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# **2006 Interim Results Presentation**

# Disclaimer



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This presentation contains forward-looking statements that involve risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will or other similar words that express an indication of actions or results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements which could affect the market price of our ADSs and H shares.

## Name

## Title

**Mr. Jiang Jiemin**

**Vice Chairman & President**

**Mr. Wang Guoliang**

**Chief Financial Officer**

**Mr. Li Huaiqi**

**Secretary to the Board of Directors**

- **2006 Interim Results Highlights**
- **2006 Interim Financial Results Review & Analysis**
- **Outlook for Second Half of 2006**



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# *2006 Interim Results*

## *Highlights*

# Financial Results Highlights



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RMB Million (except EPS)	1H2005*	1H2006	Change %
<b>Revenue</b>	260,618	326,545	25.3%
<b>Operating Profit</b>	89,967	115,293	28.2%
<b>Net Profit</b>	62,363	80,681	29.4%
<b>Basic &amp; Diluted EPS**</b>	0.35	0.45	28.6%

NB: \* Data reflecting the impact of acquisition of overseas businesses from CNPC

\*\*Earnings per share in RMB

# Exploration & Production Highlights



## Key Exploration Discoveries

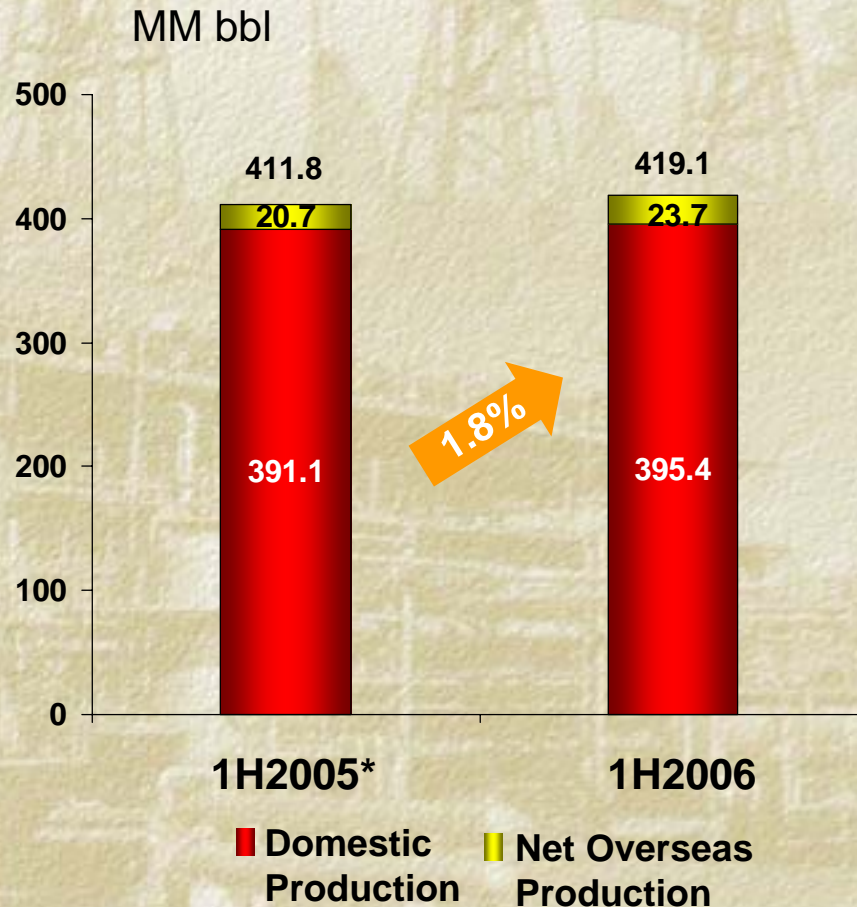


- Bohai Bay Basin ★ Shallow Water Area
- Erdos Basin ★ Baibao-Ta'er Wan Area
- ★ Wushenzhao-Tongwancheng Area
- Songliao Basin ★ Jilin Honggang Area
- ★ Xujiaweizi Deep Zone
- Tarim Basin ★ Northern Tarim
- Junggar Basin ★ Northwestern Rim
- Sichuan Basin ★ Central-Southern Transitional Zone

