Fourth Quarter 2020 Results

February 18, 2021

Teck

Caution Regarding Forward-Looking Statements

Both these slides and the accompanying oral presentation certain forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to as forward-looking statements). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “should”, “believe” and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this presentation.

These forward-looking statements include, but are not limited to, statements concerning: our focus and strategy; the potential impact of the COVID-19 on our business and operations, including our ability to continue operations at our sites; the effectiveness of our COVID-19 protocols; expectations regarding our QB2 project, including capital estimate and estimate of COVID-19 impacts; timing of first production from our QB2 project and timing of Teck’s contributions to the project; expectation of increased sales volumes into China; Neptune upgrade cost and timing expectations; expectation that the Neptune upgrade secures a long-term, low-cost and reliable supply chain for steelmaking coal; expectation of higher production at Highland Valley and Antamina to offset declines at Andacollo and Quebrada Blanca; all guidance appearing in this presentation, including but not limited to sales, cost, unit cost, capital expenditure, transportation and production guidance in this presentation; expectations regarding ability of Fort Hills to increase production; anticipated global and regional supply, demand and market outlook for our commodities; liquidity and availability of borrowings under our credit facilities and the QB2 project finance facility; our strong financial position; our green metals growth strategy; targeted copper production growth; and our expectations regarding our business and markets.

These statements are based on a number of assumptions, including, but not limited to, assumptions regarding general business and economic conditions, interest rates, commodity and power prices, acts of foreign or domestic governments and the outcome of legal proceedings, the supply and demand for, deliveries of, and the level and volatility of prices of copper, coal, zinc and blended bitumen and our other metals and minerals, as well as oil, natural gas and other petroleum products, the timing of the receipt of regulatory and governmental approvals for our development projects and other operations, including mine extensions; positive results from the studies on our expansion and development projects; our ability to secure adequate transportation, including rail, pipeline and port service, for our products our costs of production and our production and productivity levels, as well as those of our competitors, continuing availability of water and power resources for our operations, our ability to secure adequate transportation, pipeline and port services for our products; changes in credit market conditions and conditions in financial markets generally; our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; the availability of qualified employees and contractors for our operations, including our new developments and our ability to attract and retain skilled employees; the satisfactory negotiation of collective agreements with unionized employees; the impact of changes in Canadian-U.S. dollar and other foreign exchange rates on our costs and results; engineering and construction timetables and capital costs for our development and expansion projects; the accuracy of our mineral reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based; tax benefits and tax rates; our ability to obtain, comply with and renew permits in a timely manner; and our ongoing relations with our employees and with our business and joint venture partners. Statements regarding our QB2 project and the Neptune upgrade include assumptions regarding the impacts of COVID-19 on the project and assume development progresses in line with current plans. 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. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause actual results to vary materially.

Factors that may cause actual results to vary materially include, but are not limited to, 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. Certain operations and projects are not controlled by us; schedules and costs may be adjusted by our partners, and timing of spending and operation of the operation or project is not in our control.

The forward-looking statements in this presentation and actual results will also be impacted by the effects of COVID-19 and related matters. The overall effects of COVID-19 related matters on our business and operations and projects will depend on how the ability of our sites to maintain normal operations, and on the duration of impacts on our suppliers, customers and markets for our products, all of which are unknown at this time. Continuing operating activities is highly dependent on the progression of the pandemic and the success of measures taken to prevent transmission, which will influence when health and government authorities remove various restrictions on business activities.

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, 2019, filed under our profile on SEDAR (www.sedar.com) and on EDGAR (www.sec.gov) under cover of Form 40-F, as well as subsequent filings that can also be found under our profile.

2020 Highlights

One of the most challenging years

- Generated strongest financial results of the year in Q4 2020
- Achieved our target of 40% overall completion of QB2
- Performed in line with plan at our operations in H2 2020, despite COVID-19 challenges
- Steelmaking coal adjusted site cash cost of sales[1] averaged $58 per tonne in Q4 2020
- Exceeded our cost reduction target, realizing >$1 billion[2] in reductions
- Recorded our safest year on record

QB2 is expected to double our consolidated copper production by 2023

Aerial view of QB2 concentrator grinding lines (line 1 SAG and ball mills floating, line 2 concrete complete), January 2021.

Financial Overview

	Q4 2020	2020
Revenue	$ 2.6 billion	$ 8.9 billion
Gross profit before depreciation and amortization[1]	$ 911 million	$ 2.8 billion
Gross profit	$ 505 million	$ 1.3 billion
Adjusted EBITDA[1]	$ 839 million	$ 2.6 billion
Profit (loss) attributable to shareholders	$ (464) million	$ (864) million
Basic earnings per share	$ (0.87)/share	$ (1.62)/share
Diluted earnings per share	$ (0.87)/share	$ (1.62)/share
Adjusted profit attributable to shareholders[1]	$ 248 million	$ 561 million
Adjusted basic earnings per share[1]	$ 0.47/share	$ 1.05/share
Adjusted diluted earnings per share[1]	$ 0.46/share	$ 1.04/share

Key Updates: QB2

Executing on our copper growth strategy

Achieved overall progress target of 40% completion at year end 2020

- Construction continued to ramp up through Q4 2020, and work is progressing well across the project
- Strict COVID-19 protocols in place and continuously enhanced to protect the health and safety of our workers and communities in which we operate

Unchanged capital estimate before COVID-19 impacts

- US$5.2 billion[1] including escalation and ~US$400 million contingency
- Go-forward capital cost from January 1, 2021 estimated at US$3.2 billion[2]

Updated estimate of COVID-19 impacts

- US$450-500 million[3], an increase of ~$50 million from previous guidance, which includes ~US$200 million of expensed costs

First production at QB2 is expected in H2 2022

QB2 Concentrator

Aerial view of grinding lines: line 1 SAG and ball mills in place, line 2 concrete complete

January 2021

Teck

QB2 Tailings Management Facility

Continuing to raise starter dam, underflow drains completed

December 2020

Teck

QB2 Pipeline

Lowering in the first column of 48-inch pipe for water pipeline

December 2020

Teck

QB2 Port Offshore

Aerial view of ongoing pile driving for jetty

January 2021

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QB2 Infrastructure

Remote Integrated Operations Center in Santiago

January 2021

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Key Updates: Operational Resilience In the Face of a Global Pandemic

Operations performed in line with plan in H2 2020 and without significant impacts to our 2021 operating plans

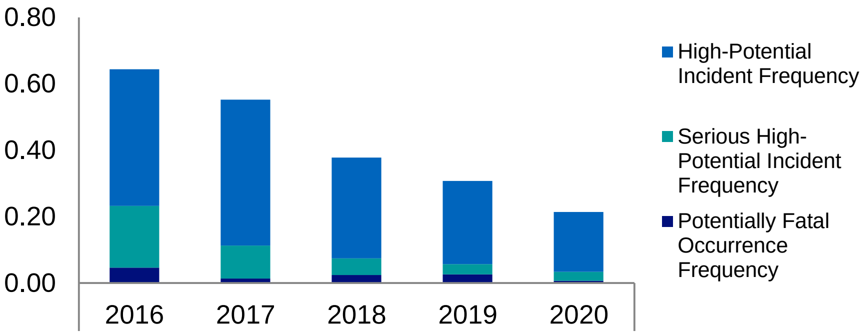
Achieved all business unit level guidance in H2 2020:

