Imperial Oil Limited
Q4 2025 Earnings Call
Transcript

Friday January 30th, 2026

Conference Title: **Imperial Oil 4Q25 Earnings Call**

Date: **Friday, 30th January 2026**

Operator: Good day, and welcome to the Imperial Oil Fourth Quarter 2025 Earnings Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Peter Shaw, Vice President of Investor Relations. Please go ahead.

Peter Shaw: Good morning, everyone. Welcome to our fourth-quarter earnings conference call. I am joined this morning by Imperial's senior management team, including John Whelan, Chairman, President, and CEO. Dan Lyons, Senior Vice President of Finance and Administration, Cheryl Gomez-Smith, Senior Vice President of the Upstream. And Scott Maloney, Vice President of the Downstream.

Today's comments include reference to non-GAAP financial measures. The definitions and reconciliations of these measures can be found in attachment six of our most recent press release, and are available on our website with a link to this conference call. Today's comments may contain forward-looking information. Any forward looking information is not a guarantee of future performance and actual future performance. Operating results can vary materially depending on a number of factors and assumptions.

Forward-looking information, and the risk factors and assumptions are described further in detail on our fourth quarter earnings release that we issued this morning, as well as our most recent 10-K. All these documents are available on SEDAR+, EDGAR, and our website. I would ask you to refer to those.

John is going to start this morning with some opening remarks, and then hand it over to Dan, who's going to go through the financial update. Then John will provide operations update. Once that is done, we will follow with the Q&A. With that, I will turn it over to John for his opening remarks.

John Whelan: Thank you, Peter. Good morning everybody, and welcome to our Fourth Quarter and Full Year Earnings Call. I hope everyone is doing well and that your year is off to a good start. And as always, we appreciate you taking the time to join us this morning. Let me start by saying I'm very pleased to report another strong quarter. We generated just over $1. 9 billion in cash flow from operations in the quarter and 6. 7 billion for the full year.

At year end 2025, our cash on hand exceeded 1. 1 billion. After funding our capital program and returning 2. 1 billion to shareholders in the quarter and 4. 6 billion over the year, including dividends, and the completion of our normal course issuer bid. Our integrated business model continued to demonstrate resilience with stronger downstream profitability in the quarter. And we continue to generate substantial free cash flow over a range of oil price environments. With nearly 1. 4 billion generated in the fourth quarter, when WTI averaged less than $60 US, and 4. 8 billion generated throughout 2025.

While our financial results in the quarter were very strong, operationally, we encountered extremely wet conditions at Kearl in October and additional maintenance in our eastern manufacturing hub in December. I'll touch further on these events and how we've moved past them during the asset updates. On the project front, we achieved first production from the Cold Lake Lemming SAGD project in the beginning of November. As expected, production is currently ramping up to a peak of around 9000 barrels per day.

Now, I'd like to briefly highlight two identified items that affected the quarter's results. First, we announced our decision to cease production at our Norman Wells asset in the Northwest Territories by the end of the third quarter of 2026, as it reaches the end of economic life after several decades of successful operations. This somewhat accelerated end of field life versus the end of the decade resulted in a one-time charge of 320 million after tax, which is included in our fourth quarter identified items.

I would like to take a moment to thank our Imperial team members and our partners that have contributed to, and are still supporting our efforts at Norman Wells. As we continue to supply essential energy products to the north and as we move forward with the decommissioning at Norman Wells, our focus will remain on strong relationships and working closely with local communities.

Separately, we completed a comprehensive review of our inventory practices across the company, informed by external benchmarking and inventory management best practices. Based on the review, we identified opportunities to further enhance our inventory management such that we can run more efficiently with optimized inventory levels while maintaining critical supplies. While we have recognized a one-time charge of 156 million after tax in our fourth quarter earnings to reflect the optimization of materials and supplies inventory, we expect to realize significant operating and working capital efficiencies going forward.

Moving back to the overall results, the fourth quarter saw us continue our long track record of delivering industry-leading returns to shareholders. We paid $361 million in dividends and completed the accelerated share repurchases under the NCIB in mid-December, with share repurchases totaling 1. 7 billion in the quarter. In total, we returned 4. 6 billion of cash to shareholders in 2025 and exceeded $23 billion over the past five years.

