



# News Release

## FOR IMMEDIATE RELEASE

### Suncor Energy reports financial results for 2008 and operational goals for 2009

All financial figures are unaudited and in Canadian dollars unless noted otherwise. Certain financial measures referred to in this document are not prescribed by Canadian generally accepted accounting principles (GAAP). For a description of these measures, see "Non-GAAP Financial Measures" on page 4. This document makes reference to barrels of oil equivalent (boe). A boe conversion ratio of six thousand cubic feet of natural gas: one barrel of crude oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Accordingly, boe measures may be misleading, particularly if used in isolation. Suncor's outlook includes a production range of +5%/-10% based on our current expectations, estimates, projections and assumptions for the 2009 fiscal year. Uncertainties in the estimating process and the impact of future events can and will cause actual results to differ, in some cases materially, from our estimates.

**Calgary, Alberta (January 20, 2009)** – Suncor Energy Inc. today reported 2008 net earnings of \$2.137 billion (\$2.29 per common share), compared to \$2.983 billion (\$3.23 per common share) in 2007. Excluding unrealized foreign exchange impacts on the company's U.S. dollar denominated long-term debt, the impact of income tax rate reductions on opening future income tax liabilities, and project start-up costs, 2008 earnings were \$3.013 billion (\$3.23 per common share), compared to \$2.390 billion (\$2.59 per common share) in 2007. Cash flow from operations in 2008 was \$4.463 billion, compared to \$4.009 billion in 2007.

The increases in earnings and cash flow from operations are due primarily to higher annual average price realizations for oil sands and natural gas products. This was partially offset by unscheduled maintenance – which led to higher operating expenses, lower production and increased product purchases – and decreased earnings from our downstream operations due to declining commodity prices in the second half of the year which reduced the value of inventories.

"We've had a challenging 2008 with unscheduled maintenance at our oil sands operations," said Rick George, president and chief executive officer. "We've put considerable effort into maximizing the reliability of our assets with the target of achieving higher, more stable production rates in 2009 and beyond."

#### 2008 Overview

- Suncor's total upstream production averaged 264,700 barrels of oil equivalent (boe) per day in 2008, compared to 271,400 boe per day in 2007. Oil sands production contributed 228,000 barrels per day (bpd) in 2008 compared to 235,600 bpd in 2007. Oil sands production volumes and sales mix were impacted during the year by planned and unplanned maintenance activities in the company's upgrading and extraction facilities. In Suncor's natural gas business, production was 220 million cubic feet equivalent (mmcfe) per day compared to an average of 215 mmcfe per day in 2007.
- Oil sands cash operating costs in 2008 averaged \$38.50 per barrel, compared to \$27.80 per barrel during 2007. The increase in cash operating costs per barrel was due to higher operating expenses including increased unplanned maintenance, as well as increased third-party bitumen purchases and higher natural gas input costs.
- Commissioning of Suncor's \$2.3 billion expansion to one of two oil sands upgraders was completed in the third quarter of 2008. With the completion of this expansion, Suncor has upgrading design capacity in place of 350,000 bpd. Actual production in 2009 is expected to be less than design

capacity at 300,000 bpd (+5%/-10%) primarily due to expected constraints in bitumen supply and planned maintenance in the third quarter.

- Suncor's Board of Directors approved a \$20.6 billion investment that is expected to boost crude oil production capacity at the company's oil sands operation by 200,000 bpd. At the end of 2008, spending on this project totaled approximately \$7.0 billion. Company-wide capital spending in 2008 totaled \$7.6 billion. Net debt at year-end 2008 was \$7.2 billion, compared to \$3.2 billion at the end of 2007. For further details on Suncor's capital spending plans, see Operational and Financial Outlook on page 3.
- At the company's annual and special meeting in April 2008, Suncor shareholders approved a split of the company's common shares on a two-for-one basis, and the shares began trading at the split-adjusted price in May on both the Toronto and New York stock exchanges.

#### **Fourth Quarter 2008**

Suncor recorded a net loss in the fourth quarter 2008 of \$215 million (\$0.24 per common share), compared to net earnings of \$1.042 billion (\$1.13 per common share) for the fourth quarter of 2007. Excluding unrealized foreign exchange impacts on the company's U.S. dollar denominated long-term debt, the impact of income tax rate reductions on opening future income tax liabilities, and project start-up costs, earnings for the fourth quarter of 2008 were \$434 million (\$0.46 per common share), compared to \$677 million (\$0.73 per common share) in the fourth quarter of 2007. Cash flow from operations for the fourth quarter of 2008 was \$551 million, compared to \$1.200 billion in the fourth quarter of 2007.

