



Rating: Buy
 S&P 500: 1401
 Intraday

PetroChina Company Ltd. Winter Sacrifice

<i>Symbol</i>	PTR	<i>Ebitda Twelve Months ending 6/30/09 (US\$m)</i>	57,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	146.22	<i>Natural Gas and Oil Production/Ebitda (%)</i>	85
<i>Pricing Date</i>	4/28/08	<i>Adjusted Reserves/Production NTM</i>	14.4
<i>Shares (mm)</i>	1830	<i>EV/Ebitda</i>	5.0
<i>Market Capitalization (US\$m)</i>	268,000	<i>PV/Ebitda</i>	6.4
<i>Debt (US\$m)</i>	17,000	<i>Undeveloped Reserves (%)</i>	37
<i>Enterprise Value (EV) (US\$m)</i>	284,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	40.09
<i>Present Value (PV) (US\$m)</i>	365,000	<i>Present Value Proven Reserves(US\$/boe)</i>	14.55
<i>Net Present Value (US\$/share)</i>	190	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.42
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/sh)</i>	15.42
<i>McDep Ratio - EV/PV</i>	0.78	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	3.5	<i>Indicated Annual Dividend (US\$/sh)</i>	5.14
<i>Note: Estimated cash flow and earnings tied to one-year futures prices for oil.</i>			
<i>Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.</i>			
<i>The Peoples Republic of China holds 86% of the outstanding shares.</i>			
<i>Estimated present value presumes a long-term price for oil of US\$80 a barrel and natural gas, \$11 a million btu.</i>			
<i>For historical analysis of PTR since 2001 see www.mcdep.com/3ptr.htm</i>			

Summary and Recommendation

We keep estimated Net Present Value (NPV) of US\$190 a share for buy-rated **PetroChina (PTR)** despite losses from price controls on refined products. Financial results reported on a quarterly basis for the first time today indicated a decline of a third in total earnings from a year ago. Though no breakdown by segment was available, management noted a “severe loss in refining and marketing”. We project improved unlevered cash flow (Ebitda) presuming more normal margins (see table Half-Yearly Financial Results). Today’s news is better for oil and gas production with volume up 6% from the previous year and price up 56% (see table Quarterly Operations). Notwithstanding allowing for the excise tax on crude oil as well as price controls on natural gas, NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). Punitive taxes and price controls in China add to high oil taxes in Alaska, Alberta, Algeria and Venezuela to drive oil price higher (see chart Six-Year Commodity Price Meter).

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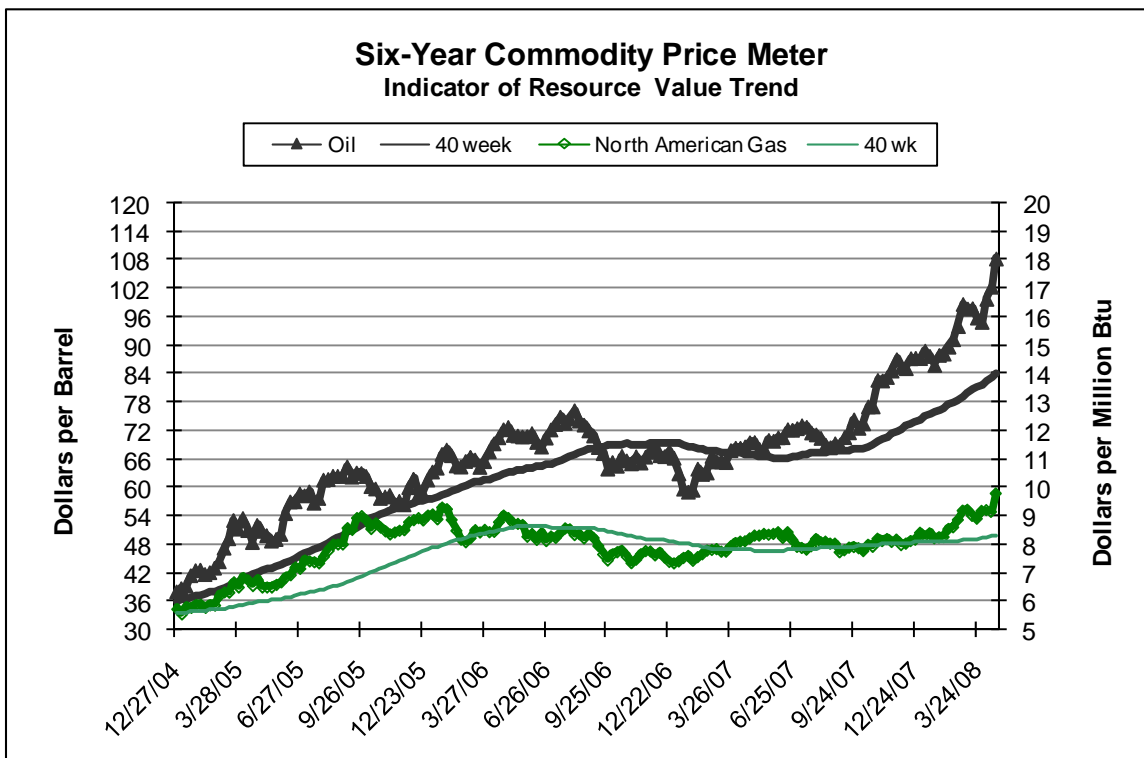


