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PETROCHINA CO LTD
Form 6-K
October 30, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of October 2008

PETROCHINA COMPANY LIMITED

16 ANDELU, DONGCHENG DISTRICT
BEIJING, THE PEOPLE'S REPUBLIC OF CHINA, 100011
(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F
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(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No
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(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-)

PetroChina Company Limited (the "Registrant") is furnishing under the cover of Form 6-K the Registrant's announcement with respect to the third quarterly report of 2008.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this announcement to be signed on its behalf by the undersigned, thereunto duly authorized.

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PetroChina Company Limited

Dated: October 30, 2008

By: /s/ Li Huaiqi

Name: Li Huaiqi

Title: Company Secretary

(PETROCHINA LETTERHEAD)

(CHINESE CHARACTERS)

PETROCHINA COMPANY LIMITED

(A joint stock limited company incorporated in
the People's Republic of China with limited liability)
(Shanghai Stock Exchange Stock Code: 601857;
Hong Kong Stock Exchange Stock Code: 857)

ANNOUNCEMENT

THIRD QUARTERLY REPORT OF 2008

(SECTION 1) IMPORTANT NOTICE

1.1 The Board of Directors of PetroChina Company Limited (the "Company"), the Supervisory Committee and the Directors, Supervisors and Senior Management of the Company warrant that there are no material omissions from, or misrepresentation or misleading statements contained in this announcement, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this announcement.

1.2 This announcement has been approved unanimously at the extraordinary meeting of the Board of Directors of the Company (the "Board"). No Director has any doubt as to, or the inability to warrant, the truthfulness, accuracy and completeness of the third quarterly results set out in this announcement.

1.3 The financial statements of the Company and its subsidiaries (the "Group") are prepared in accordance with China Accounting Standards ("CAS") and International Financial Reporting Standards ("IFRS"), respectively. The financial statements set out in this announcement have not been audited.

1.4 Mr. Jiang Jiemin, Chairman of the Board, Mr. Zhou Jiping, Vice-Chairman of the Board and President of the Company, and Mr. Zhou Mingchun, Chief Financial Officer and Head of the Finance Department of the Company, warrant the truthfulness and completeness of the financial statements set out in this announcement.

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(SECTION 2) BASIC INFORMATION OF THE COMPANY

2.1 Summary of Accounting Data and Financial Indicators

2.1.1 Key Accounting Data and Financial Indicators Prepared under IFRS

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Unit: RMB Million

| ITEMS | AS AT THE END | AS AT THE | CHANGES FROM THE END |
|--|---------------|------------|----------------------|
| | OF THE | END OF THE | |
| | REPORTING | PRECEDING | PRECEDING YEAR- |
| | PERIOD | YEAR | |
| Total assets | 1,187,802 | 1,060,131 | |
| Equity attributable to equity holders of the Company | 797,108 | 733,405 | |
| Net assets per share attributable to equity holders of the Company (RMB) | 4.36 | 4.01 | |

| ITEMS | FROM THE BEGINNING OF THE | CHANGES OVER |
|--|---------------------------|----------------------|
| | YEAR TO THE END OF THE | PERIOD OF THE PRECED |
| | REPORTING PERIOD | |
| Net cash flows from operating activities | | 145,843 |
| Net cash flows from operating activities per share (RMB) | | 0.80 |

| ITEMS | FOR THREE MONTHS | | | FOR NINE MONTHS | |
|--|--------------------|--------|-----------------------|---------------------|---------|
| | 2008 | 2007 | CHANGES (%) | 2008 | 2007 |
| | ENDED SEPTEMBER 30 | | | ENDED SEPTEMBER 30 | |
| | (JULY-SEPTEMBER) | | | (JANUARY-SEPTEMBER) | |
| Net profit attributable to equity holders of the Company | 39,885 | 30,703 | 29.9 | 93,500 | 112,533 |
| Basic earnings per share (RMB) | 0.22 | 0.17 | 29.4 | 0.51 | 0.63 |
| Diluted earnings per share (RMB) | 0.22 | 0.17 | 29.4 | 0.51 | 0.63 |
| Return on net assets (%) | 5.0 | 4.8 | 0.2 percentage points | 11.7 | 17.7 |

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2.1.2 Key Accounting Data and Financial Indicators Prepared under CAS

Unit: RMB Million

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| ITEMS | AS AT THE END | AS AT THE END | CHANGES FROM THE PRECEDING PERIOD |
|--|-------------------------|-----------------------|-----------------------------------|
| | OF THE REPORTING PERIOD | OF THE PRECEDING YEAR | |
| Total assets | 1,122,651 | 994,092 | |
| Equity attributable to equity holders of the Company | 734,380 | 677,367 | |
| Net assets per share attributable to equity holders of the Company (RMB) | 4.01 | 3.70 | |

| ITEMS | FROM THE BEGINNING OF THE YEAR TO THE END OF THE REPORTING PERIOD | | CHANGES OVER PERIOD OF THE PRECEDING YEAR |
|--|---|------|---|
| | 2008 | 2007 | |
| Net cash flows from operating activities | | | 149,863 |
| Net cash flows from operating activities per share (RMB) | | | 0.82 |

| ITEMS | REPORTING PERIOD (JULY-SEPTEMBER) | | CHANGES OVER THE SAME PERIOD OF THE PRECEDING YEAR (%) | FROM THE BEGINNING OF THE YEAR TO THE END OF THE REPORTING PERIOD (JANUARY-SEPTEMBER) | | CHANGES OVER PERIOD OF THE PRECEDING YEAR |
|--|-----------------------------------|--------|--|---|---------|---|
| | 2008 | 2007 | | 2008 | 2007 | |
| Net profit attributable to equity holders of the Company | 38,247 | 29,014 | 31.8 | 86,602 | 104,896 | |
| Basic earnings per share (RMB) | 0.21 | 0.16 | 31.3 | 0.47 | 0.59 | |
| Diluted earnings per share (RMB) | 0.21 | 0.16 | 31.3 | 0.47 | 0.59 | |
| Return on net assets (%) | 5.2 | 5.0 | 0.2 percentage points | 11.8 | 18.0 | (6.2 p) |
| Return on net assets after deducting non-recurring profit/loss items (%) | 4.4 | 5.1 | (0.7 percentage points) | 10.8 | 18.2 | (7.4 p) |

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Unit: RMB Million

FROM THE BEGINNING OF THE
THE END OF THE REPORTING PERIOD
(PRO)

NON-RECURRING PROFIT/LOSS ITEMS

Loss on disposal of non-current assets
Government grants
Other non-operating net income and expenses
Tax effect of non-recurring profit/loss items
Total

Of which: Non-recurring profit/loss affecting net
profit of the Company's equity holders
Non-recurring profit/loss affecting
net profit of minority interest

