

# Financial Strategy

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Senior Vice President and  
Chief Financial Officer

A photograph of an open-pit mine at dusk or dawn. The sky is a mix of blue and orange, with scattered clouds. The mine's terraced levels are visible, and a large yellow haul truck is driving on a dirt road in the foreground. The Teck logo is overlaid in the bottom right corner.

Teck

# Caution Regarding Forward-Looking Statements

Both these slides and the accompanying oral presentations contain certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of the Securities Act (Ontario) and comparable legislation in other provinces (collectively referred to herein as forward-looking statements). Forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variation of such words and phrases or state that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teck to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements include, but are not limited to, statements concerning: objectives and components of Teck’s capital allocation framework, including a base dividend and potential supplemental shareholder distributions and maintenance of solid investment grade metrics; the targeted amount of any available cash flow to be included in any supplemental shareholder distribution; liquidity and availability of borrowings under our credit facilities and the QB2 project finance facility; impact of commodity price change on annualized EBITDA and annualized profit; Teck’s illustrative cash flows and all assumptions and financial projections on the slides titled “Teck Illustrative Cash Flows”; all guidance appearing in this document including but not limited to capital expenditure guidance; and all other estimates and projections associated with our business and operations.

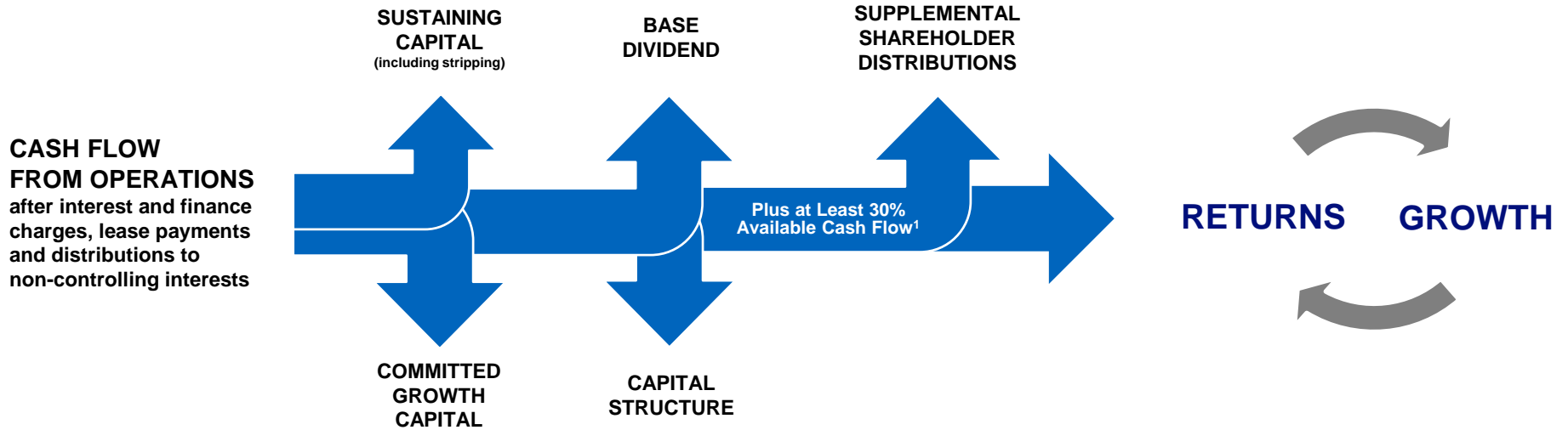
The forward-looking statements are based on and involve numerous assumptions, risks and uncertainties and actual results may vary materially. These statements are based on assumptions, including, but not limited to, assumptions regarding the performance of our business and business units, general business and economic conditions, interest rates, the supply and demand for, deliveries of, and the level and volatility of prices of, zinc, copper, coal, blended bitumen, and other primary metals, minerals and products as well as steel, oil, natural gas, petroleum, and related products, the timing of the receipt of regulatory and governmental approvals for our development projects and other operations and new technologies, our costs of production and production and productivity levels, as well as those of our competitors, power prices, continuing availability of water and power resources for our operations, market competition, the accuracy of our reserve estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based, conditions in financial markets, the future financial performance of the company, our ability to successfully implement our technology and innovation strategy, the performance of new technologies in accordance with our expectations, our ability to attract and retain skilled staff, our ability to procure equipment and operating supplies, positive results from the studies on our expansion projects, our coal and other product inventories, our ability to secure adequate transportation for our products, our ability to obtain permits for our operations and expansions, our ongoing relations with our employees and business partners and joint venturers, assumptions regarding returns of cash to shareholders include assumptions regarding our future business and prospects, other uses for cash or retaining cash. Assumptions are also included in the footnotes or endnotes to various slides. Payment of dividends is in the discretion of the board of directors. Statements regarding the availability of our credit facilities and project financing facility are based on assumptions that we will be able to satisfy the conditions for borrowing at the time of a borrowing request and that the facilities are not otherwise terminated or accelerated due to an event of default.