I'm also pleased to share that this morning we declared a dividend of $0. 87 per share, payable on April 1st, 2026. The increase of $0. 15 per share is the largest nominal dividend increase in company history. To provide some context, 10 years ago, our quarterly dividend was $0. 14 per share.

As we move into 2026, we remain focused on our core strategy of being the most responsible operator, maximizing the value of existing assets, progressing our restructuring plan, and continuing to deliver industry-leading shareholder returns. This strategy has allowed us to increase our quarterly dividend per share by 295%, and repurchased 34% of our outstanding shares since 2020. With that, I'll now pass things over to Dan to walk through the financial results in more detail.

Dan Lyons: Thank you, John. I'll begin by covering the fourth quarter identified items that John just mentioned and provide some additional context. First, consistent with our economic decision to accelerate the cessation of production at Norman Wells by several years, we have booked an earnings charge of $320 million. This charge includes a $108 million impairment charge to reduce the netbook value of the asset to zero. The remaining $212 million reflects related contractual obligations, with about half expected to be paid later in 2026 and the other half payable over a number of years going forward.

Second, the optimization of materials and supplies inventory resulted in an unfavorable earnings impact of $156 million after tax, while this one-time charge in the fourth quarter did not impact our operating cash flow. It did impact our simplified non-GAAP measures of unit cash operating costs at Kearl and Cold Lake. John will discuss these impacts in his asset updates.

Turning to our underlying fourth quarter results, we recorded net income of $492 million, excluding the two identified items I just described. Net income for the quarter was $968 million, down $257 million from the fourth quarter of 2024, driven primarily by lower upstream realizations.

When comparing sequentially, fourth quarter net income is down $47 million from the third quarter of 2025. When excluding identified items, net income is down $126 million, primarily due to lower upstream realizations. Now shifting our attention to each business line and looking sequentially. Upstream lost $2 million, down $730 million from the third quarter. However, excluding identified items, net income of $418 million is down $310 million, primarily due to lower realizations.

Downstream earnings of $519 million are up $75 million from the third quarter. Excluding identified items, net income of $564 million is up $121 million, mainly due to higher margins. Our chemical business generated earnings of $9 million, down $12 million from the third quarter. Excluding identified items, net income of $20 million is essentially flat as we continue to operate in bottom-of-cycle margin conditions.

Moving to cash flow. In the fourth quarter, we generated $1,918 million in cash flows from operating activities, excluding working capital effects. Cash flows from operating activities for the fourth quarter were $1,260 million, which included an unfavorable $325 million related to the identified items previously discussed. Taking this into account, normalized cash flow from operating activities, excluding working capital effects, was about $1,585 million in the quarter. As John mentioned, we ended the quarter in a strong cash position with over $1. 1 billion of cash on hand.

Shifting to CapEx, capital expenditures in the quarter totaled $651 million, $228 million higher than the fourth quarter of 2024, and $146 million higher than the third quarter of 2025. Full-year CapEx was $2 billion, consistent with our guidance, up from $1. 9 billion in 2024. In the upstream fourth quarter, spending of $508 million focused on sustaining capital at Kearl, Syncrude, and Cold Lake. In the downstream, fourth quarter CapEx was primarily spent on sustaining capital projects across our refinery network.

Shifting to shareholder distributions, we continued to demonstrate our long-standing commitment to distribute surplus cash to shareholders, returning $4. 6 billion over the course of 2025, including $1. 4 billion of dividends and $3. 2 billion in share repurchases.

Looking ahead to 2026, and as John already mentioned, we announced a first-quarter dividend of $0. 87 per share this morning. This increase of just over 20% reflects our confidence going forward and demonstrates our long-standing commitment to deliver a reliable and growing dividend. Now I'll turn it back to John to discuss the company's operational performance.

John Whelan: Thanks, Dan. I'll now take the next few minutes to share the key highlights from our operating results. Upstream production for the quarter averaged 444,000 oil equivalent barrels per day, down 18,000 oil equivalent barrels per day versus the third quarter, and down 16,000 versus the fourth quarter of 2024.

That said, for the full year, we achieved the highest annual production in over 30 years at 438,000 oil equivalent barrels per day. And in fact, our liquids production was the highest ever. I'll now cover each of the assets, starting with Kearl.