2.1.3 Differences between CAS and IFRS

Unit: RMB Million

| ITEMS | FOR NINE MONTHS ENDED SEP | CAS |
|--|---------------------------|-----|
| Net profit (including minority interest) | 98,679 | |
| Equity (including minority interest) | 785,254 | |
| Analysis of differences | See appendix for details | |

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2.2 Number of Shareholders and Top Ten Shareholders Holding Shares Without Selling Restrictions at the End of the Reporting Period

Number of shareholders at the end of the reporting period 1,879,663 shareholders including 1,873,699 hold shares and 5,964 holders of H shares (including holders of the American Depository Shares)

Top ten shareholders holding shares without selling restrictions

| NAME OF SHAREHOLDERS | QUANTITY OF TRADABLE SHARES IN POSSESSION AS AT THE END OF THE REPORTING PERIOD (SHARE) | TYPE OF S |
|---|---|-----------|
| 1.HKSCC Nominees Limited | 20,916,286,805 | H S |
| 2.China National Petroleum Corporation ("CNPC") | 62,997,000 | A S |

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| | | |
|---|------------|-----|
| 3.Industrial and Commercial Bank of China-Shanghai 50 Index ETF Securities Investment Fund | 50,049,427 | A S |
| 4.Bank of Communications-Yi Fang Da 50 Index Securities Investment Fund | 45,712,726 | A S |
| 5.Bank of China-Shanghai and Shenzhen 300 Index Jiashi Securities Investment Fund | 29,096,416 | A S |
| 6.China Life Insurance (Group) Company -Traditional-Ordinary Insurance Product | 18,926,950 | A S |
| 7.China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai | 18,771,597 | A S |
| 8.China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai | 15,519,708 | A S |
| 9.CSIC Finance Co. Ltd. | 15,200,000 | A S |
| 10.Bank of Communications- Yi Fang Da Ke Xun Equity Securities Investment Fund | 15,000,110 | A S |

2.3 Review of Results of Operations

The PRC economy maintained rapid growth during the first three quarters of 2008, with an increase in GDP of 9.9%. International crude oil prices fluctuated widely due to a variety of factors. At the end of the third quarter of 2008, the financial turmoil in the United States sparked a sharp decrease in international crude oil prices. Prices of domestic chemical products were also on the decline, reflecting the impacts of increased imports and the financial turmoil. Faced with the changes in the operating environment, the Company planned in a scientific manner and responded actively, and achieved stable productions and operations and further enhanced the sustainable development of the Group. Excluding the impact resulting from policy factors such as the special levy on domestic crude oil sales and the macro-economic controls on the prices of refined products, the efficacy of the Company's operation continues to maintain at a higher level.

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In respect of exploration and production, the Group carried out exploration at the key basins and focused on key exploration projects, enhanced the exploration of mature oilfields, ventured into the exploration of new oilfields actively and emphasized the use of new technologies. Significant progress was achieved and a solid foundation has been built for the growth of reserves for the whole of 2008. The Group actively adopted new methods in the exploration of oil and gas fields, realised overall discovery and development of new oilfields, and fully activated secondary recovery of mature oilfields. The Group also actively applied technologies such as horizontal drilling, organized scientific research and conducted production in the oil and gas fields in a safe, steady and orderly manner. As a result, the Group has achieved a steady growth in crude oil output and rapid growth in natural gas output. During the first three quarters of 2008, the crude oil output of the Group was 653 million barrels and the marketable natural gas output was 1,368.1 billion cubic feet, representing an increase of 2.8% and 16.3% from the same period in 2007, respectively.

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Faced with changing demand in the market, the Group organised refining process and chemical production meticulously. The Group also scientifically modified refining arrangements, adopted strict cost control measures to protect against market fluctuations and placed emphasis on production safety and environmental protection. As a result, safe and steady production of the Group's refining and chemical business was achieved. In respect of the sales of refined products, the Group strived to overcome the adverse impacts resulting from domestic refined product prices being lower than those in the international markets and natural disasters including cold weather and snow storms in southern areas and earthquakes in Sichuan, performed our social responsibilities conscientiously, modified our sales structure and strengthened our operation and management. The Group has continued to enhance the level of retail sales management and the quality of services. Efforts were made to ensure steady market supply. Development and optimization of our refined products sales network were promoted actively, and marketing quality was improved. These measures further improved the operating efficiency of the Group. During the first three quarters of 2008, the Group's refineries processed 643 million barrels of crude oil, representing an increase of 5.1% from the same period in 2007, produced 55.597 million tonnes of gasoline, diesel and kerosene, representing an increase of 4.6% from the same period in 2007, and sold 70.250 million tonnes of gasoline, diesel and kerosene, representing an increase of 9.3% from the same period in 2007.

The Group further kept the production in the chemical and marketing segment under control and achieved large scale, efficient, safe and steady operation. Key technological and economic indicators improved continuously and the allocation of resources and product mix were further optimized. During the first three quarters of 2008, the Group produced 3.031 million tonnes of synthetic resin, representing an increase of 4.7% from the same period in 2007, and produced 1.982 million tonnes of ethylene, representing an increase of 4.8% from the same period in 2007.

The development of key pipeline construction projects including the Second West-East Pipeline project and the Lanzhou-Zhengzhou-Changsha Refined Products Pipeline project were on schedule. The transportation of oil and natural gas has been conducted in a safe, steady and orderly manner. Natural gas sales continue to increase rapidly.

The Group speeded up the international operations and continued to expand the scale of its international business. Oil and natural gas output from international operations continued to grow. The Group has further enhanced its international trading business and the trading volume and revenue increased rapidly.

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SUMMARY OF KEY OPERATING DATA FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

| OPERATING DATA | UNIT | NINE MONTHS ENDED SEPTEMBER 30, | |
|-------------------------------|--------------------|------------------------------------|---------|
| | | 2008 | 2007 |
| Crude oil output | Million barrels | 652.6 | 634.9 |
| Marketable natural gas output | Billion cubic feet | 1,368.1 | 1,176.1 |

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| | | | |
|---|-------------------------|--------|--------|
| Oil and natural gas equivalent output | Million barrels | 880.7 | 831.0 |
| Average realised price for crude oil | USD/barrel | 97.24 | 60.93 |
| Average realised price for natural gas | USD/thousand cubic feet | 3.44 | 2.55 |
| Processed crude oil | Million barrels | 642.5 | 611.4 |
| Output of refined products | Thousand tonnes | 55,597 | 53,133 |
| Of which: Gasoline | Thousand tonnes | 17,707 | 16,104 |
| Kerosene | Thousand tonnes | 1,756 | 1,528 |
| Diesel | Thousand tonnes | 36,134 | 35,501 |
| Total sales volume of refined products | Thousand tonnes | 70,250 | 64,279 |
| Output of key chemical products | | | |
| Ethylene | Thousand tonnes | 1,982 | 1,892 |
| Synthetic resin | Thousand tonnes | 3,031 | 2,896 |
| Synthetic fiber raw materials and polymer | Thousand tonnes | 1,271 | 1,104 |
| Synthetic rubber | Thousand tonnes | 251 | 233 |
| Urea | Thousand tonnes | 2,868 | 2,796 |