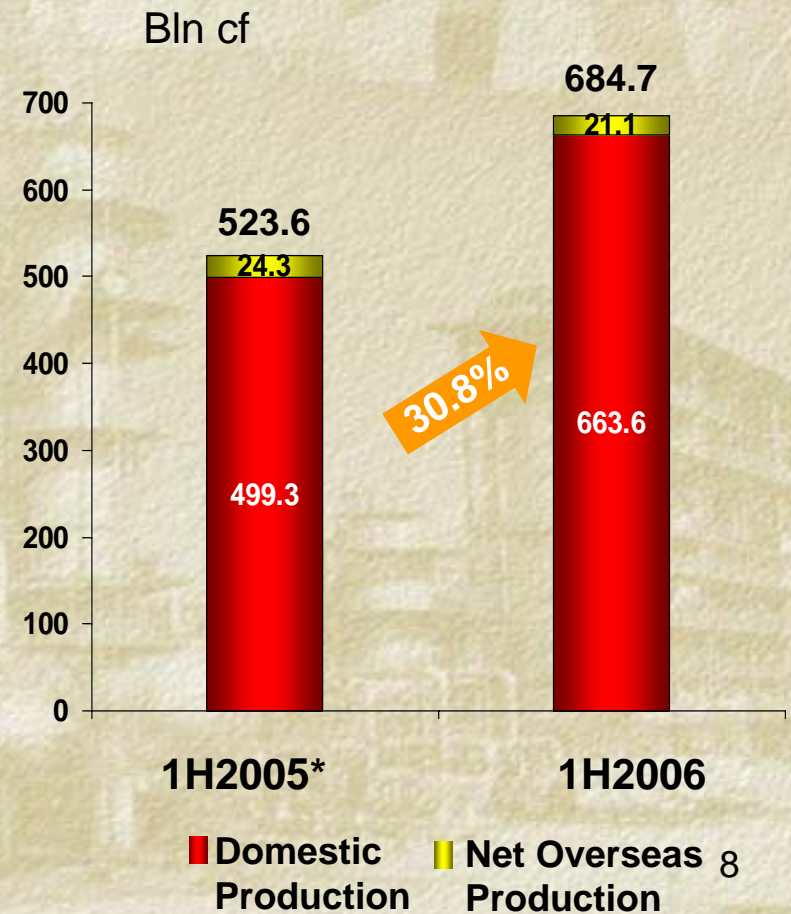
# Exploration & Production Highlights



## Crude Oil Production



## Marketable Natural Gas Production

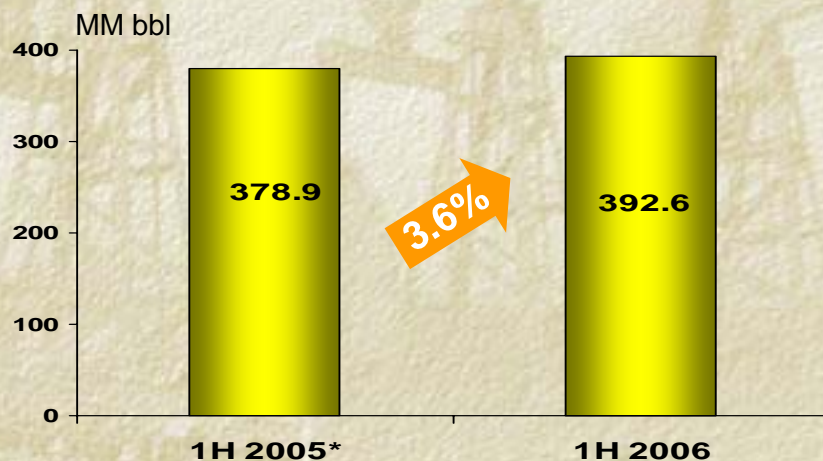


# Refining & Marketing Highlights

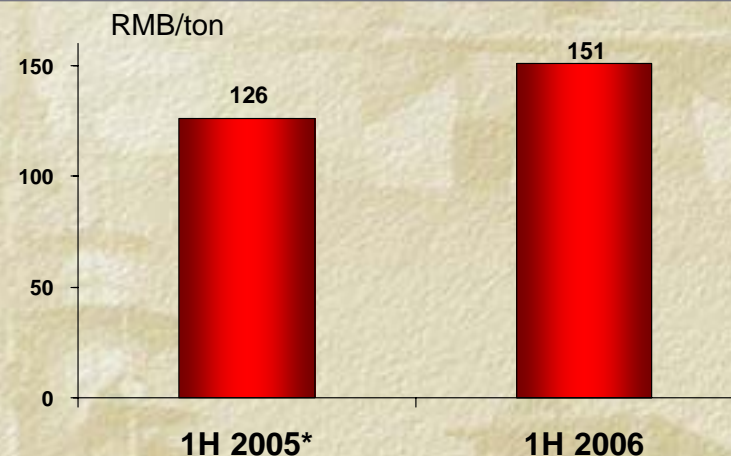


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## Crude Oil Processing Volume



## Unit Cash Cost for Processing



## Production of Product Oil

Thousand tons	1H2005*	1H2006	Change %
<b>Gasoline</b>	10,720	11,064	3.2
<b>Kerosene</b>	956	1,020	6.7
<b>Diesel</b>	21,646	22,217	2.6

## Expansion of Retail Business

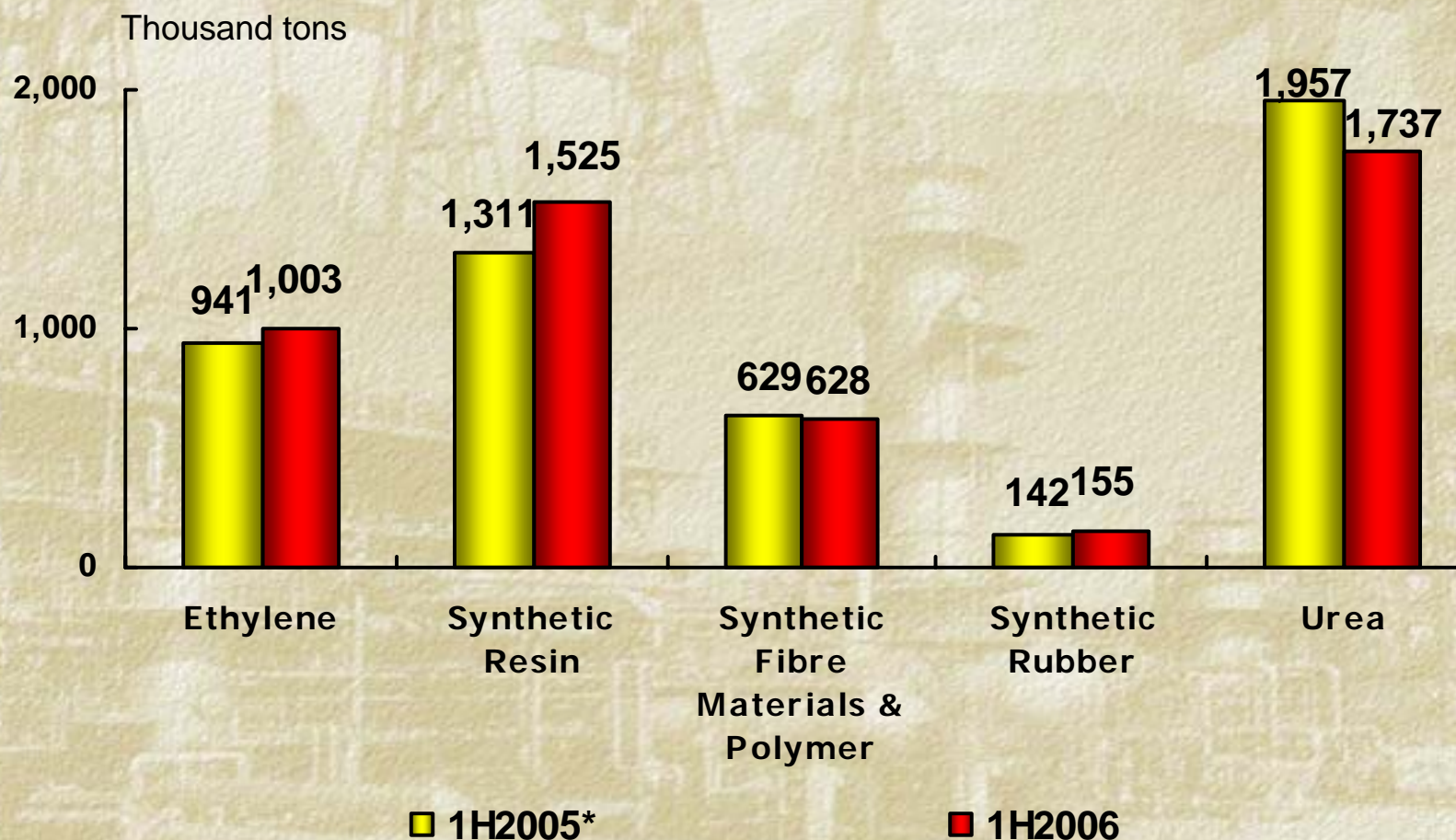
	1H2005*	1H2006	Change %
<b>Service Station (Unit)</b>	17,215	17,952	4.3
<b>Retail Volume ('000 tons)</b>	18,285	23,620	29.2
<b>Retail Market Share</b>	34.3%	34.7%	0.4 pp <sub>9</sub>

# Chemicals & Marketing Highlights



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## Production of Major Chemical Products