Kearl's quarterly production was 274,000 barrels per day gross, down 42,000 barrels per day versus the record quarterly production in the third quarter. As I mentioned in my opening comments, we experienced some extremely wet conditions in October that prevented us from mining per the optimized sequence in our plan. This temporarily impacted our ability to access some of the higher-quality ore we were planning to mine in the quarter. However, as conditions improve, the team was able to return to normal operations. In December, Kearl produced 290,000 barrels per day, achieving its second-highest monthly production ever. I was pleased to see those production levels, even as temperatures dropped for the last two weeks of the year.

Given the performance in December, the fact that 2025 had more days over 300,000 barrels per day than any previous year, and the good start to 2026, I have high confidence in our annual guidance for the year and in the path to our target of 300,000 barrels per day.

Returning to Kearl's unit costs, Kearl's fourth quarter unit cash cost of $23. 84 US included approximately $4. 50 US impact due to the inventory optimization. Kearl's 2025 full-year unit cash costs of $19. 50 was also impacted by the inventory optimization by about $1 US. Excluding these impacts, Kearl's unit cash costs were well below $20 US for the year and well on our path of achieving $18 US per barrel.

This year, we completed the K-2 turnaround, advancing our plan to double our turnaround intervals to an industry-leading four years. In 2026, we will complete the program by undertaking comparable work on the other train at K-1. The turnaround interval extension, along with other initiatives such as the productivity and reliability projects and secondary recovery investments, underpin our strategy to maximize value from our existing assets.

Moving next to Cold Lake highlights. Cold Lake's quarterly production averaged 153,000 barrels per day, up 3,000 barrels per day versus the third quarter of 2025. First production from the Lemming SAGD project was achieved in November. As we speak, the project is producing approximately 4,000 barrels per day, which gives us confidence in the ramp towards 9,000 barrels per day over the course of the year.

Moving to Cold Lake, unit cash costs, which were $16 US during the fourth quarter and impacted by approximately $1 US per barrel due to the inventory optimization. On a full-year basis, Cold Lake achieved a unit cash cost of $14. 67 US, which was impacted by about $0. 25 due to inventory optimization.

The Grand Rapids SA-SAGD continues to perform well. Leming SAGD is ramping up, and continuous efforts to improve our unit cost structure give us the confidence in reaching our unit cash cost target of $13 US per barrel in 2027. Activities in Cold Lake in 2026 include high-value infill drilling and early development of our next SA-SAGD project, which will be at Mahihkan. This will be our second commercial solvent-assisted SAGD operation, and follows the successful startup of Grand Rapids in 2024. Mahihkan SA-SAGD start-up is anticipated in 2029, with a peak production of 30,000 barrels per day.

To round out our upstream, I'll cover Syncrude results. Imperial's share of Syncrude production for the quarter averaged 87,000 barrels per day, which was up 9,000 barrels per day versus the third quarter and up 6,000 barrels per day versus the fourth quarter of 2024. Higher volumes reflect turnaround optimization and stronger mine performance. This quarter, the interconnect pipeline enabled Syncrude to produce approximately 7,000 additional barrels per day. Our share of Syncrude Sweet premium production.

Now let's move on and talk about the downstream. In the fourth quarter, we refined an average of 408,000 barrels per day, equating to a utilization of 94%. Compared to the third quarter, refinery throughput was down 17,000 barrels a day due to additional maintenance in our eastern manufacturing hub in December. The maintenance was completed in December and will have no impact on our 2026 throughput. For the full year, our refineries achieved a throughput of 402,000 barrels per day, equating to a utilization of 93%. That throughput was up versus the 399,000 barrels per day achieved in 2024.

With the successful completion of the Sarnia turnaround in the fourth quarter, the execution of all downstream turnarounds in 2025 occurred ahead of schedule and below budget. We also started the Strathcona Renewable Diesel facility mid-year. The facility is running well and has reduced our reliance on high-cost imported products and strengthened our competitive domestic supply. We continue to optimize production at the facility based on hydrogen availability.

Looking ahead, we remain focused on delivering industry-leading operational performance while enhancing logistics and processing flexibility to further improve our competitive position and long-term resilience.