(SECTION 3) SIGNIFICANT EVENTS

3.1 Significant changes in key accounting items and financial indicators under CAS and explanation of such changes

v Applicable [] Inapplicable

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Unit: RMB Million

| Items | As at September 30, 2008 | As at December 31, 2007 |
|--|--------------------------|-------------------------|
| Accounts receivable | 27,489 | 18,419 |
| Advances to suppliers | 65,186 | 20,386 |
| Construction in progress | 162,676 | 105,634 |
| Deferred tax assets | 19,090 | 12,871 |
| Short-term borrowings | 28,466 | 18,734 |
| Advances from customers | 16,788 | 12,433 |
| Other payables | 42,760 | 17,849 |
| Current portion of non-current liabilities | 7,973 | 11,652 |

| Items | For nine months ended September 30, 2008 | 2007 | Changes (%) |
|-------------------------------------|--|-----------|-------------|
| Operating income | 853,658 | 598,616 | 42.6 |
| Cost of sales | (552,395) | (347,506) | 59.0 |
| Tax and levies on operations | (98,083) | (45,680) | 114.7 |
| General and administrative expenses | (44,319) | (33,051) | 34.1 |
| Asset impairment losses | (13,033) | 2,332 | 658.9 |
| Investment income | 6,145 | 4,123 | 49.0 |
| Non-operating income | 14,725 | 1,864 | 690.0 |

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| | | | |
|--|----------|----------|--------|
| Net profit attributable to minority interest | 12,077 | 6,109 | 97.7 |
| Net cash flows used for financing activities | (26,884) | (71,505) | (62.4) |

EXPLANATION OF SIGNIFICANT CHANGES:

The increase in accounts receivable was mainly due to the expansion of the scale of the Group's operations and the increase in sales income.

The increase in advances to suppliers was mainly due to increased investment expenditure and the increases in the prices of raw materials and other supplies.

The increase in construction in progress was mainly due to the implementation of projects which were within the planned annual investment of the Group.

The increase in deferred tax assets was mainly due to the provision for assets impairment recorded for this period by the Group.

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The increase in short-term borrowings was mainly due to the additional loans undertaken to meet the needs of the Group's operations.

The increase in advances from customers was mainly due to more customers purchasing refined products by advance payment.

The increase in other payables was mainly due to increase in liabilities incurred during the period and increases in the accrual for safety fund.

The decrease in the current portion of non-current liabilities was mainly due to the long-term borrowings becoming due within a year being offset by the repayment of the current portion of non-current liabilities.

The increase in operating income was mainly due to increases in selling prices and increases of sales volume of major products of the Group.

The increase in cost of sales was mainly due to an increase in the purchase prices of crude oil, feedstock oil and other raw materials from external suppliers as well as an expansion in the scale of production of the Group.

The increase in tax and levies on operations was mainly due to increases in the payment of the special levy on the sale of domestic crude oil by the Group.

The increase in general and administrative expenses was mainly due to increase in the research and development expenditure incurred by the Group and increase in the provision for the employee benefit expenses resulting from pension contributions for this period.

The increase in asset impairment losses was mainly due to the recording of provision for assets impairment for this period by the Group.

The increase in investment income was mainly due to the increased income from joint controlled entities and associates.

The increase of non-operating income was mainly due to receipt of government grants as a result of the implementation of the financial support measures by the PRC government to ensure supply of crude oil and refined products in the market.

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The increase in the net profit attributable to minority interest was mainly due to the increase in profit of the subsidiaries of the Company.

The decrease in net cash flows used for financing activities was mainly due to the reduction of dividends paid to the shareholders of the Company.

3.2 Significant events and their impacts as well as the analysis of and explanation for the solutions

Applicable Inapplicable

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1. DISTRIBUTION OF INTERIM DIVIDEND FOR THE YEAR 2008

In accordance with the Articles of Association of PetroChina Company Limited and as approved by the second meeting of the Fourth Session of the Board, the Company paid an interim dividend of RMB0.131827 per share (inclusive of tax) for the six months ended June 30, 2008 to all equity holders whose names appear on the register of members of the Company at the close of business on September 18, 2008. The aggregated cash dividends were approximately RMB 24,127 million. The interim dividend for the year 2008 was paid to the equity holders above-mentioned on October 16, 2008.

2. INCREASE IN SHAREHOLDINGS OF THE COMPANY BY THE CONTROLLING SHAREHOLDER

On September 22, 2008, CNPC increased its shareholdings in the Company by 60,000,000 shares via the trading system of the Shanghai Stock Exchange. CNPC intends to continue to increase its shareholdings in the Company, either in its own name or through parties acting in concert with it, through the secondary market within 12 months from the date of this share acquisition for an aggregated amount not exceeding 2% of the total share capital of the Company (including the shares in this share acquisition) (hereinafter referred to as "Further Acquisition Plan"). Details for this share acquisition and the Further Acquisition Plan were announced on September 23, 2008 via the websites of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

3.3 Status of fulfillment of commitment made by the Company, shareholders and ultimate controller

Applicable Inapplicable

1. As at the end of the reporting period, the undertakings given by CNPC under the Restructuring Agreement and the Non-Competition Agreement entered into between CNPC and the Company both on March 10, 2000 and the 36-month share lock-up undertakings given by CNPC in connection with the initial listing of the Company's A shares on the Shanghai Stock Exchange have been performed in accordance with the manner as disclosed in the section headed "Performance of Commitments" of the 2007 annual report of the Company and the performance of the above undertakings has not been affected.

2. On September 22, 2008, CNPC increased its shareholdings in the Company by 60,000,000 shares via the trading system of the Shanghai Stock Exchange. CNPC intends to continue to implement the Further Acquisition Plan within 12 months from the date of this share acquisition. CNPC further undertakes that it will not sell any shares it held in the Company during the period of the implementation of the Further Acquisition Plan and within the statutory period.

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As at the end of the reporting period, CNPC has not violated the above undertakings.

3.4 Caution and explanation as to the anticipated loss of accumulated net profits from the beginning of the year to the end of the next reporting period or significant changes over the same period of the preceding year

Applicable v Inapplicable

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3.5 Investments in securities

Applicable v Inapplicable

3.6 This announcement is published in English and Chinese. In the event of any inconsistency between the two versions, the Chinese version shall prevail.

By Order of the Board of Directors
PetroChina Company Limited
Jiang Jiemin
Chairman
Beijing, the PRC
October 29, 2008

As at the date of this announcement, the Board of Directors comprises Mr Jiang Jiemin as the Chairman; Mr Zhou Jiping (Vice Chairman) and Mr Liao Yongyuan as executive Directors; Mr Wang Yilin, Mr Zeng Yukang, Mr Wang Fucheng, Mr Li Xinhua, Mr Wang Guoliang and Mr Jiang Fan as non-executive Directors; and Mr Chee-Chen Tung, Mr Liu Hongru, Mr Franco Bernabe, Mr Li Yongwu and Mr Cui Junhui as independent non-executive Directors.

