

Sector: Energy
Sub-Industry: Integrated Oil & Gas
Peer Group: Major Integrated Oil & Gas - North America

Summary: This company explores, develops, produces and markets crude oil, natural gas and natural gas liquids; refines crude oil; and markets petroleum products.

Quantitative Evaluations

S&P Quality Ranking : A



S&P Fair Value Rank: 2+



Fair Value Calc: C\$51.40 (Slightly Overvalued)

S&P Investability Quotient Percentile



PCZ scored higher than 89% of all companies for which an S&P Report is available.

Volatility: Average



Technical Evaluation: NEUTRAL

Since December, 2007, the technical indicators for PCZ have been NEUTRAL.

Relative Strength Rank: Strong



Investment Strategy

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

Sales: What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.

Net Margin: As a key measure of company profitability, a rising net margin assesses management capability to wring out more net income from incremental sales.

% LT Debt to Capitalization: A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.

% Return on Equity: A key performance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Year	5 Year	9 Year
Sales	7.54	16.10	18.20	16.02
Net Income	-6.20	-1.85	13.81	32.98

Ratio Analysis (Average)

Net Margin	8.40	10.00	10.70	8.81
%LT Debt to Capitalization	17.71	17.98	19.81	20.62
% Return on Equity	15.94	18.68	19.75	16.26

Revenues/Earnings Data Fiscal year ending Dec. 31

Revenues (Million Can. \$)	2007	2006	2005	2004	2003	2002
1Q	4,867	4,415	3,767	3,439	3,522	1,708
2Q	5,529	4,836	4,174	3,653	2,773	2,437
3Q	5,549	5,065	4,839	3,788	2,983	2,767
4Q	--	4,595	4,805	3,807	2,931	3,005
Year	--	18,911	17,585	14,687	12,209	9,917

Earnings per Share (Can. \$)	2007	2006	2005	2004	2003	2002
1Q	1.18	0.10	0.21	0.95	1.09	0.17
2Q	1.70	0.92	0.61	0.73	1.09	0.61
3Q	1.58	1.34	1.13	0.76	0.56	0.40
4Q	--	0.76	1.28	0.84	0.38	0.67
Year	--	3.11	3.22	3.28	3.12	1.84

Next earnings report expected: Late April

Historical GAAP earnings are as reported.

Key Stock Statistics

Average Daily Volume	0.742 mil.	Beta	0.86
Market Capitalization	C\$26.514 Bil.	Trailing 12 Month EPS	C\$4.47
Institutional Holdings (%)	48	12 Month P/E	12.2
Shareholders of Record	5,246	Current Yield (%)	0.95

Value of C\$10,000 Invested five yrs Ago : **C\$36,430**

Please read the required disclosures and Reg. AC certification on the last page of this report.

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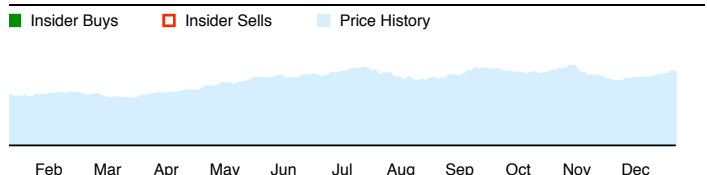
S&P Quality Ranking: **A**

Standard & Poor's Fair Value Rank : **2+**

Wall Street Opinions/Average (Mean) Opinion: Buy/Hold

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	4	17	4	3
Buy/Hold	9	39	9	10
Hold	8	35	8	8
Weak Hold	2	9	2	1
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	23	100	23	22

Insider Moves



Dividend Data Dividend have been paid since 1991

Amount(Can. \$)	Date Decl.	Ex. Div. Date	Stock of Record	Payment Date
0.130	Dec.14	Feb.28	Mar.3	Apr.01 '07
0.130	Apr.24	May.30	Jun.3	Jul.01 '07
0.130	Jul.26	Aug.29	Sep.3	Oct.01 '07
0.130	Oct.25	Nov.29	Dec.3	Jan.01 '08

Company Financials Fiscal year ending Dec. 31

Per Share Data & Valuation Ratios (U.S. \$)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Tangible Book Value	16.62	14.39	12.23	9.91	6.06	6.07	5.68	5.08	4.69	5.03
Cash Flow	4.96	4.76	4.89	4.63	2.30	1.74	1.82	0.90	0.78	1.04
Earnings	2.67	2.76	2.72	2.40	1.17	1.07	1.08	0.26	0.12	0.41
Dividends	0.34	0.30	0.25	0.16	0.13	0.13	0.14	0.10	0.11	0.11
Payout Ratio	13%	11%	9%	7%	11%	12%	13%	38%	91%	26%
Prices:High	51.86	43.90	28.65	24.88	16.20	14.15	13.09	8.47	9.41	10.66
Prices:Low	35.70	24.03	20.82	15.34	10.58	10.81	6.50	5.19	4.75	6.75
P/E Ratio:High	19	16	11	10	14	13	12	32	82	26
P/E Ratio:Low	13	9	8	6	9	10	6	20	41	16