Turning now to chemicals. Earnings in the fourth quarter were $9 million, down $12 million from the fourth quarter of 2024, impacted by the inventory optimization. Excluding this impact, earnings were consistent with the fourth quarter of 2024. Although market conditions remain challenging, our integration with the Sarnia refinery continues to add value and provides resilience in low-price environments.

In closing, 2025 was another strong year for Imperial. We generated approximately $4. 8 billion in free cash flow and returned $4. 6 billion to shareholders through dividends and buybacks. Operationally, we achieved record annual volumes in our upstream and made further progress on our unit cash costs at Kearl and Cold Lake. We also successfully completed our planned turnarounds across all business lines.

As we look to 2026, our priorities remain clear and consistent, continue to profitably grow volumes, further lower unit cash costs, and increase cash flow generation. We remain committed to optimizing production across our asset base, progressing towards our volume and cost targets, driving greater efficiency, and delivering unmatched industry-leading shareholder returns. We continue to prioritize a reliable and growing dividend, and we will continue to return surplus cash in a timely manner. Our restructuring that was announced in September is progressing on plan and will advance our long-standing strategy of maximizing the value of our existing assets.

In closing, let me say the combination of our financial position, strong operating results, and our strategic initiatives to further strengthen efficiency and effectiveness gives me confidence in the future of Imperial and our ability to further enhance our industry-leading position. As always, I want to thank our employees for their hard work and dedication throughout the year, and I'd like to thank all of you once again for your continued interest and support. Now we'll move to the Q&A session. I'll pass it back to Peter.

Peter Shaw: Thank you, John. As always, we'd appreciate it if you could limit yourself to one question plus a follow-up. With that operator, could you please open up the line for questions?

Operator: Thank you. If you would like to signal with questions, please press star one on your touch-tone telephone. If you're joining us today using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star one. If you would like to ask questions, star one. Our first question will come from Dennis Fong with CIBC World Markets.

Dennis Fong: Hi. Good morning. Thanks for taking my questions, and appreciate the thorough ops update in the prepared commentary. My first question is focused on Kearl. You highlighted obviously wet conditions driving some of the production impacts early in the quarter. Do you mind discussing some of the learnings or even implementation of different. We'll call it maintenance or standard operating procedures that could help mitigate kind of such. I call it downtime or inaccessibility to certain regions in the mine on a go-forward basis, especially as we think about obviously continued operations.

John Whelan: Sure. Thanks, Dennis. Maybe, let me step back a little bit. I think you're right. If you think about our winter operations and the steps we've made to improve performance in winter and then wet conditions, it falls in the same category for us. It is a good question. We look at all of these. Weather is our reality, and we need to operate efficiently and effectively through that. But let me step back a little bit to what happened in the fourth quarter. The root cause of that lower production, as we talked about, was these exceptionally wet conditions in the fourth quarter. To give you a sense, we experienced more rain in a few days in October than we typically get all summer. It was a significant event.

What happened there was that it impacted the mobility of the equipment in the mine, and it delayed accessing high quality or that we had planned to get to. And unfortunately, it took a little time to recover from that. Part of it did creep into November as well. But as I said, we recovered strongly in December with our second-highest monthly production in the asset's history. Despite cold weather in the second half of December as well.

I would say there's no carryover from this event, but we will be stepping back for sure. Looking at, are there other things we can do around the way we design our roads, the drainage of our roads, and those types of things to make sure that even in this was an extreme event, but even in those events that we can weather those better and continue to produce.

But overall, I'd say it was an extreme event. We will learn from it. I feel really good about our plans at Kearl, our guidance between 285 and 295. This year, we're very confident of that. Our path to 300,000 and the things we're doing around turnaround optimization, productivity, and reliability improvements, and higher recovery.

Again, it was encouraging to see 2025. We had more days, again, above 300,000 barrels a day than we've experienced in the past. We continue to see that metric improve, which is one we watch closely. We'll definitely step back and learn from it, but we remain highly confident in Kearl and the path forward.

Dennis Fong: Great. Really appreciate that thorough answer. My second question turns my attention, frankly, over to Cold Lake. You mentioned Mahihkan as the next project for SA-SAGD. Can you give us a little bit more of a background there? Are you targeting a similar reservoir to the Grand Rapids operation? How are you thinking about production ramp-up? And then what is the impact potentially to field SOR and operating costs once that project is fully ramped up? Thanks.