# Natural Gas & Pipeline Highlights



## Smooth Construction of Key Oil & Gas Pipelines

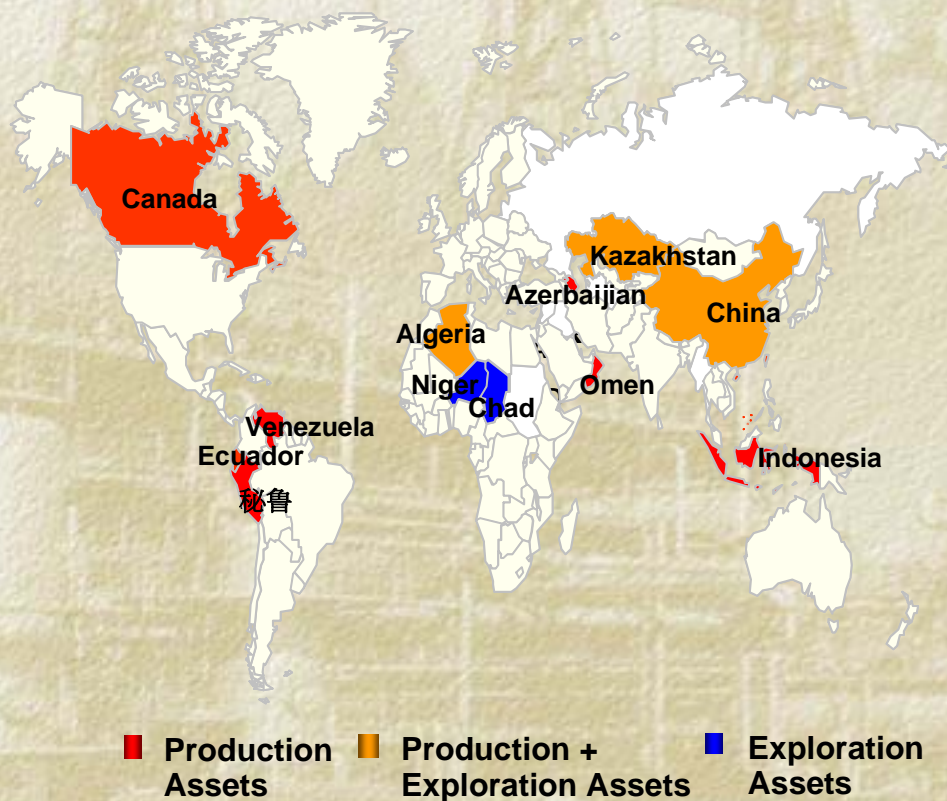


- **West-East Natural Gas Pipeline**
  - Construction of gas storage facilities and capacity expansion achieved smooth progress
  - Ji-Ning Connection Line linking the Second Shaanxi-Beijing Gas Pipeline has been put into operation
  - Construction work of the Huai-Wu Connection Line linking the Zhongxian-Wuhan Gas Pipeline was completed more than 90 percent
- **Alashankou-Dushanzi Oil Pipeline has commenced commercial operation**

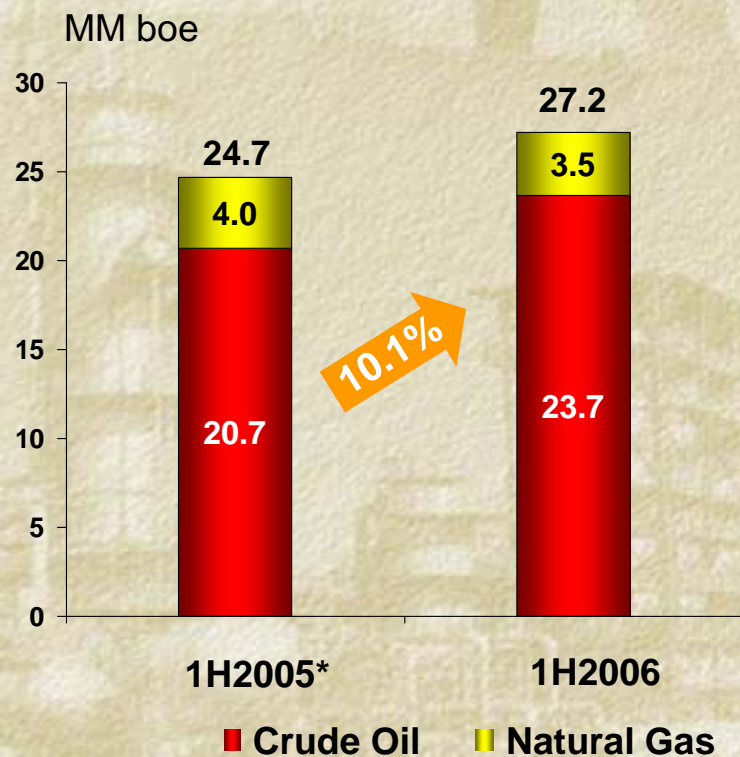
# International Business Highlights



## Overseas Oil & Gas Exploration and Production Areas



## Net Overseas Oil & Gas Production

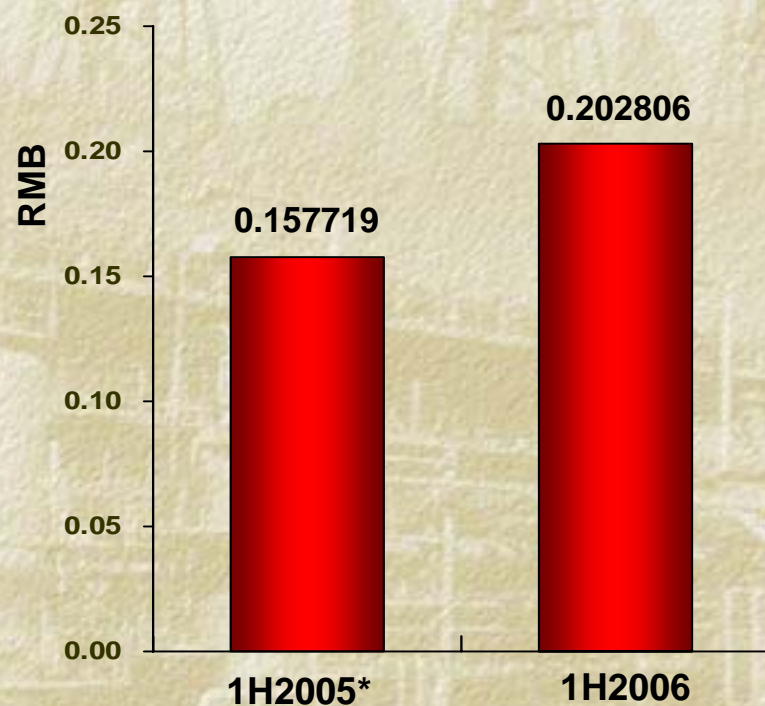


# 2006 Interim Dividend



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## 2006 Interim Dividend



- Our dividend policy remains unchanged:

- Target dividend payout ratio stands at 40% - 50%

- Dividend will be paid semi-annually

- 2006 interim dividend of RMB 0.202806 per share proposed

- 2006 interim dividend is expected to be distributed around 26 September 2006



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# ***2006 Interim Financial Results***

