



Focus on China: Economic Outlook

April 4, 2018

Michael Han, Chief Economist



Forward Looking Information

Both these slides and the accompanying oral presentation 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. 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 which 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 statements relating to expectations regarding Chinese economic growth, urbanization and development, and the impact of these trends on our business.

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China's Economic Outlook

China Strives to Become a High-Income Economy

- It aims to avoid the middle-income trap
- Strong growth drivers remain

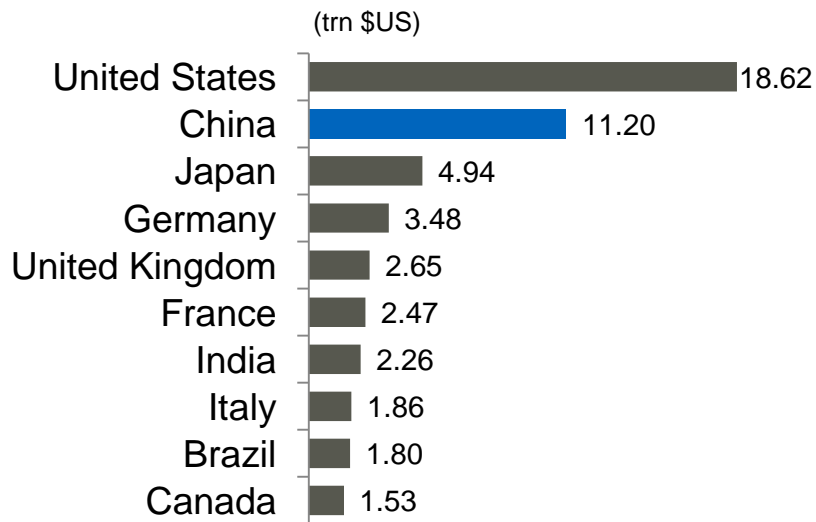
Steady Growth is Expected in 2018

- Key risks are under control
- Coal & steel benefit from supply side reforms

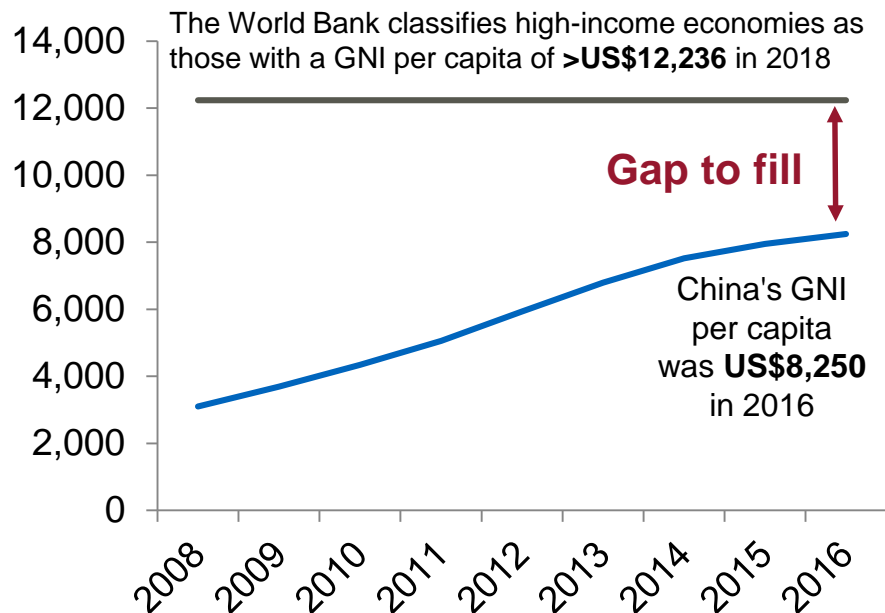


China Strives to Become a High-Income Economy

Top 10 Economies in 2016¹



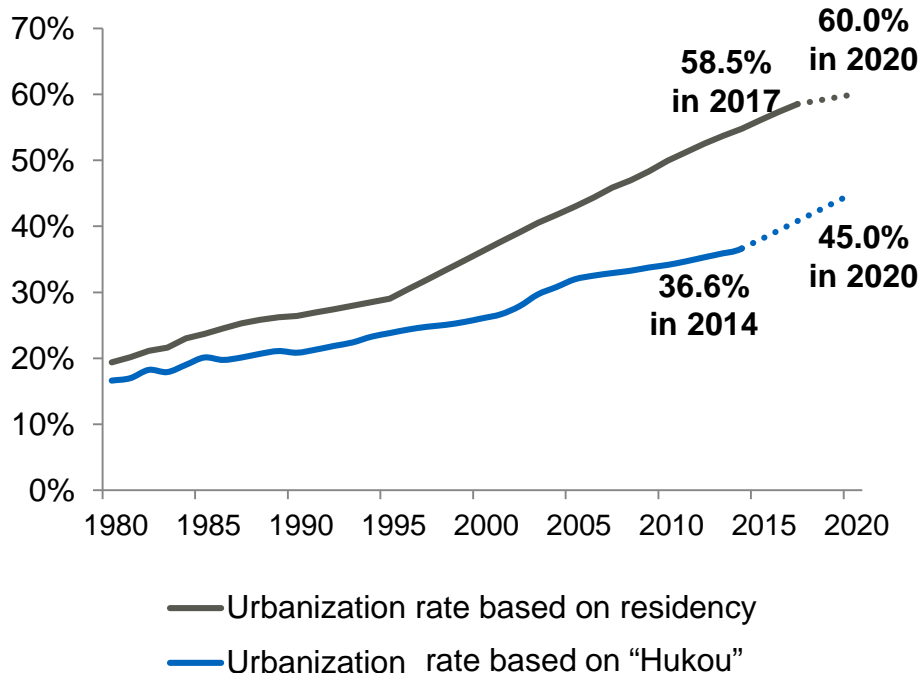
China's Gap by GNI Per Capita²



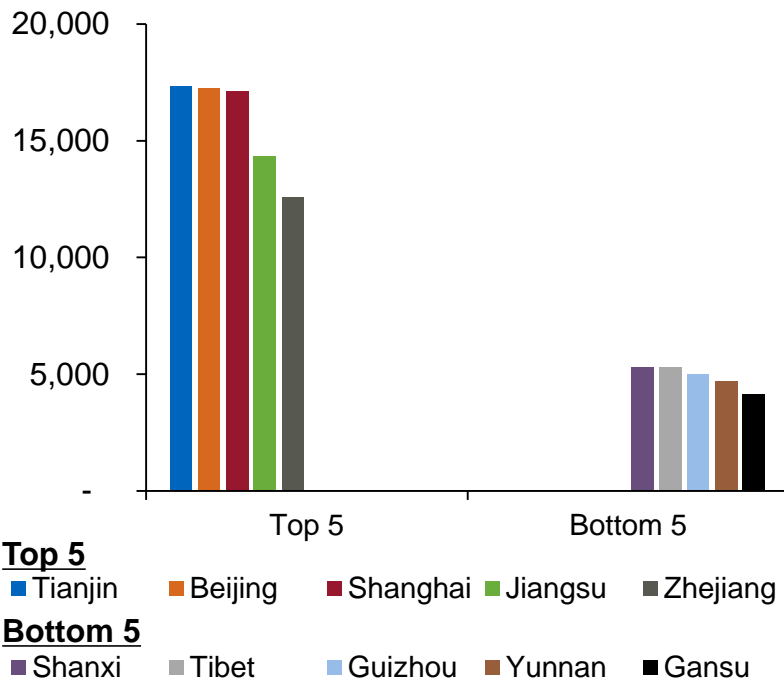
Urbanization Will Continue to be a Growth Driver

