



Independent Stock Idea

April 28, 2009

rating: buy
s&p 500: 860 intraday

PetroChina (PTR) Tax and Price Control Relief

Symbol	PTR	Ebitda Next Twelve Months ending 3/31/10 (US\$mm)	28,000
Rating	Buy	North American Natural Gas/Ebitda (%)	0
Price (US\$/sh)	85.15	Natural Gas and Oil Production/Ebitda (%)	84
Pricing Date	4/28/09	Adjusted Reserves/Production NTM	14.3
Shares (mm)	1830	EV/Ebitda	6.6
Market Capitalization (US\$mm)	156,000	PV/Ebitda	10.9
Debt (US\$mm)	30,000	Undeveloped Reserves (%)	40
Enterprise Value (EV) (US\$mm)	186,000	Natural Gas and Oil Ebitda (US\$/boe)	19.77
Present Value (PV) (US\$mm)	304,000	Present Value Proven Reserves(US\$/boe)	11.96
Net Present Value (US\$/share)	150	Present Value Proven Reserves(US\$/mcfe)	1.99
Debt/Present Value	0.10	Earnings Next Twelve Months (US\$/sh)	3.32
McDep Ratio - EV/PV	0.61	Price/Earnings Next Twelve Months	26
Dividend Yield (%/year)	4.8	Indicated Annual Dividend (US\$/sh)	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

Buy-recommended **PetroChina (PTR)** offers unlevered appreciation potential of 64% to a McDep Ratio of 1.0 and levered appreciation potential of 76% to Net Present Value (NPV) of \$150 a share. NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table Functional Cash Flow and Present Value). Limited first quarter results released on April 27 implied higher cash flow than in our half-yearly projections. Since results by segment may not be available until mid-year, we conclude that the relaxing of price controls on refined products accounted for most of the positive surprise. Natural gas volume growth continues and price is increasing gradually from a low level (see tables Quarterly Operations and Half-Yearly Financial Results). Pointing to expected oil price recovery, futures prices for the next six years averaged \$66 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 represents 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	4,200	20.5	9.5	40,000	13%
Oil	19,400	11.7	11.6	225,000	74%
Downstream	4,400		9.1	40,000	13%
	28,000	14.3	10.9	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)					153