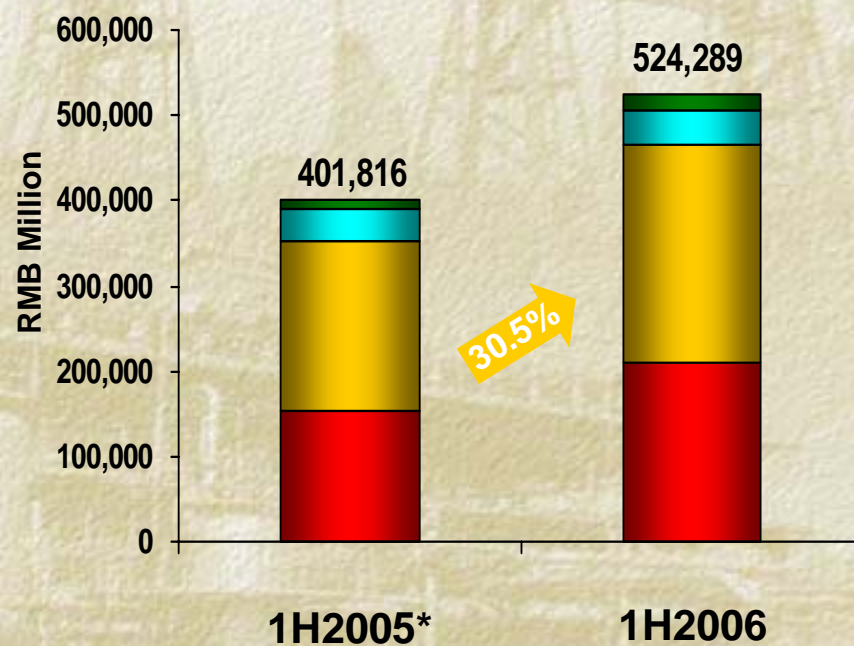
## ***Review and Analysis***

# Profit Analysis

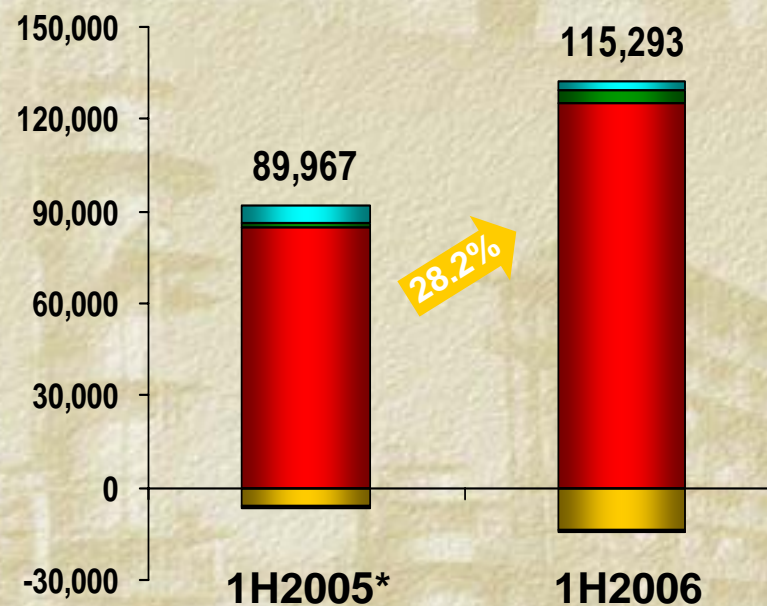


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## Sales Revenue\*\*



## Operating Profit



■ E&P      ■ Natural Gas & Pipeline      ■ R&M      ■ C&M      ■ Others

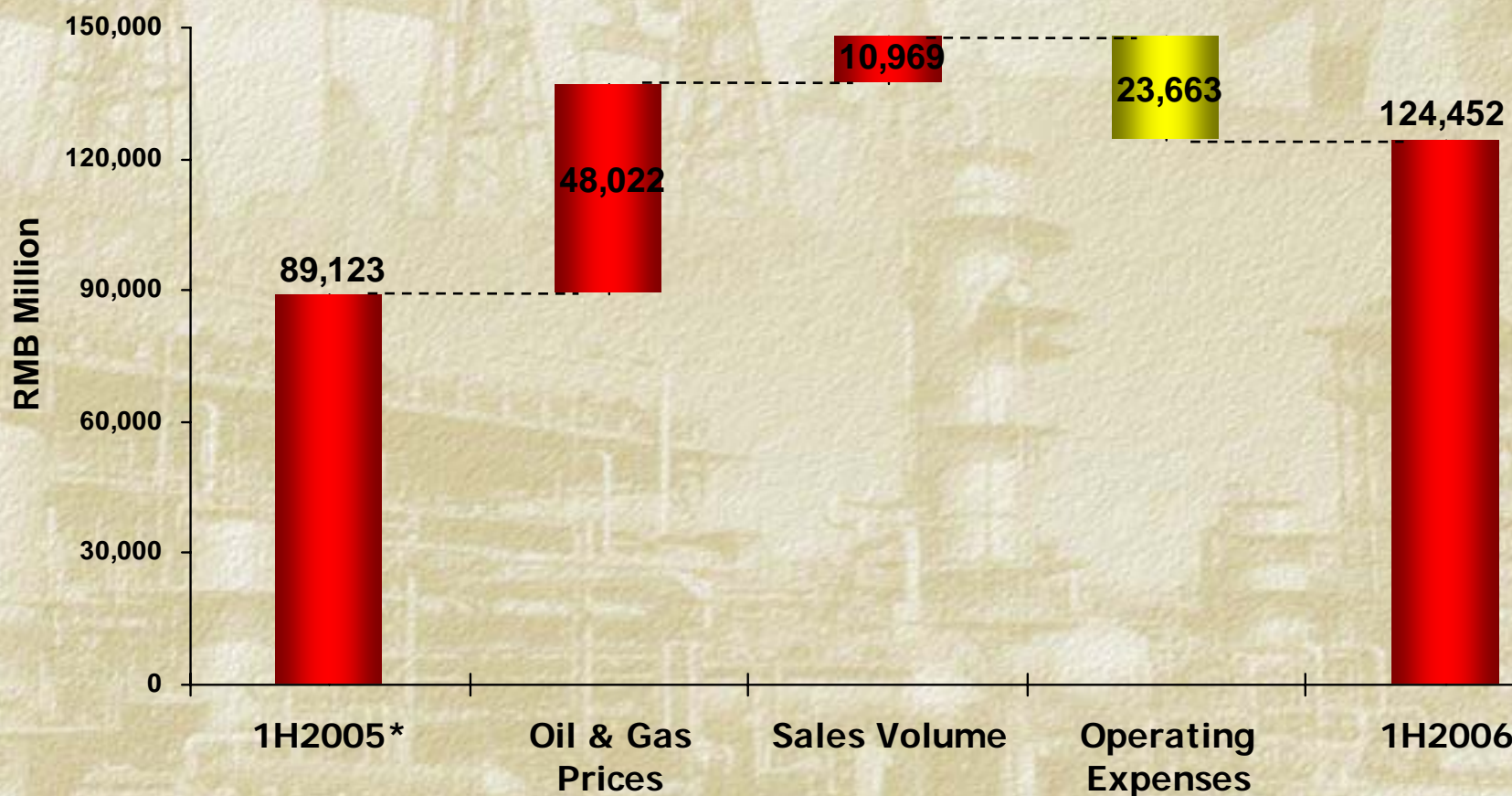
NB: \*\*including inter-segment sales

