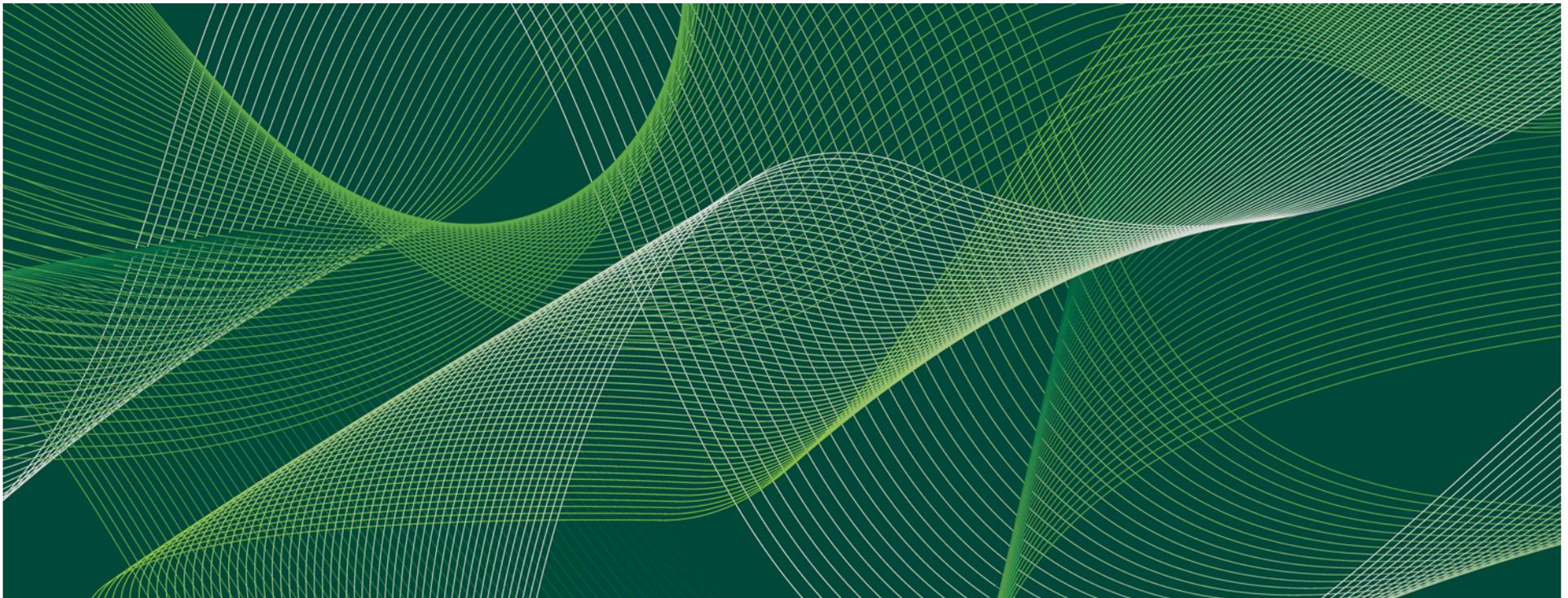


LEHMAN BROTHERS

Global Commodities August 2008 YTD Performance



Key Highlights

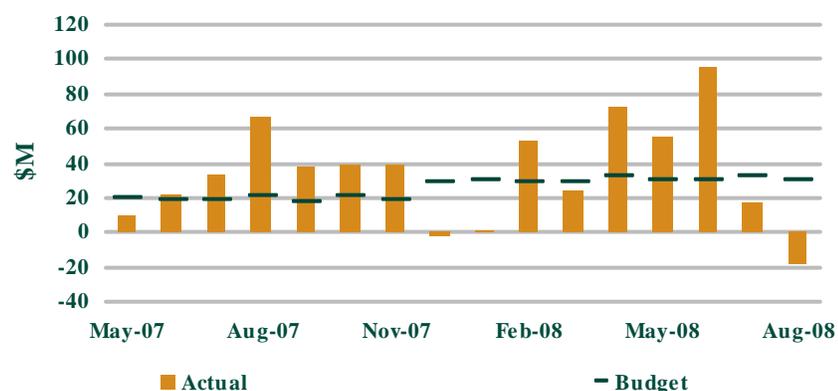
Revenue Update

	Actual			YTD vs.	
	Aug	Qtr	YTD	Budget	07
US	\$ (11)	\$ 75	\$ 298	\$ 133	\$ 172
Europe	(7)	15	(3)	(89)	(29)
Asia	0	7	10	(9)	10
Global	\$ (18)	\$ 98	\$ 305	\$ 35	\$ 152

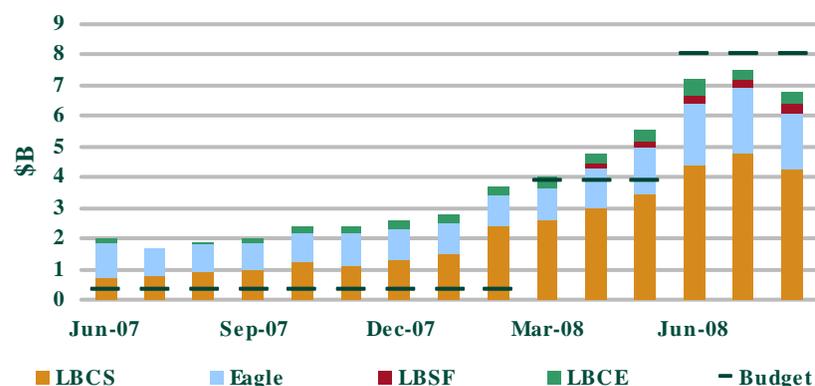
Revenue Highlights

- ◆ Natural Gas: +\$12mm MTD / +\$123mm YTD
 - MTD: New business gains were offset by tighter basis spreads
 - YTD: Overall 1H'08 bull market & sales credits (+\$107m)
- ◆ Power: (\$28mm) MTD / +\$98mm YTD
 - MTD: Tightening ERCOT spreads and weak heat rates
 - YTD: ERCOT congestion along with client transactions
- ◆ Investor Products: +\$77mm YTD (+\$90 Sales Credits)
- ◆ Eagle: +\$58mm YTD
 - Wider field to market spreads and new business
- ◆ Oil (globally): (\$27mm) YTD
 - Weak freight prices and RBOB/HO spreads, along with overall market volatility