John Whelan: Yeah. Thanks, Dennis. A couple of things. If you think about the Grand Rapids SA-SAGD, that was a different reservoir. That was the Grand Rapids Reservoir, which is shallower than the clear water where we've been producing for almost 50 years at Cold Lake. The beauty of that project was it was opening up a new reservoir, and it was testing a new technology. As we've talked about, that's gone extremely well. It ramped up quicker than we anticipated and went to a higher plateau, and that plateau is hanging in longer than anticipated. That one, kind of seeing the benefit of the technology, and we opened up a new reservoir.

We talked about Lemings SA-SAGD. Of course, that goes back into the Clearwater, back into the original reservoir that we started to produce from, and where we produce most of our production from today. Beauty of that is, it's going right back to where we started, the pilot at Cold Lake 50 years ago, and capturing the remaining resource in that part of the field.

Now Mahihkan, it uses the same SA-SAGD that Grand Rapids uses, but it will be in the Clearwater Reservoir that will produce that. We're very encouraged by, of course, what we've seen from Grand Rapids and how the technology is playing out. We know the Clearwater Reservoir extremely well, so we feel good about that. We're highly confident. When I think about Mahihkan SA-SAGD, we're starting to invest in that now. We plan to start up in 2029 and produce 30,000 barrels a day. Feel very good about that, and glad to see that we're getting started on that project.

Operator: Our next question will come from Manav Gupta with UBS.

Manav Gupta: Good morning, guys, and congrats on that. Almost 21% dividend hike, better than expected. My first question is more on how are you thinking about shareholder returns? Does that leave you enough cash for a possible NCIB later in the year? Then a quick second follow-up, which will ask straight up is, refining came in much stronger than expected. Your refining earnings have been very resilient. If you can talk a little bit about Imperial and the overall refining macro, and I'll turn it over. Thank you so much.

John Whelan: Thank you, Manav. First, if I think about the dividend, and thank you for the feedback on that. First and foremost, when we thought about that dividend, it reflects management's and the board's confidence in the company's strategies and plans to create value. As you know, we're working to maximize value, and to grow profitability, and lower our unit costs, and increase our cash flow. We are highly confident we will do that, and that's what you see reflected in the, as you say, almost 21% dividend increase.

We're doing, of course, a lot of things to focus on that. That's going to be, and what could we do that? Well, I think we've consistently increased the dividend over the last two years. It reflects our financial strength, our low breakeven of our business, and, of course, the use of surplus cash to buy back shares. As we mentioned earlier, that's reduced our outstanding shares by 34% since 2020. We did, as you can imagine, a full range of tests against low price scenarios, and we continue to feel very good about this level of dividend and the resilience that's in our business.

Our capital allocation approach won't change. This is consistent with that. A reliable and growing dividend remains a priority. Of course, we've been doing that for over 100 years, and this is the 32nd year of growth. Then we're going to continue to our plans, see us generating with these low breakevens, substantial free cash flow over a range of prices and scenarios. We're going to continue to return that surplus cash flow in a timely manner, as we've demonstrated this year, where we generated $4. 8 billion of free cash flow in return, $4. 6 billion to shareholders. That approach and strategy continues.

Dan Lyons: Maybe I'll just add, Manav. The dividend increase is a few hundred million over the course of the year, and the dividend increase is not really based on current market conditions. As John explained, it's a longer-term outlook and confidence in our business. It's not really driven by what's happening in the short term.

The NCIB, obviously, our surplus cash is a result of what happens in the short term, where commodity prices are. We still remain committed to the NCIB and expect to be able to renew that program at the end of June. We expect to commence on that. The level of that and the level of additional cash distributions beyond that will be depending on what commodity prices do. But we don't see the dividend and NCIB as competing. We see them as complementary.

John Whelan: Manav, I'll jump over to you. Thanks for that, Dan. I'll jump over to your downstream question. We feel really good about that part of our business, and we saw it in the results in the quarter. Overall, we continue to focus on further improving and maximizing the profitability of our downstream, leveraging our, as we've talked about before, our coast-to-coast network, our advantaged assets, our strong brand loyalty programs that enable us to move products into high-value markets. We're continuing to invest in our flexibility and our logistics to continue to improve on our position and capture high-value markets.