# Exploration & Production Operating Profit



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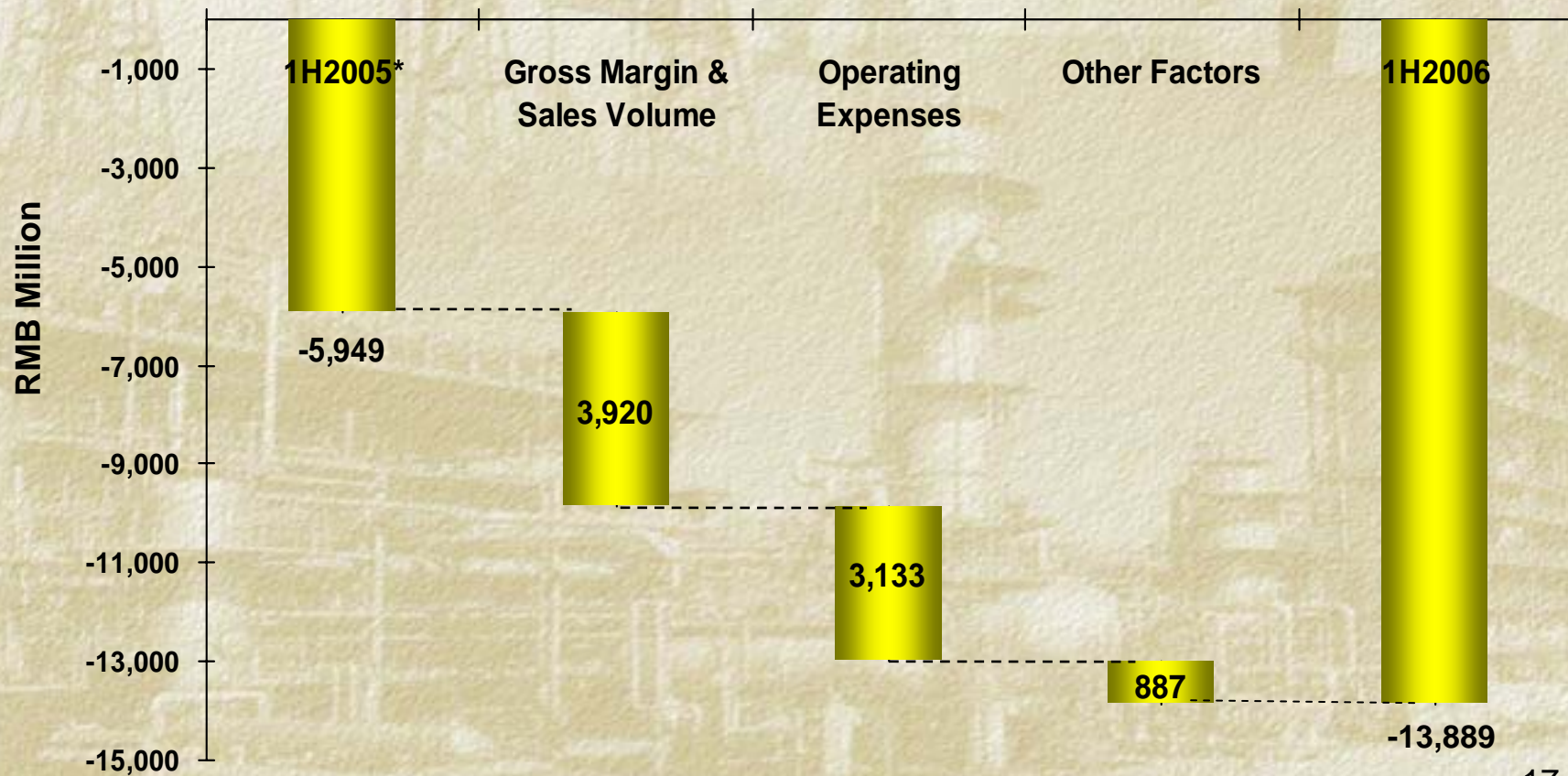
## Factors Affecting Exploration & Production Operating Profit



# Refining & Marketing Operating Profit



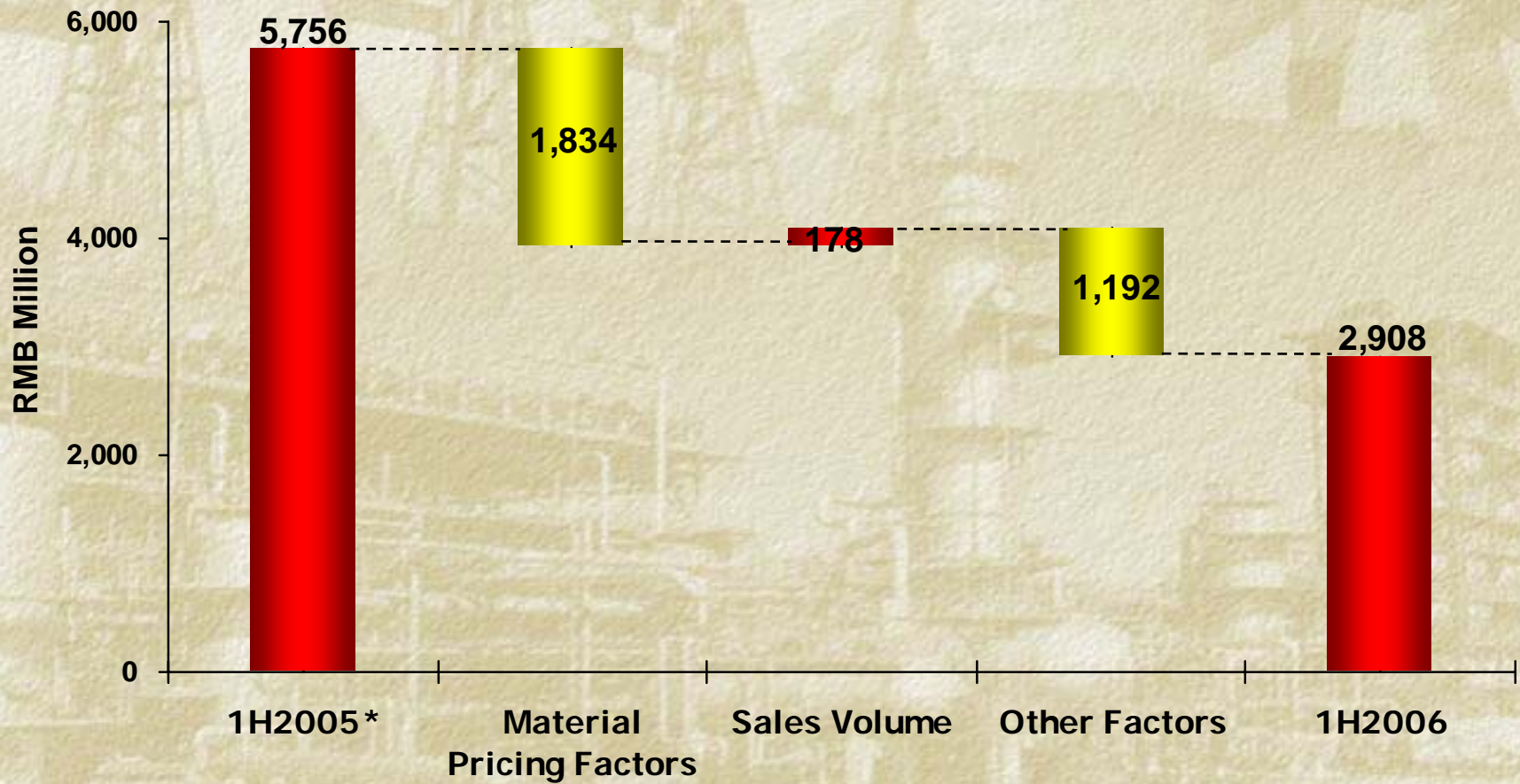
## Factors Affecting Refining & Marketing Operating Profit