Monthly Revenue Trend

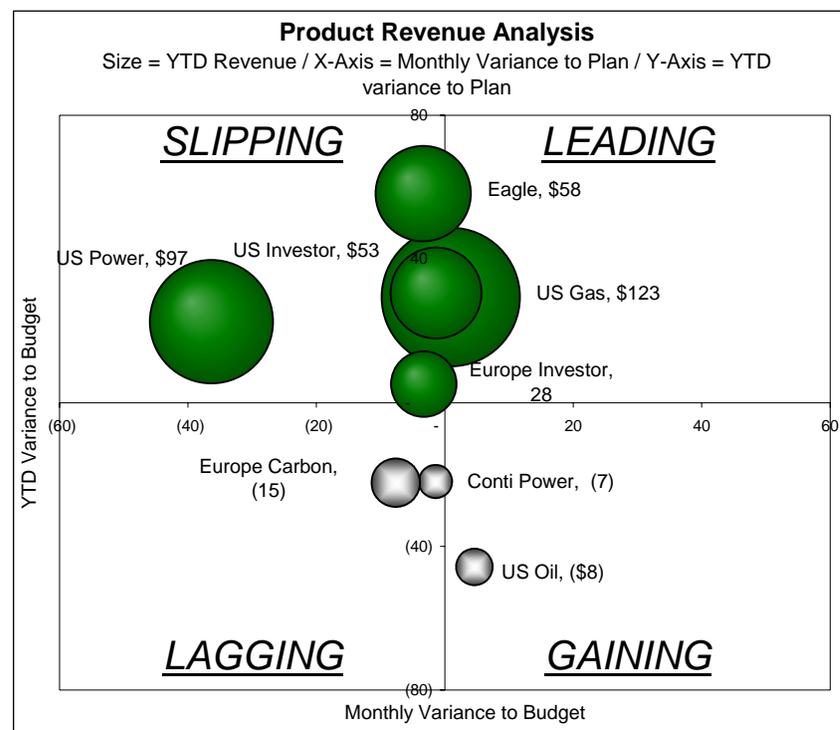


Balance Sheet Trend



Financial Results - Revenue

	Actual			vs. Budget			vs. '07 YTD
	Aug	Qtr	YTD	Aug	Qtr	YTD	
Natural Gas	\$ 11	\$ 42	\$ 123	\$ 1	\$ 10	\$ 29	\$ 72
Power	(28)	(36)	97	(36)	(62)	23	33
Oil	9	49	(8)	5	37	(46)	(7)
Investor Products	1	18	53	(1)	10	31	39
CVA	1	8	8	1	7	4	1
Eagle	(3)	6	58	(3)	6	58	52
Other	(2)	(12)	(33)	6	11	34	(18)
Total America's	\$ (11)	\$ 75	\$ 298	\$ (29)	\$ 19	\$ 133	\$ 172
UK Gas	0	(5)	(1)	(1)	(9)	(12)	(1)
Coal	(0)	0	6	(0)	(1)	2	6
UK Power	(3)	2	2	(4)	(0)	(6)	3
Cont. Power	0	2	(7)	(1)	(3)	(22)	(7)
Global Carbon	(7)	(12)	(15)	(8)	(14)	(22)	(16)
Oil	(0)	4	(17)	(1)	0	(28)	(20)
Investor Products	(1)	21	28	(3)	13	5	11
Metals	3	(1)	1	2	(4)	(7)	(9)
Other	0	4	0	0	4	0	4
Total Europe	\$ (7)	\$ 15	\$ (3)	\$ (17)	\$ (14)	\$ (89)	\$ (29)
Oil	(0)	4	(1)	(1)	0	(12)	(2)
Investor Products	0	3	9	(1)	1	1	9
Metals	-	-	2	-	-	2	2
Global Carbon	(0)	0	0	(0)	0	0	0
Total Asia	\$ 0	\$ 7	\$ 10	\$ (2)	\$ 1	\$ (9)	\$ 10
TOTAL	\$ (18)	\$ 98	\$ 305	\$ (48)	\$ 6	\$ 35	\$ 152