- ✓ Production
- ✓ Sales
- ✓ Unit costs

Our Safest Year on Record in 2020

- Significant reduction in incident frequency in 2020
- Stringent COVID-19 prevention protocols in place at all sites

Teck Operated Incident Frequency (per 200,000 hours worked)



Key Updates: Steelmaking Coal Business

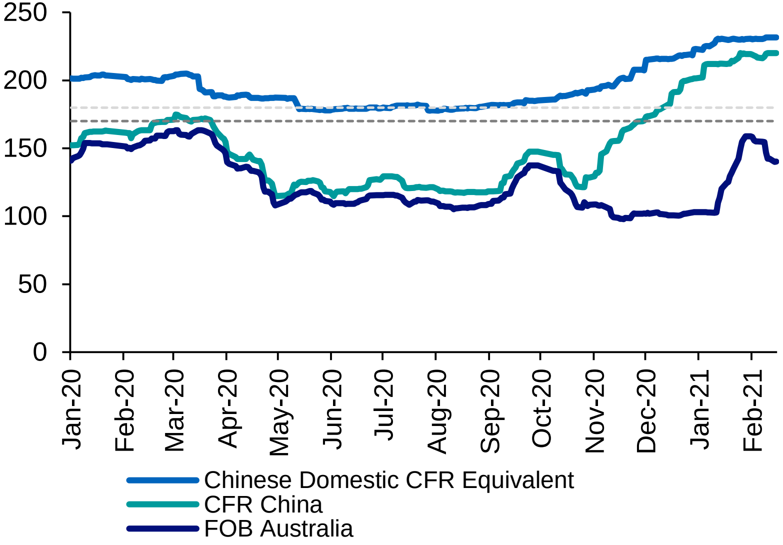
Increasing margins, not volumes

- Completed construction of the Elkview saturated rock fill in Q4 2020, on schedule and below budget
- Adjusted site cash cost of sales[1] declined to $58 per tonne in Q4 2020, ahead of plan
- Sales near the top end of our Q4 2020 guidance range at 6.1 Mt, with nearly 20% of sales to Chinese customers
- Continuing to prioritize available spot sales volumes to China, which is expected to result in a favourable price realization in Q1 2021

Strong coal fundamentals underpinned by global economic recovery

Steelmaking Coal Prices[2] (US$/t)

Since January 1, 2011, the FOB Australia price has averaged ~US$170/t, or ~US$180/t on an inflation-adjusted basis



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Key Updates: Steelmaking Coal Business

Neptune facility upgrade is in the final stage of construction

- Achieved 90% overall completion at end of January 2021
- All major equipment has been installed
- Significant new facilities have been placed into operation and are performing to plan
- Costs expected to be ~10% above prior estimate before COVID-19 impacts
- COVID-19 issues have impacted cost by an additional $80-$100 million since the start of the pandemic
- First coal through the upgraded facility is expected in early Q2 2021

Secures a long-term, low-cost and reliable supply chain for steelmaking coal

Key Updates: Sustainability Leadership

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

- **Top-ranked mining company** 2020 World & North American Indices
- On the index for 11 consecutive years

2020 GLOBAL 100

- Named to the 2021 Global 100 Most Sustainable Corporations list

Bloomberg

- Named to the 2021 Gender-Equality Index
- On the index for 4 consecutive years

SUSTAINALYTICS

Top ranked diversified metals mining company

MSCI

"A" rating since 2013

Copper Business Unit

Q4 2020

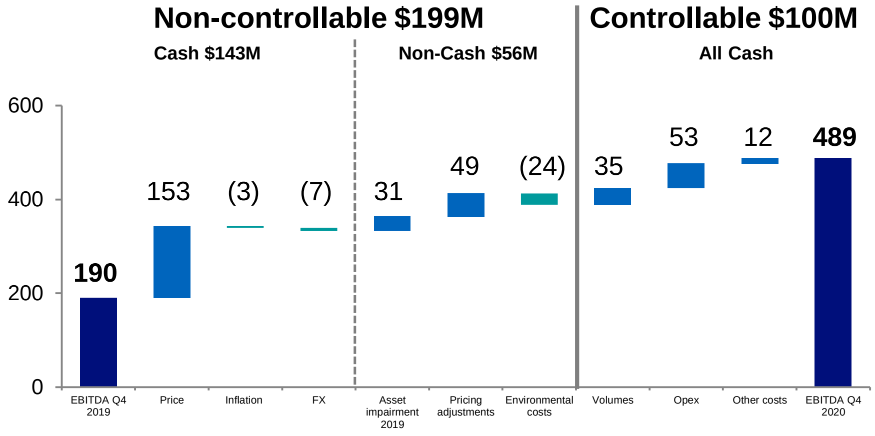
- Strong Q4 2020, supported by higher copper prices
- Lower mill throughput at Highland Valley due to harder than expected ores
- Significantly lower net cash unit costs[3] driven by higher cash margins for by-products

Looking Forward

- In 2021, higher production at Highland Valley and Antamina are expected to offset declines at Andacollo and Quebrada Blanca

Copper EBITDA[1] ($M)

$299M increase in Q4 2020 vs. Q4 2019



Guidance	2020A	2021	2022-2024
Production[2] (kt)	275.7	275-290	275-315
Net Cash Unit Costs[3] (US$/lb)	$1.28	$1.30-1.40	n/a

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Zinc Business Unit

Q4 2020

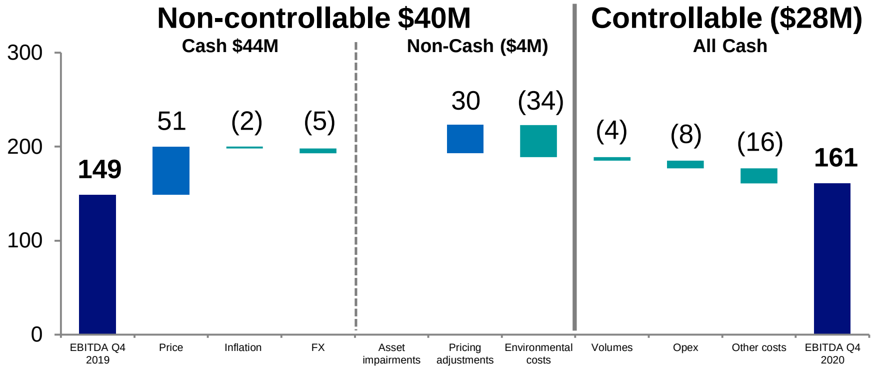
- Red Dog zinc sales of 149 kt, in line with guidance
- Higher zinc production at Red Dog due to higher mill throughput and improved recoveries
- Higher production of refined zinc at Trail Operations vs. Q4 2019 which was impacted by an electrical equipment failure in the zinc refinery

