



Letter from the CEO

Donald R. Lindsay
President and Chief Executive Officer

To the Shareholders

2014 was a year marked by oversupply and declining prices for a number of key commodities across the mining sector. Teck and its employees demonstrated resilience and adaptability in the face of these challenging market conditions, generating positive cash margins and meeting or exceeding production guidance at each of our mines. Significant cost savings were also achieved in each of our business units, helping to maintain our strong financial position.

Our operations continued to perform very well in 2014. We achieved record steelmaking coal production of 26.7 million tonnes and sales of 26.2 million tonnes. In our copper business, Antamina set a record for throughput of approximately 138,000 tonnes per day. In our zinc business, we achieved record annual zinc production of 596,000 tonnes at our Red Dog mine.

We successfully completed a number of major projects in 2014. The mill optimization project at Highland Valley Copper significantly increased throughput and exceeded design capacity by approximately 10,000 tonnes per day. The new acid plant at Trail Operations was completed in May 2014 and achieved design rates by June. Our Pend Oreille mine was successfully restarted in December 2014 on time and under budget, to capitalize on improving zinc fundamentals. Construction of the Fort Hills oil sands project also made substantial progress throughout the year, consistent with the project schedule and budget.

Improving efficiency and reducing costs was a key focus in 2014. As a result, we have achieved annualized savings of approximately \$640 million to date.

We continued to build on our efforts to improve safety performance, with lower rates of High Potential Incidents and a 25% reduction in Total Reportable Injury Frequency compared to the previous year. Sadly, we had two fatalities in 2014 — one at our Coal Mountain Operation in March and one at an exploration project in Chile in November. These incidents reinforce the importance of remaining vigilant and continuing to work towards our goal of everyone going home safe and healthy every day.

We have maintained a strong financial position with approximately \$5 billion of liquidity at the end of 2014, consisting of cash on hand of \$2 billion and US\$3 billion available under our revolving credit facility that matures in 2019. In addition, we have only US\$300 million of long-term notes due until early 2017.

Prices declined for a number of our products throughout 2014, affecting profit. Oversupply of steelmaking coal caused the average realized coal price to fall by US\$34 per tonne to US\$115 per tonne in 2014, a decrease of 23% over the year. Average copper prices fell by US\$0.21 per pound to US\$3.11 per pound in 2014, a decrease of 6%, as a result of concerns about a potential developing copper surplus. Early in 2015, prices declined by a further 15% and are now at five-year lows. In contrast, average zinc prices rose by US\$0.11 per pound to US\$0.98 per pound in 2014, an increase of 13%.

Oil prices have also experienced a significant decline since mid-2014; however, this currently benefits Teck in the form of lower operating costs at our existing operations equivalent to an increase of approximately \$5 million in EBITDA for every US\$1 per barrel decrease. Further, the decline in oil prices has led other companies to reduce their drilling activities and defer or cancel various capital projects. We believe this will lead to downward pressure on contractor costs and

increase the availability of experienced labour in the oil sands. This could result in reduced cost pressures during the construction phase of Fort Hills, which is expected to begin production in 2017.

In addition, we benefit from the strengthening of the U.S. dollar, with each CAD\$0.01 change in the exchange rate affecting our EBITDA by approximately \$52 million on an annualized basis.

Gross profit before depreciation and amortization in 2014 was \$2.9 billion compared with \$3.7 billion in 2013, with the reduction due mainly to lower commodity prices. Annual revenue in 2014 was \$8.6 billion, down 8% from the previous year. In 2014 we declared annual dividends of \$0.90 per share, returning \$518 million to shareholders.

Meeting societal expectations around responsible resource development is essential to our continued ability to operate and advance our projects. As such, we are focused on protecting the environment and building and maintaining strong relationships with Indigenous Peoples, communities and other stakeholders.

In 2014, we continued to make progress towards achieving the goals outlined in our sustainability strategy, which are organized around our most significant areas of risk and opportunity in sustainability. We are on track to achieve our short-term 2015 sustainability goals on schedule. Teck was again named the top mining company worldwide on the Global 100 Most Sustainable Corporations list in January 2015, and we were also named to the Dow Jones Sustainability World Index for the fifth consecutive year in 2014.

Looking ahead, we expect to meet or exceed the 2015 production and cost targets for each of our copper, steelmaking coal and zinc operations. At the same time, we will embed the \$640 million in cost savings we achieved over 2013 and 2014 in our operations and functional groups, and target an additional margin of \$100 million for 2015 through operating excellence and production maximization at our operations, while continuing to prudently manage our capital spending.

We will continue advancing our Quebrada Blanca Phase 2 project while working to achieve significant capital cost reductions and considering opportunities to enhance the value of our projects through partnerships. We will maximize learnings from the construction of Fort Hills and work on plans to market our share of bitumen.

We will maintain a strong balance sheet and access to a wide range of sources of capital and ensure that we are appropriately positioned and resourced to identify and act on internal and external opportunities to enhance our portfolio — from early stage exploration properties through to producing assets.

In the area of sustainability, with completion of all of our 2015 goals drawing near, we will review and update our strategy and develop our next set of short-term goals to 2020 as we work towards our long-term 2030 goals.

The progress we have made in every aspect of our performance in 2014 is due to the quality of our people, and I want to thank all Teck employees for their dedication and commitment over the year.

We were saddened by the passing in January 2015 of Jalynn Bennett, a 10-year member of our Board of Directors, whose wisdom and insight will be greatly missed.

After 22 years with Teck, Doug Horswill, Senior Vice President, retired in April. Doug was one of the longest-serving members of our senior management team, and his leadership has played a major role in shaping our company's approach to sustainability and social responsibility. We also welcomed two new members to our senior management team in 2014: Shehzad Bharmal, Vice President, Strategy and Development, Copper; and Larry Davey, Vice President, Development, Coal.

The steps we have taken to increase production, reduce costs and build positive relationships with the communities where we operate put us in a strong position as we head into 2015. Looking ahead, Teck will continue to deliver strong operational performance and provide the materials essential to building a better quality of life for people around the world.



Donald R. Lindsay
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