2.0
Shell T&T	400.50p	440	Hold	16.5	17.2	14.2	13.0	12.3	12.0	10.4	9.7	8.6	8.1	7.9	7.7	17	17	20	20	15.8	4.0	1.5	2.9
Three Sisters Average				17.3	19.7	17.4	15.9	14.9	14.2	10.4	10.1	9.2	8.7	8.4	8.1	16	18	20	21	8.6	3.5	1.5	2.8
European Mid Caps																							
BG	258.00p	275	Hold	20.2	18.6	17.8	15.8	15.0	12.9	11.0	10.1	9.3	8.4	7.9	7.1	23	11	31	13	3.1	1.2	4.5	8.9
Eni	E15.28	17.50	Buy	9.6	11.8	11.5	10.9	10.1	9.5	7.6	6.6	6.5	6.1	5.8	5.4	27	18.0	36	21.3	0.7	4.9	1.7	3.6
Norsk Hydro	NOK311	325.00	Hold	10.9	9.4	9.4	8.7	8.3	8.1	5.9	5.9	5.4	5.2	4.9	4.7	36	29	56	40	10.5	3.4	3.2	7.6
Repsol	E12.97	13.50	Hold	11.6	13.8	9.4	7.8	7.1	6.6	7.3	6.1	6.3	5.5	5.1	4.8	28	17	39	21	0.2	1.8	4.1	16.3
Statoil	NOK61.00	67.00	Hold	9.6	9.9	12.3	10.9	10.7	10.0	3.5	4.3	4.9	4.5	4.6	4.2	28	23	39	29	2.9	4.8	2.1	6.0
TOTAL	E140.50	146.00	Hold	14.5	14.1	13.9	12.7	12.2	11.9	9.6	7.8	7.2	6.6	6.4	6.2	20	11	25	13	4.1	2.9	2.4	4.9
Mid Cap European Average				12.7	12.9	12.4	11.1	10.6	9.8	7.5	6.8	6.6	6.1	5.8	5.4	27	18	38	23	3.6	3.2	3.0	7.9
US Mid Caps																							
ChevronTexaco *	$73.19	78.00	Hold	14.3	15.5	14.7	13.6	13.1	12.6	2.2	8.3	8.0	7.5	7.3	7.1	28	23	40	31	2.8	3.8	1.7	3.6
ConocoPhillips	$51.95	60.00	Buy	9.8	18.9	11.6	9.5	8.9	8.7	5.5	7.8	6.3	5.6	5.3	5.1	31	22	45	28	1.4	2.7	2.0	6.4
Mid Cap US Average				12.1	17.2	13.1	11.5	11.0	10.7	3.9	8.0	7.2	6.6	6.3	6.1	30	22	42	29	2.1	3.3	1.8	5.0
CEE Refining & Marketing																							
Hellenic Petroleum	E6.12	6.80	Hold	34.5	15.4	14.2	12.3	12.0	11.7	18.4	9.0	8.9	7.5	6.6	6.2	13	-5	15	-5	0.1	2.1	3.1	6.6
OMV	E86.80	88.00	Hold	7.3	7.8	7.7	6.6	6.6	6.8	5.0	4.9	5.2	4.9	5.0	5.0	25	32	33	47	3.4	3.9	3.3	6.0