Looking Forward

- Expect Red Dog zinc in concentrate sales to be lower than normal in H1 2021, reflecting reduced 2020 production due to water constraints
  - Q1 2021: 90-100 kt
  - Q2 2021: 35-45 kt
- Net cash unit costs[3] are expected to increase in 2021 due to lower levels of production in 2020 compared to prior years

Zinc EBITDA[1] ($M)

$12M increase in Q4 2020 vs. Q4 2019



Guidance	2020A	2021	2022-2024
Production, Mined Zinc[2] (kt)	587.0	585-610	590-650
Production, Refined Zinc (kt)	305.1	300-310	305-315
Net Cash Unit Costs[3] (US$/lb)	$0.36	$0.40-45	n/a

Steelmaking Coal Business Unit

Q4 2020

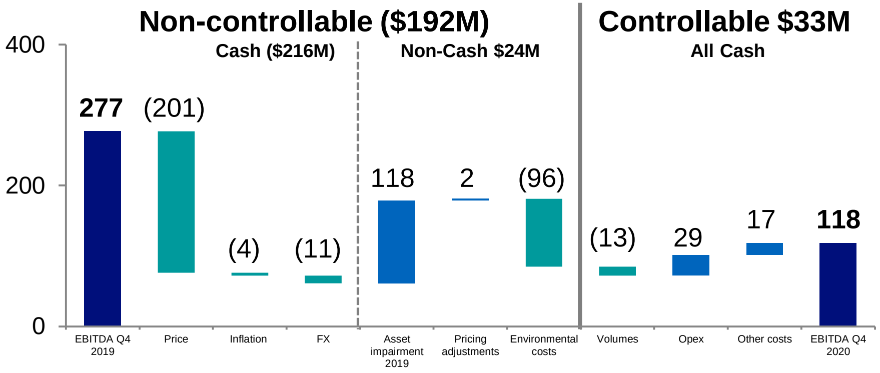
- Sales were 6.1 Mt, near the high end of guidance
- Average realized price reflects increased sales to China and higher CFR China prices
- Substantial reduction in adjusted site cash cost of sales[2] reflects a structural shift to a lower cost base

Looking Forward

- For Q1 2021, expect 5.9-6.3 Mt of sales and our realized price to be materially higher than the ten-year average vs. the average of the three assessments lagged by one month
- Targeting higher sales to China in 2021
- Expect 2021 adjusted site cash cost of sales[2] to be near the lower end of the range in Q1 and Q4, and near the higher end of the range in Q2 and Q3 due annual maintenance shutdowns

Steelmaking Coal EBITDA[1] ($M)

($159M) decrease in Q4 2020 vs. Q4 2019



Guidance	2020A	2021	2022-2024
Production (Mt)	21.1	25.5-26.5	26.0-27.0
Adjusted Site Cash Cost of Sales[2] ($/t)	$64	$59-64	n/a
Transport Costs ($/t)	$41	$36-39	n/a

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Energy Business Unit

Q4 2020

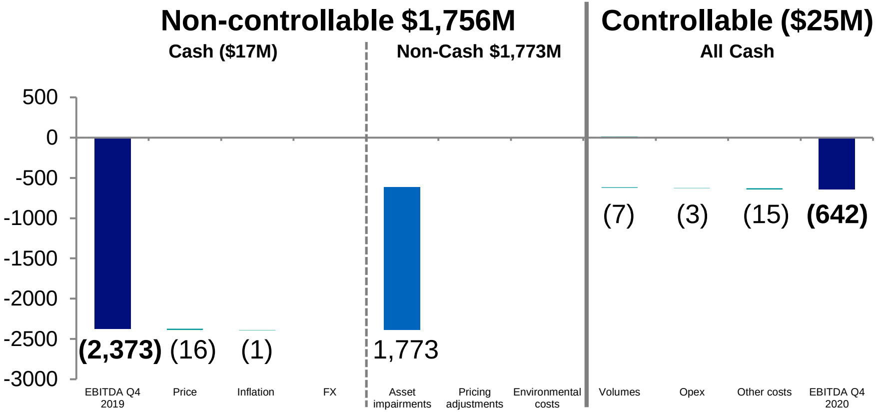
- Realized prices and operating results significantly impacted by a material decline in benchmark oil prices and the decision to reduce production vs. Q4 2019
- Fort Hills Partners restarted the second train and ramped up production to ~120 kbpd in the quarter
- Non-cash, pre-tax asset impairment for our share of Fort Hills of $597 million

Looking Forward

- Expect higher production and lower adjusted operating costs[3] in H2 2021 vs H1 2021
- Fort Hills Partners continue to assess plans to further increase production to nameplate capacity

Energy EBITDA[1] ($M)

$1,731M increase in Q4 2020 vs. Q4 2019

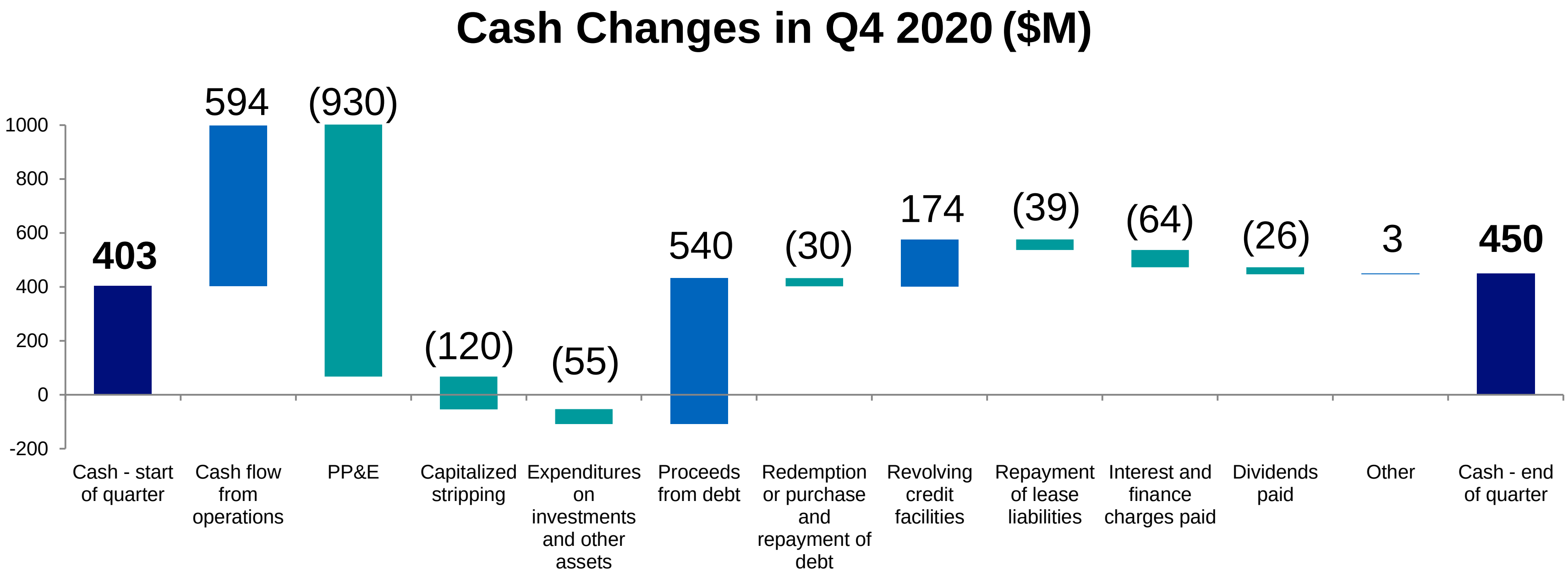


Guidance	2020A	2021	2022-2024
Production, Bitumen[2] (M barrels)	8.4	8.6-12.1	14
Adjusted Operating Costs[3] (C$/barrel bitumen)	$31.96	$28-32	n/a

