



Independent Stock Idea

March 25, 2009

rating: buy
s&p 500: 814

PetroChina (PTR) Fundamental to the Growth of China

<i>Symbol</i>	PTR	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$m)</i>	33,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	84.63	<i>Natural Gas and Oil Production/Ebitda (%)</i>	87
<i>Pricing Date</i>	3/25/09	<i>Adjusted Reserves/Production NTM</i>	14.0
<i>Shares (mm)</i>	1830	<i>EV/Ebitda</i>	5.5
<i>Market Capitalization (US\$m)</i>	155,000	<i>PV/Ebitda</i>	9.1
<i>Debt (US\$m)</i>	30,000	<i>Undeveloped Reserves (%)</i>	40
<i>Enterprise Value (EV) (US\$m)</i>	185,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	23.78
<i>Present Value (PV) (US\$m)</i>	304,000	<i>Present Value Proven Reserves(US\$/boe)</i>	12.33
<i>Net Present Value (US\$/share)</i>	150	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.06
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.27
<i>McDep Ratio - EV/PV</i>	0.61	<i>Price/Earnings Next Twelve Months</i>	16
<i>Dividend Yield (%/year)</i>	4.9	<i>Indicated Annual Dividend (US\$/sh)</i>	4.12
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 86% of the outstanding shares.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of PTR since 2001 see www.mcdep.com/3ptr.htm			

Summary and Recommendation

Stock price for low-debt, buy-recommended **PetroChina (PTR)** has 77% appreciation potential to estimated Net Present Value (NPV) of \$150 a share (see table [Functional Cash Flow and Present Value](#)). Released today, half-yearly results were close to our estimates of two months ago. Predictably, lower price for crude oil leads to lower cash flow (Ebitda) for 2009 (see tables [Quarterly Operations](#) and [Half-Yearly Financial Results](#)). The impact is tempered by lower excise tax on crude oil and relaxed price controls on refined oil products. At the same time, the natural gas business continues to expand rapidly in volume and offers upside potential in price. Pointing to expected oil price recovery, futures prices for the next six years averaged \$72 a barrel recently (see charts [Six-Year Commodity Price Meter](#) and [Six-Year and One-Year Natural Gas and Oil Futures](#)). We believe PTR stock offers solid participation in the likely continued higher economic growth of China.

Kurt H. Wulff, CFA



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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	4,000	20.5	10.0	40,000	13%
Oil	25,100	11.3	9.0	225,000	74%
Downstream	4,400		9.1	40,000	13%
	33,500	14.0	9.1	305,000	100%
Debt (US\$mm)					30,000
Net Present Value (US\$mm)					275,000
Shares (mm)					1,830
Net Present Value - Standard Estimate (US\$/sh)					150
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					164