PetroChina Company Limited								
Half-Yearly Financial Results								
	H1	H2	Year	H1E	H2E	Year	H1E	Twelve Months E
	6/30/07	12/31/07	2007	6/30/08	12/31/08	2008E	6/30/09	6/30/09
NY Harbor 3-2-1 (\$/bbl)	18.32	10.42	14.37	10.11	11.71	10.91	12.99	12.35
Revenue (RMB)								
Upstream (from quarterly table)	202,406	244,800	447,206	313,804	334,943	648,747	327,326	662,269
Downstream Value Added	190,320	197,511	387,831	197,511	197,511	395,022	197,511	395,022
Total	392,726	442,311	835,037	511,315	532,454	1,043,769	524,837	1,057,291
Expense	243,804	305,588	549,392	349,309	357,471	706,780	301,372	658,843
Ebitda (RMB)								
Exploration and Production	121,852	102,416	224,268	182,006	140,676	322,682	196,396	337,071
Other	27,070	34,307	61,377	(20,000)	34,307	14,307	27,070	61,377
Total	148,922	136,723	285,645	162,006	174,983	336,990	223,465	398,448
Exploration	10,607	10,041	20,648	10,041	10,041	20,082	10,041	20,082
Deprec., Deplet., & Amort.	31,228	35,397	66,625	35,397	35,397	70,794	35,397	70,794
Other non cash								
Ebit	107,087	91,285	198,372	116,568	129,545	246,114	178,027	307,572
Interest	1,231	2,364	3,595	1,231	2,364	3,595	1,231	3,595
Ebt	105,856	88,921	194,777	115,337	127,181	242,519	176,796	303,977
Income Tax	24,026	25,126	49,152	40,368	44,513	84,882	61,879	106,392
Net Income (RMB)								
Exploration and Production	96,436	127,440	223,876					
Other	15,451	39,009	54,460					
Unallocated	(30,057)	(102,654)	(132,711)					
Total	81,830	63,795	145,625	74,969	82,668	157,637	114,918	197,585
Shares (millions)	1,779	1,823	1,798	1,830	1,830	1,830	1,830	1,830
Earnings per share (RMB)	46.00	35.00	81.00	40.97	45.17	86.14	62.80	107.97
Ebitda Margin (E&P)	60%	42%	50%	58%	42%	50%	60%	51%
Tax Rate	23%	28%	25%	35%	35%	35%	35%	35%

PetroChina Company Limited									
Quarterly Operations									
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Twelve Months E
	3/31/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	2008E	6/30/09
Volume									
Natural gas (bcf)	411	451	1,627	485	457	446	532	1,920	2,008
Natural Gas (mmcf)	4,562	4,901	4,458	5,326	5,023	4,850	5,783	5,246	5,502
Days	90	92	365	91	91	92	92	366	365
Oil (mmb)	209	207	839	216	216	218	218	869	866
Oil (mbd)	2,324	2,248	2,298	2,374	2,374	2,374	2,374	2,374	2,374
Total gas & oil (mmb)	278	282	1,110	297	292	293	307	1,189	1,201
Total gas & oil (mbd)	3,085	3,065	3,041	3,261	3,211	3,182	3,338	3,248	3,291
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.97	6.87	8.02	10.40	11.07	11.47	10.24	11.42
Company	2.52	2.57	2.56	3.15	3.15	3.15	3.15	3.15	3.15
Oil (\$/bbl)									
WTI Cushing	58.08	90.75	72.28	97.94	115.46	115.06	113.29	110.44	113.50
Company	53.84	78.50	65.27	87.93	103.66	103.29	101.71	99.17	101.90
Total gas & oil (\$/bbl)	44.30	61.69	53.07	69.14	81.56	81.86	77.79	77.56	78.77
Revenue (\$mm)									
Natural Gas	1,035	1,159	4,158	1,527	1,440	1,405	1,676	6,048	6,326
Oil	11,263	16,234	54,748	18,993	22,390	22,557	22,211	86,150	88,283
Total	12,298	17,394	58,907	20,520	23,830	23,962	23,887	92,198	94,610
Total(RMB)	95,433	129,235	447,206	146,997	166,807	167,734	167,208	648,747	662,269
RMB/\$US	7.76	7.43	7.59	7.16	7.00	7.00	7.00	7.04	7.00



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	3,200	20.7	9.4	30,000	8%
Oil	44,900	12.0	6.3	285,000	78%
Downstream	8,800		5.7	50,000	14%
	56,900	14.4	6.4	365,000	100%
Debt (US\$mm)					17,000
Net Present Value (US\$mm)					348,000
Shares (mm)					1,830
Net Present Value - Standard Estimate (US\$/sh)					190
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					181



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April 28, 2008



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