Regional disparity remains

Urbanization Rates¹



GDP Per Capita, 2016²



A New Megacity Will Be Built: Xiongan

The New Area, about 100 km southwest of downtown Beijing, will span three counties: Xiongxian, Rongcheng, Anxin



- “A major historic and strategic choice” that would be **“crucial for the millennium to come”**¹
- The decision is an integral part of measures to transfer non-capital functions out of Beijing
- Innovation will be the fundamental driver in building and developing the Xiongan New Area
- Xiongan will be of national significance

Xiongan will be Larger than New York

Xiongan¹

2018



Xiongan will be of National Significance

Similar to Shenzhen and Pudong

**Shenzhen
Special
Economic
Zone¹**
Established
1980s



2018



**Shanghai
Pudong
New
Area¹**
Established
1990s



2018



“Belt and Road” to Boost Infrastructure Significantly

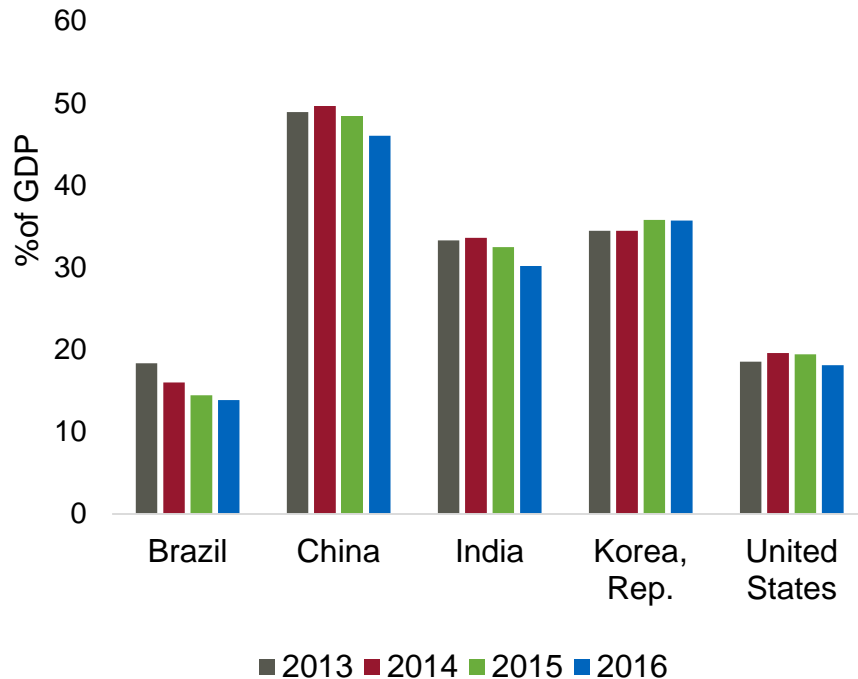
- The Asian Infrastructure Investment Bank (AIIB) has **84** approved members
- China has invested **>US\$50 billion** in countries along the routes from 2014-2016¹
- The Asian Development Bank forecasts that “developing Asia will need to invest **US\$26 trillion** from 2016 to 2030, or US\$1.7 trillion per year, if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change”



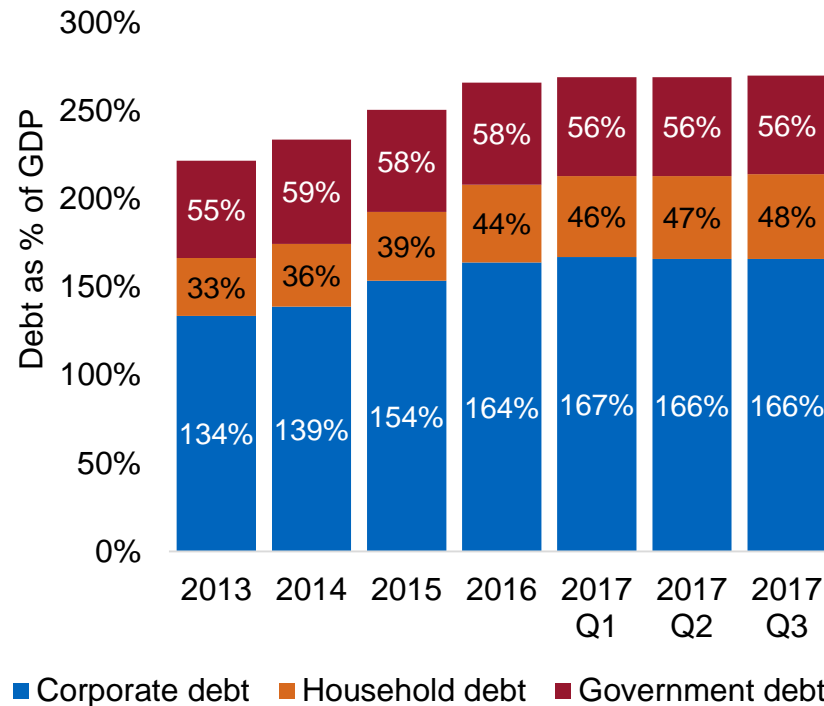
China's High Savings Rate Underpins Robust Growth