Factors that may cause actual results to vary materially include, but are not limited to, renewed or extended COVID-19 related suspension of activities and negative impacts on our suppliers, contractors, employees and customers; extended delays in return to normal operations due to COVID-19 related challenges; changes in commodity and power prices, changes in market demand for our products, changes in interest and currency exchange rates, acts of governments and the outcome of legal proceedings, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job action, adverse weather conditions and unanticipated events related to health, safety and environmental matters), union labour disputes, political risk, social unrest, failure of customers or counterparties (including logistics suppliers) to perform their contractual obligations, changes in our credit ratings, unanticipated increases in costs to construct our development projects, difficulty in obtaining permits, inability to address concerns regarding permits of environmental impact assessments, and changes or further deterioration in general economic conditions. Credit ratings are assigned by independent third-party ratings agencies.

We assume no obligation to update forward-looking statements except as required under securities laws. Further information concerning risks and uncertainties associated with these forward-looking statements and our business can be found in our Annual Information Form for the year ended December 31, 2020, filed under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on EDGAR ([www.sec.gov](http://www.sec.gov)) under cover of Form 40-F, as well as subsequent filings, including but not limited to our quarterly reports.

# Teck's Capital Allocation Framework

Shareholder distributions of 30-100% of Available Cash Flow<sup>1</sup>



Teck targets through-cycle BBB metrics (Net Debt to Adjusted EBITDA<sup>2</sup>)

1. For this purpose, we define available cash flow as cash flow from operating activities after interest and finance charges, lease payments and distributions to non-controlling interests less: (i) sustaining capital and capitalized stripping; (ii) committed growth capital; (iii) any cash required to adjust the capital structure to maintain solid investment grade credit metrics; and (iv) our base \$0.20 per share annual dividend. Proceeds from any asset sales may also be used to supplement available cash flow. Any additional cash returns will be made through share repurchases and/or supplemental dividends depending on market conditions at the relevant time.
2. Net Debt to Adjusted EBITDA ratio is a non-GAAP financial measure. See "Non-GAAP Financial Measures" slides.

# Strong Financial Position

Investment grade credit rating, with substantial liquidity

## Balance Sheet

- Rated investment grade by all four agencies

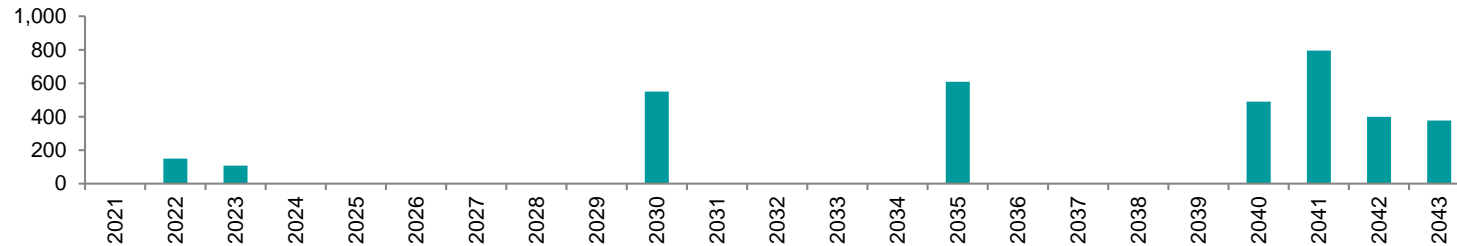
## Liquidity

- C\$6.3 billion of liquidity available<sup>1</sup>
- US\$5.0 billion of committed revolving credit facilities
- No earnings or cash-flow based financial covenant, no credit rating trigger, no general material adverse effect borrowing condition

## Significant leverage to rising commodity prices

	Production <sup>4</sup>	Change	Estimated Effect on Annualized Profit <sup>5</sup>	Estimated Effect on Annualized EBITDA <sup>5</sup>
Copper <sup>3</sup>	282.5 kt	US\$0.50/lb	C\$200M	C\$350M
Zinc <sup>3,6</sup>	912.5 kt	US\$0.10/lb	C\$90M	C\$120M
Coal <sup>7</sup>	26.0 Mt	US\$50/t	C\$950M	C\$1,500M

