Suncor Energy Inc.	SU – TSE, NYSE	April 2010

Business Description:
Suncor Energy Inc. (Suncor) is Canada's single largest producer of crude oil from oil sands. In 2009, Suncor acquired Petro-Canada for $20 billion in stock. Suncor is a fully integrated energy company with refineries in both Canada and the United States and approximately 1,800 gas stations, primarily under the Petro-Canada banner. Suncor is also a significant producer of natural gas largely to hedge its own consumption of gas in the oil sands production process. The company has five principal business segments: oil sands, refining and marketing, East Coast Canada, international and natural gas. In 2010, the first full year after acquiring Petro-Canada, Suncor is expected to produce approximately 550,000 barrels of oil equivalent (boe) per day, comprised about 58% crude oil and bitumen from oil sands, 20% international, 10% East Coast Canada, 9% from its natural gas segment and 3% from conventional crude oil and natural gas liquids.

Investment Thesis:
- Increasing industrialization, particularly in rapidly growing countries such as China and India, will continue to increase global demand for crude oil. At the same time, the difficulty of increasing global crude oil production at the same rate that demand is growing has led to a significant increase in crude oil prices in recent years.
- Alberta's three oil sands deposits (Athabasca, Cold Lake and Peace River) are estimated to contain 174 billion barrels of recoverable bitumen (a thick, sticky form of crude oil) placing Canada's proven oil reserves second in the world behind those of Saudi Arabia. Suncor's oil sands leases on the Athabasca deposit are estimated to contain more than 23 billion barrels of recoverable resources. That is enough bitumen to produce 600,000 bpd for the next 100 years.
- Critical differences between Suncor and conventional energy companies are that oil sands operators have no finding costs, no exploration risk and long life reserves. As a result of these tremendous economic advantages, oil sands operators have the opportunity to both increase production and earn above-average returns on capital for many decades.
- Some of the risks that oil sands operators face include the rising costs of production and rising capital costs for expansions. Oil sands participants, including Suncor, have recently acted to mitigate these pressures by cancelling or delaying certain expansion projects and spreading other projects out over more time.

Industry Growth Drivers/Trends:
- Global demand for energy continues to increase inexorably, driven by factors such as population growth and the increasing industrialization of developing countries. For example, from 1999 to 2009, global oil demand (in bpd) increased at a compound annual rate of 1.3% for a total increase over the past decade of 14%. More than 60% of oil consumption is for transportation for which there is no easy energy substitute.
- Oil production is in decline in many oil producing regions. This includes the North Sea, U.S. onshore, Canada conventional and Mexico. In recent years, most oil production growth has come from the Organization of Petroleum Exporting Countries (OPEC) and the former Soviet Union (FSU). Doubts have been expressed about the ability of those two sources to continue to increase production at rates high enough to satisfy the growth in global demand.
- It seems reasonable that, given the increasing maturity of global oil production, oil will have to be rationed through the price mechanism, i.e., over the long term, world oil prices will continue to increase in real terms.

Competitive Advantages:

- Unique resource (the oil sands)
- Ownership structure (100% control, not the joint ventures of many other operators)
- Experience (Suncor has been a pioneer in oil sands)
- Scale (oil sands production of 320,000 bpd in 2010E)
- Management acumen (note Suncor's long-term record)

Competitors:
- OPEC; other non-OPEC conventional oil producers; other forms of energy (coal, natural gas, nuclear, hydro and other).
- Other oil sands operators (e.g., the Syncrude, Albian and Horizon oil sands projects) compete with Suncor for human and other resources in the Athabasca region.

Barriers to Entry:
- Unique resource that cannot be duplicated. No amount of money could replicate the resources of Canada's oil sands.
- Government of Alberta lease regulations ensure that Suncor's oil sands leases will be maintained in good standing provided that it meets a stipulated minimum level of production.

Customers (% of Revenue):

- Suncor has no material customer concentration
- End-user demand is widely diversified globally

Executive Officers:
President & Chief Executive Officer - Richard L. (Rick) George, CEO since 1991. He was named "Outstanding CEO of the Year" in 1999 and "Alberta Business Person of the Year" for 2001. George was chairman of the Canadian Council of Chief Executives from 2003 to 2006 and in 2007 was appointed to the Order of Canada. COO - Steven W. Williams.

Board of Directors / Governance:
Chairman John Ferguson, director since 1995.
14 member board of whom 13 are independent of management (the only management director is CEO Rick George). Suncor has good corporate governance. For example, there is only one class of common voting shares; separation of chairman and CEO positions; reasonable executive compensation; and a relatively low amount of stock options.

Ownership:
Insiders own 0.1% of outstanding shares and there are stock options representing 4.6% of shares outstanding.

Capital Allocation/Uses:
Suncor has had the ability to deploy vast amounts of capital at an attractive rate of return. For example, from 2000 to 2009, Suncor's capital expenditures totaled $31.7 billion which permitted the company to increase its daily production from oil sands in that period by 155% largely through internal expansions. At the same time, Suncor averaged very high levels for return on capital employed and return on equity as the incremental funds were deployed very profitably. Should Suncor not have further major expansion projects beyond 2015, it would begin to generate large amounts of free cash flow which could be returned to shareholders by a variety of means including dividends and share re-purchases.

Business Segments:
- **Oil sands:** The production of oil from oil sands mined in the Athabasca region of northeastern Alberta.
- **East Coast Canada:** The production of oil from offshore Canada, including Hibernia, Terra Nova and White Rose.
- **International:** The production of oil from operations at Buzzard, other U.K. fields, Libya and elsewhere.
- **Refining & marketing:** The manufacture and marketing of petroleum and petrochemicals in Canada and the U.S.
- **Natural gas:** The exploration, development, production, and marketing of natural gas and conventional crude oil.
- **Corporate:** Includes inter-segment eliminations, research and development and interest expense.

Financial Statement Summary ($MM, years ended December 31)

Income Statement	**2005**	**2006**	**2007**	**2008**	**2009**
Total revenue	$11,086	$15,829	$17,933	$30,089	$26,679
Operating income	$1,984	$3,889	$3,209	$4,097	$919
Net income to common	$1,245	$2,971	$2,832	$2,137	$1,146
Fully diluted EPS	$1.34	$3.16	$3.01	$2.26	$0.95
Return on equity (ROE)	22.6%	39.4%	27.5%	16.2%	5.1%
Balance Sheet					
Net debt	$2,891	$1,849	$3,248	$7,226	$13,377
Common equity	$6,130	$8,952	$11,613	$14,523	$34,111
Net debt: common equity	0.5	0.2	0.3	0.5	0.4

Key Profitability Ratios and Figures:

Y/E December 31	**2007**	**2008**	**2009**
Oil sands production (000 bpd)	236	228	291
Total production (000 boe/d)	271	265	456
Oil sands operating costs ($/barrel)	$34.15	$45.85	$42.40
Return on capital employed	28.3%	21.1%	2.6%

Revenue by Segment (2009):

Oil sands	33%
East Coast Canada	3%
International	7%
Refining & marketing	54%
Natural gas	3%
Total	100%

Operating Inc Mix (2009):

Oil sands	45%
East Coast Canada	9%
International	25%
Refining & marketing	41%
Natural gas	(21%)
Total	100%

Revenue by geography:

Suncor's revenue mix in 2009 was Canada, 79%; U.S., 16%; other, 5%. Substantially all of Suncor's oil sands and natural gas production facilities are located in Alberta; most of its energy marketing and refining assets are in Alberta, Ontario, Quebec and Colorado; and sales of most of Suncor's oil, natural gas and refined products are concentrated in the United States and Canada.