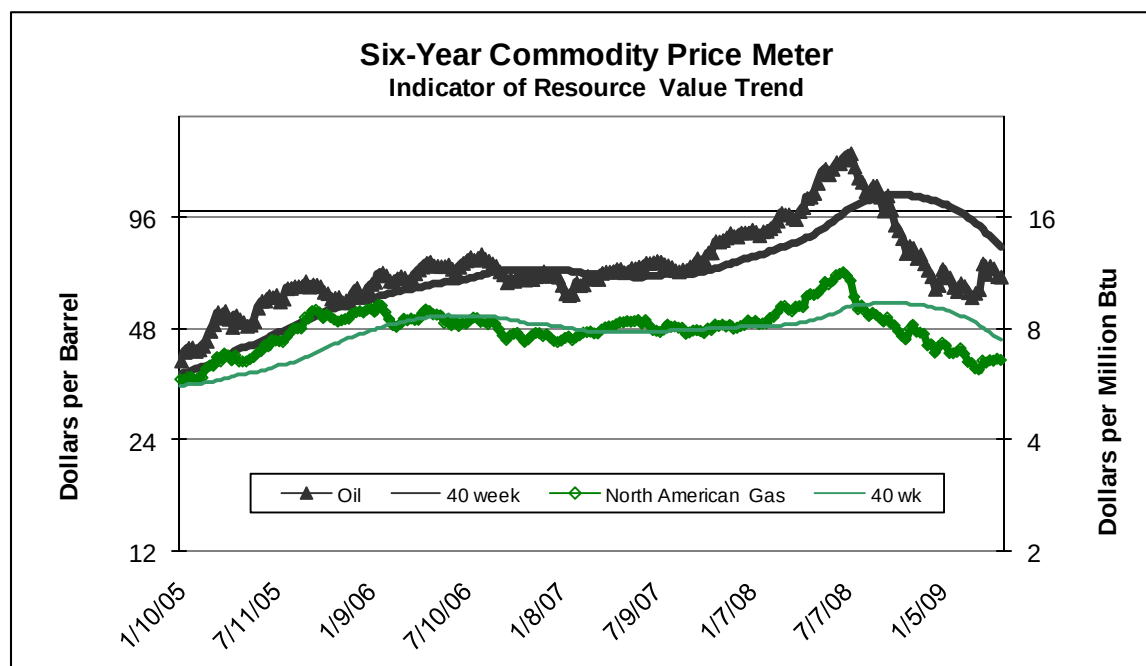
PetroChina Company Limited									
Half-Yearly Financial Results									
	<i>H2</i>	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</i>	<i>Twelve</i>
	<i>12/31/07</i>	<i>6/30/08</i>	<i>12/31/08</i>	<i>2008</i>	<i>6/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>6/30/10</i>	<i>Months E</i>
									<i>6/30/10</i>
NY Harbor 3-2-1 (\$/bbl)	10.42	11.26	8.47	9.86	8.65	4.99	6.82	6.67	5.83
Revenue (RMB)									
Upstream (from quarterly table)	244,800	308,642	264,629	573,271	136,759	153,996	290,754	168,067	322,063
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	377,639	394,875	772,514	408,947	803,823
Expense	305,588	420,216	381,876	802,092	294,259	302,878	597,137	309,914	612,791
Ebitda (RMB)									
Exploration and Production	102,416	153,726	156,717	310,443	68,379	76,998	145,377	84,034	161,031
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	83,379	91,998	175,377	99,034	191,031
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	22,499	31,118	53,617	38,154	69,271
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	19,767	28,386	48,153	35,422	63,807
Income Tax	25,126	19,858	15,320	35,178	6,919	9,935	16,854	12,398	22,333
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	12,849	18,451	31,300	23,024	41,475
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	7.02	10.08	17.10	12.58	22.66
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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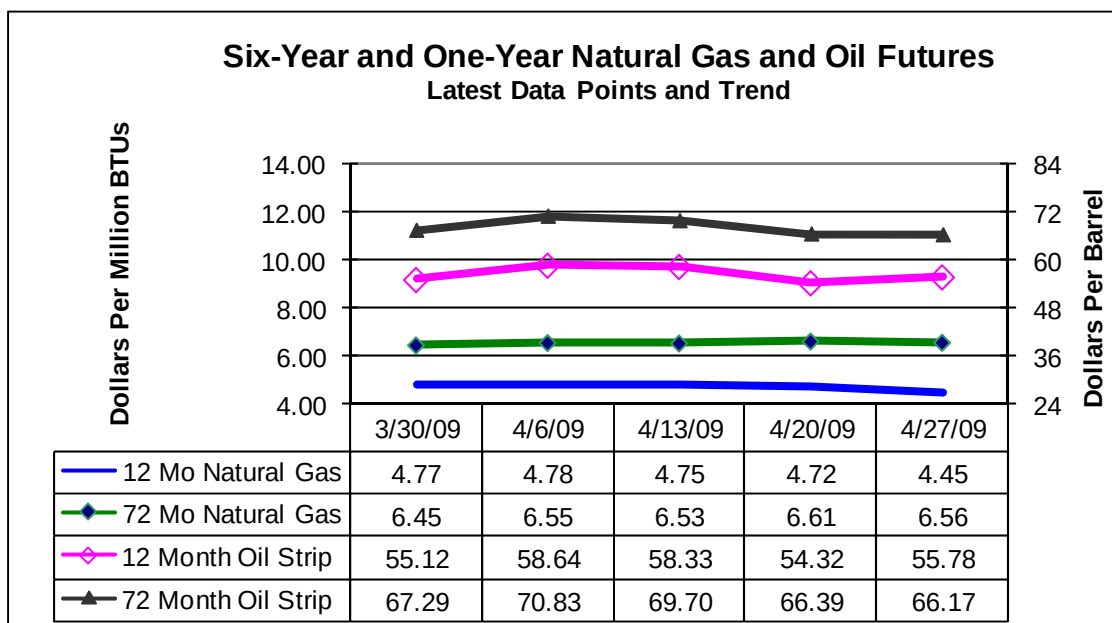
PetroChina Company Limited									
Quarterly Operations									
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Twelve
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	Months E
Volume									
Natural gas (bcf)	485	496	1,864	523	482	490	546	2,040	2,141
Natural Gas (mmcf)	5,326	5,391	5,093	5,811	5,298	5,321	5,930	5,590	5,865
Days	91	92	366	90	91	92	92	365	365
Oil (mmb)	216	218	871	206	208	211	211	835	835
Oil (mbd)	2,374	2,370	2,380	2,289	2,289	2,289	2,289	2,289	2,289
Total gas & oil (mmb)	297	301	1,182	293	289	292	302	1,175	1,192
Total gas & oil (mbd)	3,261	3,268	3,229	3,257	3,172	3,176	3,277	3,221	3,266
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.42	3.62	4.57	4.13	4.83
Company	3.15	2.97	3.31	3.28	3.44	3.62	3.80	3.54	3.90
Oil (\$/bbl)									
WTI Cushing	97.94	58.45	99.59	42.96	49.97	52.66	55.70	50.32	56.67
Company	87.93	58.52	87.55	37.10	43.15	43.15	45.65	42.29	46.43
Total gas & oil (\$/bbl)	69.14	47.33	69.76	31.92	36.89	37.16	38.75	36.20	39.54
NY Harbor 3-2-1 (\$/bbl)	-	-	-	9.18	-	-	-	2.30	-
Revenue (\$mm)									
Natural Gas	1,527	1,471	6,177	1,715	1,660	1,770	2,072	7,218	8,356
Oil	18,993	12,758	76,256	7,643	8,989	9,087	9,613	35,331	38,788
Total	20,520	14,229	82,433	9,358	10,649	10,857	11,684	42,549	47,143
RMB/\$US	7.16	6.84	6.95	6.84	6.83	6.83	6.83	6.83	6.83
Total Upstream (RMB)	146,997	97,329	573,271	64,009	72,750	74,174	79,822	290,754	322,063





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