

Rating: Buy
S&P 500: 1463
Intraday

PetroChina Company Ltd. **Price Controls Ease in 2007 Half**

<i>Symbol</i>	PTR	<i>Ebitda Twelve Months ending 6/30/08 (US\$mm)</i>	41,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	140.51	<i>Natural Gas and Oil Production/Ebitda (%)</i>	89
<i>Pricing Date</i>	8/23/07	<i>Adjusted Reserves/Production NTM</i>	15.0
<i>Shares (mm)</i>	1779	<i>EV/Ebitda</i>	6.4
<i>Market Capitalization (US\$mm)</i>	250,000	<i>PV/Ebitda</i>	7.5
<i>Debt (US\$mm)</i>	14,000	<i>Undeveloped Reserves (%)</i>	37
<i>Enterprise Value (EV) (US\$mm)</i>	264,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.74
<i>Present Value (PV) (US\$mm)</i>	309,000	<i>Present Value Proven Reserves(US\$/boe)</i>	13.43
<i>Net Present Value (US\$/share)</i>	166	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.24
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/sh)</i>	10.81
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	3.4	<i>Indicated Annual Dividend (US\$/sh)</i>	4.75

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

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.

Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of PTR since 2001 see www.mcdep.com/3ptr.htm

Summary and Recommendation

Estimated net present value (NPV) for buy-recommended **PetroChina Company Ltd. (PTR)** at \$166 a share points to appreciation potential while stock price remains in a positive trend above its 200-day average. First half 2007 financial results reported today surprised positively with gains in downstream (Other) augmenting stable exploration and production cash flow and earnings (see table [Half-Yearly Financial Results](#)). Some easing of petroleum product price controls in the first half allowed the company to benefit partially from strong global conditions. Future relaxation in the controlled price of natural gas offers further profit potential multiplied by rapid volume growth. The best news for an oil company, a giant discovery, was confirmed by government agency estimates in recent weeks ratifying the size of PTR's billion barrel Jidong Nanpu oil find (see *Stock Idea*, PTR, May 7, 2007). Meanwhile, six-year oil holds near its 40-week average around \$68 a barrel ahead of a winter test of global peak oil production capacity.

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Please see disclosures on the final page.

PetroChina Company Limited
Half-Yearly Financial Results

	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</i>	<i>Twelve</i>
	<i>6/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>6/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>6/30/08</i>	<i>Months</i>
								<i>6/30/08</i>
NY Harbor 3-2-1 (\$/bbl)	11.39	9.61	10.50	18.32	10.96	14.64	13.68	12.32
Revenue (RMB)								
Upstream (from quarterly table)	215,275	210,804	426,079	202,406	235,517	437,923	224,803	460,320
Downstream Value Added	111,270	151,629	262,899	190,320	190,320	380,640	190,320	380,640
Total	326,545	362,433	688,978	392,726	425,837	818,563	415,123	840,960
Expense	175,640	237,908	413,548	243,804	277,815	521,619	252,763	530,578
Ebitda (RMB)								
Exploration and Production	148,156	118,222	266,378	121,852	141,719	263,571	135,290	277,009
Other	2,749	6,303	9,052	27,070	6,303	33,372	27,070	33,372
Total	150,905	124,525	275,430	148,922	148,022	296,944	162,360	310,382
Exploration	8,750	10,072	18,822	10,607	10,607	21,214	10,607	21,214
Deprec., Deplet., & Amort.	29,910	31,478	61,388	31,228	31,228	62,456	31,228	62,456
Other non cash								
Ebit	112,245	82,975	195,220	107,087	106,187	213,274	120,525	226,712
Interest	889	2,331	3,220	1,231	1,231	2,462	1,231	2,462
Ebt	111,356	80,644	192,000	105,856	104,956	210,812	119,294	224,250
Income Tax	30,675	19,101	49,776	24,026	36,734	60,760	41,753	78,487
Net Income (RMB)								
Exploration and Production	124,452	95,408	219,860	96,436				
Other	(9,159)	(5,961)	(15,120)	15,451				
Unallocated	(34,612)	(27,904)	(62,516)	(30,057)				
Total	80,681	61,543	142,224	81,830	68,221	150,051	77,541	145,762
Shares (millions)	1,793	1,810	1,800	1,779	1,779	1,779	1,779	1,779
Earnings per share (RMB)	45.00	34.00	79.00	46.00	38.35	84.35	43.59	81.94
Ebitda Margin (E&P)	69%	56%	63%	60%	60%	60%	60%	60%
Tax Rate	28%	24%	26%	23%	35%	29%	35%	35%

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	2,500	23.3	8.4	21,000	7%
Oil	34,000	12.3	7.8	265,000	86%
Downstream	4,400		5.2	23,000	7%
	40,900	15.0	7.6	309,000	100%
Debt (US\$mm)					14,000
Net Present Value (US\$mm)					295,000
Shares (mm)					1,779
Net Present Value - Standard Estimate (US\$/sh)					166
Net Present Value - Approximation by Correlation (US\$/sh)					171

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PetroChina Company Limited
Quarterly Operations

	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Twelve</i>
	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>Months E</i>
									<i>6/30/08</i>
Volume									
Natural gas (bcf)	322	375	1,382	411	387	385	448	1,631	1,631
Natural Gas (mmcf)	3,504	4,079	3,787	4,562	4,257	4,184	4,870	4,468	4,468
Days	92	92	365	90	91	92	92	365	365
Oil (mmb)	207	204	830	209	211	213	213	845	844
Oil (mbd)	2,250	2,213	2,273	2,324	2,313	2,313	2,313	2,316	2,313
Total gas & oil (mmb)	261	266	1,060	278	275	277	287	1,117	1,116
Total gas & oil (mbd)	2,834	2,893	2,904	3,085	3,023	3,010	3,125	3,061	3,058
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.58	6.57	7.23	6.81	7.56	6.61	7.82	7.20	7.82
Company	2.49	2.49	2.46	2.52	2.56	2.56	2.56	2.55	2.56
Oil (\$/bbl)									
WTI Cushing	70.42	59.99	66.05	58.08	64.91	72.67	70.94	66.65	70.73
Company	66.64	54.44	59.77	53.84	61.46	68.81	67.17	62.86	66.98
Total gas & oil (\$/bbl)	55.99	45.15	49.98	44.30	50.64	56.43	53.71	51.29	54.41
Revenue (\$mm)									
Natural Gas	804	933	3,401	1,035	992	986	1,148	4,160	4,177
Oil	13,795	11,084	49,583	11,263	12,937	14,643	14,294	53,137	56,551
Total	14,598	12,017	52,984	12,298	13,929	15,629	15,442	57,298	60,728
Total(RMB)	116,349	94,455	426,079	95,433	106,973	118,467	117,050	437,923	460,320
RMB/\$US	7.97	7.86	8.04	7.76	7.68	7.58	7.58	7.64	7.58

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