The decrease in earnings was primarily due to significant decreases in benchmark commodity prices over the course of the fourth quarter of 2008. This negatively impacted both our sales revenues and the value of our inventories. In addition, we had higher operating expenses in our oil sands business. These impacts were partially offset by mark-to-market gains on our crude oil hedges. The decrease in cash flow from operations was due primarily to the same factors that impacted earnings during the quarter excluding the impact of the crude oil hedging gains.

Suncor's combined oil sands and natural gas production for the fourth quarter of 2008 was 279,400 boe per day, compared to 290,700 boe per day in the same period of 2007. Oil sands production in the fourth quarter of 2008 averaged 243,800 bpd, compared to fourth quarter 2007 production of 252,500 bpd. Production volumes were reduced in the fourth quarter of 2008 due to planned and unplanned maintenance. Natural gas production averaged 213 mmcfe per day in the fourth quarter of 2008, compared to the 229 mmcfe per day recorded in the fourth quarter of 2007. The decrease in production was primarily due to third-party processing outages during the fourth quarter of 2008.

Fourth quarter 2008 oil sands cash operating costs were \$41.30 per barrel, compared to \$27.90 per barrel in the same period of 2007. Cash operating costs per barrel were higher in the fourth quarter primarily due to higher total operating costs, including expenses and production impacts related to a fire at the oil sands facility in late November.

In the company's downstream business, planned maintenance at the Sarnia refinery, which involved a partial shutdown of the facility's operating units, was completed in October. This shutdown was completed safely, on schedule and on budget.

## **Operational and Financial Outlook**

In January, Suncor's Board of Directors approved a revised 2009 capital spending plan of \$3 billion, with approximately one third of the budget targeted to growth projects and the remainder for spending on base business operations. The previous plan, approved in October 2008, had targeted spending of \$6 billion.

With the revised plan, construction on the Voyageur upgrader and Firebag Stage 3 will be wound down and the projects placed in a "safe mode" pending resumption of expansion work. At this time, construction restart and completion targets for these projects, and start up and completion targets for all other expansion projects, have not been determined. Capital growth plans will be reviewed on a quarterly basis in light of market conditions and updates provided as details are known.

"With market conditions limiting our growth capital spending in 2009, we will be tightly focused on getting full value from our existing assets," said George. "Safe, reliable, cost-effective and environmentally responsible performance will be the keys to weathering the current downturn and ensuring we are well positioned for a market recovery. We have some of the most experienced employees and contractors in the industry and, going forward, I expect everyone to be lined up behind these priorities."

Suncor's outlook provides management's targets for 2009 in certain key areas of the company's business. Users of this forward-looking information are cautioned that actual results may vary from the targets disclosed.

### **2009 Full Year Outlook**

<b>Oil Sands</b>	
Production <sup>(1)</sup> (bpd)	300 000 (+5%/-10%)
Sales	
Diesel	11%
Sweet	39%
Sour	48%
Bitumen	2%
Realization on crude sales basket	WTI @ Cushing less Cdn\$4.50 to Cdn\$5.50 per barrel
Cash operating costs <sup>(2)</sup>	\$33 to \$38 per barrel
<b>Natural Gas</b>	
Production <sup>(3)</sup> (mmcfe equivalent per day)	210 (+5%/-5%)
Natural gas	92%
Liquids	8%

(1) Includes volumes transferred to Suncor for processing for which the company receives a processing fee. Volumes received under this arrangement are not included as purchases for financial statement presentation.

(2) Cash operating cost estimates are based on the following assumptions: (i) production volumes and sales mix as described in the table above; and (ii) a natural gas price of \$7.10 per gigajoule at AECO. This goal also includes costs incurred for third-party bitumen processing. Cash operating costs per barrel are not prescribed by Canadian generally accepted accounting principles (GAAP). This non-GAAP financial measure does not have any standardized meaning and therefore is unlikely to be comparable to similar measures presented by other companies. Suncor includes this non-GAAP financial measure because investors may use this information to analyze operating performance. This information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures".