Profit and Adjusted Profit

	Q4 2020	2020
Profit (loss) attributable to shareholders	$ (464) million	$ (864) million
Add (deduct):		
Asset impairments	438 million	912 million
COVID-19 costs	-	233 million
Environmental costs	201 million	210 million
Inventory write-downs	15 million	91 million
Share-based compensation	21 million	34 million
Commodity derivative losses (gains)	(15) million	(46) million
Loss on debt redemption or purchase	-	8 million
Taxes and other	52 million	(17) million
Adjusted profit attributable to shareholders[1]	$ 248 million	$ 561 million
Adjusted basic earnings per share[1]	$ 0.47/share	$ 1.05/share
Adjusted diluted earnings per share[1]	$ 0.46/share	$ 1.04/share

Cash Flow



Cash Changes in Q4 2020 ($M)
1000
800
600
400
200
0
-200
403
594
(930)
(120)
(55)
540
(30)
174
(39)
(64)
(26)
3
450
Cash - start of quarter
Cash flow from operations
PP&E
Capitalized stripping
Expenditures on investments and other assets
Proceeds from debt
Redemption or purchase and repayment of debt
Revolving credit facilities
Repayment of lease liabilities
Interest and finance charges paid
Dividends paid
Other
Cash - end of quarter

Strong Financial Position

Balance Sheet

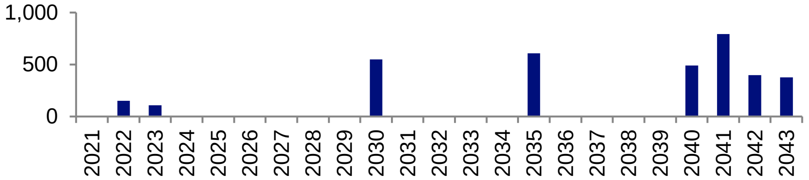
- Rated investment grade by all four agencies

Liquidity

- C$6.5 billion of liquidity available[1]
- US$5.0 billion of committed revolving credit facilities
  - US$4.0 billion maturing November 2024 (US$3.7 billion available) [1]
  - US$1.0 billion maturing June 2022 (fully undrawn)[1]
- No earnings or cash-flow based financial covenant, no credit rating trigger, no general material adverse effect borrowing condition
- Prudent QB2 project funding
  - ~US$1.1 billion[2] drawn on US$2.5 billion project finance facility; next Teck contribution to project capital expected in H1 2021

No significant note maturities prior to 2030

Note Maturity Profile as at December 31, 2020 (C$M)



Significant leverage to rising commodity prices[4]

	Mid-Point 2021 Production Guidance[5]	Change	Estimated Effect on Annualized Profit[6]	Estimated Effect on Annualized EBITDA[6]
Copper	282.5 kt	US$0.50/lb	C$250M	C$400M
Zinc[7]	902.5 kt	US$0.10/lb	C$90M	C$120M
Coal	26.0 Mt	US$50/t	C$950M	C$1,500M

Exceeded Our Cost Reduction Target

- Realized >$1 billion[3] in reductions, with ~$355 million in operating cost and ~$710 million in capital cost reductions
- Our Cost Reduction Program is now complete; reductions are included in our operating plans and guidance

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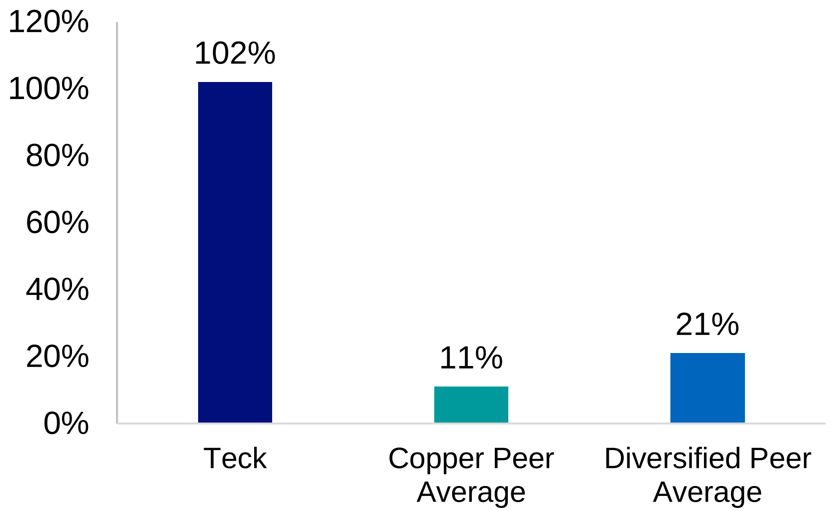
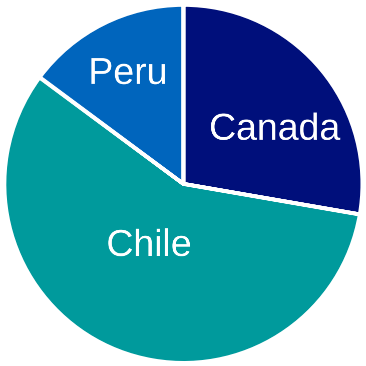
Industry Leading Copper Growth In Attractive Jurisdictions

WoodMac: Consolidated Copper Production Growth[1] Teck[2] vs. Peers[3] 2021E-2023E



WoodMac: Teck's Consolidated Copper Production[4] By Jurisdiction 2023E



Teck provides investors exposure to industry leading copper growth and valuation unlock

Copper peers include: Antofagasta, First Quantum, Freeport, Hudbay, Lundin and Southern Copper.
Diversified peers include: Anglo American, BHP, Glencore, Rio Tinto.