Income Statement Analysis (Million Can. \$)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
(\$) Per Canadian \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.67	0.00
Revenue	18,911	17,585	14,687	12,209	9,917	8,582	9,372	6,095	4,951	6,017
Operating Income	5,743	5,506	5,022	4,433	3,024	1,980	2,045	1,069	806	1,145
Depreciation	1,365	1,222	1,402	1,539	957	568	584	558	530	482
Interest Expense	165	164	142	182	187	135	144	141	122	106
Pretax Income	3,972	3,402	3,245	2,975	1,828	1,385	1,466	422	219	636
Effective Tax Rate	60%	50%	46%	44%	47%	35%	39%	45%	57%	52%
Net Income	1,588	1,693	1,757	1,669	974	904	893	233	95.0	306

Balance Sheet & Other Financial Data (Million Can. \$)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
(\$) Per Canadian \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.65	0.00
Cash	499	721	170	635	234	781	1,415	206	431	75.0
Current Assets	2,826	3,171	1,986	2,705	2,434	2,009	3,179	1,673	1,584	1,577
Total Assets	22,646	20,655	18,100	14,590	13,439	9,821	10,130	8,661	8,398	8,338
Current Liabilities	3,348	3,045	2,898	2,128	2,520	1,397	2,209	1,383	1,161	1,192
Long Term Debt	2,887	2,906	2,275	2,223	2,701	1,396	1,320	1,707	1,826	1,738
Common Equity	10,441	9,488	8,739	7,721	5,776	5,061	4,591	4,083	3,936	3,922
Total Capital	16,302	14,799	13,722	11,774	10,298	7,943	7,444	6,923	6,875	6,825
Capital Expenditures	3,435	3,606	4,073	2,315	1,861	1,681	1,203	1,021	1,116	1,049
Cash Flow	2,953	2,915	3,159	3,208	1,931	1,472	1,477	791	625	788
Current Ratio	0.8	1.0	0.7	1.3	1.0	1.4	1.4	1.2	1.4	1.3
% Long Term Debt of Capitalization	17.7	19.6	16.6	18.9	26.2	17.6	17.7	24.7	26.6	25.5
% Net Income of Revenue	8.4	9.6	11.9	13.7	9.8	10.5	9.5	3.8	1.9	5.1
% Return on Assets	7.3	8.7	10.7	11.9	8.4	9.1	9.5	2.7	1.1	3.8
% Return on Equity	15.9	18.6	21.5	24.7	18.0	18.7	20.6	5.8	2.4	8.0

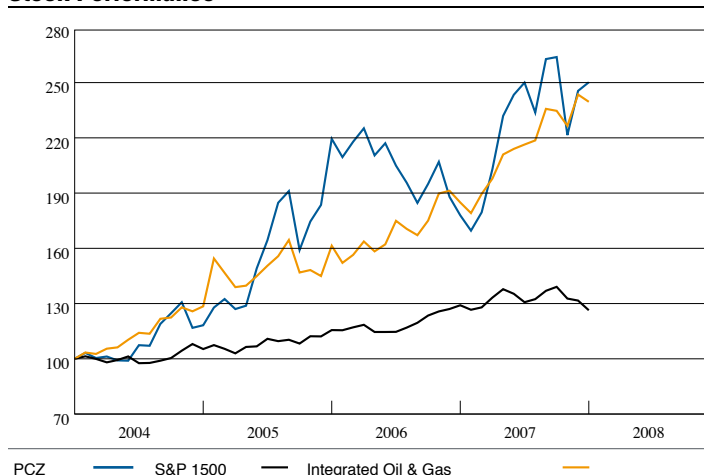
Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

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EVP & CFO: E. F. Roberts
EVP: B. J. Jackman

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Founded: 1969
Domicile: Canada
Employees: 5,156

Stock Performance



	Company(%)	Industry(%)	S&P 1500(%)
YTD Return	1.9	-1.6	-4.0
One Year Return	47.6	32.7	-0.6
Three Year Return (% Annualized)	31.8	25.3	6.1
Five Year Return (% Annualized)	29.5	23.7	9.7
Value of C\$10,000 Invested 5 Years Ago	C\$36,430	\$28,906	\$15,887

Sub-Industry Outlook

Our fundamental outlook for the integrated oils sub-industry is neutral. We expect global crude oil prices to remain high and volatile in 2008, reflecting strong global oil demand amid limited spare production capacity and continuing geopolitical tensions. However, prices of refined products (such as gasoline and distillate) in the U.S. and Europe have failed to keep pace with the rise in crude oil prices; as a result, we expect 2008 and 2009 refining margins to narrow from levels seen in 2006 and 2007.