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APPENDIX

A. FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2008 PREPARED IN ACCORDANCE WITH IFRS

1-1. CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Three months ended September 30 | |
|---|---------------------------------|----------|
| | 2008 | 2007 |
| | RMB | RMB |
| | Million | Million |
| TURNOVER | 304,136 | 205,890 |
| OPERATING EXPENSES | | |
| Purchases, services and other | (160,081) | (94,814) |
| Employee compensation costs | (14,548) | (12,238) |
| Exploration expenses, including exploratory | | |

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| | | |
|---|-----------|-----------|
| dry holes | (6,171) | (5,486) |
| Depreciation, depletion and amortisation | (21,491) | (16,354) |
| Selling, general and administrative expenses | (16,613) | (14,313) |
| Taxes other than income taxes | (38,232) | (19,980) |
| Other income / (expenses), net | 7,721 | (1,352) |
| | ----- | ----- |
| TOTAL OPERATING EXPENSES | (249,415) | (164,537) |
| | ----- | ----- |
| PROFIT FROM OPERATIONS | 54,721 | 41,353 |
| | ----- | ----- |
| FINANCE COSTS | | |
| Exchange gain | 277 | 465 |
| Exchange loss | (299) | (717) |
| Interest income | 201 | 409 |
| Interest expense | (509) | (693) |
| | ----- | ----- |
| TOTAL NET FINANCE COSTS | (330) | (536) |
| | ----- | ----- |
| SHARE OF PROFIT OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES | 1,829 | 1,680 |
| | ----- | ----- |
| PROFIT BEFORE TAXATION | 56,220 | 42,497 |
| TAXATION | (11,110) | (9,193) |
| | ----- | ----- |
| PROFIT FOR THE PERIOD | 45,110 | 33,304 |
| | ===== | ===== |
| ATTRIBUTABLE TO: | | |
| Equity holders of the Company | 39,885 | 30,703 |
| Minority interest | 5,225 | 2,601 |
| | ----- | ----- |
| | 45,110 | 33,304 |
| | ===== | ===== |
| BASIC AND DILUTED EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RMB) | 0.22 | 0.17 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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1-2. CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Nine months ended September 30 | |
|-------------------------------|--------------------------------|-----------|
| | 2008 | 2007 |
| | RMB | RMB |
| | Million | Million |
| TURNOVER | 853,658 | 598,616 |
| | ----- | ----- |
| OPERATING EXPENSES | | |
| Purchases, services and other | (454,603) | (261,809) |
| Employee compensation costs | (44,959) | (34,664) |

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| | | |
|---|-----------|-----------|
| Exploration expenses, including exploratory dry holes | (19,019) | (16,093) |
| Depreciation, depletion and amortisation | (64,245) | (47,582) |
| Selling, general and administrative expenses | (44,606) | (38,214) |
| Taxes other than income taxes | (104,063) | (48,764) |
| Other income / (expenses), net | 10,322 | (1,007) |
| | ----- | ----- |
| TOTAL OPERATING EXPENSES | (721,173) | (448,133) |
| | ----- | ----- |
| PROFIT FROM OPERATIONS | 132,485 | 150,483 |
| | ----- | ----- |
| FINANCE COSTS | | |
| Exchange gain | 1,581 | 1,046 |
| Exchange loss | (2,631) | (1,640) |
| Interest income | 1,605 | 1,228 |
| Interest expense | (2,144) | (2,743) |
| | ----- | ----- |
| TOTAL NET FINANCE COSTS | (1,589) | (2,109) |
| | ----- | ----- |
| SHARE OF PROFIT OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES | 6,036 | 4,465 |
| | ----- | ----- |
| PROFIT BEFORE TAXATION | 136,932 | 152,839 |
| TAXATION | (30,968) | (33,219) |
| | ----- | ----- |
| PROFIT FOR THE PERIOD | 105,964 | 119,620 |
| | ===== | ===== |
| ATTRIBUTABLE TO: | | |
| Equity holders of the Company | 93,500 | 112,533 |
| Minority interest | 12,464 | 7,087 |
| | ----- | ----- |
| | 105,964 | 119,620 |
| | ===== | ===== |
| BASIC AND DILUTED EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RMB) | 0.51 | 0.63 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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2. CONSOLIDATED BALANCE SHEET

| | September 30, 2008 RMB Million | December 31, 2007 RMB Million |
|-------------------------------|---|--|
| NON CURRENT ASSETS | | |
| Property, plant and equipment | 810,882 | 762,882 |

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| | | |
|---|---------|---------|
| Investments in associates and jointly controlled entities | 30,421 | 26,535 |
| Available-for-sale financial assets | 2,127 | 2,581 |
| Advance operating lease payments | 24,798 | 23,417 |
| Intangible and other assets | 9,362 | 8,488 |
| Time deposits with maturities over one year | 3,143 | 5,053 |
| | ----- | ----- |
| TOTAL NON CURRENT ASSETS | 880,733 | 828,956 |
| | ----- | ----- |
| CURRENT ASSETS | | |
| Inventories | 110,878 | 88,467 |
| Accounts receivable | 27,489 | 18,419 |
| Prepaid expenses and other current assets | 80,511 | 36,018 |
| Notes receivable | 5,633 | 4,735 |
| Time deposits with maturities over three months but within one year | 13,661 | 18,042 |
| Cash and cash equivalents | 68,897 | 65,494 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 307,069 | 231,175 |
| | ----- | ----- |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 195,416 | 144,353 |
| Income tax payable | 2,609 | 11,709 |
| Other taxes payable | 18,665 | 11,099 |
| Short-term borrowings | 36,439 | 30,934 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 253,129 | 198,095 |
| | ----- | ----- |
| NET CURRENT ASSETS/(LIABILITIES) | 53,940 | 33,080 |
| | ----- | ----- |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 934,673 | 862,036 |
| | ===== | ===== |

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2. CONSOLIDATED BALANCE SHEET (CONTINUED)

| | September 30, 2008 RMB Million | December 31, 2007 RMB Million |
|---|---|--|
| EQUITY | | |
| Equity attributable to equity holders of the Company: | | |
| Share capital | 183,021 | 183,021 |
| Retained earnings | 397,224 | 332,432 |
| Reserves | 216,863 | 217,952 |
| | ----- | ----- |
| | 797,108 | 733,405 |
| Minority interest | 56,176 | 42,942 |
| | ----- | ----- |
| TOTAL EQUITY | 853,284 | 776,347 |