MOL	HUF5171	6200	Buy	354.7	10.7	9.2	9.5	7.3	6.0	17.6	5.7	5.3	5.6	4.5	3.4	31	-2	48	-2	100.0	1.9	4.8	11.1
PKN	PLN17.00	19.00	Hold	20.6	12.1	9.8	9.1	8.1	7.1	6.3	3.3	3.9	3.2	2.3	1.6	16	-41	18	-29	0.35	2.1	4.0	14.3
CEE Refining & Marketing Average				104.3	11.5	10.2	9.4	8.5	7.9	11.8	5.7	5.8	5.3	4.6	4.1	21	-4	28	3	26.0	2.5	3.8	9.5
Rest of World																							
Gazprom **	$10.90	17.76	Buy	50.2	9.1	7.8	6.2	4.9	3.7	7.6	9.6	9.2	5.7	4.0	2.6	26	3	21	3	0.00	0.0	9.0	15.7
LUKoil Holdings	$15.59	21.10	Buy	3.7	6.5	6.3	5.3	4.3	3.9	3.5	4.4	4.2	3.6	3.0	2.6	11	1	12	1	0.39	2.5	6.1	10.1
Perez Companc	$4.83	5.50	Hold	28.9	-8.2	47.7	37.4	27.9	20.0	11.8	15.1	17.5	16.7	17.2	16.1	75	78	294	352	0.00	0.0	na	na
Petrobras	$16.91	31.00	Buy	7.6	5.4	4.4	3.5	3.2	2.9	4.3	4.6	4.1	3.3	2.9	2.5	62	41	105	38	0.8	4.6	4.0	8.3
PetroChina	HKD1.61	1.92	Buy	5.9	7.3	8.2	7.7	7.4	6.6	3.1	3.4	3.7	3.2	2.5	1.9	22	-8	27	9	0.1	6.2	2.2	4.6
Petrol Ofisi	TRL22,852	54,974	Buy	13.0	6.7	5.1	4.6	4.3	na	16.0	5.2	3.8	2.8	2.5	na	0	na	0	na	2.0	12.8	1.2	1.2
Sasol ***	ZAR118.50	135	Buy	6.5	7.6	6.5	5.9	5.2	4.5	9.1	8.1	6.2	5.0	4.7	3.9	6	-16	6	-14	2.2	1.9	3.3	4.3
Sinopec	HKD1.19	1.23	Hold	7.1	7.8	9.1	8.2	6.7	5.5	0.4	0.3	0.3	0.4	0.6	0.9	83	67	496	207	0.06	4.8	2.9	1.5
Surgut	$0.37	0.4	Hold	4.8	8.2	7.7	6.8	5.9	5.5	3.0	5.5	5.0	4.4	3.6	3.1	-54	-61	-35	-38	0.00	0.2	52.0	72.4
Tatneft	$0.75	0.77	Hold	1.3	3.4	3.0	2.7	3.0	2.9	2.4	5.9	2.9	2.6	2.6	2.4	17	7	21	8	0.02	2.4	12.5	18.5
Tupras	TRL7,200	9,610	Hold	24.0	8.2	7.7	15.7	14.1	na	7.6	4.7	5.5	5.8	5.5	na	0	na	0	na	0.4	8.1	3.4	4.6
YUKOS Oil	$8.65	11	Buy	1.8	6.4	6.4	6.1	5.3	5.1	1.0	4.3	4.0	3.6	3.0	2.6	-69	-66	-41	-40	0.24	2.7	5.8	6.9
Rest of World average				12.9	5.7	10.0	9.2	7.7	6.1	5.8	5.9	5.5	4.8	4.3	3.9	15	5	76	53	0.5	3.8	9.3	13.4