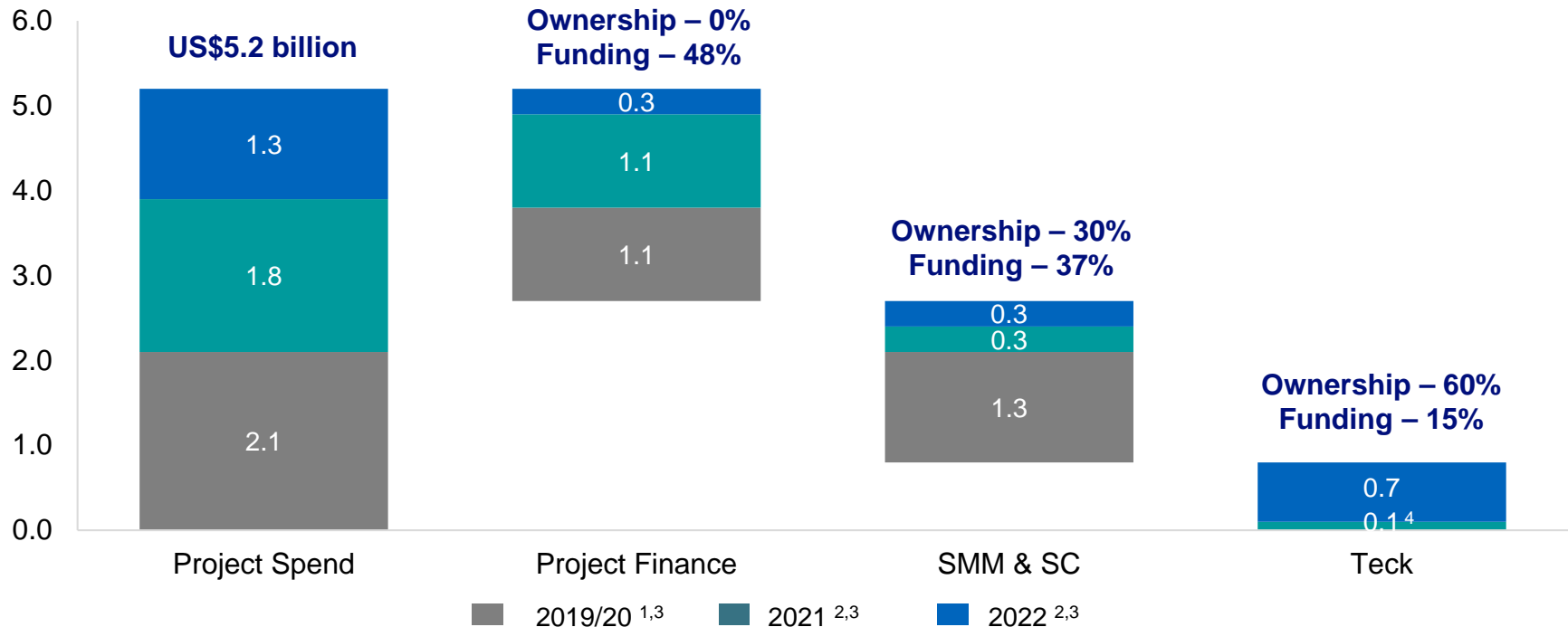
## Long dated maturity profile with no significant note maturities prior to 2030<sup>2</sup> (C\$M)



# QB2 Funding Model

Minimized Teck execution funding through partnership and project finance

## QB2 Funding Model - Post January 2019 (US\$B)



# QB2 Project Finance Facility

- Senior debt will continue to be drawn pro-rata under a pre-determined Senior Debt-to-Shareholder funding ratio until US\$2.5 billion is drawn
- Pre-completion, senior debt is guaranteed on a pro-rata basis (after consideration of ENAMI's 10% carried interest)
  - Teck 66.67% / SMM 27.77% / SC 5.56%
- Senior debt becomes non-recourse after successfully achieving operational completion tests
- Semi-annual amortization payments of US\$147 million will begin no later than June 15, 2023; facility matures in 2031
- The facility requires partial debt repayment upon dividend distribution to equity partners



# Teck Illustrative Cash Flows - QB2 Full Production

Scenarios indicate potential Available Cash Flow of C\$4–6/share

## Illustrative Available Cash Flow (C\$B)

	US\$4.50/lb Copper	C\$/share <sup>9</sup>	US\$4.00/lb Copper	C\$/share <sup>9</sup>	US\$3.50/lb Copper	C\$/share <sup>9</sup>
Adjusted EBITDA <sup>1</sup>	\$6.0		\$5.6		\$5.3	
QB2 EBITDA (100%) <sup>2</sup>	2.6		2.2		1.8	
Less: cash taxes (100%) <sup>3</sup>	(1.9)		(1.7)		(1.5)	
Less: cash interest paid <sup>4</sup>	(0.4)		(0.4)		(0.4)	
Less: lease payments <sup>5</sup>	(0.1)		(0.1)		(0.1)	
Operating cash flow	\$6.2		\$5.6		\$5.0	
Less: capital spending <sup>6</sup>	(1.8)		(1.8)		(1.8)	
Less: base dividends <sup>7</sup>	(0.1)		(0.1)		(0.1)	
Less: QB2 project finance repayment (100%) <sup>8</sup>	(0.4)		(0.4)		(0.4)	
<b>Illustrative Available Cash Flow (100%)</b>	<b>\$3.9</b>		<b>\$3.4</b>		<b>\$2.8</b>	
Illustrative Available Cash Flow (Teck's share)	3.1	\$5.73	2.6	\$4.93	2.2	\$4.13
30% of Teck's Available Cash Flow for supplemental distribution	(0.9)	(1.72)	(0.8)	(1.48)	(0.7)	(1.24)
<b>Balance available for Teck's growth and shareholders</b>	<b>\$2.1</b>	<b>\$4.01</b>	<b>\$ 1.8</b>	<b>\$3.45</b>	<b>\$1.5</b>	<b>\$2.89</b>
Gross Debt/EBITDA (Teck's share; assumes June 30, 2021 reported gross debt)	0.96x		1.04x		1.13x	

