

Rating: Buy
S&P 500: 1299

PetroChina Company Ltd.

Profits despite Government Limits

<i>Symbol</i>	PTR	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	44,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	116.35	<i>Natural Gas and Oil Production/Ebitda (%)</i>	92
<i>Pricing Date</i>	8/22/06	<i>Adjusted Reserves/Production NTM</i>	14.7
<i>Shares (mm)</i>	1790	<i>EV/Ebitda</i>	4.9
<i>Market Capitalization (US\$mm)</i>	208,000	<i>PV/Ebitda</i>	5.8
<i>Debt (US\$mm)</i>	10,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (US\$mm)</i>	218,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	37.38
<i>Present Value (PV) (US\$mm)</i>	260,000	<i>Present Value Proven Reserves(US\$/boe)</i>	12.17
<i>Net Present Value (US\$/share)</i>	140	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.03
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/sh)</i>	12.56
<i>McDep Ratio - EV/PV</i>	0.84	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	4.1	<i>Indicated Annual Dividend (US\$/sh)</i>	4.81

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

The Peoples Republic of China holds 90% of the outstanding shares.

Summary and Recommendation

Buy-recommended **PetroChina Company Ltd. (PTR)** offers prospective 20% appreciation to estimated net present value (NPV) of \$140 a share that presumes a long-term benchmark crude oil price of \$60 a barrel. The estimate of NPV was revised from \$120 a share on June 6 when we revised our oil price from \$50 a barrel. The current futures quote for the next six years is \$73 a barrel while our vision for 2010 is \$150. At 45% of earnings reported on August 23, dividends for the first half of 2006 climb 33% over the first half of 2005. The company reports rapidly rising earnings despite an apparent windfall tax on oil production and price controls on natural gas and refined products. Government limits on profits are a sign of future potential as those limits are eased. China needs the natural gas and oil production from PTR's existing and future reserves as well as the products from PTR's existing and future refineries. Current world pricing for natural gas and refined products could add \$40 a share to present value. PetroChina stock combines participation in rich energy resources and the promise of profitable growth projects.

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PetroChina
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Natural Gas	2,400	23.4	8.8	21,000	8%
Oil	38,300	12.2	5.7	218,000	84%
Downstream	3,800		5.8	22,000	8%
	44,500	14.7	5.9	261,000	100%
Debt (US\$mm)					10,000
Net Present Value (US\$mm)					251,000
Shares (mm)					1,790
Net Present Value - Standard Estimate (US\$/sh)					140
Net Present Value - Approximation by Correlation (US\$/sh)					149

PetroChina Company Limited
Next Twelve Months Financial Results

	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</i>	<i>Next</i>
	<i>6/30/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>6/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>6/30/07</i>	<i>Twelve</i>
								<i>Months</i>
								<i>6/30/07</i>
NY Harbor 3-2-1 (\$/bbl)	8.38	12.88	10.63	11.39	13.49	12.44	11.68	12.58
Revenue (RMB)								
Upstream (from quarterly table)	150,477	205,481	355,958	214,782	240,828	455,611	245,442	486,270
Downstream Value Added	102,012	94,259	196,271	111,763	126,763	238,525	126,763	253,525
Total	252,489	299,740	552,229	326,545	367,591	694,136	372,204	739,796
Expense	132,115	162,939	295,054	175,640	191,413	367,053	193,719	385,132
Ebitda (RMB)								
Exploration and Production	109,165	140,029	249,194	148,156	161,179	309,334	163,485	324,664
Other	11,209	(3,228)	7,981	2,749	15,000	17,749	15,000	30,000
Total	120,374	136,801	257,175	150,905	176,179	327,084	178,485	354,664
Exploration	8,528	7,038	15,566	8,750	8,750	17,500	8,750	17,500
Deprec., Deplet., & Amort.	25,791	25,514	51,305	29,910	29,910	59,820	29,910	59,820
Other non cash								
Ebit	86,055	104,249	190,304	112,245	137,519	249,764	139,825	277,344
Interest	1,185	1,577	2,762	889	889	1,778	889	1,778
Ebt	84,870	102,672	187,542	111,356	136,630	247,986	138,936	275,566
Income Tax	23,246	30,934	54,180	30,675	47,820	78,495	48,628	96,448
Net Income (RMB)								
Exploration and Production	84,693	123,387	208,080	124,452		124,452		
Other	844	(13,565)	(12,721)	(9,159)		(9,159)		
Unallocated	(23,913)	(38,084)	(61,997)	(34,612)		(34,612)		
Total	61,624	71,738	133,362	80,681	88,809	169,490	90,309	179,118
Shares (millions)	1,758	1,778	1,769	1,790	1,790	1,790	1,790	1,790
Earnings per share (RMB)	35.05	40.35	75.40	45.07	49.61	94.69	50.45	100.07
Ebitda Margin (E&P)	73%	68%	70%	69%	67%	68%	67%	67%
Tax Rate	27%	30%	29%	28%	35%	32%	35%	35%

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PetroChina Company Limited
Next Twelve Months Operations

	Q2 6/30/05	Year 2005	Q1 3/31/06	Q2 6/30/06	Q3E 9/30/06	Q4E 12/31/06	Year 2006E	Q2E 6/30/06	Next Twelve Months 6/30/06
Volume									
Natural gas (bcf)	245	1,152	360	325	340	389	1,413	343	1,451
Natural Gas (mmcf)	2,697	3,156	4,002	3,566	3,694	4,225	3,872	3,764	3,976
Days	91	365	90	91	92	92	365	91	365
Oil (mmb)	197	842	208	211	214	214	846	211	848
Oil (mbd)	2,162	2,307	2,307	2,323	2,323	2,323	2,319	2,323	2,323
Total gas & oil (mmb)	238	1,034	268	265	270	279	1,082	268	1,090
Total gas & oil (mbd)	2,611	2,833	2,974	2,917	2,939	3,027	2,964	2,950	2,986
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.76	8.65	8.97	6.81	6.61	8.74	7.78	8.46	8.71
Company	1.92	2.08	2.43	2.43	2.43	2.43	2.43	2.43	2.43
Oil (\$/bbl)									
WTI Cushing	53.05	56.31	63.33	70.47	73.82	75.74	70.84	77.93	76.19
Company	49.30	48.88	55.14	62.71	65.70	67.40	62.79	69.35	67.80
Total gas & oil (\$/bbl)	42.80	42.12	46.04	52.91	54.99	55.12	52.30	57.70	55.98
Revenue (\$mm)									
Natural Gas	471	2,396	875	789	826	945	3,434	832	3,527
Oil	9,698	41,157	11,447	13,257	14,041	14,406	53,151	14,661	57,486
Total	10,169	43,553	12,322	14,046	14,866	15,350	56,585	15,493	61,013
Total(RMB)	84,040	355,958	98,702	116,080	118,486	122,343	455,611	123,480	486,270
RMB/\$US	8.26	8.17	8.01	7.97	7.97	7.97	8.05	7.97	7.97

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