# Chemicals & Marketing Operating Profit



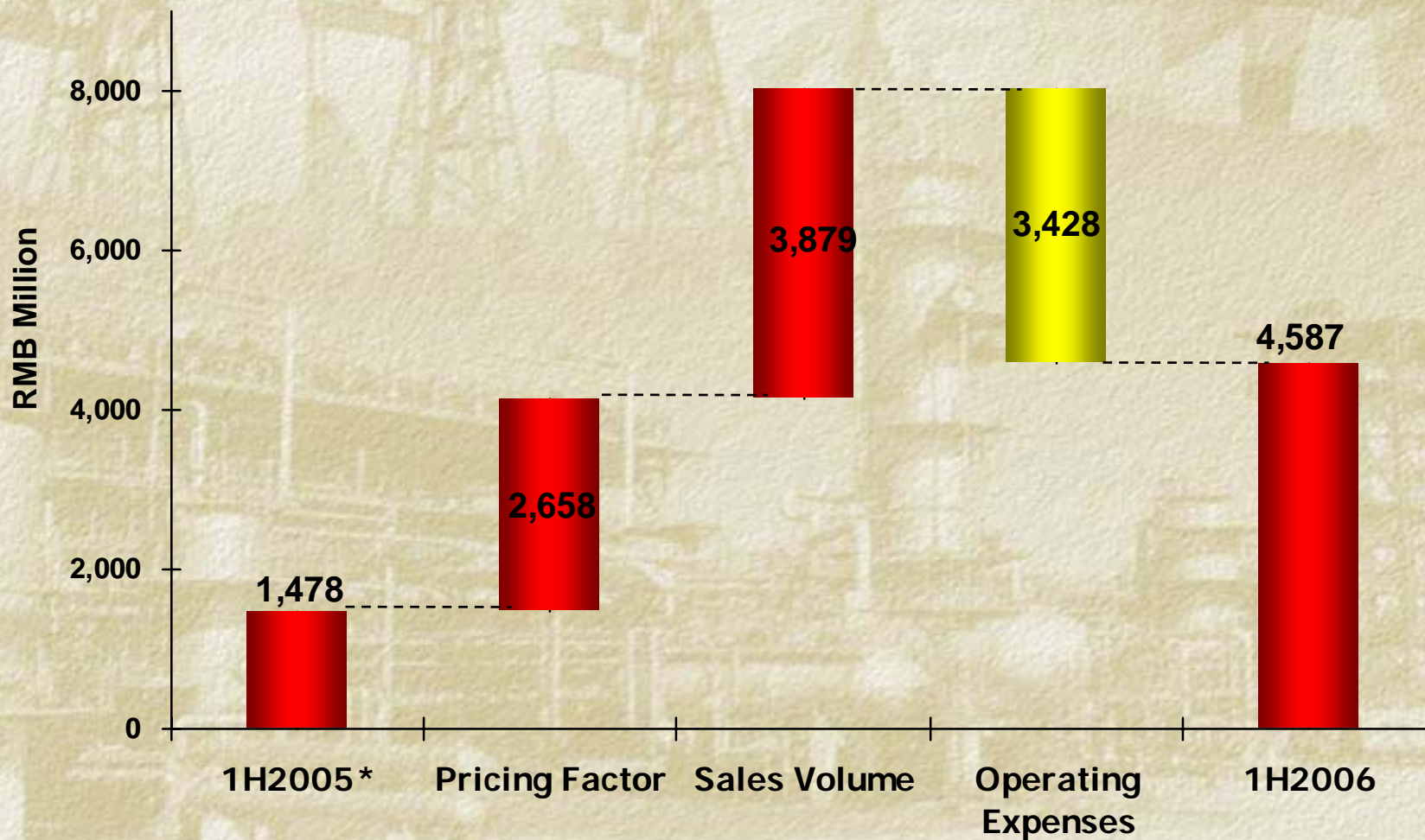
## Factors Affecting Chemicals & Marketing Operating Profit