* Chevron figures include Texaco from 2002 onwards ** P/E and forecast dividend based on ADR data *** Sasol data based on June year end data/estimates for the appropriate year.
**** Petrol Ofisi and Tupras figures reported in USD.

Source: Reuters, Company data and Deutsche Bank estimates

Table 8: **Return on capital employed (%)**

16 September, 2002				ROCE			
Company	**2001**	**2002E**	**2003E**	**2004E**	**2005E**	**2006E**	**Net change 2002-06E**
Integrated							
Three Sisters							
BP (US GAAP)	12.7	8.8	9.2	10.0	10.6	10.9	2.2
ExxonMobil	20.2	13.6	14.8	15.2	15.6	15.9	2.2
Shell RD	21.4	13.6	14.4	14.6	14.5	14.2	0.6
Shell T&T	21.4	13.6	14.4	14.6	14.5	14.2	0.6
Three Sisters Average	18.9	12.4	13.2	13.6	13.8	13.8	1.4
European Mid Caps							
BG	13.0	11.4	11.3	12.4	12.3	13.3	1.9
Eni	18.0	14.2	13.4	13.1	13.1	13.0	-1.2
Norsk Hydro	9.1	8.2	7.3	7.5	7.5	7.4	-0.7
Repsol	8.2	6.2	6.7	7.4	7.5	7.6	1.4
Statoil	15.2	13.6	12.3	13.1	12.6	12.6	-1.0
TOTAL	17.4	14.5	13.9	14.3	13.7	12.8	-1.7
Mid Cap European Average	13.5	11.3	10.8	11.3	11.1	11.1	-0.2
US Mid Caps							
ChevronTexaco *	14.8	11.2	11.3	11.5	11.5	11.3	0.1
ConocoPhillips	10.4	4.6	6.9	7.9	8.0	7.8	3.2
Mid Cap US Average	12.6	7.9	9.1	9.7	9.7	9.6	1.6
CEE Refining & Marketing							
Hellenic Petroleum	4.1	6.8	7.5	8.4	8.3	8.2	1.4
OMV	13.2	10.6	9.9	10.4	9.5	8.7	-2.0
MOL	0.5	7.7	8.3	7.8	9.8	11.5	3.8
PKN	5.0	7.3	8.3	8.1	8.3	8.8	1.5
CEE Refining & Marketing Average	5.7	8.1	8.5	8.7	9.0	9.3	1.2
Rest of World							
Gazprom	0.9	5.3	6.2	7.8	9.6	12.3	6.9
LUKoil Holdings	18.2	14.5	13.6	14.3	15.6	15.7	1.2
Perez Companc	5.1	-1.8	4.4	3.9	3.7	4.3	6.1
Petrobras	11.8	10.8	12.8	15.7	16.6	17.8	6.9
PetroChina	10.5	8.7	7.3	7.2	7.2	7.9	-0.8
Petrol Ofisi	13.3	18.2	18.4	16.3	15.7	16.2	-2.0
Sasol ***	30.7	32.4	33.5	38.1	40.4	45.4	13.0
Sinopec	11.3	10.0	8.5	8.8	10.1	11.3	na
Surgut	27.2	20.7	20.2	21.6	23.1	23.1	2.4
Tatneft	17.4	10.0	10.6	10.7	9.4	8.9	-1.1
Tupras	27.6	18.2	12.9	6.8	7.8	8.2	-10.0
YUKOS Oil	96.1	49.4	41.2	37.3	36.8	33.7	-15.7
Rest of World Average	22.5	16.4	15.8	15.7	16.3	17.1	0.6

* Chevron figures include Texaco from 2002 onwards

*** Sasol data based on June year end data/estimates for the appropriate year.

**** Petrol Ofisi and Tupras figures reported in USD.

Source: Reuters, Company data and Deutsche Bank estimates

Disclosures

ExxonMobil (Ticker: XOM) Price as at 16 September: $34.40

Additional information available upon request

The following conflicts of interest may exist with any one or more securities recommendations in this report. For detailed disclosures pertaining to a specific recommendation or estimate made on a security mentioned in this report, please see the most recently published company report or visit our global disclosure look-up page on our website at www.equities.research.db.com.

1. Within the past year, Deutsche Bank and/or its affiliate(s) may have managed or co-managed a public offering for any of the companies mentioned in this report for which it received fees.
2. Deutsche Bank and/or its affiliate(s) may make a market in any of the securities issued by companies mentioned in this report.
3. Deutsche Bank and/or its affiliate(s) may act as a corporate broker or sponsor to any of the companies mentioned in this report.
4. The author of or an individual who assisted in the preparation of this report (or a member of his/her household) may have a direct ownership position in one or more of the securities issued by companies (or derivatives thereof), mentioned in this report.
5. An employee of Deutsche Bank and/or its affiliate(s) may serve on the board of directors of a company mentioned in this report.
6. Deutsche Bank and/or its affiliate(s) may own 1% or more of any class of common equity securities of any of the companies mentioned in this report as calculated under computational methods required by U.S. law.
7. Deutsche Bank and/or its affiliate(s) may have received compensation for the provision of investment banking or financial advisory services within the past year from any of the companies mentioned in this report.
8. Deutsche Bank and/or its affiliate(s) may expect to receive or may intend to seek compensation for investment banking services in the next three months from any of the companies mentioned in this report.
9. Deutsche Bank and/or its affiliate(s) may have been a member of a syndicate which has underwritten, within the last five years, the last public offering of any of the companies mentioned in this report.
10. Deutsche Bank and/or its affiliate(s) may hold 1% or more of the share capital of any of the companies mentioned in this report as calculated under computational methods required by German law
11. Other relevant disclosures regarding the companies mentioned in this report can be found on our website at ***www.equities.research.db.com***.