Financial Results – Net Income & Balance Sheet

INCOME STATEMENT (\$M)	2008						Variance to 2007						
	US	Hst	Europe	Asia	India	Total	Vs. Budget	US	Hst	Europe	Asia	India	Total
Revenue	240	58	(3)	10	0	305	35	114	58	(29)	10	0	153
Fixed NPE	10	4	7	2	0	22	(2)	(2)	(3)	(3)	(1)	(0)	(9)
Variable NPE	15	6	8	2	0	30	(5)	(6)	(4)	(4)	(1)	0	(15)
Total NPE	25	9	15	4	0	53	(7)	(8)	(7)	(7)	(2)	(0)	(24)
Comp	11	7	7	2	0	27	(1)	(3)	(5)	(3)	(1)	(0)	(12)
Bonus	62	9	19	6	0	95	(17)	(3)	7	(2)	(3)	(0)	(1)
Uplift	16	4	(5)	2	(0)	16	(16)	(16)	(4)	5	(2)	0	(16)
Other PE	6	30	7	1	0	44	(32)	0	(29)	(3)	(0)	(0)	(32)
Total PE	95	49	28	11	0	183	(66)	(21)	(32)	(3)	(6)	(0)	(61)
Dedicated Allocations	19	2	5	2	0	29	5	(5)	(2)	6	(1)	(0)	(2)
Shared Allocations	14	8	8	3	0	33	10	(4)	(6)	(3)	(0)	(0)	(14)
Cost of Sales	(2)	2	3	(0)	0	3	(2)	3	(2)	(3)	0	0	(1)
Banking Allocation	25	0	0	0	0	25	(25)	(5)	0	0	0	0	(5)
Pre Tax Income	65	(12)	(63)	(9)	(0)	(20)	(51)	73	8	(37)	1	(0)	45
BALANCE SHEET (\$B)													
Derivatives	1.8	0.6	0.4	0.2	0.0	3.1							
Exchange Margin	2.0	0.1	0.0	0.0	0.0	2.1							
Inventory	0.0	0.3	0.0	0.0	0.0	0.4							
Physical Gas Pre-Pay	0.0	0.4	0.0	0.0	0.0	0.4							
Goodwill	0.0	0.3	0.0	0.0	0.0	0.3							
Corp Debt	0.0	0.0	0.1	0.0	0.0	0.2							
Rec from Clearing Orgs	0.1	0.0	0.0	0.0	0.0	0.1							
Other	0.1	0.0	0.2	0.0	0.0	0.3							
Total Assets	4.0	1.8	0.8	0.2	0.0	6.8							
Derivatives	1.3	0.6	0.4	0.1	0.0	2.4							
Senior Debt (MS)	0.6	0.0	0.0	0.0	0.0	0.6							
Option Value @ Exchange	1.1	0.0	0.0	0.0	0.0	1.1							
Other	0.1	0.1	0.0	0.0	0.0	0.2							
Total Liabilities	3.1	0.6	0.4	0.1	0.0	4.3							
Cash Capital	0.9	1.1	0.4	0.0	0.0	2.5							

Balance Sheet Details – Derivatives

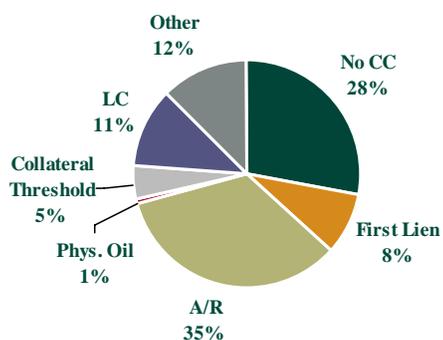
Top 20 Counterparty Exposures - Receivables

Client	MTM Reason for B/S Usage
Caisse de depot (LBSF)	178 Canadian Gov't Bonds posted as collateral - no B/S relief
CNR	173 No collateral under the ISDA.
LINN	145 First lien
EDFT (LBCE)	140 A/R on gas sales along with overall MTM
Sempre	117 Letter of credit
Constellation	108 Letter of credit
Texas Competitive	82 First lien
Chesapeake Corp	80 \$50mm of first lien - no collateral after that is breached
Main Street	62 Bifurcated MTM on muni deal (offset w/Calyon asset)
Champion Marketing	50 Structured Hedge Facility
ERCOT	49 A/R on power sales
MGI SUPPLY	43 No collateral under the ISDA.
Continental Airlines	34 Airline hedging
Florida Pow & Light	33 Letter of credit
BPINTL	32 Collateral threshold
PENNWEST	31 No collateral under the ISDA.
BP Products	30 Collateral threshold
Reliant Energy Power	28 Collateral threshold
Reliance IND	26 Collateral threshold
Malaysian Airline	25 No collateral under the ISDA.

