

Rating: Buy  
S&P 500: 1280

## Suncor Energy Trading Oil Sands Leadership

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	5,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	82.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	8/3/06	<i>Adjusted Reserves/Production NTM</i>	18.8
<i>Shares (mm)</i>	461	<i>EV/Ebitda</i>	7.7
<i>Market Capitalization (US\$mm)</i>	38,200	<i>PV/Ebitda</i>	8.7
<i>Debt (US\$mm)</i>	3,400	<i>Undeveloped Reserves (%)</i>	23
<i>Enterprise Value (EV) (US\$mm)</i>	41,600	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	44.60
<i>Present Value (PV) (US\$mm)</i>	47,200	<i>Present Value Proven Reserves(US\$/boe)</i>	19.76
<i>Net Present Value (US\$/share)</i>	95	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.29
<i>Debt/Present Value</i>	0.07	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.30
<i>McDep Ratio - EV/PV</i>	0.88	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	0.3	<i>Indicated Annual Dividend (US\$/sh)</i>	0.21

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

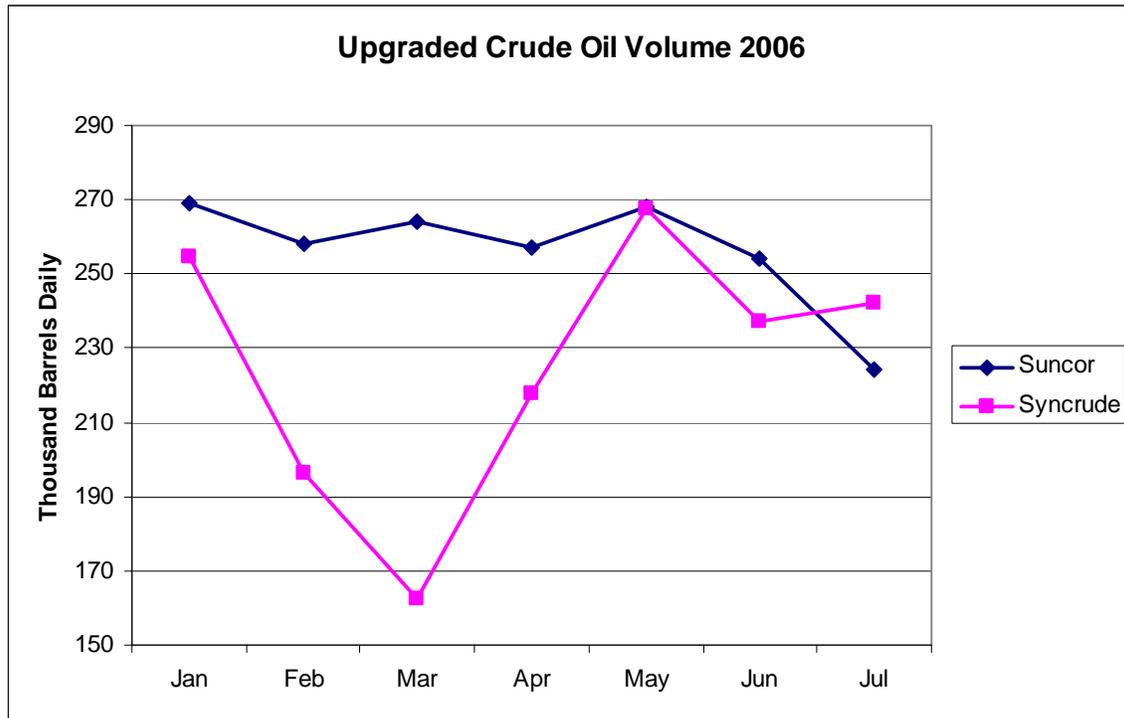
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

### Summary and Recommendation

Buy-recommended **Suncor (SU)** offers 15% appreciation potential to estimated net present value (NPV) of US\$95 a share presuming a long-term oil price of \$60 a barrel. We raised our estimate of NPV from \$75 a share when we revised our oil price from \$50 a barrel on June 6. All of the company revolves around its wholly owned oil sands mining and upgrading project, Canada's first. Suncor produced more than Canada's second project, Syncrude, in the first four months of 2006, tied in May, and produced less in July (see chart). On the quarterly call on August 3, Vice President John Rogers offered volume guidance for the rest of the year at 260 thousand barrels daily (mbd). Suncor is expanding capacity to 350 mbd to be operating in a couple of years. Syncrude has completed and is now starting up an expansion to 350 mbd. Our valuation of all of Suncor equates to 93% of our value of Syncrude. Finally, interpolating between our estimates of \$95 a share at \$60 a barrel and \$75 a share at \$50 a barrel, it looks like current stock price of \$83 relates to \$54 a barrel. The futures quote for delivery over the next six years is \$75 a barrel.