(3) Production target includes natural gas liquids (NGL) and crude oil converted into mmcf equivalent at a ratio of one barrel of NGL/crude oil: six thousand cubic feet of natural gas. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This mmcf equivalent may be misleading, particularly if used in isolation.

The 2009 outlook is based on Suncor's current expectations, estimates, projections and assumptions for the 2009 fiscal year and is subject to change. Assumptions are based on management's experience and perception of historical trends, current conditions, anticipated future developments and other factors believed to be relevant. Assumptions of the 2009 outlook include implementing reliability and operational efficiency initiatives which we expect to minimize unplanned maintenance in 2009.

Factors that could potentially impact Suncor's operations and financial performance in 2009 include:

- Bitumen supply. Ore grade quality, unplanned mine equipment and extraction plant maintenance, tailings storage and in-situ reservoir performance could impact 2009 production targets. Production could also be impacted by the availability of third-party bitumen.
- Performance of recently commissioned upgrading facilities. Production rates while new equipment is being lined out are difficult to predict and can be impacted by unplanned maintenance.
- Unplanned maintenance. Production estimates could be impacted if unplanned work is required at any of its mining, production, upgrading, refining or pipeline assets.
- Crude oil hedges. Suncor has hedging agreements for 55,000 bpd in 2009 and 2010 at a floor price of US\$60 per barrel.
- Market Instability. Suncor's ability to borrow in the capital debt markets at acceptable rates may be affected by market instability.

The preceding paragraphs and table contain forward-looking information that is subject to a number of risks and uncertainties, many of which are beyond the company's control. For additional information on risks, uncertainties and other factors that could cause actual results to differ, please refer to the legal notice on page 7.

### **Net Earnings Components**

This table sets forth some of the factors impacting Suncor's net earnings.

(\$ millions, after-tax) (unaudited)	Three months ended		Years ended	
	December 31 <b>2008</b>	2007	December 31 <b>2008</b>	2007
Earnings before the following items:	<b>434</b>	677	<b>3 013</b>	2 390
Impact of income tax rate changes on opening future income tax liabilities <sup>(1)</sup>	—	360	—	427
Unrealized foreign exchange gain (loss) on U.S. dollar denominated long-term debt	(645)	16	(852)	215
Project start-up costs	(4)	(11)	(24)	(49)
Net earnings (loss) as reported	<b>(215)</b>	1 042	<b>2 137</b>	2 983

(1) Reflects Q4 2007 federal rate reduction of 3.5% and Q2 2007 federal rate reduction of 0.5%.

## **Non-GAAP Financial Measures**

Certain financial measures referred to in this news release, namely return on capital employed (ROCE) and cash flow from operations, are not prescribed by GAAP. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. Suncor includes these non-GAAP financial measures because investors may use this information to analyze operating performance, leverage and liquidity. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Cash flow from operations is expressed before changes in non-cash working capital. A reconciliation of net earnings to cash flow from operations is provided in the schedules of segmented data, which are an integral part of the company's fourth quarter financial statements.

A reconciliation of cash flow from operations on a per common share basis is presented in the following table:

### **Reconciliation of cash flow from operations on a per share basis (unaudited)**

	Three months ended December 31		Years ended December 31	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Cash flow from operations (\$ millions)	<b>551</b>	1 200	<b>4 463</b>	4 009
Weighted average number of common shares outstanding – basic (millions of shares)	<b>935</b>	925	<b>932</b>	922
Cash flow from operations – basic (\$ per share)	<b>0.59</b>	1.30	<b>4.79</b>	4.35

The following tables outline the reconciliation of oil sands cash and total operating costs to expenses included in the schedules of segmented data in Suncor's fourth quarter financial statements.