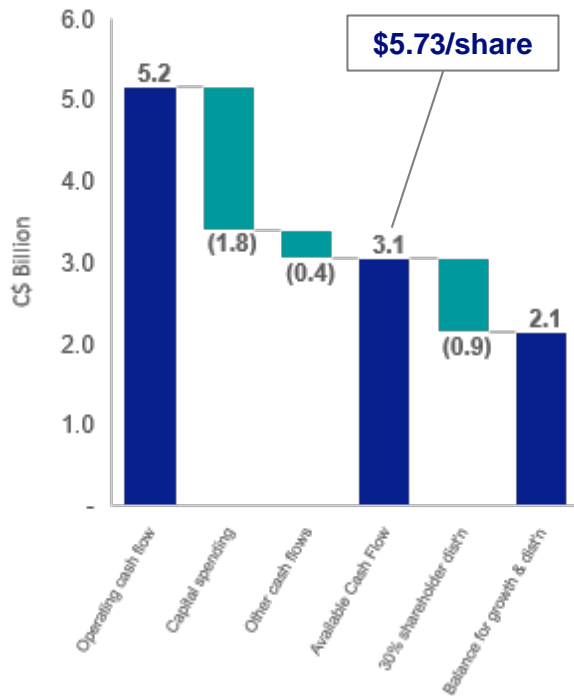
Illustrative Proforma; includes QB2 on a 100% consolidation basis; QB2 EBITDA assumes 290ktpy copper sales and US\$1.28/lb C1 cash cost.

For this purpose, we define available cash flow as cash flow from operating activities after interest and finance charges, lease payments and distributions to non-controlling interests less: (i) sustaining capital and capitalized stripping; (ii) committed growth capital; (iii) any cash required to adjust the capital structure to maintain solid investment grade credit metrics; and (iv) our base \$0.20 per share annual dividend. Proceeds from any asset sales may also be used to supplement available cash flow. Any additional cash returns will be made through share repurchases and/or supplemental dividends depending on market conditions at the relevant time.

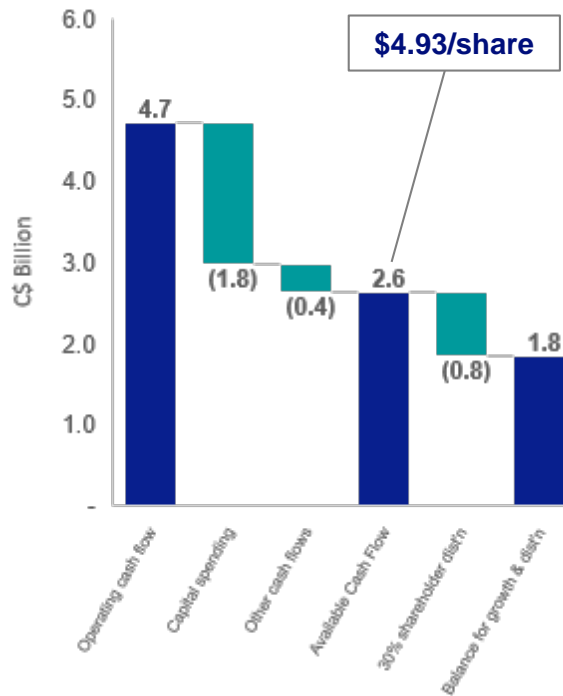
# Teck Illustrative Cash Flows - QB2 Full Production