While the subprime mortgage crisis originating in the U.S. has reduced our forecast for U.S. and global GDP growth, S&P and Global Insight believe the global economy continues to look solid, and as of December 26, we expected global oil demand growth of 1.03% (an increase of 0.87 million b/d) in 2007 and 1.69% in 2008 (1.45 million b/d). As of December 26, we estimated that WTI spot prices would average \$90.24 per barrel in the fourth quarter, \$72.16 in 2007, \$75.67 in 2008 and \$74.33 in 2009.

At its December 5 meeting in Abu Dhabi, UAE, OPEC agreed, as we expected, to leave its production "unchanged for the time being" and to meet again on February 1 in Vienna, Austria. While S&P and Global Insight believe 2008 oil fundamentals will tighten, with recent adjustments to both supply and demand forecasts, we see the situation as less strained than we believed in the late fall.

On the U.S. natural gas front, as of December 26, S&P and Global Insight expected Henry Hub bid week (a blend of spot and contract) prices to average \$6.97 per million Btu during the fourth quarter, and average \$6.87 in 2007, \$7.71 in 2008, and

\$8.72 in 2009. With U.S. natural gas in storage for the week ended December 14 at 3.173 Tcf (9.2% above the five-year average), and the NOAA (National Oceanic Atmospheric Administration), as of November 15, projecting winter weather in the lower 48 states similar to last year's winter season, about 4% warmer than the 30-year average, we believe there is sufficient U.S. natural gas in storage for this year's winter season.

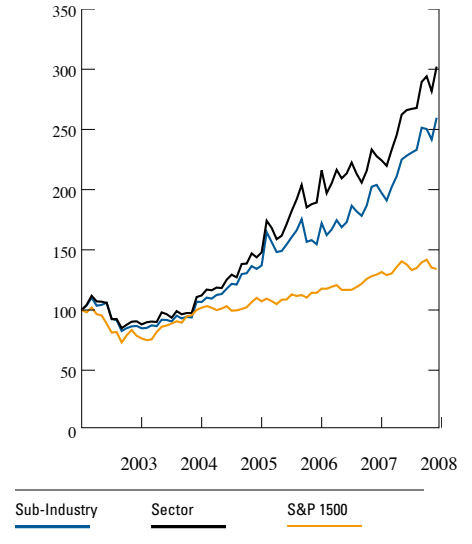
Year to date through December 21, the S&P Integrated Oil & Gas Sub-Industry Index was up 26.8%, versus a 4.8% increase for the S&P 1500 Composite Index. In 2006, the S&P Integrated Oil & Gas Index advanced 31.9%, versus a 13.3% gain for the 1500.

--Tina Vital

Stock Performance

GICS Sector: Energy
Sub-Industry: Integrated Oil & Gas

Based on S&P 1500 Indexes
Month-end Price Performance as of 12/31/07



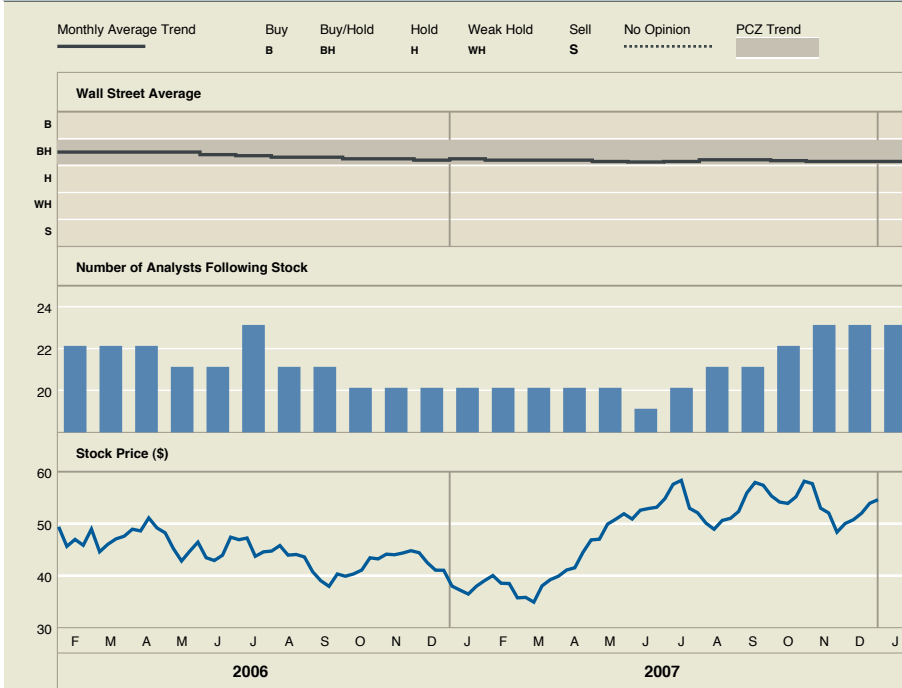
NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Integrated Oil & Gas Peer Group*: Major Integrated Oil & Gas - North America