China's debt is being brought under control

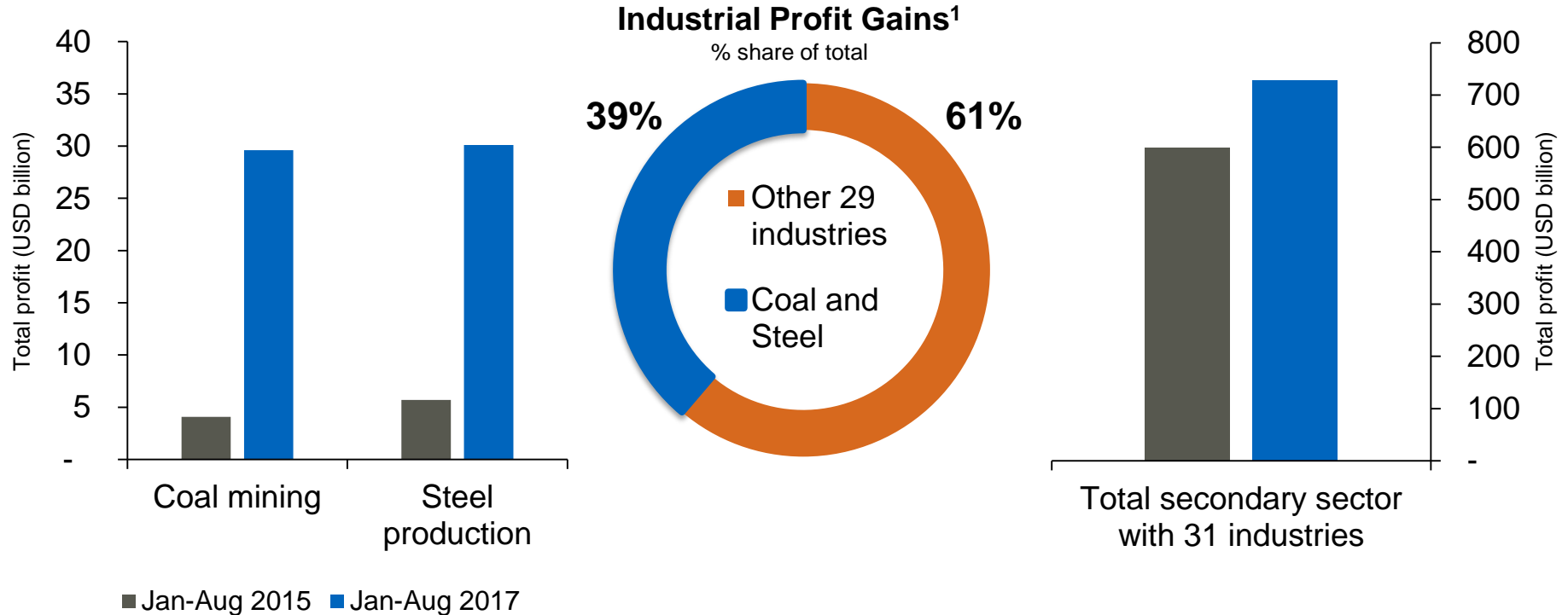
Gross Domestic Savings (% GDP)¹



Debt-to-GDP Ratio²



Coal & Steel Benefit from Supply-Side Reforms



Summary: China

- The *will*, *leadership* and *growth potential* to become a high-income economy in the medium term
- Steady growth in 2018; moderately softer than 2017
- Additional financial de-risking but access to credit will remain ample
- Supply-side reforms and crackdown on polluters ongoing
- Commodity sector strength underpinned by steady demand and continuous supply-side reforms



Notes

Slide 4: China Strives to Become a High-Income Economy

1. Source: World Bank.
2. Source: World Bank.

Slide 5: Urbanization Will Continue to be a Growth Driver

1. Source: National Bureau of Statistics of China.
2. Source: National Bureau of Statistics, CEIC database. Note: 2016 GDP per capita is the most up-to-date data.

Slide 6: A New Megacity will be Built: Xiongan

1. Source: Xinhua News.

Slide 7: Xiongan will be Larger than New York

1. Source: Baidu.

Slide 8: Xiongan will be of National Significance

1. Source: Baidu.

Slide 9: “Belt and Road” to Boost Infrastructure Significantly

1. Source: Xinhua News; Xi’s speech at the 2017 Belt and Road Forum; the official website of AIIB and ADB report 2017: “Meeting Asia’s Infrastructure needs”.

Slide 10: China’s High Savings Rate Underpins Robust Growth

1. Source: World Bank, World Development Indicators.
2. Source: The People’s Bank of China, National Bureau of Statistics of China, JP Morgan.

Slide 11: Coal & Steel Benefit from Supply-Side Reforms

1. Source: China Academy of Social Sciences, CEIC database.



Focus on China: Zinc & Copper Markets

April 4, 2018

Michael Schwartz, Manager, Market Research

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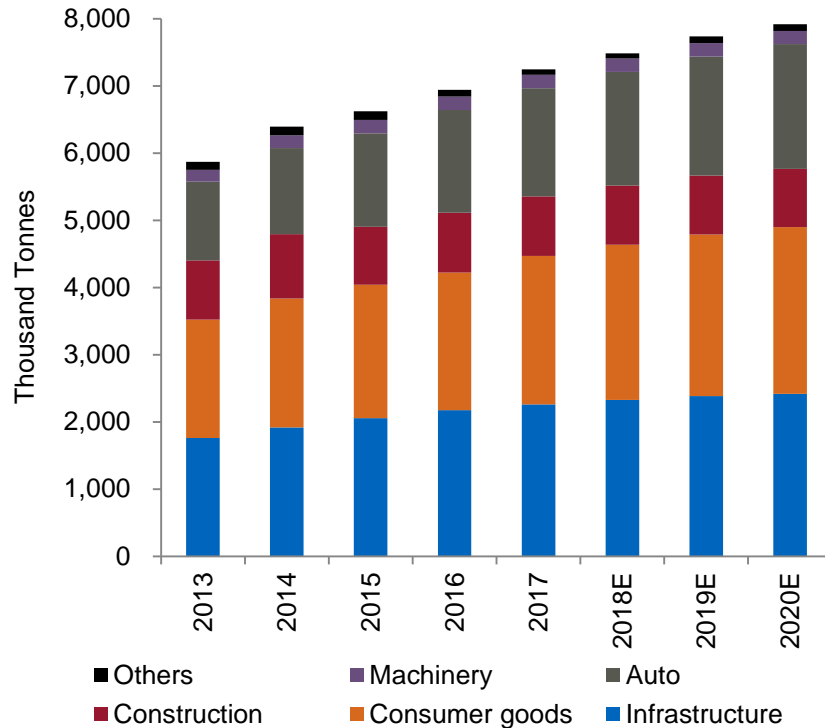
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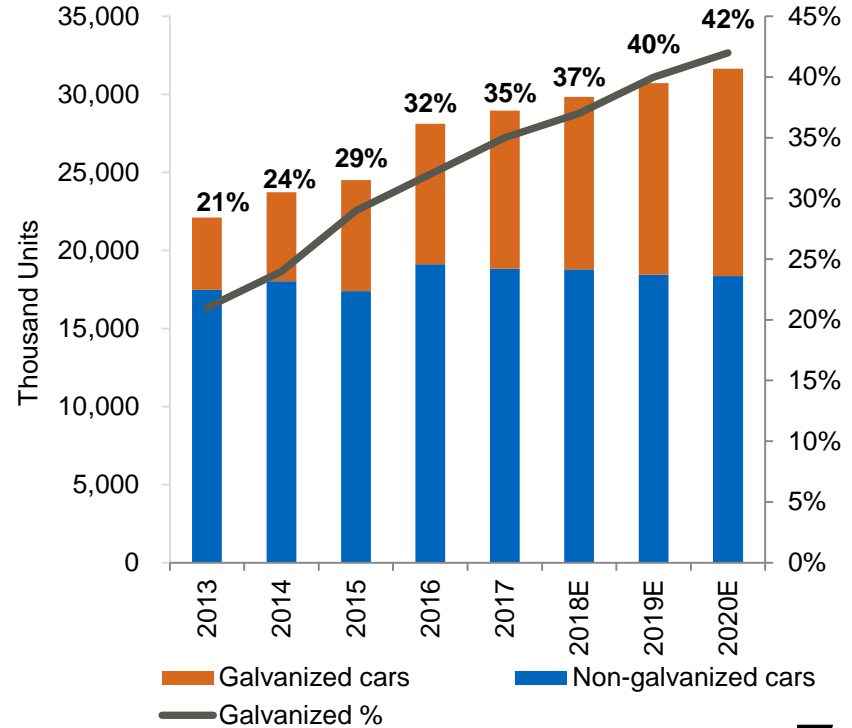
Zinc