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| | | |
|--|---------|---------|
| NON CURRENT LIABILITIES | | |
| Long-term borrowings | 35,145 | 39,688 |
| Asset retirement obligations | 26,569 | 24,761 |
| Deferred taxation | 18,695 | 20,205 |
| Other long-term obligations | 980 | 1,035 |
| | ----- | ----- |
| TOTAL NON CURRENT LIABILITIES | 81,389 | 85,689 |
| | ----- | ----- |
| TOTAL EQUITY AND NON CURRENT LIABILITIES | 934,673 | 862,036 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

15

3. CONSOLIDATED CASH FLOW STATEMENT

| | Nine months ended September 2008 RMB Million | 2007 RMB Million |
|--|---|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES (A) | 145,843 | 165,192 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (125,519) | (97,489) |
| Acquisition of investments in associates and jointly controlled entities | (457) | (1,018) |
| Acquisition of available-for-sale financial assets | (11) | (310) |
| Acquisition of intangible assets | (741) | (534) |
| Acquisition of other non-current assets | (1,137) | (763) |
| Purchase of minority interest in listed subsidiaries | - | (149) |
| Purchase of minority interest in subsidiaries | (176) | (10) |
| Repayment of capital by associates and jointly controlled entities | - | 3,628 |
| Proceeds from disposal of property, plant and equipment | 287 | 562 |
| Proceeds from disposal of intangible and other non-current assets | 64 | - |
| Proceeds from disposal of investments in associates and jointly controlled entities | 8 | 1,015 |
| Proceeds from disposal of available-for-sale financial assets | 51 | 187 |
| Dividends received | 3,434 | 844 |
| Decrease/ (Increase) in time deposits with maturities over three months | 5,905 | (2,537) |
| | ----- | ----- |
| NET CASH USED FOR INVESTING ACTIVITIES | (118,292) | (96,574) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | (58,351) | (30,425) |
| Repayments of long-term borrowings | (11,650) | (18,177) |

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| | | |
|--|----------|----------|
| Dividends paid to minority interest | (3,065) | (1,929) |
| Dividends paid to equity holders of the Company | (28,708) | (64,517) |
| Increase in short-term borrowings | 68,533 | 28,256 |
| Increase in long-term borrowings | 3,007 | 16,628 |
| Capital contribution from minority interest | 8,691 | 1,315 |
| Capital reduction | (2,420) | - |
| Decrease in other long-term obligations | (160) | (83) |
| | ----- | ----- |
| NET CASH USED FOR FINANCING ACTIVITIES | (24,123) | (68,932) |
| | ----- | ----- |
| TRANSLATION OF FOREIGN CURRENCY | (25) | 523 |
| | ----- | ----- |
| Increase in cash and cash equivalents | 3,403 | 209 |
| Cash and cash equivalents at beginning of the period | 65,494 | 48,559 |
| | ----- | ----- |
| Cash and cash equivalents at end of the period | 68,897 | 48,768 |
| | ===== | ===== |

| | | |
|--------------|-------------|-------------------------|
| ----- | ----- | ----- |
| Chairman | President | Chief Financial Officer |
| Jiang Jiemin | Zhou Jiping | Zhou Mingchun |

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3. CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(A) CASH FLOWS FROM OPERATING ACTIVITIES

| | Nine months ended September | |
|--|-----------------------------|---------|
| | 2008 | 2007 |
| | RMB | RMB |
| | Million | Million |
| PROFIT FOR THE PERIOD | 105,964 | 119,620 |
| Adjustments for: | | |
| Taxation | 30,968 | 33,219 |
| Depreciation, depletion and amortisation | 64,245 | 47,582 |
| Capitalised exploratory costs charged to expense | 10,222 | 7,858 |
| Share of profit of associates and jointly controlled entities | (6,036) | (4,465) |
| Reversal of provision for impairment of receivables, net | (25) | (2,292) |
| Write down/(Reversal of write down) in inventories, net | 5,046 | (124) |
| Impairment of available-for-sale financial assets, net | 10 | - |
| Impairment of investments in associates and jointly controlled entities, net | 21 | 5 |
| Loss on disposal of property, plant and equipment | 1,326 | 1,574 |
| Loss/(Gain) on disposal of investments in associates and jointly controlled entities | 3 | (352) |
| Gain on disposal of available-for-sale financial assets | (7) | (94) |
| Dividend income | (237) | (94) |
| Interest income | (1,605) | (1,228) |
| Interest expense | 2,144 | 2,743 |

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| | | |
|---|----------|----------|
| Advance payments on long-term operating leases | (2,845) | (1,945) |
| Changes in working capital: | | |
| Accounts receivable and prepaid expenses and other current assets | (37,681) | (27,612) |
| Inventories | (27,457) | (2,099) |
| Accounts payable and accrued liabilities | 44,156 | 37,753 |
| | ----- | ----- |
| CASH GENERATED FROM OPERATIONS | 188,212 | 210,049 |
| Interest received | 1,586 | 1,267 |
| Interest paid | (2,761) | (2,573) |
| Income taxes paid | (41,194) | (43,551) |
| | ----- | ----- |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 145,843 | 165,192 |
| | ===== | ===== |

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B. FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2008 PREPARED IN ACCORDANCE WITH CAS

1. CONSOLIDATED BALANCE SHEET

| | September 30, 2008 RMB Million | December 31, 2007 RMB Million |
|---------------------------------------|---|--|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash at bank and on hand | 85,701 | 88,589 |
| Notes receivable | 5,633 | 4,735 |
| Accounts receivable | 27,489 | 18,419 |
| Advances to suppliers | 65,186 | 20,386 |
| Interest receivable | 128 | 109 |
| Dividends receivable | 957 | 18 |
| Other receivables | 14,197 | 15,444 |
| Inventories | 110,878 | 88,467 |
| Current portion of non-current assets | 25 | 59 |
| Other current assets | 18 | 2 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 310,212 | 236,228 |
| | ----- | ----- |
| NON-CURRENT ASSETS | | |
| Available-for-sale financial assets | 2,077 | 2,530 |
| Long-term equity investments | 26,924 | 22,686 |
| Fixed assets | 239,793 | 247,803 |
| Oil and gas properties | 317,740 | 326,328 |
| Construction in progress | 162,676 | 105,634 |
| Construction materials | 8,877 | 6,927 |
| Fixed assets pending disposal | 454 | 287 |
| Intangible assets | 21,326 | 20,022 |
| Goodwill | 148 | - |
| Long-term prepaid expenses | 12,833 | 12,028 |
| Deferred tax assets | 19,090 | 12,871 |
| Other non-current assets | 501 | 748 |

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| | | |
|--------------------------|-----------------------------|---------------------------|
| TOTAL NON-CURRENT ASSETS | ----- 812,439 ----- | ----- 757,864 ----- |
| TOTAL ASSETS | ----- 1,122,651 ===== | ----- 994,092 ===== |