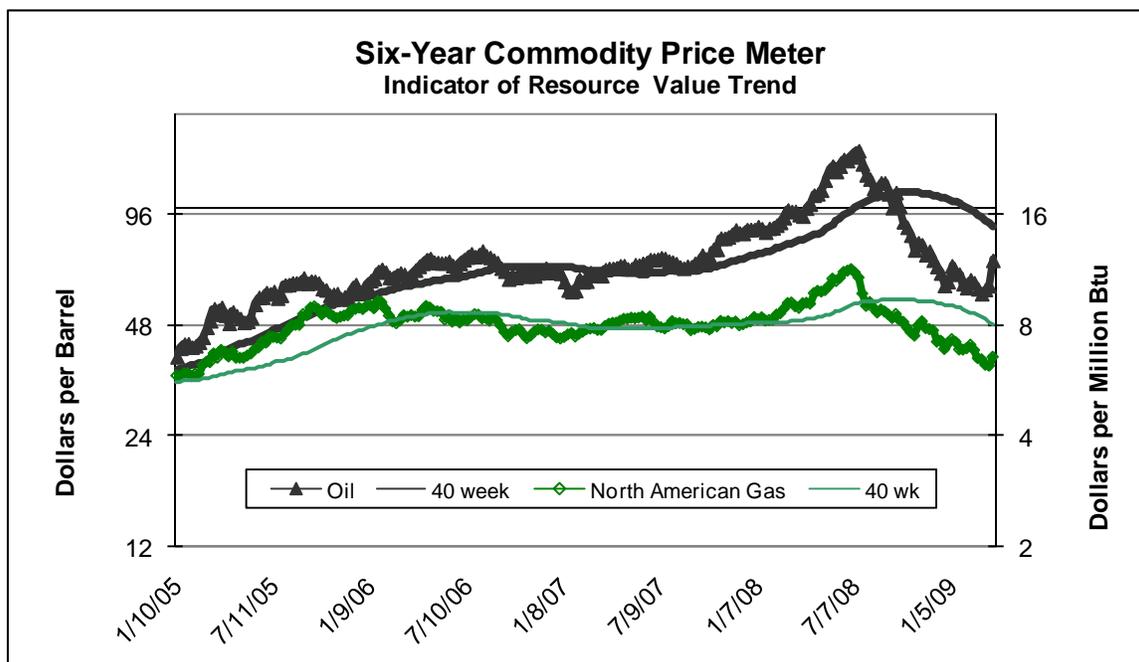
PetroChina Company Limited									
Half-Yearly Financial Results									
	<i>H2</i>	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</i>	<i>Twelve</i>
	<i>12/31/07</i>	<i>6/30/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>6/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>6/30/10</i>	<i>Months E</i>
									<i>6/30/10</i>
NY Harbor 3-2-1 (\$/bbl)	10.42	11.26	8.47	9.86	8.50	4.21	6.35	5.74	4.97
Revenue (RMB)									
Upstream (from quarterly table)	244,800	308,642	264,629	573,271	164,121	191,415	355,536	205,919	397,334
Downstream Value Added	197,511	240,880	240,880	481,760	240,880	240,880	481,760	240,880	481,760
Total	442,311	549,522	521,624	1,071,146	405,001	432,295	837,296	446,798	879,094
Expense	305,588	420,216	381,876	802,092	307,940	321,588	629,528	328,839	650,427
Ebitda (RMB)									
Exploration and Production	102,416	153,726	156,717	310,443	82,060	95,708	177,768	102,959	198,667
Other	34,307	(24,420)	(16,969)	(41,389)	15,000	15,000	30,000	15,000	30,000
Total	136,723	129,306	139,748	269,054	97,060	110,708	207,768	117,959	228,667
Exploration	10,041	12,848	9,031	21,879	9,031	9,031	18,062	9,031	18,062
Deprec., Deplet., & Amort.	35,397	42,754	51,849	94,603	51,849	51,849	103,698	51,849	103,698
Other non cash									
Ebit	91,285	73,704	78,868	152,572	36,180	49,828	86,008	57,079	106,907
Interest	2,364	231	2,732	2,963	2,732	2,732	5,464	2,732	5,464
Ebt	88,921	73,473	76,136	149,609	33,448	47,096	80,544	54,347	101,443
Income Tax	25,126	19,858	15,320	35,178	11,707	16,483	28,190	19,022	35,505
Net Income (RMB)									
Exploration and Production	127,440	130,231	109,967	240,198					
Other	39,009	(43,905)	(36,993)	(80,898)					
Unallocated	(102,654)	(32,711)	(12,158)	(44,869)					
Total	63,795	53,615	60,816	114,431	21,741	30,612	52,354	35,326	65,938
Shares (millions)	1,823	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830
Earnings per share (RMB)	35.00	29.30	33.23	62.53	11.88	16.73	28.61	19.30	36.03
Ebitda Margin (E&P)	42%	50%	59%	54%	50%	50%	50%	50%	50%
Tax Rate	28%	27%	20%	24%	35%	35%	35%	35%	35%