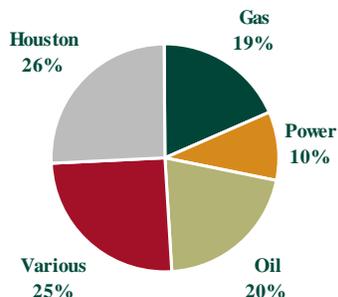
Top 20 Counterparty Exposures - Payables

Client	MTM Reason for B/S Usage
LUFTHANSA	(195) No collateral under the ISDA.
Accord (LBCE)	(171) A/P on gas purchases along with overall MTM
Deutsche Ldn	(87) Under review
Calyon Muni Pre Pay	(49) No collateral for Muni Deal
Luminant Energy	(46) No collateral under the ISDA.
Singapore Airlines L	(45) No collateral under the ISDA.
ERCOT	(43) A/P on power purchases
Delta Airlines	(31) Collateral threshold
Air Canada	(28) No collateral under the ISDA.
Thomas Cook AG	(27) Sold oil options
NWA	(26) Airline hedging
TB Pickens	(26) Collateral threshold
NGX	(24) No collateral under the ISDA.
SAS	(22) No collateral under the ISDA.
Bosque Power Co	(22) No collateral under the ISDA.
O American Airlines	(22) Collateral threshold
SK Energy Co	(19) No collateral under the ISDA.
XTO Energy	(19) No collateral is provided for under the ISDA.
British Airways Plc	(18) No collateral under the ISDA.
George B Kaiser	(18) Collateral threshold

Reason for asset usage



Business Line



Reserve Schedule

	Aug 2008				Nov 2007	Δ
	Global	US	Europe	Asia	Global	Global
Bid/Offer	\$ 56.8	\$ 41.7	\$ 11.4	\$ 3.7	\$ 46.1	\$ 10.7
Credit	47.7	47.7	-	-	11.7	36.0
Model Specific	36.6	21.0	15.2	0.4	7.3	29.3
Binaries / Knock-out	15.8	13.3	-	2.5	0.8	15.0
Rio Hourly Shape	13.5	13.5	-	-	13.5	
Model Specific - Skew	7.0	-	5.1	1.9	-	7.0
Rio Hedge Uncertainty	7.0	7.0	-	-	-	7.0
Lehman Credit Adj	5.1	-	5.1	-	-	5.1
Correlation	4.5	-	4.5	-	1.4	3.1
COMBAT / PureBeta Vol	2.1	-	1.0	1.1	-	2.1
Force Majeure (Exxon LNG)	1.4	-	-	1.4	1.8	(0.4)
Total	\$ 197.4	\$ 144.1	\$ 42.3	\$ 11.0	\$ 82.6	\$ 114.8

Select Details

- ◆ Credit: TXU (\$16mm), LINN (\$13mm), Chesapeake (\$12mm) , Norton (\$4mm)
- ◆ Model Specific
 - Asia: ICP REP proxy
 - Europe: QED (Baskets with barriers)
 - US: Bermudan vs. European
- ◆ Rio
 - Hourly shape reserve due to uncertainty of ERCOT market in forward years as they change the grid structure
 - Hedge uncertainty as April & Oct risk cannot be hedged until prompt month, as risk is not uniform throughout the month (allows for plant maintenance)

Commodities Risk – 9/10/08

*Delta exposures: Oil in barrels, Natural Gas in mmbtus, Power in Mwhrs; 1 mmbtu = 0.172 barrels, Base Metals in MT, Precious Metals in Oz, Emissions in 1