Scenarios indicate potential Available Cash Flow of C\$4–6/share

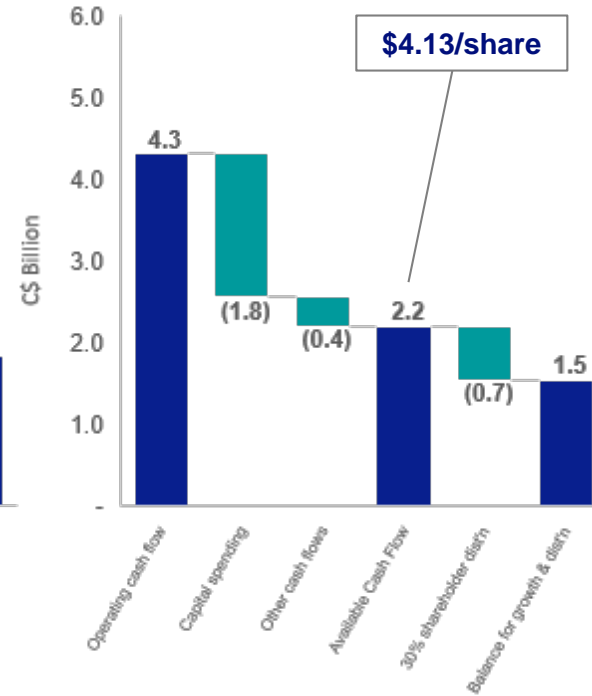
## US\$4.50/lb Copper Scenario



## US\$4.00/lb Copper Scenario



## US\$3.50/lb Copper Scenario



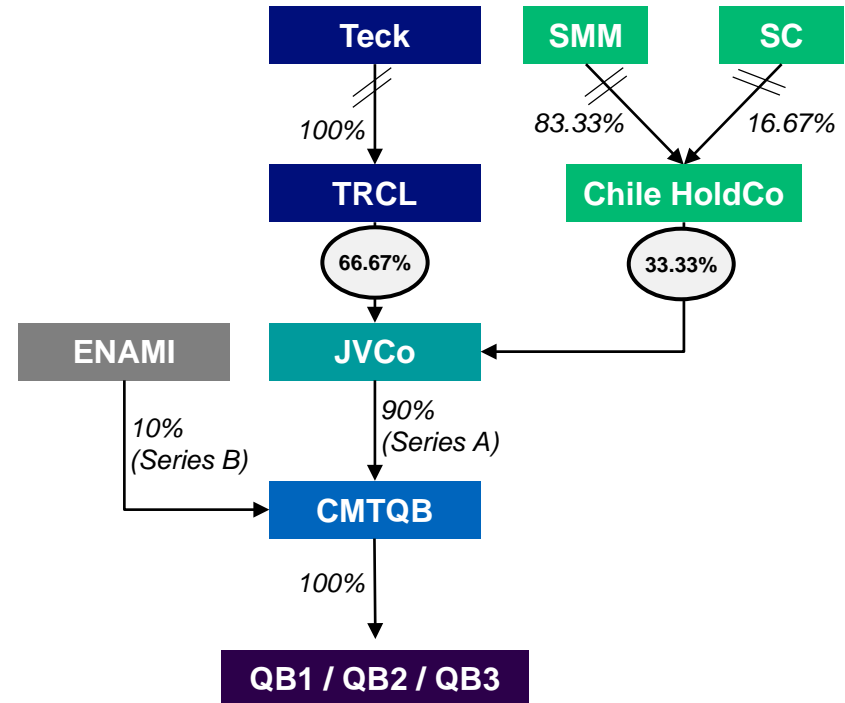


# Appendix

# ENAMI Interest in Quebrada Blanca

- The government of Chile owns a 10% non-funding interest in Compañía Minera Teck Quebrada Blanca S.A. (CMTQB) through its state-run minerals company, Empresa Nacional de Minería (ENAMI)
- ENAMI has been a partner at QB since 1989 and is a 10% shareholder of Carmen de Andacollo
- ENAMI is not required to fund QB2 development costs
- Project equity funding in form of:
  - 25% Series A Shares
  - 75% Shareholder Loans
- Until shareholder loans are fully repaid, ENAMI is entitled to a minimum dividend, based on net income, that approximates 2.0-2.5% of free cash flow
  - Thereafter, ENAMI receives 10% of dividends / free cash flow

## Organizational Chart



# Quebrada Blanca Accounting Treatment

## Balance Sheet

- 100% of project spending included in property, plant and equipment
- Debt includes 100% of project financing
- Total shareholder funding to be split between loans and equity approximately 75%/25% over the life of the project
- Sumitomo (SMM/SC)<sup>1</sup> contributions will be shown as advances as a non-current liability and non-controlling interest as part of equity
- Teck contributions, whether debt or equity, eliminated on consolidation

## Income Statement

- Teck's income statement will include 100% of QB's revenues and expenses
- Sumitomo's<sup>1</sup> 30% and ENAMI's 10% share of profit will show as profit attributable to non-controlling interests

## Cash Flow

- 100% of project spending included in capital expenditures
- Sumitomo<sup>1</sup> contribution recorded within financing activities and split approximately 75%/25% as:
  - Loans recorded as “Advances from Sumitomo”
  - Equity recorded as “Contributions from Non-Controlling Interests”
- 100% of draws on project financing included in financing activities
- After start-up of operations
  - 100% of profit in cash flow from operations
  - Sumitomo's<sup>1</sup> 30% and ENAMI's 10% share of distributions included in non-controlling interest

# Capital Expenditures Guidance

## Sustaining and Growth Capital

(Teck's share in CAD\$ millions)	2020	2021 Guidance <sup>1</sup>
<b>Sustaining</b>		
Copper	\$ 161	\$ 160
Zinc	188	155
Steelmaking coal <sup>2</sup>	571	430
Energy	91	85
Corporate	12	-
<b>Total sustaining</b>	<b>\$ 1,023</b>	<b>\$ 830</b>
<b>Growth<sup>3</sup></b>		
Copper <sup>4</sup>	\$ 41	\$ 125
Zinc	7	25
Steelmaking coal	411	460
Corporate	4	5
	<b>\$ 463</b>	<b>\$ 615</b>
<b>Total</b>		
Copper	\$ 202	\$ 285
Zinc	195	180
Steelmaking coal	982	890
Energy	91	85
Corporate	16	5
	<b>\$ 1,486</b>	<b>\$ 1,445</b>

## QB2

(Teck's share in CAD\$ millions)	2020	2021 Guidance <sup>1</sup>
<b>QB2 capital expenditures</b>	\$ 1,643	\$ 2,500
Total before SMM/SC contributions	3,129	3,945
Estimated SMM/SC contributions	(660)	(440)
Estimated QB2 project financing draw to capex	(983)	(1,425)
<b>Total, net of partner contributions and project financing</b>	<b>\$ 1,486</b>	<b>\$ 2,080</b>

## Capitalized Stripping

(Teck's share in CAD\$ millions)	2020	2021 Guidance <sup>1</sup>
<b>Capitalized Stripping</b>		
Copper	\$ 145	\$ 205
Zinc	51	70
Steelmaking coal	303	400
	<b>\$ 499</b>	<b>\$ 675</b>