Steady Demand Growth & Increasing Zinc Intensity

Chinese Zinc Demand to Grow ~2-4%¹



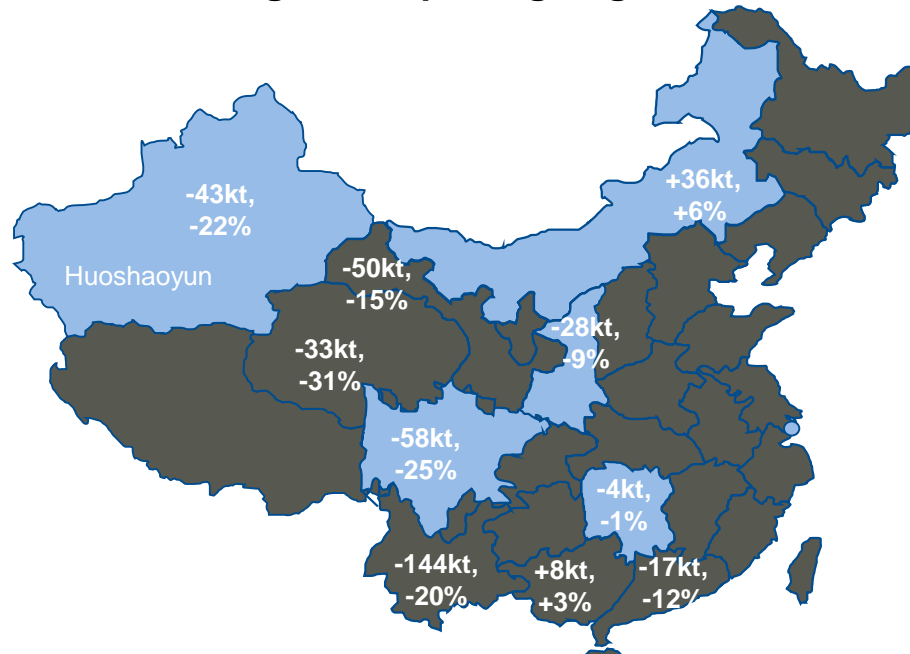
More Cars Expected to be Galvanized²



Environmental/Safety Inspections & Depletions

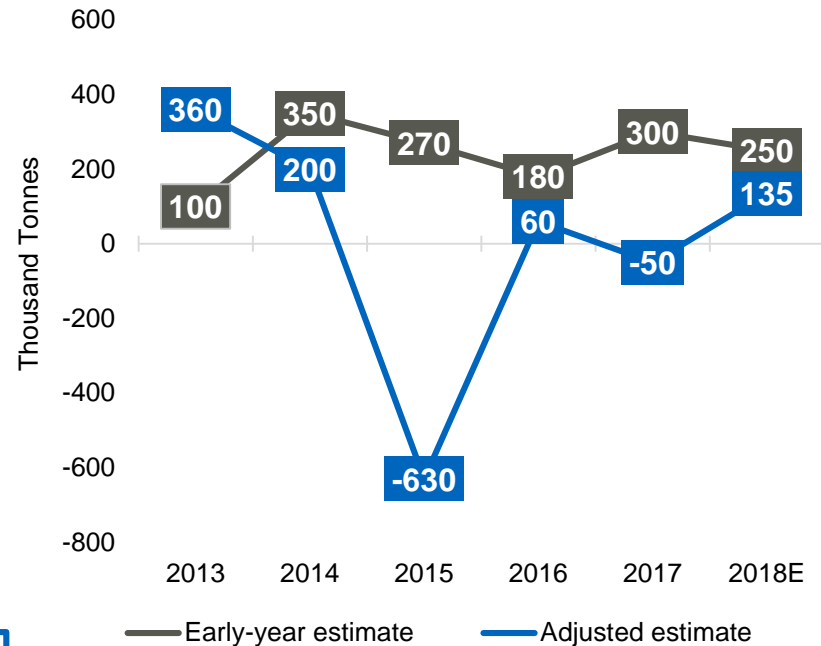
Constraining zinc mine production

Most Regions Reporting Negative Growth¹



- Entire country under environmental & work safety inspections
- Blue regions are also suffering from depletion
- 2017 mine production down 1%YoY

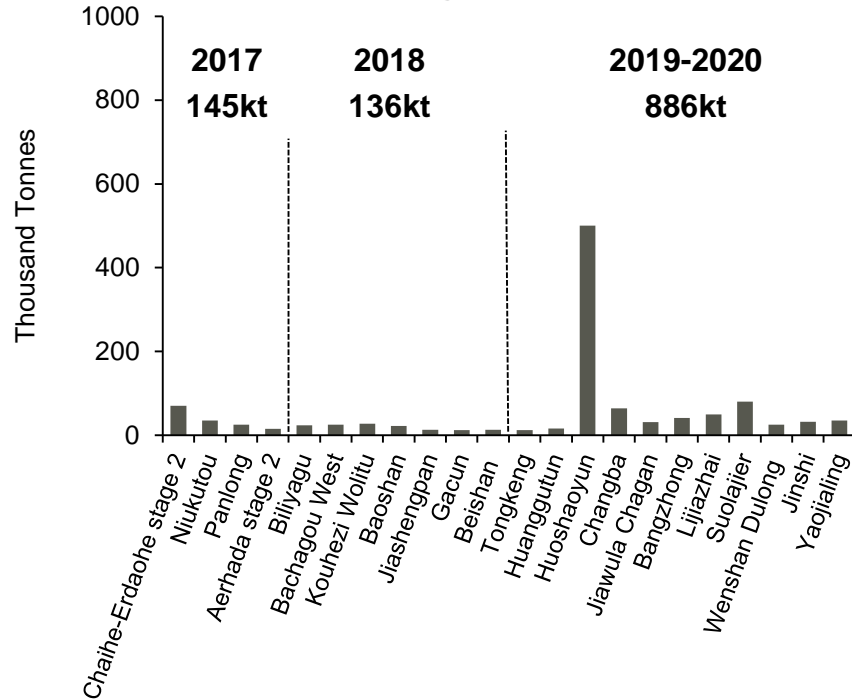
Estimated Zinc Mine Growth Rarely Achieved²