RISK SUMMARY (Exposure)*		Delta			Gamma	
		NPV Delta*	Delta (contracts)	1% Move (\$'000s)	Gamma	1% Move (\$'000s)
Power	East	1,679,991	1,680	\$994	161	\$50
	Ercot	77,267	77	\$716	606	\$145
	Midwest	(368,550)	(369)	(\$812)	26	\$25
	West	132,923	133	\$131	47	\$18
	Europe	96,324	96	\$0	4	\$0
Power Total		1,617,953	1,618	\$1,030	844	\$238
Natural Gas	NYMEX	32,433,517	3,243	\$3,593	3,499	\$139
	East	115,911,647	11,591	\$11,570	963	\$70
	Gulf Coast	45,983,776	4,598	\$5,036	1,932	\$92
	Midcon	(126,769,420)	(12,677)	(\$9,036)	(13)	(\$1)
	West	(102,802,435)	(10,280)	(\$11,359)	1,360	\$53
	Canada	(515,635)	(52)	(\$56)	0	\$0
Europe	(1,030,241)	(103)	(\$100)	0	\$0	
Natural Gas Total		(36,788,790)	(3,679)	(\$352)	7,740	\$354
Oil	Crude	329,993	330	(\$432)	51	\$40
	Freight	0	0	\$0	0	\$0
	Light Ends	44,625	45	(\$457)	2	\$1
	Middle Distillates	(688,161)	(688)	(\$875)	(4)	(\$4)
	Residuals	(325,102)	(325)	(\$245)	1	\$0
	Nat Gas Liquid	746,341	746	\$417	(19)	(\$2)
Oil Total		107,696	108	(\$1,591)	30	\$36
Coal	Australia	(9)	(0)	(\$0)	0	\$0
	Europe	(22)	(0)	(\$0)	0	\$0
	South Africa	(19)	(0)	(\$0)	0	\$0
	US	(201,896)	(202)	(\$1)	63	\$0
	Coal Total		(201,946)	(202)	(\$1)	63
Emissions	CER	1,590,909	1,591	\$269	(3)	(\$0)
	CFI	(34,600)	(35)	(\$1)	0	\$0
	EUA	111,316	111	\$30	9	\$0
	Nox	0	(0)	(\$0)	0	\$0
	RGGI	26,791	27	\$2	(4)	(\$0)
	SO2	17,850	18	\$20	0	\$0
Emissions Total		1,712,265	1,712	\$320	3	\$0
Base Metals	Aluminium	(8,977)	(359)	(\$272)	(1)	(\$6)
	Copper	1,741	70	\$149	0	\$4
	Lead	(1,006)	(40)	(\$26)	(0)	(\$1)
	Nickel	(106)	(18)	(\$28)	(0)	(\$4)
	Steel	1,569	24	\$10	0	\$0
	Tin	105	21	\$25	0	\$0
	Zinc	(1,698)	(68)	(\$39)	(0)	(\$2)
Base Metals Total		(8,373)	(370)	(\$181)	(1)	(\$9)
Precious Metals	Gold	29,249	292	\$260	4	\$14
	Silver	197,885	40	\$12,078	(44)	(\$31,266)
Precious Metals Total		227,134	332	\$12,338	(40)	(\$31,252)

NPV Delta (includes Eagle Energy positions)

Oil

Delta:

- ◆ Long Crude 330 lots
- ◆ Short Products 222 lots

Vega:

- ◆ Net long vega \$1,062k
- ◆ Vega position is most sensitive to puts getting cheaper, calls getting richer (11,562)K

US Natural Gas

Delta:

- ◆ Short 36,790k mmbtus
- ◆ (i) Long NYMEX 32,430k mmbtus
- ◆ (ii) Long East 115,910k mmbtus
- ◆ (iii) Long Gulf Coast 45,980k mmbtus
- ◆ (iv) Short Midcon 126,770k mmbtus
- ◆ (v) Short West 102,800k mmbtus

Vega:

- ◆ Net long \$7,556k
- ◆ Vega position is most sensitive to puts getting cheaper and calls getting richer (\$12,096)K

Gamma:

- ◆ Net Long 7,740k mmbtus

Power

Delta:

- ◆ Long 1,618k mwhrs
- ◆ (i) Long East 1,680k mwhrs
- ◆ (ii) Long Ercot 77 mwhrs
- ◆ (iii) Short Midwest 369k mwhrs
- ◆ (iv) Long West 133k mwhrs

Vega:

- ◆ Net short \$1,683k