# Endnotes: Financial Strategy

## Slide 3: Strong Financial Position

1. As at July 26, 2021.
2. Based on Teck's US\$3.5 billion of public notes outstanding as at June 30, 2021, excluding project finance debt, draws on the revolving credit facility, leases and debt at Antamina and Neptune Terminals.
3. As at July 26, 2021. The sensitivity of our EBITDA to changes in the Canadian/U.S. dollar exchange rate and commodity prices, before pricing adjustments, based on our current balance sheet, our 2021 mid-range production estimates, current commodity prices and a Canadian/U.S. dollar exchange rate of \$1.25. See Teck's Q2 2021 press release for further details.
4. All production estimates are subject to change based on market and operating conditions.
5. The effect on our EBITDA of commodity price movements will vary from quarter to quarter depending on sales volumes. Our estimate of the sensitivity of EBITDA to changes in the U.S. dollar exchange rate is sensitive to commodity price assumptions. See Caution Regarding Forward-Looking Statements for a further discussion of factors that may cause actual results to vary from our estimates. EBITDA is a non-GAAP financial measure. See "Non-GAAP Financial Measures" slides.
6. Zinc includes 295,000 tonnes of refined zinc and 617,500 tonnes of zinc contained in concentrate.
7. Sensitivities from Teck's 2020 Annual Report. The sensitivity of our annual profit attributable to shareholders and EBITDA to changes in the Canadian/U.S. dollar exchange rate and commodity prices, before pricing adjustments, based on a 26.0 million tonne production volume estimate, our current balance sheet, current commodity prices and a Canadian/U.S. dollar exchange rate of \$1.30. See Teck's Q4 2020 press release for further details.

## Slide 4: QB2 Funding Model

1. Excludes working capital, interest, and COVID-19 capital, includes escalation and contingency, at actual CLP exchange rate.
2. Excludes working capital, interest, and COVID-19 capital, includes escalation and contingency, at 775 CLP exchange rate.
3. Assumes 100% of project finance and partner funding is attributed towards capital spend versus working capital, interest and COVID-19 costs.
4. 2019-2021.

## Slide 6: Teck Illustrative Cash Flows – QB2 Full Production

1. Adjusted EBITDA is H1 2021 Adjusted EBITDA annualized and price adjusted assuming copper prices of US\$4.50, US\$4.00, and US\$3.50 per pound, and a hard coking coal (HCC) price of US\$199/t FOB Australia. All other commodity prices are at H1 2021 actual average prices of copper US\$4.13 per pound, zinc US\$1.29 per pound, steelmaking coal US\$137.50 per tonne realized price, Western Canadian Select (WCS) US\$49.78 per barrel, West Texas Intermediate (WTI) US\$62.16 per barrel and a Canadian/U.S. dollar exchange rate of \$1.25. The sensitivity of our EBITDA to changes in the Canadian/U.S. dollar exchange rate and commodity prices are: C\$0.01 change in US\$ FX = C\$87 million EBITDA; US\$ 0.01/lb change in copper price = C\$7 million EBITDA; US\$ 0.01/lb change in zinc price = C\$12 million EBITDA; US\$1/tonne change in steelmaking coal price = C\$29 million EBITDA; US\$1/bbl change in WCS price = C\$8 million EBITDA; US\$1/bbl change in WTI price = C\$3 million EBITDA. EBITDA and Adjusted EBITDA are non-GAAP financial measures. See "Non-GAAP Financial Measures" slides.
2. QB2 EBITDA assumes a C1 cash cost of US\$1.28/lb, a Canadian/U.S. dollar exchange rate of \$1.25, and annual copper sales of 290,000 tonnes. EBITDA is a non-GAAP financial measure. See "Non-GAAP Financial Measures" slides.
3. Annualized H1 2021 cash taxes adjusted for future Canadian cash taxability on the basis of spot HCC prices, and future QB2 taxability, post-QB2 ramp up and post QB2 accelerated tax depreciation period. QB2 cash taxes are calculated on a post-financing basis.
4. Annualized H1 2021 cash interest paid.
5. Lease payments are annualized H1 2021 lease payments (C\$130 million/year).
6. Q2 2021 guidance for capital expenditures.
7. Base dividend of C\$0.20/share, paid quarterly.
8. QB2 project finance repayments are two semi-annual principal repayments of US\$147 million each.
9. Per share amounts assume 532.4 million shares outstanding as at June 30, 2021.

## Slide 10: Quebrada Blanca Accounting Treatment

1. Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation are collectively referred to as Sumitomo.

## Slide 11: Capital Expenditures Guidance

1. As at July 26, 2021. See Teck's Q2 2021 press release for further details.
2. Steelmaking coal sustaining capital guidance for 2021 includes \$245 million of water treatment capital. 2020 includes \$267 million of water treatment capital.
3. Growth expenditures include RACE21™ capital expenditures for 2021 of \$150 million, of which \$30 million relates to copper, \$5 million relates to zinc, \$110 million relates to steelmaking coal, and \$5 million relates to corporate projects.
4. Copper growth guidance for 2021 includes studies for HVC 2040, Antamina, QB3, Zafrañal, San Nicolás and Galore Creek.

# Non-GAAP Financial Measures

Our financial results are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. This document refers to a number of Non-GAAP Financial Measures which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS or Generally Accepted Accounting Principles (GAAP) in the United States.