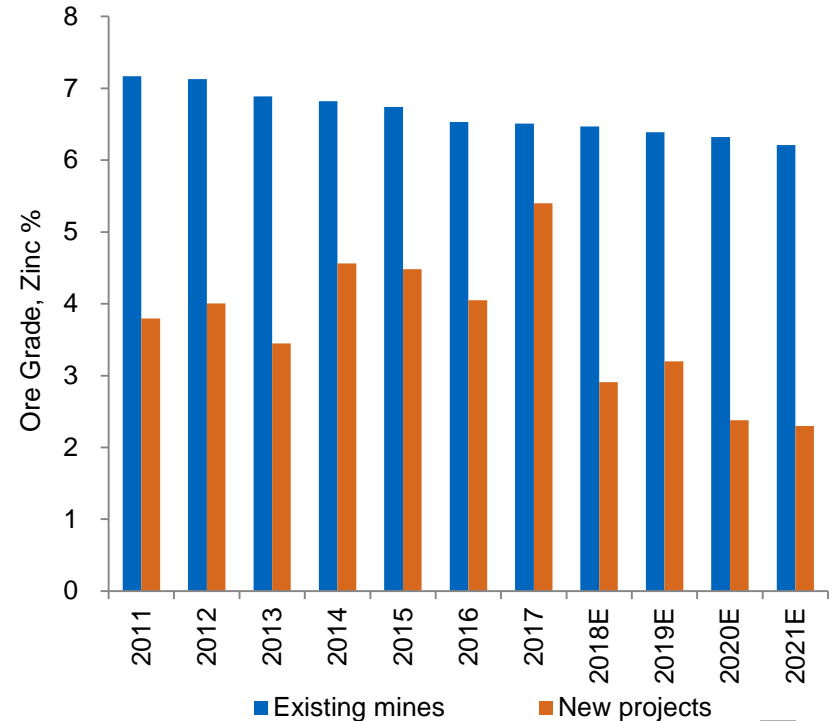
Zinc Mine Projects Increasingly Delayed

Impacted by inspections and low zinc ore grades

Future Mine Growth Heavily Dependent On One Single Project¹

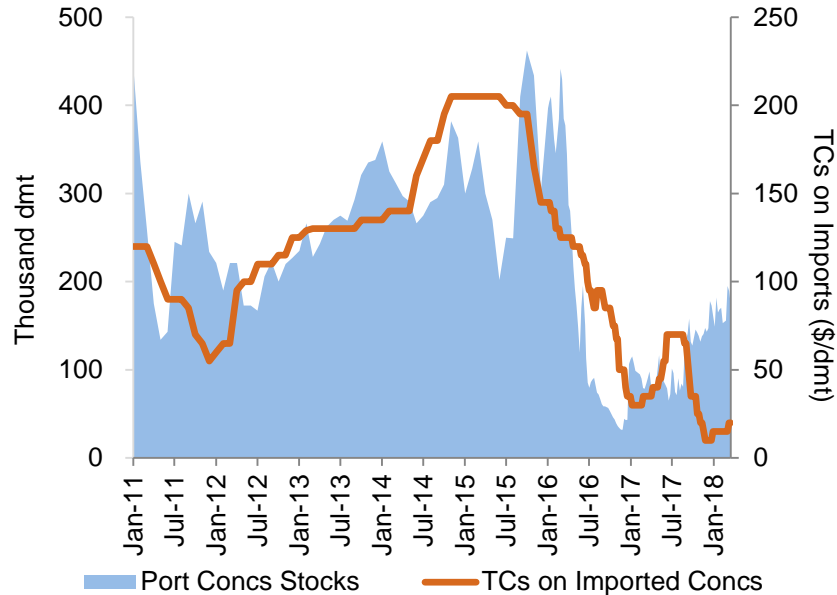


Mine Depletion & Low Grades of Projects²

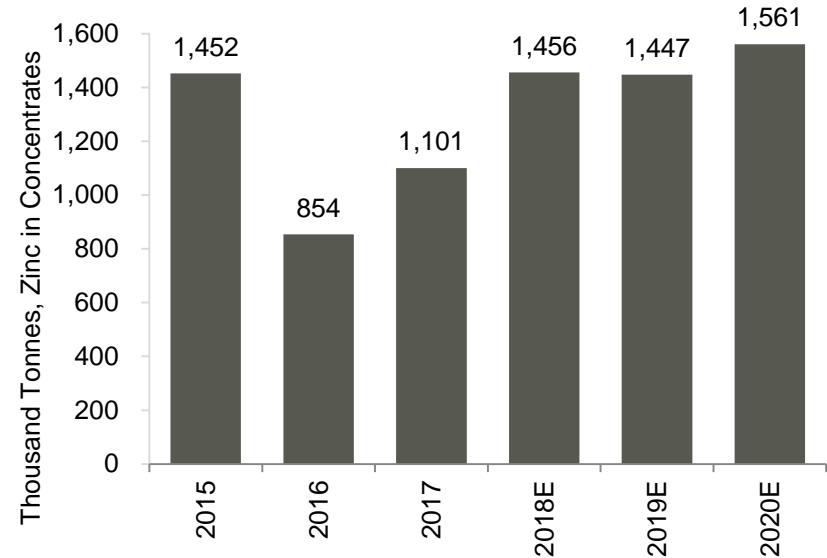


China to Require More Zinc Concentrate Imports

**Concentrate Stocks Rise,
Seasonal Build Insufficient¹**



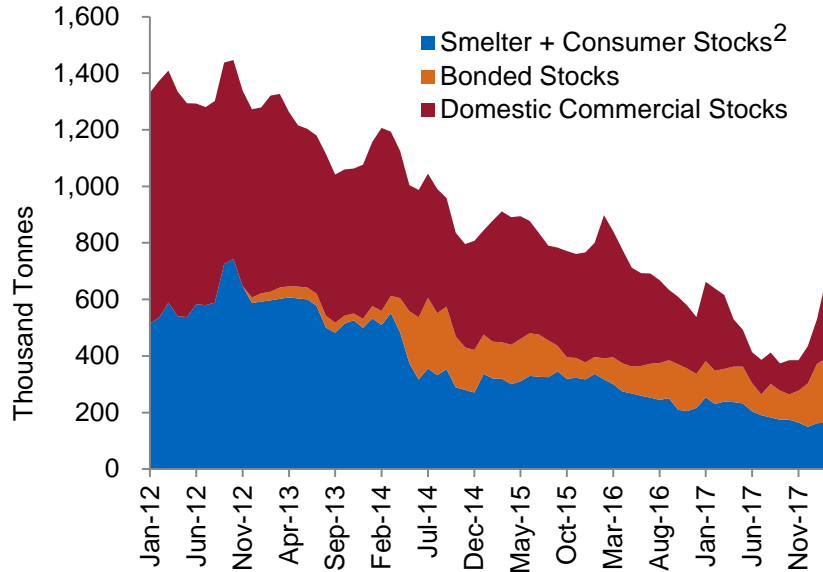
**China Will Have to Import
More Zinc in Concentrate²**