### **Oil Sands Operating Costs – Total Operations**

(unaudited)	Three months ended December 31				Years ended December 31			
	<b>2008</b>		<b>2007</b>		<b>2008</b>		<b>2007</b>	
	\$ millions	\$/barrel	\$ millions	\$/barrel	\$ millions	\$/barrel	\$ millions	\$/barrel
Operating, selling and general expenses	<b>968</b>		615		<b>3 124</b>		2 384	
Less: natural gas costs, inventory changes, stock-based compensation and other	(183)		(59)		(524)		(302)	
Less: non-monetary transactions	(30)		(21)		(111)		(102)	
Accretion of asset retirement obligations	<b>14</b>		10		<b>55</b>		41	
Taxes other than income taxes	<b>23</b>		16		<b>80</b>		55	
Cash costs	<b>792</b>	<b>35.35</b>	561	24.10	<b>2 624</b>	<b>31.45</b>	2 076	24.15
Natural gas	<b>91</b>	<b>4.05</b>	84	3.60	<b>438</b>	<b>5.25</b>	307	3.55
Imported bitumen (net of other reported product purchases)	<b>43</b>	<b>1.90</b>	5	0.20	<b>150</b>	<b>1.80</b>	8	0.10
Cash operating costs	<b>926</b>	<b>41.30</b>	650	27.90	<b>3 212</b>	<b>38.50</b>	2 391	27.80
Project start-up costs	<b>6</b>	<b>0.30</b>	13	0.55	<b>35</b>	<b>0.40</b>	60	0.95
Total cash operating costs	<b>932</b>	<b>41.60</b>	663	28.45	<b>3 247</b>	<b>38.90</b>	2 451	28.75
Depreciation, depletion and amortization	<b>168</b>	<b>7.50</b>	129	5.60	<b>580</b>	<b>6.95</b>	462	5.40
Total operating costs	<b>1 100</b>	<b>49.10</b>	792	34.05	<b>3 827</b>	<b>45.85</b>	2 913	34.15
Production (thousands of barrels per day)	<b>243.8</b>		252.5		<b>228.0</b>		235.6	

### **Oil Sands Operating Costs – In-Situ Bitumen Production Only**

(unaudited)	Three months ended December 31			Years ended December 31		
	2008	2007	\$ millions \$/barrel	2008	2007	\$ millions \$/barrel
Operating, selling and general expenses	91	69		334	273	
Less: natural gas costs and inventory changes	(35)	(34)		(168)	(134)	
Taxes other than income taxes	4	2		12	7	
Cash costs	60 <b>16.55</b>	37 9.95		178 <b>13.00</b>	146 10.85	
Natural gas	35 <b>9.65</b>	34 9.15		168 <b>12.30</b>	134 9.90	
Cash operating costs	95 <b>26.20</b>	71 19.10		346 <b>25.30</b>	280 20.75	
In-situ (Firebag) start-up costs	— —	— —		9 <b>0.65</b>	— —	
Total cash operating costs	95 <b>26.20</b>	71 19.10		355 <b>25.95</b>	280 20.75	
Depreciation, depletion and amortization	24 <b>6.55</b>	25 6.80		87 <b>6.35</b>	83 6.20	
Total operating costs	119 <b>32.75</b>	96 25.90		442 <b>32.30</b>	363 26.95	
Production (thousands of barrels per day)	39.7	40.4		37.4	36.9	

ROCE is calculated as net earnings (2008 – \$2,940 million; 2007 – \$2,804 million) adjusted for after-tax financing expense (2008 – \$803 million; 2007 – income of \$179 million) for the twelve month period ended; divided by average capital employed (2008 – \$13,957 million; 2007 – \$9,584 million). Average capital employed is the sum of shareholders' equity and short-term debt plus long-term debt less cash and cash equivalents, at the beginning and end of the year, divided by two, less average annual capitalized costs related to major projects in progress (as applicable). For more detail on how ROCE is calculated, see page 46 of Suncor's 2007 Annual Report to Shareholders.

### **Legal Notice – Forward-Looking Information**

*This news release contains certain forward-looking statements that are based on Suncor's current expectations, estimates, projections and assumptions that were made by the company in light of its experience and its perception of historical trends.*

*All statements that address expectations or projections about the future, including statements about Suncor's strategy for growth, expected and future expenditures, commodity prices, costs, schedules, production volumes, operating and financial results and expected impact of future commitments, are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects," "anticipates," "estimates," "plans," "scheduled," "intends," "believes," "projects," "invests," "could," "focus," "goal," "proposed," "target," "objective," "potential," "forecast," "predict," "enable," "outlook," and similar expressions. These statements are not guarantees of future performance and involve a number of risks and uncertainties, some that are similar to other oil and gas companies and*

*some that are unique to Suncor. Suncor's actual results may differ materially from those expressed or implied by its forward-looking statements and readers are cautioned not to place undue reliance on them.*