The Non-GAAP Measures described below do not have standardized meanings under IFRS, may differ from those used by other issuers, and may not be comparable to such measures as reported by others. These measures have been derived from our financial statements and applied on a consistent basis as appropriate. We disclose these measures because we believe they assist readers in understanding the results of our operations and financial position and are meant to provide further information about our financial results to investors. These measures should not be considered in isolation or used in substitute for other measures of performance prepared in accordance with IFRS.

**Adjusted profit attributable to shareholders** – For adjusted profit, we adjust profit attributable to shareholders as reported to remove the after-tax effect of certain types of transactions that reflect measurement changes on our balance sheet or are not indicative of our normal operating activities. We believe adjusted profit helps us and readers better understand the results of our core operating activities and the ongoing cash generating potential of our business.

**Adjusted basic earnings per share** – Adjusted basic earnings per share is adjusted profit divided by average number of shares outstanding in the period.

**Adjusted diluted earnings per share** – Adjusted diluted earnings per share is adjusted profit divided by average number of fully diluted shares in a period.

**EBITDA** – EBITDA is profit before net finance expense, provision for income taxes, and depreciation and amortization.

**Adjusted EBITDA** – Adjusted EBITDA is EBITDA before the pre-tax effect of the adjustments that we make to adjusted profit attributable to shareholders as described above.

**Impairment adjusted EBITDA** - Impairment adjusted EBITDA margin is EBITDA margin after impairments net of impairment reversal.

**EBITDA margin** – EBITDA margin is EBITDA as a percentage of revenue.

**Impairment adjusted EBITDA margin** - Impairment adjusted EBITDA margin is EBITDA margin after impairments net of impairment reversal.

The adjustments described above to profit attributable to shareholders and EBITDA highlight items and allow us and readers to analyze the rest of our results more clearly. We believe that disclosing these measures assists readers in understanding the ongoing cash generating potential of our business in order to provide liquidity to fund working capital needs, service outstanding debt, fund future capital expenditures and investment opportunities, and pay dividends.

**Gross profit before depreciation and amortization** – Gross profit before depreciation and amortization is gross profit with the depreciation and amortization expense added back. We believe this measure assists us and readers to assess our ability to generate cash flow from our business units or operations.

**Gross profit margins before depreciation and amortization** – Gross profit margins before depreciation are gross profit before depreciation and amortization, divided by revenue for each respective business unit or operation. We believe this measure assists us and readers to compare margins on a percentage basis among our business units. All operations in the Copper BU are mining operations. Mining operations in the Zinc BU are Red Dog and Pend Oreille.

**Unit costs** – Unit costs for our steelmaking coal operations are total cost of goods sold, divided by tonnes sold in the period, excluding depreciation and amortization charges. We include this information as it is frequently requested by investors and investment analysts who use it to assess our cost structure and margins and compare it to similar information provided by many companies in the industry.

**Adjusted site cash cost of sales** – Adjusted site cash cost of sales for our steelmaking coal operations is defined as the cost of the product as it leaves the mine excluding depreciation and amortization charges, out-bound transportation costs and any one-time collective agreement charges and inventory write-down provisions.

**Total cash unit costs** – Total cash unit costs for our copper and zinc operations includes adjusted cash costs of sales, as described above, plus the smelter and refining charges added back in determining adjusted revenue. This presentation allows a comparison of total cash unit costs, including smelter charges, to the underlying price of copper or zinc in order to assess the margin for the mine on a per unit basis.

**Net cash unit costs** – Net cash unit costs of principal product, after deducting co-product and by-product margins, are also a common industry measure. By deducting the co- and by-product margin per unit of the principal product, the margin for the mine on a per unit basis may be presented in a single metric for comparison to other operations. Readers should be aware that this metric, by excluding certain items and reclassifying cost and revenue items, distorts our actual production costs as determined under IFRS.

# Non-GAAP Financial Measures

**Adjusted cash cost of sales** – Adjusted cash cost of sales for our copper and zinc operations is defined as the cost of the product delivered to the port of shipment, excluding depreciation and amortization charges, any one-time collective agreement charges or inventory write-down provisions and by-product cost of sales. It is common practice in the industry to exclude depreciation and amortization as these costs are non-cash and discounted cash flow valuation models used in the industry substitute expectations of future capital spending for these amounts.

**Adjusted operating costs** – Adjusted operating costs for our energy business unit is defined as the costs of product as it leaves the mine, excluding depreciation and amortization charges, cost of diluent for blending to transport our bitumen by pipeline, cost of non-proprietary product purchased and transportation costs of our product and non-proprietary product and any one-time collective agreement charges or inventory write-down provisions.

**Cash margins for by-products** – Cash margins for by-products is revenue from by- and co-products, less any associated cost of sales of the by and co-product. In addition, for our copper operations, by-product cost of sales also includes cost recoveries associated with our streaming transactions.

**Adjusted revenue** – Adjusted revenue for our copper and zinc operations excludes the revenue from co-products and by-products, but adds back the processing and refining charges to arrive at the value of the underlying payable pounds of copper and zinc. Readers may compare this on a per unit basis with the price of copper and zinc on the LME.