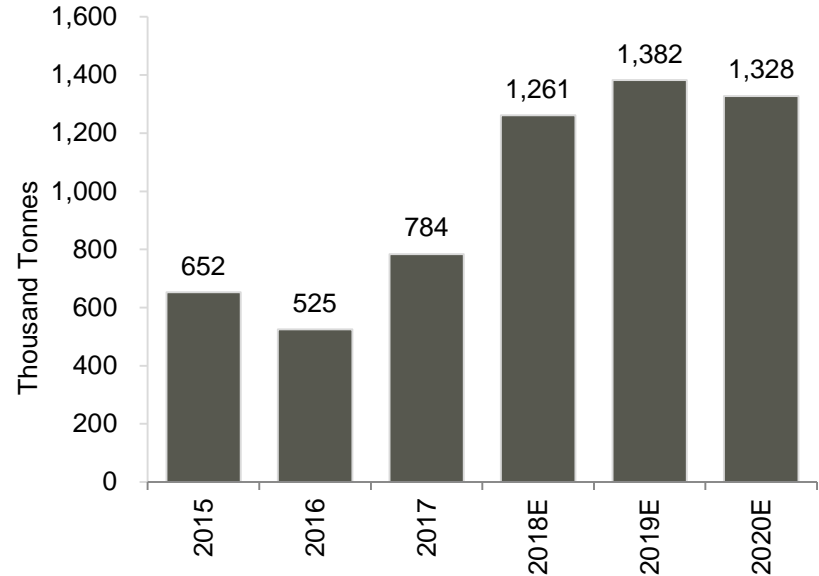
**The seasonal winter build in concs stocks was done at high cost (low TCs) to smelters;
2017 build was insufficient to cover requirements, increasing scope for imports**

Increasing Demand for Zinc Metal Imports

**De-stocking to Continue
Despite Seasonal Rebound¹**



**More Imported Zinc Metal
Required to Fill the Gap³**

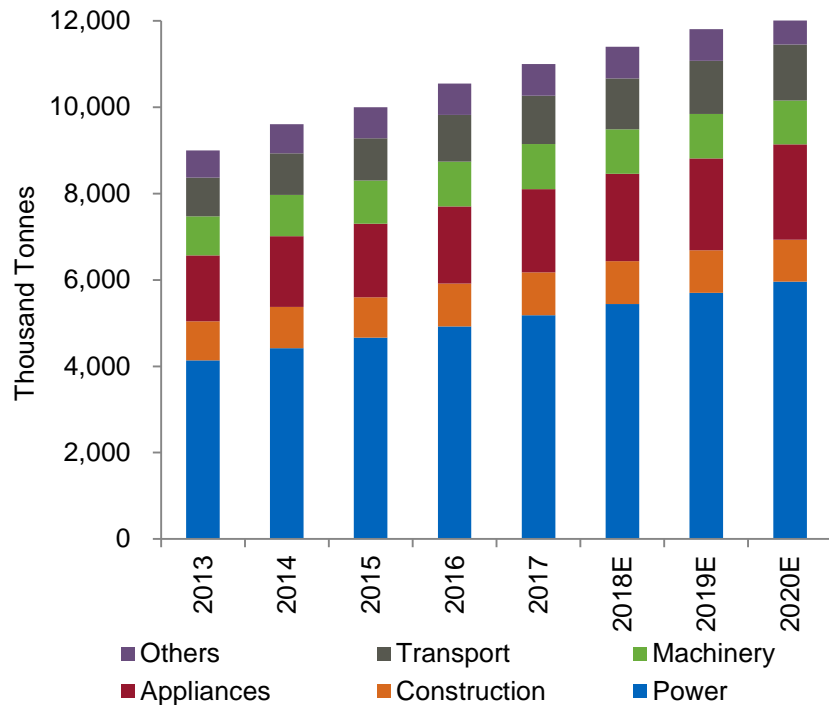


**Seasonal metal build heavily weighted to imported bonded stocks;
If China does import 1.4 Mt of concentrates, still requires 1.3 Mt of metal imports**