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1 CONSOLIDATED BALANCE SHEET (CONTINUED)

| | September 30, 2008 RMB Million | December 31, 2007 RMB Million |
|--|---|--|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Short-term borrowings | 28,466 | 18,734 |
| Notes payable | 884 | 1,143 |
| Accounts payable | 131,572 | 104,460 |
| Advances from customers | 16,788 | 12,433 |
| Employee compensation payable | 9,092 | 11,585 |
| Taxes payable | 21,274 | 22,808 |
| Interest payable | 263 | 173 |
| Dividends payable | 894 | 89 |
| Other payables | 42,760 | 17,849 |
| Provisions | 545 | 715 |
| Current portion of non-current liabilities | 7,973 | 11,652 |
| Other current liabilities | 3 | 13 |
| TOTAL CURRENT LIABILITIES | ----- 260,514 ----- | ----- 201,654 ----- |
| NON-CURRENT LIABILITIES | | |
| Deferred income | 183 | 76 |
| Long-term borrowings | 30,991 | 35,305 |
| Debentures payable | 4,154 | 4,383 |
| Long-term payables | 55 | 57 |
| Grants payable | 618 | 774 |
| Provisions | 26,569 | 24,761 |
| Deferred tax liabilities | 14,189 | 11,883 |
| Other non-current liabilities | 124 | 128 |
| TOTAL NON-CURRENT LIABILITIES | ----- 76,883 ----- | ----- 77,367 ----- |
| TOTAL LIABILITIES | ----- 337,397 ----- | ----- 279,021 ----- |

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1. CONSOLIDATED BALANCE SHEET (CONTINUED)

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| | September 30, 2008 RMB Million | December 31, 2007 RMB Million |
|---|---|--|
| SHAREHOLDERS' EQUITY | | |
| Share capital | 183,021 | 183,021 |
| Capital surplus | 122,010 | 122,192 |
| Surplus reserves | 102,696 | 102,696 |
| Undistributed profits | 328,438 | 270,544 |
| Currency translation differences | (1,785) | (1,086) |
| | ----- | ----- |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 734,380 | 677,367 |
| | ----- | ----- |
| MINORITY INTEREST | 50,874 | 37,704 |
| | ----- | ----- |
| TOTAL SHAREHOLDERS' EQUITY | 785,254 | 715,071 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,122,651 | 994,092 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

20

2. COMPANY BALANCE SHEET

| | September 30, 2008 RMB Million | December 31, 2007 RMB Million |
|---------------------------------------|---|--|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash at bank and on hand | 66,012 | 78,332 |
| Notes receivable | 5,168 | 3,988 |
| Accounts receivable | 3,822 | 2,131 |
| Advances to suppliers | 52,031 | 16,086 |
| Interest receivable | 125 | 109 |
| Dividends receivable | 83 | 85 |
| Other receivables | 18,478 | 24,173 |
| Inventories | 92,964 | 70,284 |
| Current portion of non-current assets | 24 | 59 |
| Other current assets | 18 | 2 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 238,725 | 195,249 |
| | ----- | ----- |
| NON-CURRENT ASSETS | | |

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| | | |
|-------------------------------------|---------|---------|
| Available-for-sale financial assets | 1,060 | 1,456 |
| Long-term equity investments | 126,993 | 104,691 |
| Fixed assets | 192,660 | 199,411 |
| Oil and gas properties | 228,031 | 231,921 |
| Construction in progress | 129,947 | 85,597 |
| Construction materials | 7,026 | 5,455 |
| Fixed assets pending disposal | 446 | 282 |
| Intangible assets | 17,099 | 16,356 |
| Long-term prepaid expenses | 10,798 | 9,924 |
| Deferred tax assets | 13,703 | 9,048 |
| | ----- | ----- |
| TOTAL NON-CURRENT ASSETS | 727,763 | 664,141 |
| | ----- | ----- |
| TOTAL ASSETS | 966,488 | 859,390 |
| | ===== | ===== |

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2 COMPANY BALANCE SHEET (CONTINUED)

| | September 30, 2008 RMB Million | December 31, 2007 RMB Million |
|--|---|--|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Short-term borrowings | 38,477 | 17,898 |
| Accounts payable | 87,333 | 66,877 |
| Advances from customers | 13,814 | 10,443 |
| Employee compensation payable | 7,728 | 10,751 |
| Taxes payable | 2,836 | 13,793 |
| Interest payable | 181 | 61 |
| Other payables | 72,599 | 46,582 |
| Provisions | 61 | 75 |
| Current portion of non-current liabilities | 7,803 | 9,029 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 230,832 | 175,509 |
| | ----- | ----- |
| NON-CURRENT LIABILITIES | | |
| Deferred income | 156 | 62 |
| Long-term borrowings | 23,515 | 29,044 |
| Debentures payable | 3,500 | 3,500 |
| Long-term payables | 55 | 56 |
| Grants payable | 563 | 710 |
| Provisions | 16,441 | 15,307 |
| Deferred tax liabilities | 7,881 | 6,598 |
| Other non-current liabilities | 120 | 123 |
| | ----- | ----- |
| TOTAL NON-CURRENT LIABILITIES | 52,231 | 55,400 |
| | ----- | ----- |
| TOTAL LIABILITIES | 283,063 | 230,909 |
| | ----- | ----- |

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2 COMPANY BALANCE SHEET (CONTINUED)

| | September 30, 2008 RMB Million | December 31, 2007 RMB Million |
|---|---|--|
| SHAREHOLDERS' EQUITY | | |
| Share capital | 183,021 | 183,021 |
| Capital surplus | 125,678 | 125,848 |
| Surplus reserves | 91,596 | 91,596 |
| Undistributed profits | 283,130 | 228,016 |
| | ----- | ----- |
| TOTAL SHAREHOLDERS' EQUITY | 683,425 | 628,481 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 966,488 | 859,390 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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3-1. CONSOLIDATED INCOME STATEMENTS

| ITEMS | Three months ended September 30 | |
|-------------------------------------|---------------------------------|------------------------|
| | 2008 RMB Million | 2007 RMB Million |
| 1. OPERATING INCOME | 304,136 | 205,890 |
| Less: Cost of sales | (191,108) | (124,366) |
| Tax and levies on operations | (36,192) | (18,827) |
| Selling expenses | (11,746) | (10,600) |
| General and administrative expenses | (14,757) | (11,576) |
| Finance expenses | (436) | (941) |
| Asset impairment losses | (5,703) | 15 |
| Add: Investment income | 1,848 | 1,033 |
| | ----- | ----- |
| 2. OPERATING PROFIT | 46,042 | 40,628 |
| | ----- | ----- |
| Add: Non-operating income | 9,111 | 423 |
| Less: Non-operating expenses | (1,354) | (1,403) |
| | ----- | ----- |