Deutsche Bank Research Ratings Key

Buy: Total return expected to appreciate 10% or more over a 12 month period

Hold: Total return expected to be between 10% to –10% over a 12 month period

Sell: Total return expected to depreciate 10% or more over a 12 month period

Deutsche Bank Global Equity Research

Principal Locations:

Deutsche Bank AG London 1 Great Winchester Street London EC2N 2EQ England **Tel :** (44) 20 7545 8000 **Fax :** (44) 20 7547 3085	**Deutsche Bank Securities Inc.** 31 West 52nd Street NY 10019-6160 New York U.S.A. **Tel :** (212) 474 7475 **Fax :** (212) 474 7484	**Deutsche Securities Limited, Tokyo Branch** Sanno Park Tower 2-11-1 Nagatacho, Chiyoda-Ku Tokyo 100-6171 Japan **Tel:** (81) 3 5156 6000 **Fax :** (81) 3 5156 6024

European Locations:

Deutsche Bank AG Hohenstaufengasse 4 1010 Vienna Austria **Tel :** (43) 1 5318 1153 **Fax :** (43) 1 5318 1376	**Deutsche-Equities SA** 3, Avenue de Friedland 75008 Paris Cedex 8 France **Tel :** (33) 1 44 95 64 00 **Fax :** (33) 1 53 75 07 34	**Deutsche Bank AG, Helsinki** Kaivokatu 10 A, P.O. Box 650 FIN-00101 Helsinki Finland **Tel :** (358) 9 25 25 25 0 **Fax :** (358) 9 25 25 25 85
Deutsche Bank AG **Equity Research** Große Gallusstraße 10-14 60272 Frankfurt am Main Germany **Tel :** (49) 69 910 41339 **Fax :** (49) 69 910 31989	**Deutsche Bank Sim S.p.a.** Via Santa Margherita 4 20123 Milan Italy **Tel :** (39) 0 28 637 9791 **Fax :** (39) 0 28 637 9786	**Deutsche Bank AG** Herengracht 450 1017 CA Amsterdam Netherlands **Tel :** (31) 20 555 4884 **Fax :** (31) 20 555 4395
DB Corretora – Sociedade Corretora de Valores Mobiliários, SA Rua Castilho 20-5 1250 Lisbon Portugal **Tel :** (351) 21 352 6337 **Fax :** (351) 21 352 6409	**Deutsche Bank AG** Erskine House 68 Queen Street Edinburgh, EH2 4NP Scotland **Tel :** (44) 131 240 8000 **Fax :** (44) 131 240 7712	**Deutsche Securities S.V.B, S.A.** Pº de la Castellana, 42 7th Floor 28046 Madrid Spain **Tel :** (34) 91 782 8406 **Fax :** (34) 91 335 8461-62
Deutsche Bank AG Stureplan 4 A, Box 5781 S-114 87 Stockholm Sweden **Tel :** (46) 8 463 5500 **Fax :** (46) 8 463 5555	**Deutsche Bank Suisse AG** Uraniastrasse 9 PO Box 7370 8023 Zürich Switzerland **Tel :** (41) 1 227 3000 **Fax :** (41) 1 224 3100	

Deutsche Bank

2002EUR00000