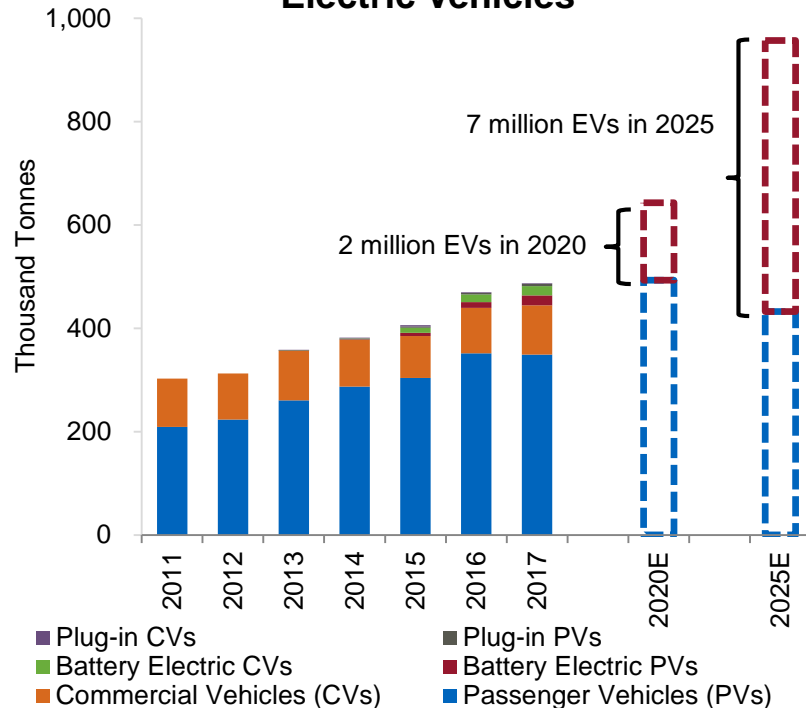
Copper

Steady Demand Growth & Increasing Copper Intensity

Chinese Copper Demand to Grow ~3-4%¹

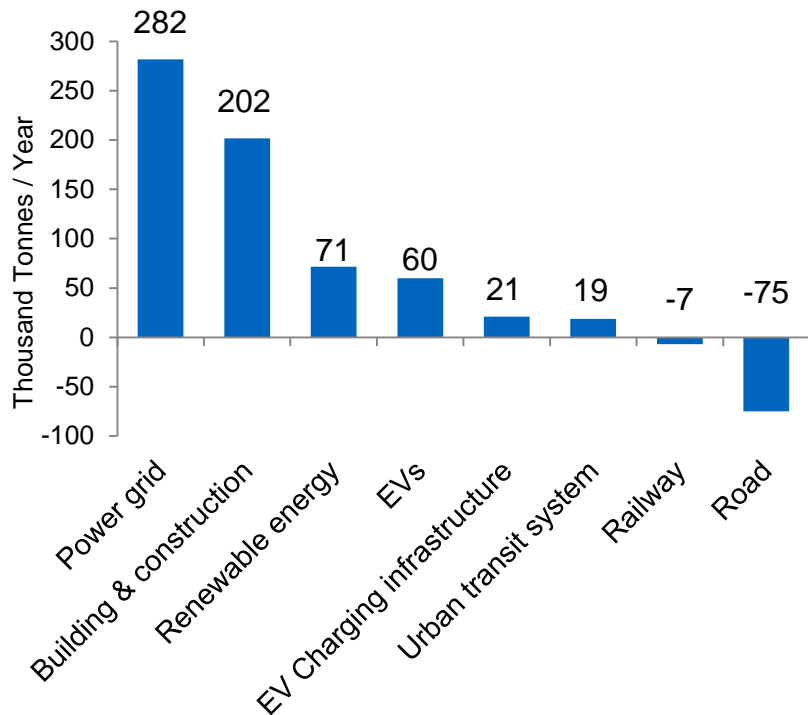


Increasing Copper Intensity with Booming Electric Vehicles²

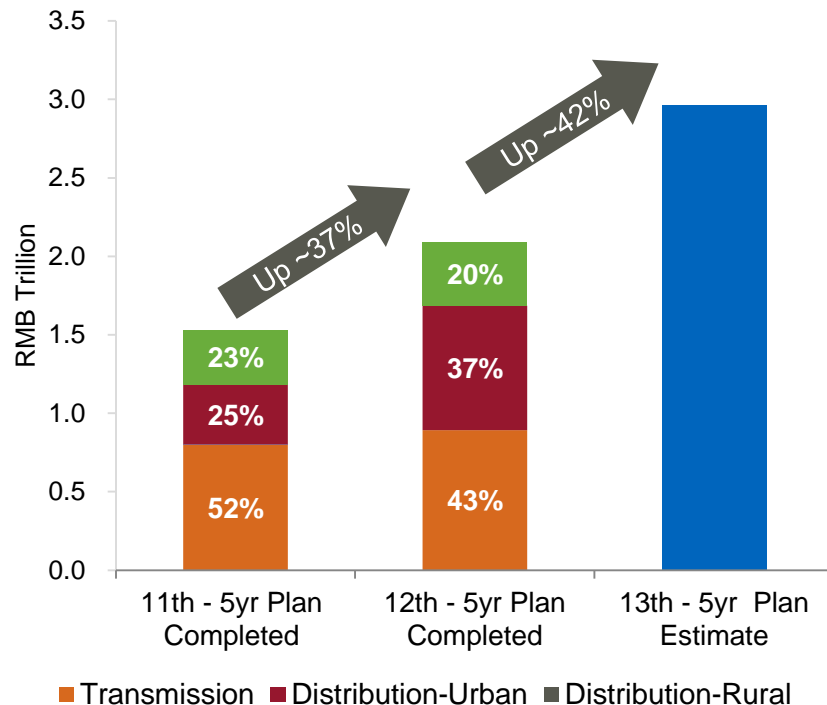


13th Five-Year Plan Driving Copper Demand (2016-2020)

Potential Annual Growth in Most Sectors¹



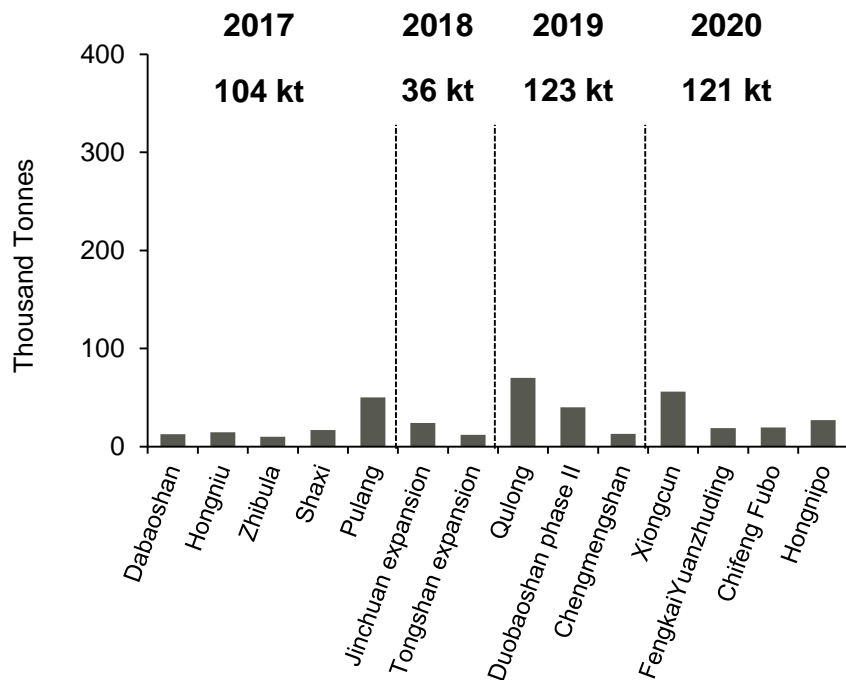
Significant Power Grid Investment²



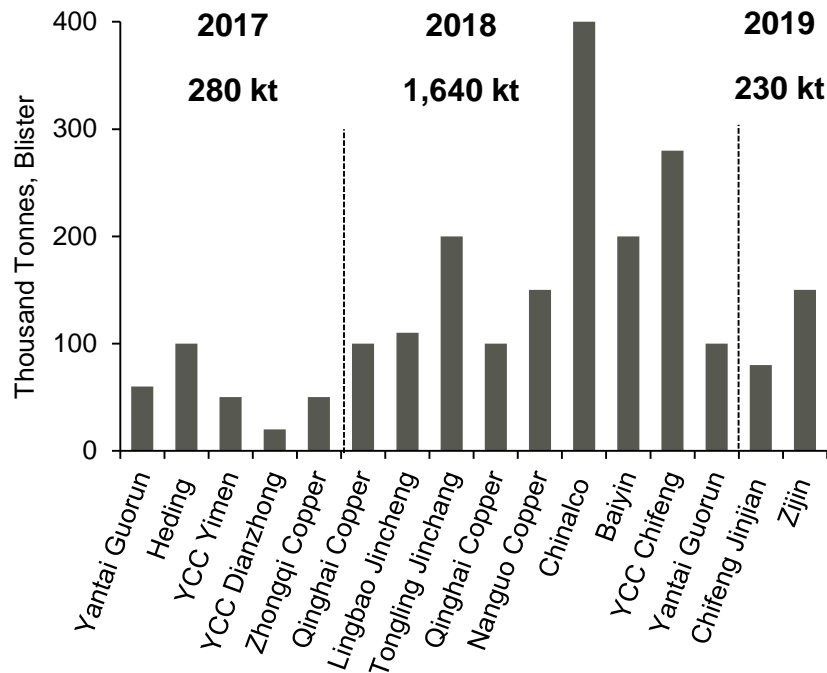
Rapid Growth in Chinese Copper Smelter Capacity