# Natural Gas & Pipeline Operating Profit



## Factors Affecting Natural Gas & Pipeline Operating Profit

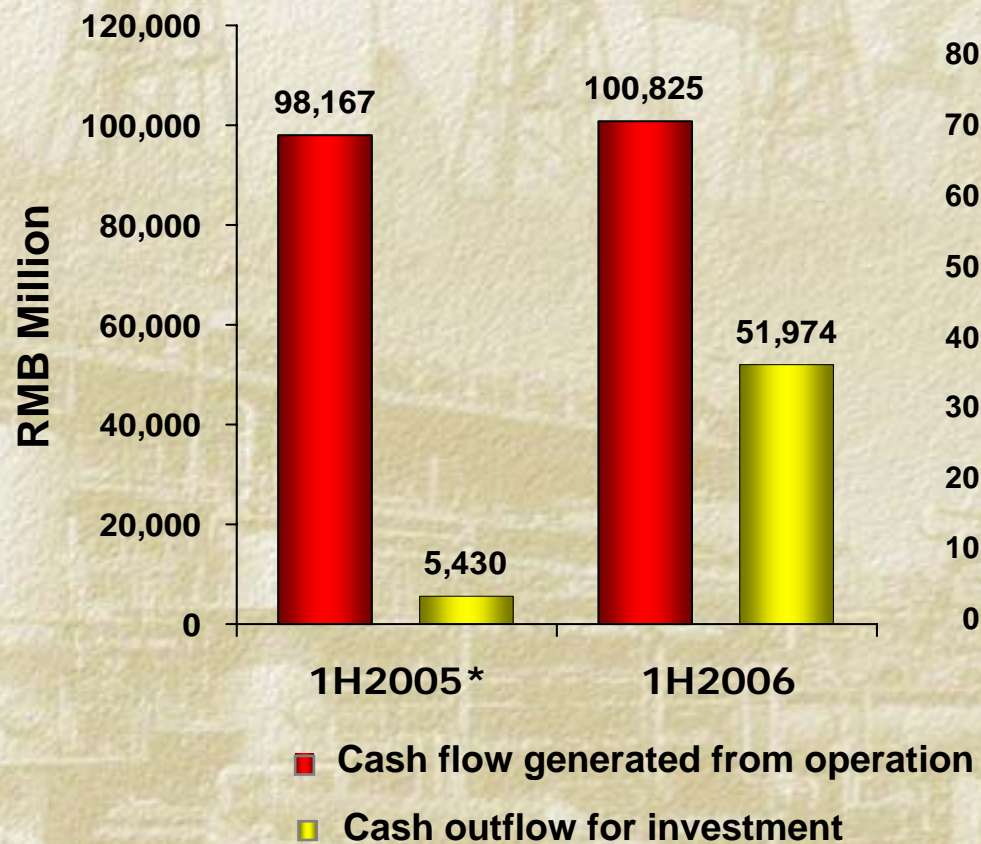


# Financial Status

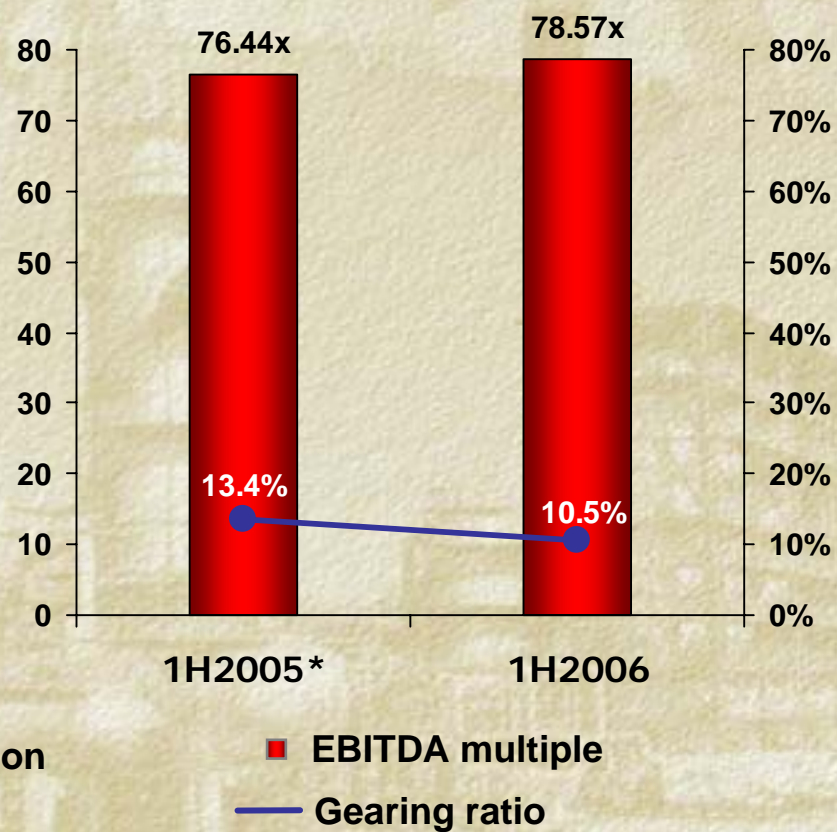


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## Cash Flow as of 30 June



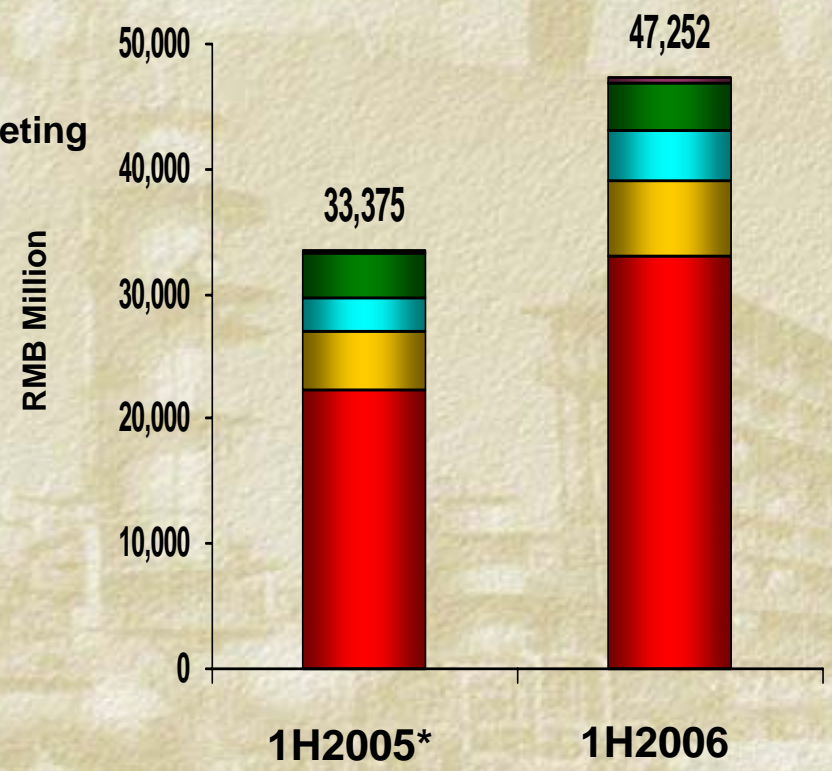
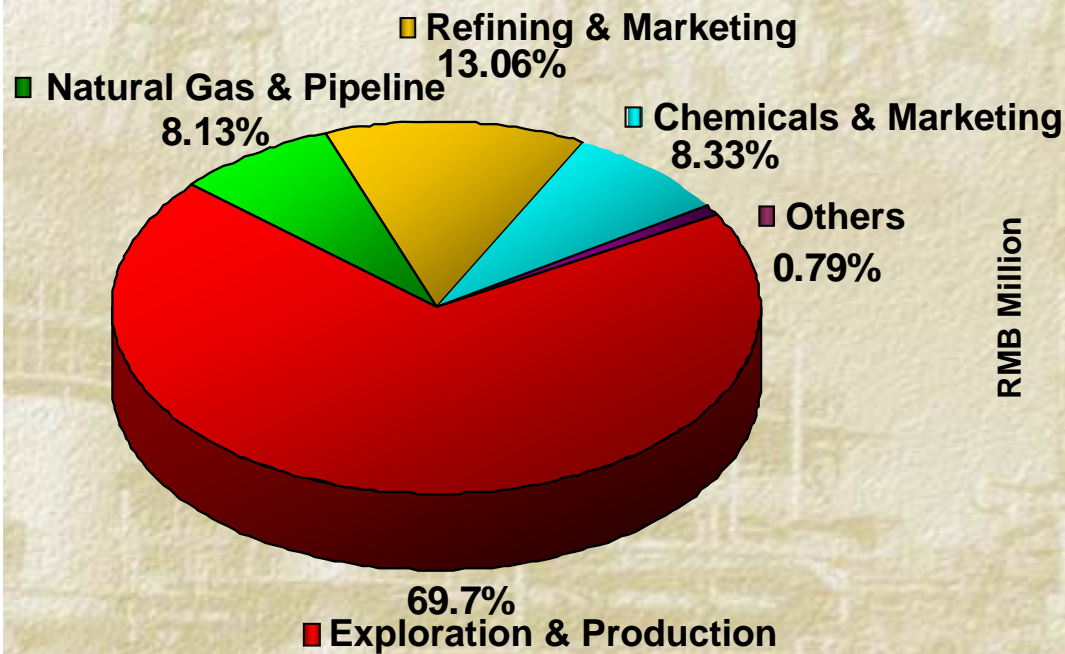
## Gearing Ratio