Prudent Green Metals Growth Strategy

Accelerate
growth in copper

Maximize
cash flows from operations to fund copper growth

Strengthen
existing high-quality assets through RACE21™

Discipline
in capital allocation

Leadership
in sustainability

Poised for Growth

Right Opportunities

Strong demand for our metals and minerals, led by growth and decarbonization

Right Assets

Industry leading copper growth, strengthening existing high-quality, low carbon assets

Right Approach

Highest standards of sustainability in everything we do, operational excellence, RACE21™

Right Team

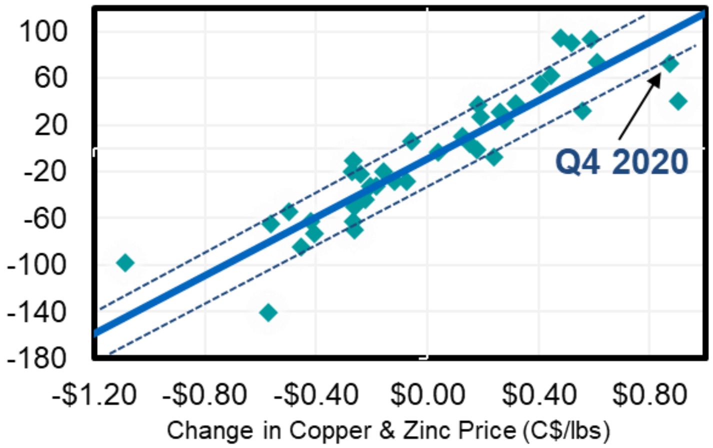
Our people deliver the optimal mix of industry leading technical, digital, sustainability, commercial and financial leadership

Providing essential metals and minerals for a low-carbon world

Appendix

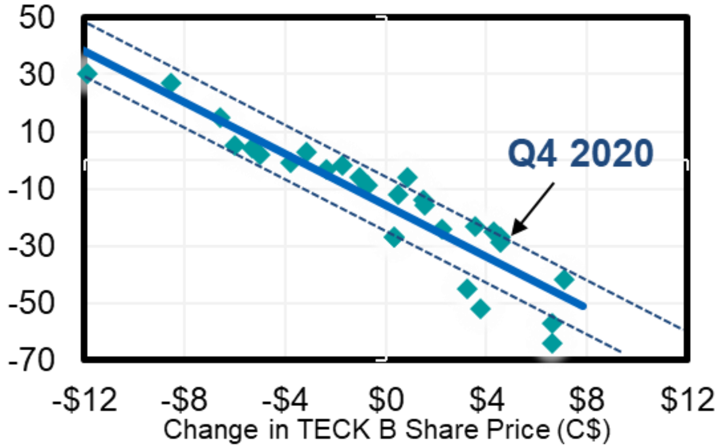
Other Operating Income (Expense)

Simplified Settlement Pricing Adjustment Model
(Pre-tax settlement pricing adjustment in C$M)



	Outstanding at December 31, 2020		Outstanding at September 30, 2020		Quarterly Pricing Adjustments
	Mlbs	US$/lb	Mlbs	US$/lb	C$M
Copper	132	3.52	111	3.03	62
Zinc	142	1.24	208	1.10	20
Other					(9)
Total					**73**

Simplified Compensation Expense Model
(Pre-tax share based compensation income / expense in C$M)



	December 31, 2020	September 30, 2020	Quarterly Price Change	Quarterly Compensation Income (Expense)
	C$/share	C$/share	C$/share	C$M
Teck B	23.10	18.54	4.56	**(29)**

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Endnotes

Slide 3: 2020 Highlights

1. Steelmaking coal unit costs are reported in Canadian dollars per tonne. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.
2. As at December 31, 2020 and against our expected spending that was contemplated at the end of June 2019.

Slide 4: Financial Overview

1. Gross profit before depreciation and amortization, adjusted EBITDA, adjusted profit attributable to shareholders, adjusted basic earnings per share and adjusted diluted earnings per share are non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.

Slide 5: Key Updates - QB2

1. On a 100% go forward basis from January 1, 2019 including escalation and excluding working capital or interest during construction using actual realized exchange rates until March 30, 2020 and assuming a CLP/USD exchange rate of 775 from April 1, 2020. Includes approximately US$400 million in contingency.
2. Assumes a CLP/USD rate of 775 over the remainder of the project. A CLP 25 change in the CLP/USD exchange rate would change the capital cost estimate by approximately US$80 million.
3. As at December 31, 2020.

Slide 12: Key Updates - Steelmaking Coal Business

1. Steelmaking coal unit costs are reported in Canadian dollars per tonne. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.
2. Inflation-adjusted prices are based on Statistics Canada’s Consumer Price Index. Source: Argus, Teck. As at February 16, 2021.

Slide 15: Copper Business Unit

1. EBITDA is a non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.
2. Metal contained in concentrate. We include 100% of production and sales from our Quebrada Blanca and Carmen de Andacollo mines in our production and sales volumes even though we do not own 100% of these operations because we fully consolidate their results in our financial statements. We include 22.5% of production and sales from Antamina, representing our proportionate ownership interest. Copper production includes cathode production at Quebrada Blanca and Carmen de Andacollo. Three-year guidance 2022-2024 excludes production from QB2.
3. Copper unit costs are reported in U.S. dollars per payable pound of metal contained in concentrate. Copper net cash unit costs include adjusted cash cost of sales and smelter processing charges, less cash margins for by-products including co-products. Guidance for 2021 assumes a zinc price of US$1.22 per pound, a molybdenum price of US$8.50 per pound, a silver price of US$20 per ounce, a gold price of US$2,000 per ounce and a Canadian/U.S. dollar exchange rate of $1.30. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.

Slide 16: Zinc Business Unit

1. EBITDA is a non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.
2. Metal contained in concentrate. We include 22.5% of production and sales from Antamina, representing our proportionate ownership interest. Total zinc production includes co-product zinc production from our Copper business unit.
3. Zinc unit costs are reported in U.S. dollars per payable pound of metal contained in concentrate. Zinc net cash unit costs are mine costs including adjusted cash cost of sales and smelter processing charges, less cash margins for by-products. Guidance for 2021 assumes a lead price of US$0.85 per pound, a silver price of US$20 per ounce and a Canadian/U.S. dollar exchange rate of $1.30. By-products include both by-products and co-products. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.

Slide 17: Steelmaking Coal Business Unit

1. EBITDA is a non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.
2. Steelmaking coal unit costs are reported in Canadian dollars per tonne. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.

Endnotes

Slide 18: Energy Business Unit

1. EBITDA is a non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.
2. We include 21.3% of production from Fort Hills, representing our proportionate ownership interest.
3. Bitumen unit costs are reported in Canadian dollars per barrel. Non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.

Slide 19: Profit and Adjusted Profit

1. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q4 2020 news release for further information.

Slide 21: Strong Financial Position

1. As at February 17, 2021.
2. As at December 31, 2020.
3. Reductions are against our expected spending that was contemplated at the end of June 2019 and are as at December 31, 2020.
4. As at February 17, 2021. 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 our current balance sheet, our 2021 mid-range production estimates, current commodity prices and a Canadian/U.S. dollar exchange rate of $1.30. See Teck’s Q4 2020 press release for further details.
5. All production estimates are subject to change based on market and operating conditions.
6. The effect on our profit attributable to shareholders and on EBITDA of commodity price and exchange rate movements will vary from quarter to quarter depending on sales volumes. Our estimate of the sensitivity of profit and EBITDA to changes in the U.S. dollar exchange rate is sensitive to commodity price assumptions.
7. Zinc includes 305,000 tonnes of refined zinc and 597,500 tonnes of zinc contained in concentrate.