Limited domestic mine growth

Chinese Copper Mine Projects¹



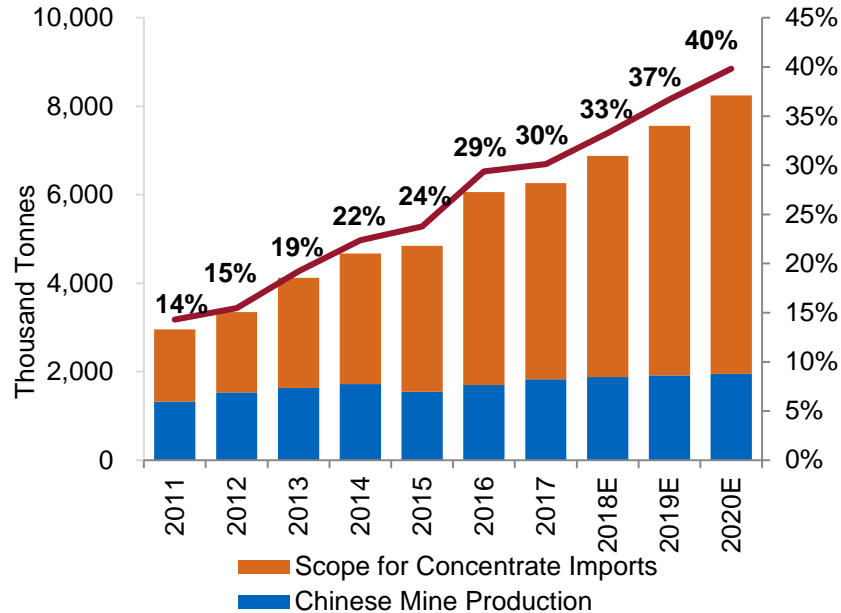
+2Mt of Smelting Projects in the Pipeline²



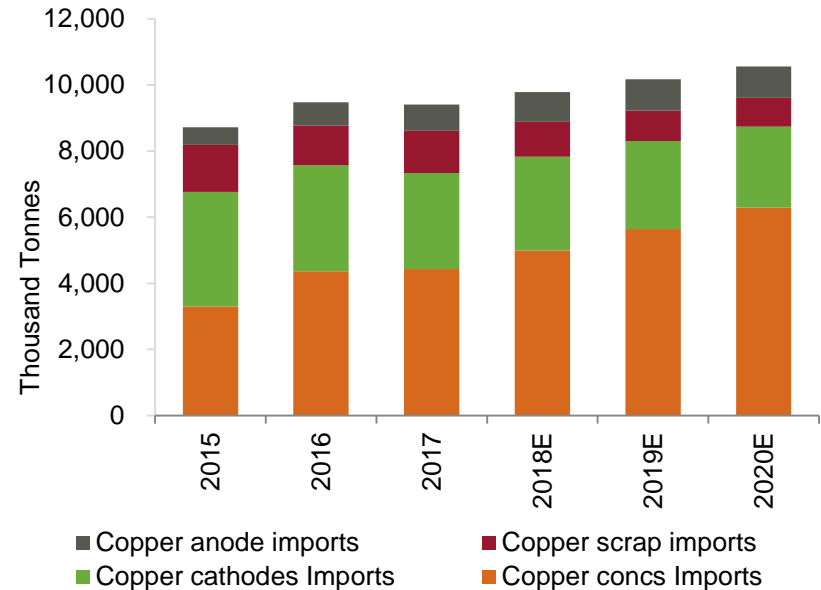
China More Important in Global Copper Market

Buying more copper from the rest of the world

Substantial Concentrate Imports Growth¹



Continuous Growth of Imported Copper Units²



**Demand for imported cathodes shifting towards concentrate and scrap;
Copper scrap imports to drop 300-400 kt under China's ban**

Notes

Slide 17: Steady Demand Growth & Increasing Zinc Intensity

1. Source: NBS/CNIA, CAAM, ChinalOL, Wind, CEIC, Teck.
2. Source: Mysteel, Teck.

Slide 18: Environmental/Safety Inspections & Depletions

1. Source: NBS/CNIA.
2. Source: BGRIMM, Antaike, Teck .

Slide 19: Zinc Mine Projects Increasingly Delayed

1. Includes mine projects with zinc capacity >20 ktpa. Source: BGRIMM, Antaike, Teck.
2. Source: BGRIMM.

Slide 20: China to Require More Zinc Concentrate Imports

1. Source: MyMetal, Industrial sources, Teck.
2. Source: China Customs, Wood Mackenzie, Teck.

Slide 21: Increasing Demand for Zinc Metal Imports

1. Source: SHFE, MyMetal, SMM, Industrial sources, Teck.
2. "Smelter + consumer stocks" refers to zinc metal held in the plants of smelters and semi producers and those on the road; "Bonded stocks" refers to zinc stored in bonded zones and will need to complete Customs clearance before entering China; "Domestic commercial stocks" refers to zinc stored in SHFE warehouses and other domestic commercial warehouses not registered in SHFE.
3. Source: China Customs, Wood Mackenzie, Teck.

Slide 23: Steady Demand Growth & Increasing Copper Intensity

1. Source: NBS, ICA, Wood Mackenzie, CEC, ChinalOL, Teck.
2. Source: Government plans, CAAM, ICA, Teck.

Slide 24: 13th Five-Year Plan Driving Copper Demand (2016-2020)

1. Source: ICA.
2. Source: CEC, ICA.

Slide 25: Rapid Growth in Chinese Copper Smelter Capacity

1. Includes mine projects with copper capacity >10 ktpa. Source: BGRIMM.
2. Source: CRU, BGRIMM, SMM, Teck.

Slide 26: China More Important in Global Copper Market

1. Source: China Customs, Wood Mackenzie, BGRIMM, Teck.
2. Source: China Customs, Wood Mackenzie, SMM, Teck.



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