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| | | |
|--|----------|---------|
| 3.PROFIT BEFORE TAXATION | 53,799 | 39,648 |
| Less: Taxation | (10,417) | (8,940) |
| | ----- | ----- |
| 4.NET PROFIT | 43,382 | 30,708 |
| | ----- | ----- |
| Net profit attributable to equity holders of the Company | 38,247 | 29,014 |
| Minority interest | 5,135 | 1,694 |
| 5.EARNINGS PER SHARE (BASED ON NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY) | | |
| Basic earnings per share (RMB) | 0.21 | 0.16 |
| Diluted earnings per share (RMB) | 0.21 | 0.16 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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3-2. CONSOLIDATED INCOME STATEMENTS

| ITEMS | Nine months ended September 30 | |
|---|--------------------------------|------------------------|
| | 2008 RMB Million | 2007 RMB Million |
| 1.OPERATING INCOME | 853,658 | 598,616 |
| Less: Cost of sales | (552,395) | (347,506) |
| Tax and levies on operations | (98,083) | (45,680) |
| Selling expenses | (33,322) | (29,675) |
| General and administrative expenses | (44,319) | (33,051) |
| Finance expenses | (1,884) | (2,597) |
| Asset impairment losses | (13,033) | 2,332 |
| Add: Investment income | 6,145 | 4,123 |
| | ----- | ----- |
| 2.OPERATING PROFIT | 116,767 | 146,562 |
| | ----- | ----- |
| Add: Non-operating income | 14,725 | 1,864 |
| Less: Non-operating expenses | (4,487) | (2,484) |
| | ----- | ----- |
| 3.PROFIT BEFORE TAXATION | 127,005 | 145,942 |
| Less: Taxation | (28,326) | (34,937) |
| | ----- | ----- |
| 4.NET PROFIT | 98,679 | 111,005 |
| | ----- | ----- |
| Net profit attributable to equity holders of the Company | 86,602 | 104,896 |

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Minority interest 12,077 6,109

5.EARNINGS PER SHARE (BASED ON
NET PROFIT ATTRIBUTABLE TO EQUITY
HOLDERS OF THE COMPANY)

Basic earnings per share (RMB) 0.47 0.59
Diluted earnings per share (RMB) 0.47 0.59
=====

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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4-1. COMPANY INCOME STATEMENT

| ITEMS | Three months ended September 30 | |
|-------------------------------------|---------------------------------|----------|
| | 2008 | 2007 |
| | RMB | RMB |
| | Million | Million |
| 1.OPERATING INCOME | 221,939 | 131,758 |
| Less: Cost of sales | (167,656) | (89,709) |
| Tax and levies on operations | (21,354) | (11,483) |
| Selling expenses | (9,390) | (8,367) |
| General and administrative expenses | (11,366) | (8,212) |
| Finance expenses | (375) | (353) |
| Asset impairment losses | (5,684) | (4) |
| Add: Investment income | 21,391 | 15,800 |
| | ----- | ----- |
| 2.OPERATING PROFIT | 27,505 | 29,430 |
| | ----- | ----- |
| Add: Non-operating income | 8,270 | 332 |
| Less: Non-operating expenses | (1,262) | (1,297) |
| | ----- | ----- |
| 3.PROFIT BEFORE TAXATION | 34,513 | 28,465 |
| Less: Taxation | 36 | 519 |
| | ----- | ----- |
| 4.NET PROFIT | 34,549 | 28,984 |
| | ----- | ----- |
| 5.EARNINGS PER SHARE | | |
| Basic earnings per share (RMB) | 0.19 | 0.16 |
| Diluted earnings per share (RMB) | 0.19 | 0.16 |
| | ===== | ===== |

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Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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4-2. COMPANY INCOME STATEMENT

| ITEMS | Nine months ended September 30 | |
|-------------------------------------|--------------------------------|----------------|
| | 2008 | 2007 |
| | RMB Million | RMB Million |
| 1. OPERATING INCOME | 614,954 | 422,149 |
| Less: Cost of sales | (478,156) | (285,029) |
| Tax and levies on operations | (58,484) | (27,741) |
| Selling expenses | (26,468) | (23,416) |
| General and administrative expenses | (34,931) | (23,950) |
| Finance expenses | (580) | (1,297) |
| Asset impairment losses | (12,999) | 1,838 |
| Add: Investment income | 65,495 | 46,204 |
| | ----- | ----- |
| 2. OPERATING PROFIT | 68,831 | 108,758 |
| | ----- | ----- |
| Add: Non-operating income | 12,876 | 1,188 |
| Less: Non-operating expenses | (3,028) | (2,245) |
| | ----- | ----- |
| 3. PROFIT BEFORE TAXATION | 78,679 | 107,701 |
| Less: Taxation | 5,143 | (5,269) |
| | ----- | ----- |
| 4. NET PROFIT | 83,822 | 102,432 |
| | ----- | ----- |
| 5. EARNINGS PER SHARE | | |
| Basic earnings per share (RMB) | 0.46 | 0.57 |
| Diluted earnings per share (RMB) | 0.46 | 0.57 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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5. CONSOLIDATED CASH FLOW STATEMENT

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| ITEMS | Nine months ended September 30 | |
|---|--------------------------------|------------------|
| | 2008 | 2007 |
| | RMB Million | RMB Million |
| 1. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from sales of goods and rendering of services | 989,252 | 694,659 |
| Refund of taxes and levies | 9,448 | 722 |
| Cash received relating to other operating activities | 2,333 | 508 |
| | ----- | ----- |
| SUB-TOTAL OF CASH INFLOWS | 1,001,033 | 695,889 |
| | ----- | ----- |
| Cash paid for goods and services | (586,800) | (324,253) |
| Cash paid to and on behalf of employees | (47,452) | (32,947) |
| Payments of taxes and levies | (188,352) | (132,719) |
| Cash paid relating to other operating activities | (28,566) | (37,527) |
| | ----- | ----- |
| SUB-TOTAL OF CASH OUTFLOWS | (851,170) | (527,446) |
| | ----- | ----- |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 149,863 | 168,443 |
| | ----- | ----- |
| 2. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash received from disposal of investments | 5,964 | 4,830 |
| Cash received from returns on investments | 5,020 | 2,111 |
| Net cash received from disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets | 351 | 562 |
| | ----- | ----- |
| SUB-TOTAL OF CASH INFLOWS | 11,335 | 7,503 |
| | ----- | ----- |
| Cash paid to acquire fixed assets, oil and gas properties, intangible assets and other long term assets | (130,242) | (100,731) |
| Cash paid to acquire investments | (644) | (4,024) |
| Including: Cash paid to purchase shares of listed subsidiaries | - | (149) |
| | ----- | ----- |
| SUB-TOTAL OF CASH OUTFLOWS | (130,886) | (104,755) |
| | ----- | ----- |
| NET CASH FLOWS USED FOR INVESTING ACTIVITIES | (119,551) | (97,252) |
| | ----- | ----- |

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5. CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| ITEMS | Nine months ended September 30 | |
|--|--------------------------------|----------------|
| | 2008 | 2007 |
| | RMB Million | RMB Million |
| 3. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received from capital contributions | 8,691 | 1,315 |