Kurt H. Wulff, CFA

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**Suncor**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	260	8.2	5.8	1,500	3%
Oil	4,640	19.8	9.3	43,000	91%
Downstream	530		5.1	2,700	6%
	5,430	18.8	8.7	47,200	100%
Debt (US\$mm)					3,300
Net Present Value (US\$mm)					43,900
Shares (mm)					461
Net Present Value - Standard Estimate (US\$/sh)					95

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**Suncor**  
**Next Twelve Months Operations**  
 (Canadian Dollars)

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next</i>
	<i>6/30/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>Twelve</i>
									<i>Months</i>
									<i>6/30/07</i>
<b>Volume</b>									
Natural Gas (mmcf)	175	<b>190</b>	196	189	189	189	<b>191</b>	189	<b>189</b>
Oil (mbd)	124	<b>169</b>	279	269	269	269	<b>271</b>	269	<b>269</b>
Total gas & oil (bcf)	84	<b>438</b>	168	164	166	166	<b>664</b>	162	<b>658</b>
Total gas & oil (mbd)	153	<b>200</b>	311	300	300	300	<b>303</b>	300	<b>300</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.76	<b>8.65</b>	8.97	6.81	7.44	9.79	<b>8.25</b>	11.62	<b>9.40</b>
Currency (US\$/C\$)	0.80	<b>0.83</b>	0.87	0.89	0.88	0.88	<b>0.88</b>	0.88	<b>0.88</b>
Henry Hub (C\$/mmbtu)	8.40	<b>10.41</b>	10.31	7.63	8.41	11.07	<b>9.36</b>	13.13	<b>10.63</b>
U.S. (or North America)	7.26	<b>8.59</b>	8.75	6.22	6.85	9.02	<b>7.72</b>	10.70	<b>8.65</b>
Oil (\$/bbl)									
WTI Cushing	53.05	<b>56.31</b>	63.33	70.47	74.40	76.40	<b>71.15</b>	77.82	<b>76.74</b>
WTI Cushing (C\$/bbl)	65.99	<b>68.07</b>	72.79	79.00	84.12	86.37	<b>80.57</b>	87.98	<b>86.77</b>
Company	57.21	<b>62.52</b>	65.61	75.19	80.06	82.21	<b>75.73</b>	83.74	<b>82.57</b>
Total gas & oil (\$/mcf)	9.10	<b>10.13</b>	10.71	11.87	12.66	13.21	<b>12.11</b>	13.62	<b>13.23</b>
NY Harbor 3-2-1 (\$/bbl)	10.59	<b>10.63</b>	7.40	15.39	16.07	10.91	<b>12.44</b>	11.71	<b>13.99</b>
<b>Revenue (\$mm)</b>									
Natural Gas	116	<b>595</b>	154	107	119	157	<b>537</b>	182	<b>597</b>
Oil	647	<b>3,846</b>	1,645	1,839	1,980	2,033	<b>7,497</b>	2,026	<b>8,101</b>
Other	1,617	<b>6,645</b>	2,059	2,124	2,124	2,124	<b>8,431</b>	2,124	<b>8,495</b>
Total	2,380	<b>11,086</b>	3,858	4,070	4,223	4,314	<b>16,464</b>	4,332	<b>17,193</b>
<b>Expense</b>									
Fixed	170	<b>941</b>	271	373	373	373	<b>1,391</b>	373	<b>944</b>
Variable	170	<b>941</b>	271	373	403	420	<b>1,467</b>	424	<b>947</b>
Other	1,531	<b>6,237</b>	2,011	1,921	2,750	2,767	<b>9,449</b>	2,771	<b>8,034</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	423	<b>2,559</b>	1,257	1,199	1,323	1,396	<b>5,176</b>	1,411	<b>5,536</b>
Other	86	<b>408</b>	48	203	150	150	<b>551</b>	150	<b>600</b>
Total Ebitda	509	<b>2,967</b>	1,305	1,403	1,473	1,546	<b>5,727</b>	1,561	<b>6,136</b>
Exploration	2	<b>56</b>	31	31	31	31	<b>124</b>	31	<b>240</b>
Deprec., Deplet., & Amort.	175	<b>727</b>	158	175	175	175	<b>683</b>	175	<b>700</b>
Hedging and Insurance	120	<b>203</b>	-	-	-	-	<b>-</b>	-	<b>-</b>
<b>Ebit</b>	212	<b>1,981</b>	1,116	1,197	1,267	1,340	<b>4,920</b>	1,355	<b>5,196</b>
Interest	42	<b>165</b>	38	33	33	33	<b>138</b>	33	<b>133</b>
<b>Ebt</b>	170	<b>1,816</b>	1,078	1,163	1,234	1,307	<b>4,782</b>	1,322	<b>5,063</b>
Income Tax	60	<b>636</b>	377	407	432	457	<b>1,674</b>	463	<b>1,772</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	144	<b>1,228</b>	762	1,169	1,228	1,308	<b>4,466</b>	1,324	<b>5,061</b>
Other	36	<b>183</b>	16	120	139	140	<b>416</b>	141	<b>549</b>
Unallocated	(69)	<b>(231)</b>	(77)	(533)	(565)	(599)	<b>(1,774)</b>	(605)	<b>(2,319)</b>
Total	111	<b>1,180</b>	701	756	802	850	<b>3,109</b>	859	<b>3,291</b>
<b>Shares (millions)</b>	461	<b>461</b>	461	461	461	461	<b>461</b>	461	<b>461</b>
Per share (\$)	0.24	<b>2.56</b>	1.52	1.64	1.74	1.84	<b>6.74</b>	1.86	<b>7.14</b>
Ebitda Margin	21%	<b>27%</b>	34%	34%	35%	36%	<b>35%</b>	36%	<b>36%</b>
Tax Rate	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	<b>35%</b>

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