Slide 22: Industry Leading Copper Growth in Attractive Jurisdictions

1. Source: Wood Mackenzie base case (attributable) copper production dataset. Consolidated production estimates were derived based on the accounting standards for consolidation for Teck and its peers.
2. Teck growth estimate uses 2020 actual production and Wood Mackenzie data for 2023.
3. Copper peers: Antofagasta, First Quantum, Freeport, Hudbay, Lundin, Southern Copper. Diversified peers: Anglo American, BHP, Glencore, Rio Tinto. Peer production metrics for 2020 and 2023 are from Wood Mackenzie. Peer production metrics for 2020 and 2023 are from Wood Mackenzie. Peer averages are the simple averages.

Non-GAAP
Financial Measures

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.

We have changed our calculations of adjusted profit attributable to shareholders and adjusted EBITDA to include additional items that we have not previously included in our adjustments and have also changed our debt ratios to compare debt and net debt to adjusted EBITDA rather than EBITDA. These changes were made from January 1, 2020 onwards and comparative figures have been restated to conform to the current period presentation. In addition to items previously adjusted, our adjusted profit attributable to shareholders and adjusted EBITDA now include adjustments for environmental costs, including changes relating to the remeasurement of decommissioning and restoration costs for our closed operations due to changes in discount rates, share-based compensation costs, inventory write-downs and reversals and commodity derivatives. We believe that by including these items, which reflect measurement changes on our balance sheet, in our adjustments, our adjusted profit attributable to shareholders and adjusted EBITDA will reflect the recurring results of our core operating activities. This revised presentation will help us and readers to analyze the rest of our results more clearly and to understand the ongoing cash generating potential of our business. With respect to our debt ratios, we believe that using adjusted EBITDA, will present a more meaningful basis for us and the reader to understand the debt service capacity of our core operating activities.

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.

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 – Gross profit margins before depreciation are gross profit before depreciation and amortization, divided by revenue for each respective business unit. We believe this measure assists us and readers to compare margins on a percentage basis among our business units.

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.

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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.

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 Profit (Loss) and Adjusted Profit

(C$ in millions)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Profit (loss) attributable to shareholders	$ (464)	$ (1,835)	$ (864)	$ (605)
Add (deduct) on an after-tax basis:				
Asset impairments	438	1,943	912	2,052
COVID-19 costs	-	-	233	-
Environmental costs	201	62	210	142
Inventory write-downs	15	34	91	41
Share-based compensation	21	4	34	3
Commodity derivative losses (gains)	(15)	1	(46)	(13)
Debt prepayment option gain	-	-	-	(77)
Loss on debt redemption or purchase	-	-	8	166
Taxes and other	52	14	(17)	(12)
Adjusted profit attributable to shareholders	$ 248	$ 223	$ 561	$ 1,697
Adjusted basic earnings per share	$ 0.47	$ 0.40	$ 1.05	$ 3.03
Adjusted diluted earnings per share	$ 0.46	$ 0.40	$ 1.04	$ 3.00

Non-GAAP Financial Measures

Reconciliation of Basic Earnings (Loss) Per Share to Adjusted Basic Earnings (Loss) Per Share

(Per share amounts)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Basic earnings (loss) per share	$ (0.87)	$ (3.33)	$ (1.62)	$ (1.08)
Add (deduct):				
Asset impairments	0.82	3.52	1.71	3.67
COVID-19 costs	-	-	0.44	-
Environmental costs	0.37	0.11	0.39	0.25
Inventory write-downs	0.03	0.06	0.17	0.07
Share-based compensation	0.04	0.01	0.06	0.01
Commodity derivative losses (gains)	(0.03)	-	(0.09)	(0.02)
Debt prepayment option gain	-	-	-	(0.13)
Loss on debt redemption or purchase	-	-	0.01	0.29
Taxes and other	0.11	0.03	(0.02)	(0.03)
Adjusted basic earnings per share	$ 0.47	$ 0.40	$ 1.05	$ 3.03

Non-GAAP Financial Measures

Reconciliation of Diluted Earnings (Loss) Per Share to Adjusted Diluted Earnings Per Share

(Per share amounts)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Diluted earnings (loss) per share	$ (0.87)	$ (3.33)	$ (1.62)	$ (1.08)
Add (deduct):				
Asset impairments	0.82	3.49	1.70	3.63
COVID-19 costs	-	-	0.43	-
Environmental costs	0.37	0.11	0.39	0.25
Inventory write-downs (reversals)	0.03	0.06	0.17	0.07
Share-based compensation	0.04	0.01	0.07	0.01
Commodity derivative losses (gains)	(0.03)	-	(0.09)	(0.02)
Debt prepayment option gain	-	-	-	(0.13)
Loss on debt redemption or purchase	-	-	0.01	0.29
Taxes and other	0.10	0.06	(0.02)	(0.02)
Adjusted diluted earnings per share	$ 0.46	$ 0.40	$ 1.04	$ 3.00

Non-GAAP Financial Measures

Reconciliation of Net Debt to Adjusted EBITDA Ratio

(C$ in millions)	Twelve months ended December 31, 2019	Twelve months ended December 31, 2020
Profit (loss)	$ (588)	$ (944)
Finance expense net of finance income	218	268
Provision for (recovery of) income taxes	120	(192)
Depreciation and amortization	1,619	1,510
EBITDA	$ 1,369	$ 642
Add (deduct):		
Asset impairments	2,690	1,244
COVID-19 costs	-	336
Environmental costs	197	270
Inventory write-downs	60	134
Share-based compensation	4	47
Commodity derivative gains	(17)	(62)
Debt prepayment option gain	(105)	-
Loss on debt redemption or purchase	224	11
Taxes and other	51	(52)
Adjusted EBITDA	(B) $ 4,473	(A) $ 2,570

Non-GAAP Financial Measures

Reconciliation of Net Debt to Adjusted EBITDA Ratio - Continued

(C$ in millions)		Twelve months ended December 31, 2019		Twelve months ended December 31, 2020
Total debt at period end	(D)	$ 4,834	(C)	$ 6,947
Less: cash and cash equivalents at period end		(1,026)		(450)
Net debt	(F)	$ 3,808	(E)	$ 6,497
Debt to adjusted EBITDA ratio	(D/B)	1.1	(C/A)	2.7
Net debt to adjusted EBITDA ratio	(F/B)	0.9	(E/A)	2.5
Equity attributable to shareholders of the company	(H)	21,304	(G)	20,039
Obligation to Neptune Bulk Terminals	(J)	-	(I)	138
Adjusted net debt to capitalization ratio	(F+J)/(D+J+H)	0.15	(E+I)/(C+I+G)	0.24

We include net debt measures 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, as well as providing a comparison to our peers.