Adjusted revenue for our energy business unit excludes the cost of diluent for blending and non-proprietary product revenues, but adds back crown royalties to arrive at the value of the underlying bitumen.

**Blended bitumen revenue** – Blended bitumen revenue is revenue as reported for our energy business unit, but excludes non-proprietary product revenue, and adds back crown royalties that are deducted from revenue.

**Blended bitumen price realized** – Blended bitumen price realized is blended bitumen revenue divided by blended bitumen barrels sold in the period.

**Operating netback** – Operating netbacks per barrel in our energy business unit are calculated as blended bitumen sales revenue net of diluent expenses (also referred to as bitumen price realized), less crown royalties, transportation and operating expenses divided by barrels of bitumen sold. We include this information as investors and investment analysts use it to measure our profitability on a per barrel basis and compare it to similar information provided by other companies in the oil sands industry.

The debt-related measures outlined below are disclosed as we believe they provide readers with information that allows them to assess our credit capacity and the ability to meet our short and long-term financial obligations.

**Net debt** – Net debt is total debt, less cash and cash equivalents.

**Debt to debt-plus-equity ratio** – debt to debt-plus-equity ratio takes total debt as reported and divides that by the sum of total debt plus total equity, expressed as a percentage.

**Net debt to net debt-plus-equity ratio** – net debt to net debt-plus-equity ratio is net debt divided by the sum of net debt plus total equity, expressed as a percentage.

**Debt to Adjusted EBITDA ratio** – debt to adjusted EBITDA ratio takes total debt as reported and divides that by adjusted EBITDA for the twelve months ended at the reporting period, expressed as the number of times adjusted EBITDA needs to be earned to repay all of the outstanding debt.

**Net debt to Adjusted EBITDA ratio** – net debt to adjusted EBITDA ratio is the same calculation as the debt to adjusted EBITDA ratio, but using net debt as the numerator.

**Net debt to capitalization ratio** – net debt to capitalization ratio is net debt divided by the sum of total debt plus equity attributable to shareholders. The ratio is a financial covenant under our revolving credit facility.

# Non-GAAP Financial Measures

## Reconciliation of Net Debt to Adjusted EBITDA Ratio

(C\$ in millions)	(A) Twelve months ended December 31, 2020	(B) Three months ended March 31, 2020	(C) Three months ended March 31, 2021	(A-B+C) Twelve months ended March 31, 2021
Profit (loss)	\$ (944)	\$ (311)	\$ 292	\$ (341)
Finance expense net of finance income	268	47	51	272
Provision for (recovery of) income taxes	(192)	(69)	209	86
Depreciation and amortization	1,510	378	378	1,510
<b>EBITDA</b>	<b>\$ 642</b>	<b>\$ 45</b>	<b>\$ 930</b>	<b>\$ 1,527</b>
Add (deduct):				
Asset impairments	1,244	647	-	597
COVID-19 costs	336	44	-	292
Environmental costs	270	(121)	(46)	345
Inventory write-downs (reversals)	134	36	(10)	88
Share-based compensation	47	(30)	14	91
Commodity derivative losses (gains)	(62)	21	20	(63)
Other	(41)	(34)	59	52
<b>Adjusted EBITDA</b>	<b>(D) \$ 2,570</b>	<b>\$ 608</b>	<b>\$ 967</b>	<b>(E) \$ 2,929</b>



# Non-GAAP Financial Measures

## Reconciliation of Net Debt to Adjusted EBITDA Ratio - Continued

(C\$ in millions)	(A) Twelve months ended December 31, 2020	(B) Three months ended March 31, 2020	(C) Three months ended March 31, 2021	(A-B+C) Twelve months ended March 31, 2021
Total debt at period end	(F) \$ 6,947			(G) \$ 7,385
Less: cash and cash equivalents at period end	(450)			(369)
<b>Net debt</b>	<b>(H) \$ 6,497</b>			<b>(I) \$ 7,016</b>
<b>Debt to adjusted EBITDA ratio</b>	(F/D) 2.7			(G/E) 2.5
<b>Net debt to adjusted EBITDA ratio</b>	(H/D) 2.5			(I/E) 2.4
Equity attributable to shareholders of the company	(J) 20.039			(K) 20.372
Obligation to Neptune Bulk Terminals	(L) 138			(M) 150
<b>Adjusted net debt to capitalization ratio</b>	<b>(H+L)/(F+J+L) 0.24</b>			<b>(I+M)/(G+K+M) 0.26</b>

# Non-GAAP Financial Measures

## Reconciliation of EBITDA and Adjusted EBITDA

(C\$ in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020
Profit (loss)	\$ 292	\$ (311)
Finance expense net of finance income	51	47
Provision for (recovery of) income taxes	209	(69)
Depreciation and amortization	378	378
<b>EBITDA</b>	<b>\$ 930</b>	<b>\$ 45</b>
Add (deduct):		
Asset impairments	-	647
COVID-19 costs	-	44
Environmental costs	(46)	(121)
Inventory write-downs (reversals)	(10)	36
Share-based compensation	14	(30)
Commodity derivative losses	20	21
Taxes and other	59	(34)
<b>Adjusted EBITDA</b>	<b>\$ 967</b>	<b>\$ 608</b>