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Petro-Canada	PCZ	26,514	54.64	61.18/34.84	0.86	1.0	12	51.40	A	89	8.4	17.7
Hess Corp	HES	29,821	93.35	105.85/46.49	0.44	0.4	18	73.60	B	95	6.8	26.8
Husky Energy	HSE.C	38,456	45.30	46.65/35.01	NA	2.9	14	NA	NR	NA	21.5	10.4
Imperial Oil Ltd	IMO	49,592	53.50	61.48/31.87	0.26	0.7	17	NA	A+	95	10.7	4.6
Marathon Oil	MRO	42,311	59.57	67.04/41.50	0.81	1.6	9	42.00	B+	98	7.6	15.2
Murphy Oil	MUR	15,392	81.33	87.21/45.45	0.45	0.9	24	83.00	B+	97	4.5	15.3
Occidental Petroleum	OXY	64,432	77.76	80.83/42.06	0.65	1.3	13	80.20	B+	98	25.1	10.7
Suncor Energy	SU	50,536	109.40	117.98/67.78	0.77	0.4	29	100.30	A	96	16.1	21.0

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Analysts' Recommendations



Of the total 24 companies following PCZ, 23 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	4	17	4	3
Buy/Hold	9	39	9	10
Hold	8	35	8	8
Weak Hold	2	9	2	1
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	23	100	23	22

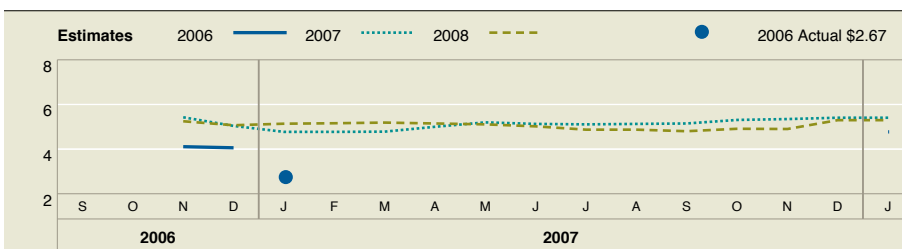
Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- BMO Nesbitt Burns
- CIBC World Markets
- Canaccord Capital
- Credit Suisse First Boston
- Deacon Capital Corp.
- Desjardins Securities
- Deutsche Bank
- Firstenergy Capital
- Friedman, Billings, Ramsey & Co.
- Genuity Capital Markets
- Goldman Sachs & Co.
- Lehman Brothers, Inc.
- Macquarie Research Equities
- Merrill Lynch Research
- Morgan Stanley & Company
- Peters & Co., Ltd.
- RBC Capital Markets (Canada)
- Raymond James Limited
- ScotiaMcLeod, Inc.
- Simmons & Company Int'l
- Smith Barney
- THE Benchmark Company
- Tristone Capital Inc.
- UBS Warburg

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2008	5.33	7.07	3.20	22	10.3
2007	5.44	6.47	4.84	21	10.0
2008 vs. 2007	▼ -2%	▲ 9%	▼ -34%	▲ 5%	▲ 3%
Q4'08	1.44	1.77	1.15	4	37.9
Q4'07	1.37	1.97	1.04	13	39.9
Q4'08 vs. Q4'07	▲ 5%	▼ -10%	▲ 11%	▼ -69%	▼ -5%

Wall Street Consensus vs. Performance

For fiscal year 2007, analysts estimate that PCZ will earn \$5.44. For the 3rd quarter of fiscal year 2007, PCZ announced earnings per share of \$1.58, representing 29% of the total annual estimate. For fiscal year 2008, analysts estimate that PCZ's earnings per share will decline by 2% to \$5.33.

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Glossary

S&P Quality Ranking - Growth and stability of earnings and dividends are deemed key elements in establishing S&P's quality ranking for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted that, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Lower
A	High	B-	Below Average
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

Funds From Operations (FFO) - FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Fair Value Calculation - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

Investability Quotient (IQ) - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

Standard & Poor's IQ Rationale:
Petro-Canada

	Raw Score	Max Value
Proprietary S&P Measures	73	115
Technical Indicators	25	40
Liquidity/Volatility Measures	13	20
Quantitative Measures	26	75
IQ Total	137	250

Volatility - Rates the volatility of the stock's price over the past year.

Technical Evaluation - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS) - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

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