Non-GAAP Financial Measures

Reconciliation of EBITDA and Adjusted EBITDA

(C$ in millions)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Profit (loss)	$ (473)	$ (1,855)	$ (944)	$ (588)
Finance expense net of finance income	44	46	268	218
Provision for (recovery of) income taxes	(76)	(510)	(192)	120
Depreciation and amortization	406	415	1,510	1,619
EBITDA	$ (99)	$ (1,904)	$ 642	$ 1,369
Add (deduct):				
Asset impairments	597	2,519	1,244	2,690
COVID-19 costs	-	-	336	-
Environmental costs	258	85	270	197
Inventory write-downs	23	51	134	60
Share-based compensation	29	6	47	4
Commodity derivative losses (gains)	(20)	2	(62)	(17)
Debt prepayment option gain	-	-	-	(105)
Loss on debt redemption or purchase	-	-	11	224
Taxes and other	51	26	(52)	51
Adjusted EBITDA	$ 839	$ 785	$ 2,570	$ 4,473

Non-GAAP Financial Measures

Reconciliation of Gross Profit Before Depreciation and Amortization

(C$ in millions)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Gross profit	$ 505	$ 460	$ 1,333	$ 3,340
Depreciation and amortization	406	415	1,510	1,619
Gross profit before depreciation and amortization	$ 911	$ 875	$ 2,843	$ 4,959
Reported as:				
Copper				
Highland Valley Copper	$ 185	$ 117	$ 476	$ 395
Antamina	210	164	566	614
Carmen de Andacollo	63	(14)	170	89
Quebrada Blanca	12	(28)	30	(18)
	470	239	1,242	1,080
Zinc				
Trail Operations	27	(10)	65	-
Red Dog	188	210	717	837
Pend Oreille	-	-	-	(4)
Other	2	(15)	33	(2)
	217	185	815	831
Steelmaking coal	248	448	1,009	2,904
Energy	(34)	3	(223)	144
Gross profit before depreciation and amortization	$ 911	$ 875	$ 2,843	$ 4,959

Non-GAAP Financial Measures

Reconciliation of Gross Profit (Loss) Margins Before Depreciation

(C$ in millions)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Revenues				
Copper (A)	$ 820	$ 592	$ 2,419	$ 2,469
Zinc (B)	739	745	2,700	2,968
Steelmaking coal (C)	861	1,105	3,375	5,522
Energy (D)	140	213	454	975
Total	$ 2,560	$ 2,655	$ 8,948	$ 11,934
Gross profit (loss) before depreciation and amortization				
Copper (E)	$ 470	$ 239	$ 1,242	$ 1,080
Zinc (F)	217	185	815	831
Steelmaking coal (G)	248	448	1,009	2,904
Energy (H)	(24)	3	(223)	144
Total	$ 911	$ 875	$ 2,843	$ 4,959
Gross profit margins before depreciation				
Copper (A/E)	57%	40%	51%	44%
Zinc (B/F)	29%	25%	30%	28%
Steelmaking coal (C/G)	29%	41%	30%	53%
Energy (D/H)	(17)%	1%	(49)%	15%

Non-GAAP Financial Measures

Copper Unit Cost Reconciliation

(C$ in millions, except where noted)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Revenue as reported	$ 820	$ 592	$ 2,419	$ 2,469
By-product revenue (A)	(104)	(68)	(300)	(311)
Smelter processing charges (B)	40	38	140	164
Adjusted revenue	$ 756	$ 562	$ 2,259	$ 2,322
Cost of sales as reported	$ 452	$ 462	$ 1,560	$ 1,852
Less:				
Depreciation and amortization	(102)	(109)	(383)	(463)
Inventory (write-downs) provision reversal	-	(20)	-	(24)
Labour settlement and strike costs	-	(22)	-	(35)
By-product cost of sales (C)	(29)	(19)	(71)	(58)
Adjusted cash cost of sales (D)	$ 321	$ 292	$ 1,106	$ 1,272
Payable pounds sold (millions) (E)	172.7	158.5	591.7	641.7
Per unit amounts (C$/lb)				
Adjusted cash cost of sales (D/E)	$ 1.86	$ 1.84	$ 1.87	$ 1.98
Smelter processing charges (B/E)	0.23	0.24	0.23	0.26
Total cash unit costs (C$/lb)	$ 2.09	$ 2.08	$ 2.10	$ 2.24
Cash margin for by-products (C$/lb) ((A-C)/E)	(0.43)	(0.31)	(0.39)	(0.39)
Net cash unit costs (C$/lb)	$ 1.66	$ 1.77	$ 1.71	$ 1.85
US$ AMOUNTS[1]				
Average exchange rate (C$/US$)	$ 1.30	$ 1.32	$ 1.34	$ 1.33
Per unit amounts (US$/lb)				
Adjusted cash cost of sales	$ 1.42	$ 1.40	$ 1.39	$ 1.49
Smelter processing charges	0.18	0.18	0.18	0.19
Total cash unit costs (US$/lb)	$ 1.60	$ 1.58	$ 1.57	$ 1.68
Cash margin for by-products (US$/lb)	(0.33)	(0.24)	(0.29)	(0.29)
Net cash unit costs (US$/lb)	$ 1.27	$ 1.34	$ 1.28	$ 1.39

1. Average period exchange rates are used to convert to US$ per pound equivalent.

We include unit cost 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 our industry.

Non-GAAP Financial Measures

Zinc Unit Cost Reconciliation (Mining Operations)[1]

(C$ in millions, except where noted)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Revenue as reported	$ 739	$ 745	$ 2,700	$ 2,968
Less:				
Trail Operations revenues as reported	(473)	(406)	(1,761)	(1,829)
Other revenues as reported	(2)	(2)	(9)	(8)
Add back: Intra-segment revenues as reported	140	111	464	519
	$ 404	$ 448	$ 1,394	$ 1,650
By-product revenue (A)	(74)	(86)	(316)	(317)
Smelter processing charges (B)	111	99	370	308
Adjusted revenue	$ 441	$ 461	$ 1,448	$ 1,641
Cost of sales as reported	$ 592	$ 625	$ 2,177	$ 2,367
Less:				
Trail Operations cost of sales as reported	(468)	(439)	(1,784)	(1,915)
Other costs of sales as reported	-	(17)	24	(10)
Add back: Intra-segment as reported	140	111	464	519
	$ 264	$ 280	$ 881	$ 961
Less:				
Depreciation and amortization	(48)	(42)	(204)	(144)
Severance charge	-	-	-	(4)
Royalty costs	(93)	(96)	(231)	(307)
By-product cost of sales (C)	(17)	(24)	(78)	(75)
Adjusted cash cost of sales (D)	$ 106	$ 118	$ 368	$ 431

1. Red Dog and Pend Oreille (closed in July 2019).
We include unit cost 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 our industry.