When we look at the demand in the future, we see strong liquid demand in Canada as we go forward. The mix may change a little bit. Biofuels demand is growing. Of course, we feel really well-positioned for that, given our Strathcona Renewable Diesel project and the co-processing of vegetable oil feedstocks at our refinery, so we feel good about that. We see a stable, jet, and distillate market moving forward. We're well-positioned for that. Gasoline, that demand could moderate with EVs and things. But we've got plans to grow our gasoline market share in that regard.

Overall, we feel really well-positioned with the assets we have and really well-positioned as fuel demand kind of evolves over time. Feeling good about that. I'll hand it over to maybe Scott, just specifically on the quarter and your question around the performance in the quarter.

Scott Maloney: Yeah. Thanks, John. Thanks, Manav, for the downstream question. It specifically just a couple of additional specific comments for the fourth quarter. We saw refining margins in general fluctuate throughout the quarter, but generally, they were strong. They were especially strong in the month of November. That's when we had our highest utilization month. That really helped generate some returns for us. The other notable item for the fourth quarter was not just strong refining margins, but we noticed that the distillate refining margins were actually quite strong.

And so we used, as John mentioned, our flexibility and our operational capability to tweak our refining output to maximize our distillate production. That allowed us to take advantage of the especially high distillate margins that we experienced in the fourth quarter. Those combination of those two events really enabled a strong refining earnings for us in the fourth quarter.

Manav Gupta: Thank you.

Operator: The next question will come from Menno Hulshof with TD Cowen.

Menno Hulshof: Good morning, everyone, and thanks for taking my question. Maybe I'll just start with one on optimization of materials and supplies inventory. Can you maybe elaborate on the scope of this optimization work and what practically changes in terms of procurement and inventory management, looking forward?

John Whelan: Thanks, Menno. Yeah, Thanks for that question. We did record this charge around inventory optimization in the quarter. I'll tell you, we see the optimization that we're doing here provides a significant opportunity for us in how we manage our materials and supplies across the company. Doing that in a consistent approach and better leveraging technology. So we, and this has all been informed by external benchmarking and a review of best practices, not just across the energy business, but beyond the energy business as well.

We took a very deep dive, and based on that benchmarking and best practices review, we studied our inventory utilization, the movement of our inventory, the age of what we have in inventory, the cost of maintaining each part versus the benefit of having it, and what technology solutions were out there for us to better manage our inventory. We found an opportunity for significant efficiency, capture, and effectiveness to position ourselves to be industry-leading. These improvements, the improvements we made, they involve enhanced analysis, better optimization of materials that should be held in inventory while still maintaining the critical supplies that we need.

We're implementing this standardized approach across all of our sites, that's going to improve visibility of what's in inventory for our operations and improve the utilization of inventory. It's going to be a simpler, more efficient process to run. We'll have fewer storage requirements, fewer warehouse requirements, fewer material accounts. That's enabled by technology and best practices because we have better improved visibility of the material. It's going to reduce the overall. The complexity of the system without losing in any way the reliability and integrity of having those that inventory available.

For me, this is kind of what we do. This is applying technology best practices, looking outside of our industry to drive us to be industry-leading and best in class.

Menno Hulshof: Terrific. That's very helpful. Then, maybe the second question, more so related to the outlook for Western Canadian heavy oil, there's clearly a lot of moving parts at the moment, including increased risk of Venezuelan supply and rising apportionment on the Enbridge mainline, which is catching a lot of people by surprise. But what are you seeing on the ground in terms of shifting fundamentals for Canadian heavies since the Venezuela news first broke? If anything at all. Thank you.

John Whelan: Yeah. We are not seeing any big changes to be honest. Of course, we're staying very well informed around everything that's happening in Venezuela. We're watching that closely. But we're not seeing any significant. The differential did kind of widen a bit originally when there was this talk of the 50 million barrels coming to the Gulf Coast. Seem to be a little bit of overreaction, that kind of came back down. It's pretty marginal, if any impact that we're seeing right now.

Then, if we think longer term about this, obviously, I think the outlook around Venezuela does remain uncertain. There's a lot of things that need to happen before we probably see longer-term production increases their stability, investment conditions like the legal and commercial constructs in the country, infrastructure and supply chain improvements, and things.