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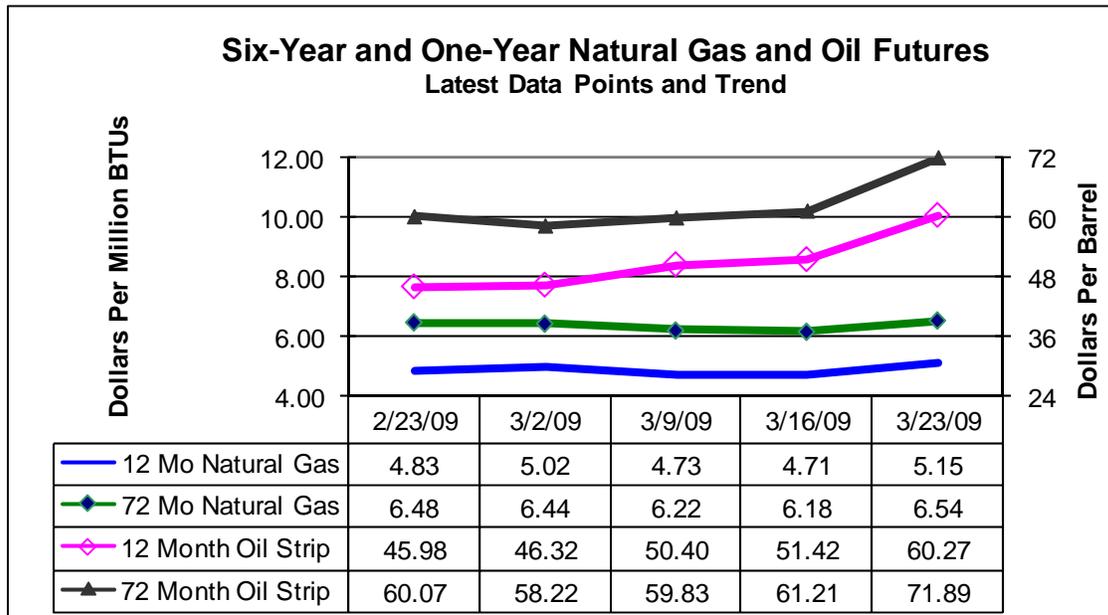
PetroChina Company Limited									
Quarterly Operations									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Year	Twelve
	12/31/07	9/30/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	2009E	Months E
									6/30/10
Volume									
Natural gas (bcf)	451	445	496	1,864	527	482	490	2,045	2,145
Natural Gas (mmcf)	4,901	4,837	5,391	5,093	5,859	5,298	5,321	5,601	5,878
Days	92	92	92	366	90	91	92	365	365
Oil (mmb)	207	219	218	871	213	216	218	865	865
Oil (mbd)	2,248	2,375	2,370	2,380	2,370	2,370	2,370	2,370	2,370
Total gas & oil (mmb)	282	293	301	1,182	301	296	300	1,206	1,222
Total gas & oil (mbd)	3,065	3,181	3,268	3,229	3,346	3,253	3,256	3,303	3,349
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.97	10.25	6.95	9.04	4.90	3.94	4.26	4.51	5.07
Company	2.57	3.52	2.97	3.31	3.11	3.27	3.43	3.36	3.71
Oil (\$/bbl)									
WTI Cushing	90.75	117.99	58.45	99.59	42.32	54.44	58.30	54.06	62.06
Company	78.50	104.78	58.52	87.55	42.37	54.52	54.52	52.20	58.02
Total gas & oil (\$/bbl)	61.69	83.57	47.33	69.76	35.46	45.04	45.28	43.14	47.55
Revenue (\$mm)									
Natural Gas	1,159	1,565	1,471	6,177	1,642	1,577	1,681	6,866	7,951
Oil	16,234	22,894	12,758	76,256	9,036	11,755	11,884	45,148	50,178
Total	17,394	24,459	14,229	82,433	10,679	13,332	13,565	52,014	58,129
Total(RMB)	129,235	167,300	97,329	573,271	72,993	91,128	92,723	355,536	397,334
RMB/\$US	7.43	6.84	6.84	6.95	6.84	6.84	6.84	6.84	6.84





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