## 1H2006 Capex Structure

## Capex Comparison – 1H2005 & 1H2006



1H2006 Total Capex: RMB47.252 Billion

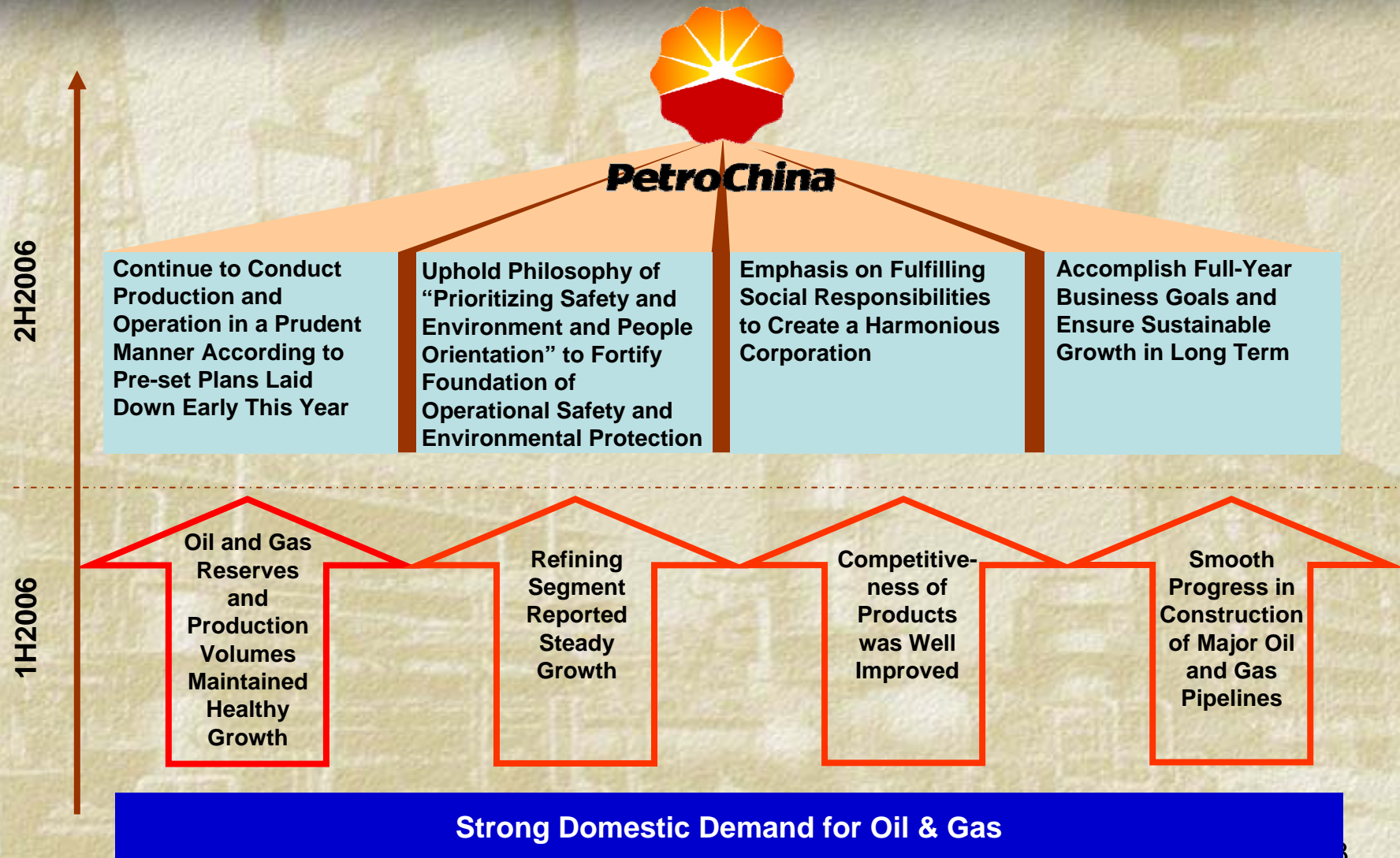


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**2H2006**

**Outlook**

# Business Outlook for 2H2006



# Outlook – Exploration & Production



## Exploration & Production Segment

Step Up Pace of Oil and Gas Exploration and Propel Steady Increase in Crude Oil Output and Rapid Growth in Natural Gas Output



- Make stronger efforts in oil explorations, reinforce natural gas exploration initiatives and conduct risk explorations with emphasis on core basins and favorable regions
- Reinforce comprehensive adjustment and enhancement at old oilfields and raise capacity at new oilfields on back of careful planning for production and operation as well as thought-out coordination and management of various operating units
- Ensure attainment of planned targets for oil and gas production for whole year

# Outlook – Refining, Chemicals & Marketing



## Refining, Chemicals & Marketing Segment

Ensure Stable Production and Operation of Refining and Petrochemical Businesses to Heighten Retail Sales Volume and Efficiency of the Segments



- Optimize business layout to ensure construction of key refining and petrochemical establishments is progressing as scheduled
- Fortify management of total production control and improve stability and utilization rates of related facilities
- Strengthen coordination of production, transportation and marketing efforts to boost end-user sales with a view to lifting retail sales volume and operational efficiency as a whole
- Leverage on integrated management of refining and petrochemical businesses to improve and streamline related product mix and to raise percentage of high quality, high value-added products

# Outlook – Natural Gas & Pipeline



## Natural Gas & Pipeline Segment

Drive Ahead Natural Gas Production and Marketing upon Systematic Planning and Propel Construction of Key Pipeline Projects in an Orderly Manner



- Take proactive role in getting full grasp of changes in gas consumption in downstream industries to strike good balance of production, transportation and marketing
- Underpin safe operation of pipelines



# Outlook – International Operations



## International Operations

Continue to Expand International Business and Scale of Foreign Cooperative Projects in a Careful Way



- Step up exploratory efforts in key regions and actively pursue risk explorations to drive development of overseas business
- Optimize production and operation of existing projects to ensure accomplishment of full-year targets for oil and gas production
- Promote diversification of import of oil and gas resources and constantly improve related trade strategy and system to maintain growth and profitability in international trade



# Acquisition of 67% Interest from PKZ



## Highlights

- The Board has approved CNPC E&D the acquisition of 67% interest in PetroKazakhstan (PKZ) at a price of US\$55 per share on 23 August 2006. Aggregate consideration stands at US\$2.735 billion.
- PKZ's working interests of proved plus probable oil and gas reserves comprise 340 MM boes in P1 reserves and 150 MM boes in P2 reserves. Its working interests of production volumes stood at 151,000 boes/day and 116,000 boes/day for the year of 2004 and 2005 respectively.
- Assets include interest in 11 oilfields and 6 exploration & production operations which are capable of generating strong cash flow income, as well as a refinery of comparatively competitiveness and productivity having a capacity of 6.6 million tons per annum.
- The acquisition, following approval of the Board, is only subject to reporting and announcement requirements and is exempted from independent shareholders' approval requirement under the Listing Rules of Hong Kong. Any new continuing connected transaction arising as a result of completion of the acquisition will be subject to the approval of independent shareholders.
- Upon completion of the acquisition, PetroChina will not consolidate PKZ's accounts into the company's consolidated financial statements. Instead, PKZ will be equity-accounted for in related statements.

## Significance of Acquisition to PetroChina

- Expand scale of resources in strategically important region
- Improve financial performance and optimize shareholder value in long run



E&P locations of PKZ

Shymkent Refinery of PKZ



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