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| | | |
|--|-----------|-----------|
| Including: Cash received from minority shareholders' capital contributions to subsidiaries | 8,691 | 1,315 |
| Cash received from borrowings | 71,540 | 44,884 |
| Cash received relating to other financing activities | 44 | 102 |
| | ----- | ----- |
| SUB-TOTAL OF CASH INFLOWS | 80,275 | 46,301 |
| | ----- | ----- |
| Cash repayments of borrowings | (70,001) | (48,602) |
| Cash payments for interest expenses and distribution of dividends or profits | (34,534) | (69,019) |
| Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders | (3,065) | (5,220) |
| Capital reduction | (2,420) | - |
| Cash payments relating to other financing activities | (204) | (185) |
| | ----- | ----- |
| SUB-TOTAL OF CASH OUTFLOWS | (107,159) | (117,806) |
| | ----- | ----- |
| NET CASH FLOWS USED FOR FINANCING ACTIVITIES | (26,884) | (71,505) |
| | ----- | ----- |
| 4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (25) | 523 |
| | ----- | ----- |
| 5. NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,403 | 209 |
| | ----- | ----- |
| Add: Cash and cash equivalents at beginning of the period | 65,494 | 48,559 |
| | ----- | ----- |
| 6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 68,897 | 48,768 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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6. COMPANY CASH FLOW STATEMENT

| ITEMS | Nine months ended September 30 | |
|---|--------------------------------|----------------|
| | 2008 | 2007 |
| | RMB Million | RMB Million |
| 1. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from sales of goods and rendering of services | 740,990 | 493,196 |
| Refund of taxes and levies | 7,996 | 655 |

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| | | |
|---|-----------|-----------|
| Cash received relating to other operating activities | 6,541 | 1,770 |
| | ----- | ----- |
| SUB-TOTAL OF CASH INFLOWS | 755,527 | 495,621 |
| | ----- | ----- |
| Cash paid for goods and services | (545,809) | (277,573) |
| Cash paid to and on behalf of employees | (37,593) | (24,793) |
| Payments of taxes and levies | (95,580) | (66,778) |
| Cash paid relating to other operating activities | (13,080) | (22,025) |
| | ----- | ----- |
| SUB-TOTAL OF CASH OUTFLOWS | (692,062) | (391,169) |
| | ----- | ----- |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 63,465 | 104,452 |
| | ----- | ----- |
| 2. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash received from disposal of investments | 8,075 | 1,208 |
| Cash received from returns on investments | 66,098 | 42,613 |
| Net cash received from disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets | 242 | 142 |
| | ----- | ----- |
| SUB-TOTAL OF CASH INFLOWS | 74,415 | 43,963 |
| | ----- | ----- |
| Cash paid to acquire fixed assets, oil and gas properties, intangible assets and other long-term assets | (103,989) | (80,403) |
| Cash paid to acquire investments | (22,287) | (3,975) |
| Including: Cash paid to purchase shares of listed subsidiaries | - | (149) |
| | ----- | ----- |
| SUB-TOTAL OF CASH OUTFLOWS | (126,276) | (84,378) |
| | ----- | ----- |
| NET CASH FLOWS USED FOR INVESTING ACTIVITIES | (51,861) | (40,415) |
| | ----- | ----- |

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6. COMPANY CASH FLOW STATEMENT (CONTINUED)

| ITEMS | Nine months ended September 30 | |
|--|--------------------------------|----------------|
| | 2008 | 2007 |
| | RMB Million | RMB Million |
| 3. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received from capital contributions | - | - |
| Cash received from borrowings | 52,018 | 35,191 |
| Cash received relating to other financing activities | 44 | 62 |
| | ----- | ----- |
| SUB-TOTAL OF CASH INFLOWS | 52,062 | 35,253 |
| | ----- | ----- |
| Cash repayments of borrowings | (37,406) | (35,327) |
| Cash payments for interest expenses and distribution of dividends or profits | (30,389) | (66,079) |

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| | | |
|---|----------|-----------|
| Cash payments relating to other financing activities | (191) | (96) |
| | ----- | ----- |
| SUB-TOTAL OF CASH OUTFLOWS | (67,986) | (101,502) |
| | ----- | ----- |
| NET CASH FLOWS USED FOR FINANCING ACTIVITIES | (15,924) | (66,249) |
| | ----- | ----- |
| 4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | - | - |
| | ----- | ----- |
| 5. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (4,320) | (2,212) |
| | ----- | ----- |
| Add: Cash and cash equivalents at beginning of the period | 60,332 | 45,029 |
| | ----- | ----- |
| 6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 56,012 | 42,817 |
| | ===== | ===== |

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

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C. SIGNIFICANT DIFFERENCES BETWEEN CAS AND IFRS

The financial statements of the Group prepared in accordance with CAS differ in certain material aspects from those in accordance with IFRS. A statement of reconciliation of such differences is set out below:

| | Notes | Nine months ended September 30 | |
|---|-------|--------------------------------|-------------|
| | | 2008 | 2007 |
| | | RMB million | RMB million |
| Consolidated profit for the period under IFRS | | 105,964 | 119,620 |
| Adjustments: | | | |
| Depletion of oil and gas properties | (1) | (5,523) | (6,669) |
| Adjustment of safety fund | (2) | (3,826) | - |
| Deferred taxation | (3) | 2,642 | (1,718) |
| Other | | (578) | (228) |
| | | ----- | ----- |
| Consolidated profit for the period under CAS | | 98,679 | 111,005 |
| | | ===== | ===== |

September 30, December 31,
2008 2007

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| | Notes | RMB million | RMB million |
|--|-------|-------------|-------------|
| Consolidated shareholders' equity under IFRS | | 853,284 | 776,347 |
| Adjustments: | | | |
| Depletion of oil and gas properties | (1) | (85,185) | (79,662) |
| Adjustment of safety fund | (2) | (7,385) | (3,559) |
| Currency translation differences | | 141 | (390) |
| Deferred taxation | (3) | 23,798 | 21,156 |
| Other | | 601 | 1,179 |
| | | ----- | ----- |
| Consolidated shareholder's equity under CAS | | 785,254 | 715,071 |
| | | ===== | ===== |

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(1) Depletion of oil and gas properties is provided using the unit of production method under IFRS, while the straight-line method is used under CAS.

(2) In accordance with the requirements of the "Temporary regulation for safety fund financial management of high risk industry" issued by the Ministry of Finance and State Administration of Work Safety of PRC, a safety fund has been accrued for the Group's oil and gas exploration, refinery and chemical production activities within the PRC from January 1, 2007. This safety fund has been recognised into the Group's income statement. As the Group does not have a specific utilisation plan for this accrued safety fund as at September 30, 2008, it has been reversed under IFRS.

(3) Deferred taxation relating to the differences between IFRS and CAS.

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