*Suncor's outlook includes a production range of +5%/-10% based on our current expectations, estimates, projections and assumptions for the 2009 fiscal year. Uncertainties in the estimating process and the impact of future events can and will cause actual results to differ, in some cases materially, from our estimates.*

*The risks, uncertainties and other factors that could influence actual results include but are not limited to, market instability affecting Suncor's ability to borrow in the capital debt markets at acceptable rates, availability of third-party bitumen, success of hedging strategies, changes in the general economic, market and business conditions; fluctuations in supply and demand for Suncor's products; volatility of and assumptions regarding commodity prices, interest rates and currency exchange rates; Suncor's ability to respond to changing markets and to receive timely regulatory approvals; the successful and timely implementation of capital projects including growth projects (for example, the Voyageur project, including our Firebag in-situ development) and regulatory projects (for example, the emissions reduction modifications at our Firebag in-situ development); the accuracy of cost estimates, some of which are provided at the conceptual or other preliminary stage of projects and prior to commencement or conception of the detailed engineering needed to reduce the margin of error and increase the level of accuracy; the integrity and reliability of Suncor's capital assets; the cumulative impact of other resource development; the cost of compliance with current and future environmental laws; the accuracy of Suncor's reserve, resource and future production estimates and its success at exploration and development drilling and related activities; the maintenance of satisfactory relationships with unions, employee associations and joint venture partners; competitive actions of other companies, including increased competition from other oil and gas companies or from companies that provide alternative sources of energy; labour and material shortages; uncertainties resulting from potential delays or changes in plans with respect to projects or capital expenditures; actions by governmental authorities including the imposition of taxes or changes to fees and royalties, changes in environmental and other regulations (for example, the Government of Alberta's implementation of recommendations to enhance how the performance of the royalty regime is measured and reported, the Government of Canada's proposed Clean Air regulatory framework and the development of greenhouse gas regulation by other provincial and state governments); the future potential for lawsuits against greenhouse gas emitters, based on links drawn between greenhouse gas emissions and climate change; unexpected issues associated with management and reclamation of our tailings ponds; the ability and willingness of parties with whom we have material relationships to perform their obligations to us; and the occurrence of unexpected events such as fires, blowouts, freeze-ups, equipment failures and other similar events affecting Suncor or other parties whose operations or assets directly or indirectly affect Suncor. The foregoing important factors are not exhaustive.*

*Many of these risk factors are discussed in further detail throughout Suncor's third quarter Management's Discussion and Analysis and in the company's Annual Information Form/Form 40-F on file with Canadian securities commissions at [www.sedar.com](http://www.sedar.com) and the United States Securities and Exchange Commission (SEC) at [www.sec.gov](http://www.sec.gov). Readers are also referred to the risk factors described in other documents that Suncor files from time to time with securities regulatory authorities. Copies of these documents are available without charge from the company.*

*Suncor Energy Inc. is an integrated energy company headquartered in Calgary, Alberta. Suncor's oil sands business, located near Fort McMurray, Alberta, extracts and upgrades oil sands and markets refinery feedstock and diesel fuel, while operations throughout western Canada produce natural gas. Suncor operates a refining and marketing business in Ontario with retail distribution under the Sunoco brand. U.S.A. downstream assets include pipeline and refining operations in Colorado and Wyoming and*

*retail sales in the Denver area under the Phillips 66® brand. Suncor's common shares (symbol: SU) are listed on the Toronto and New York stock exchanges.*

*Suncor Energy (U.S.A.) Inc. is an authorized licensee of the Phillips 66® brand and marks in the state of Colorado. Sunoco in Canada is separate and unrelated to Sunoco in the United States, which is owned by Sunoco, Inc. of Philadelphia.*

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For more information about Suncor Energy Inc. please visit our web site at [www.suncor.com](http://www.suncor.com) .

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A full copy of Suncor's fourth quarter report to shareholders, including management's discussion and analysis and the financial statements and notes (unaudited) can be obtained at

[www.suncor.com/financialreporting](http://www.suncor.com/financialreporting) or by calling 1-800-558-9071 toll-free in North America.

To listen to the conference call discussing Suncor's fourth quarter results, visit

[www.suncor.com/webcasts](http://www.suncor.com/webcasts).