Non-GAAP Financial Measures

Zinc Unit Cost Reconciliation (Mining Operations)[1] - Continued

(C$ in millions, except where noted)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Payable pounds sold (millions) (E)	281.7	325.0	1,040.3	1,094.2
Per unit amounts (C$/lb)				
Adjusted cash cost of sales (D/E)	$ 0.38	$ 0.36	$ 0.35	$ 0.40
Smelter processing charges (B/E)	0.39	0.31	0.36	0.28
Total cash unit costs (C$/lb)	$ 0.77	$ 0.67	$ 0.71	$ 0.68
Cash margin for by-products (C$/lb) ((A-C)/B)	(0.20)	(0.19)	(0.23)	(0.22)
Net cash unit costs (C$/lb)	$ 0.57	$ 0.48	$ 0.48	$ 0.46
US$ AMOUNTS[2]				
Average exchange rate (C$/US$)	$ 1.30	$ 1.32	$ 1.34	$ 1.33
Per unit amounts (US$/lb)				
Adjusted cash cost of sales	$ 0.29	$ 0.27	$ 0.26	$ 0.30
Smelter processing charges	0.30	0.23	0.27	0.21
Total cash unit costs (US$/lb)	$ 0.59	$ 0.50	$ 0.53	$ 0.51
Cash margin for by-products (US$/lb)	(0.15)	(0.14)	(0.17)	(0.17)
Net cash unit costs (US$/lb)	$ 0.44	$ 0.36	$ 0.36	$ 0.34

1. Red Dog and Pend Oreille (closed in July 2019).
2. Average period exchange rates are used to convert to US$ per pound equivalent.
We include unit cost 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 our industry.

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Steelmaking Coal Unit Cost Reconciliation

(C$ in millions, except where noted)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Cost of sales as reported	$ 825	$ 864	$ 3,098	$ 3,410
Less:				
Transportation costs	(245)	(249)	(905)	(976)
Depreciation and amortization	(212)	(207)	(732)	(792)
Inventory (write-down) reversal	(14)	(28)	(59)	(32)
Labour settlement	-	-	(4)	-
Adjusted site cash cost of sales	$ 354	$ 380	$ 1,398	$ 1,610
Tonnes sold (millions)	6.1	6.3	21.9	25.0
Per unit amounts (C$/t)				
Adjusted site cash cost of sales	$ 58	$ 60	$ 64	$ 65
Transportation costs	40	40	41	39
Inventory write-downs	2	4	3	1
Unit costs (C$/t)	$ 100	$ 104	$ 108	$ 105
US$ AMOUNTS[1]				
Average exchange rate (C$/US$)	$ 1.30	$ 1.32	$ 1.34	$ 1.33
Per unit amounts (US$/t)				
Adjusted site cash cost of sales	$ 44	$ 46	$ 47	$ 49
Transportation costs	31	30	31	29
Inventory write-downs	2	3	2	1
Unit costs (US$/t)	$ 77	$ 79	$ 80	$ 79

1. Average period exchange rates are used to convert to US$ per tonne equivalent.
We include unit cost 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 our industry.

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Energy Operating Netback, Bitumen & Blended Bitumen Price Realized Reconciliations

(C$ in millions, except where noted)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Revenue as reported	$ 140	$ 213	$ 454	$ 975
Less:				
Cost of diluent for blending	(54)	(80)	(217)	(322)
Non-proprietary product revenue	(4)	(8)	(21)	(32)
Add back: Crown royalties (D)	1	3	4	18
Adjusted revenue (A)	$ 83	$ 128	$ 220	$ 639
Cost of sales as reported	$ 186	$ 244	$ 780	$ 965
Less:				
Depreciation and amortization	(22)	(34)	(103)	(134)
Bitumen and diluent inventory write-downs	(8)	-	(54)	-
Cash cost of sales	$ 156	$ 210	$ 623	$ 831
Less:				
Cost of diluent for blending	(54)	(80)	(217)	(322)
Cost of non-proprietary product purchased	(4)	(6)	(17)	(31)
Transportation costs for non-proprietary product purchased[1]	(1)	-	(8)	(2)
Transportation costs for FRB (C)	(25)	(29)	(103)	(118)
Adjusted operating costs (E)	$ 72	$ 95	$ 278	$ 358
Blended bitumen barrels sold (000's)	3,056	3,837	11,641	16,023
Less: diluent barrels included in blended bitumen (000's)	(762)	(924)	(2,949)	(3,788)
Bitumen barrels sold (000's) (B)	2,294	2,913	8,692	12,235

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1. Reflects adjustments for costs not directly attributed to the production of Fort Hills bitumen, including transportation for non-proprietary product purchased.

Non-GAAP Financial Measures

Energy Operating Netback, Bitumen & Blended Bitumen Price Realized Reconciliations - Continued

(C$ in millions, except where noted)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Per barrel amounts (C$)				
Bitumen price realized[1] (A/B)	$ 35.92	$ 44.29	$ 25.27	$ 52.21
Crown royalties (D/B)	(0.33)	(1.27)	(0.49)	(1.50)
Transportation costs for FRB (C/B)	(10.69)	(9.71)	(11.84)	(9.62)
Adjusted operating costs (E/B)	(31.13)	(32.55)	(31.96)	(29.24)
Operating netback (C$/barrel)	**$ (6.23)**	**$ 0.76**	**$ (19.02)**	**$ 11.85**
Revenue as reported	**$ 140**	**$ 213**	**$ 454**	**$ 975**
Less: Non-proprietary product revenue	(4)	(8)	(21)	(32)
Add back: Crown royalties	1	3	4	18
Blended bitumen revenue (A)	$ 137	$ 208	$ 437	$ 961
Blended bitumen barrels sold (000s) (B)	3,056	3,837	11,641	16,023
Blended bitumen price realized[1] (C$) (A/B)=D	$ 44.77	$ 54.38	$ 37.55	$ 59.97
Average exchange rate (C$ per US$1) (C)	1.30	1.32	1.34	1.33
Blended bitumen price realized (US$/barrel) (D/C)	$ 34.36	$ 41.20	$ 27.99	$ 45.20

1. Bitumen price realized represents the realized petroleum revenue (blended bitumen sales revenue) net of diluent expense, expressed on a per barrel basis. Blended bitumen sales revenue represents revenue from our share of the heavy crude oil blend known as Fort Hills Reduced Carbon Life Cycle Dilbit Blend (FRB), sold at the Hardisty and U.S. Gulf Coast market hubs. FRB is comprised of bitumen produced from Fort Hills blended with purchased diluent. The cost of blending is affected by the amount of diluent required and the cost of purchasing, transporting and blending the diluent. A portion of diluent expense is effectively recovered in the sales price of the blended product. Diluent expense is also affected by Canadian and U.S. benchmark pricing and changes in the value of the Canadian dollar relative to the U.S. dollar.

We include unit cost 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 our industry.

Non-GAAP Financial Measures

Reconciliation of Free Cash Flow

(C$ in millions)	2003 to Q4 2020
Cash Flow from Operations	**$48,150**
Debt interest and finance charges paid	(5,820)
Capital expenditures, including capitalized stripping costs	(28,602)
Payments to non-controlling interests (NCI)	(649)
Free Cash Flow	**$13,079**
Dividends paid	$4,487
Payout ratio	34%

Fourth Quarter 2020 Results

February 18, 2021