We are watching that. We'll continue to watch that closely. But our real focus is when I think about Imperial is, again, our balanced, integrated business model, low break evens that keep us resilient across a range of macro environments. And of course, we're not standing still. We're continuing to improve our competitive position, growing profitable volumes, lowering unit costs, increasing cash flow. That's what we focus on. That's the part we control, and that's where we're putting our position.

As I look forward, I see Imperial being in a very strong competitive position, and I see a huge role, of course, for Canada. When you think about global supply-demand balance as well, kind of regardless of what happens with Venezuela over time.

Menno Hulshof: Thanks, John. I'll turn it back.

John Whelan: Thank you.

Operator: The next question will come from Patrick O'Rourke with ATB Capital Markets.

Patrick O'Rourke: Good morning, guys, and thanks for taking my question. Maybe just to go back to Kearl here. You talked about the high output in December, how that has sort of continued on into January. Here, I know, weather from time to time, it impacted this quarter. It's impacted quarters in the past. I think Fort McMurray has had about a 50-degree swing in temperature this month. Then, if you could sort of benchmark those 300,000 barrels a day, high output days, what sort of the goal as a percentage of the days for 2026 or total nominal days you would be looking to hit this year?

John Whelan: Thanks, Patrick. I've got Cheryl here with me, and she's the expert on all things Kearl. I'm going to pass this one over to Cheryl.

Cheryl Gomez-Smith: Sure. Thank you for the question. Let me hit the first one, Patrick, around cold weather protocols. We've talked to you about this before. What I would start out saying is we're applying those learnings, and we're seeing the benefits. You heard John mentioned December. We're seeing the same thing with January, so the protocols are working as intended. If I sit back and I think about what allowed us to recover in fourth quarter, and as we're heading into the first quarter, technology and what we're leveraging is our selectivity process. We're making sure we're being very deliberate and thoughtful in terms of prioritizing our shovels and making sure we're getting to that good.

The other thing I'll highlight that we did in fourth quarter is we did obtain regulatory approval to use a secondary processing chemical for fines management. As we look forward, we're going to be looking for these secondary and tertiary recovery. What gives me confidence as I look forward in the 300 days?

First of all, we've got a well-defined path. The second thing, and you've heard me mention this before, which is we're building on a strong foundation. This goes back to being culture of continuous improvement as well as most responsible operators. Continued focus on facility integrity, risk management, environmental stewardship.

The second item continued focus on productivity and reliability. So specifically, what that might mean is enhanced mine planning and fleet optimization. The third thing is turnaround interval optimization. Not only shorten the duration of each turnaround, but making sure we're advancing and getting to this one turnaround every four-years schedule. The third thing, or the fourth thing, I'll mention is recovery projects. In particular, at the end of this year, we're going to bring on our float column cell projects. That'll allow us, again from a secondary recovery standpoint, to get these fines management and improve our bitumen recovery.

The other thing I'll tell you is we don't see 300,000 barrels a day as the end state. We always challenge our organization to do better, and we do see opportunity for more than 300,000 barrels. We've got a roadmap, we have credibility, and we've built the history of Kearl to outperform. What I would say is this is the continuation of our journey.

Patrick O'Rourke: Okay. Great. Then just on the downstream, I looked at least on my numbers, like market capture was up a little bit. You talked about the flexibility of the kit as we roll into 2026 here. Maybe if diesel and distillate gets a little bit softer, just what you're seeing boots on the ground in terms of those local markets today, looking out into 2026.

John Whelan: Thanks, Patrick. I will hand that one off over to Scott.

Scott Maloney: Sure. Yeah. Thanks, Patrick. Yeah, we have, even throughout the fourth quarter, we saw some fluctuation in the refining margins. It's down a little bit from the peak that we saw in November. But we're still seeing positive margins out there, and running our units full to capture that margin. We've shared in the past with our downstream business in particular. We feel like we have assets located throughout the country to be able to go after the demand, and especially demand where the margin presents itself in each of the markets across the country.

And so, that combined with our logistics network that allow us to efficiently get the product to the marketplace, we feel like that's a resilient business for us. And so, even when the margins tick down a little bit, we still feel like that's a profitable business, that we will continue to generate positive returns. Then, when the market, based on global supply demand balances, kind of blows out a little bit, we'll be there, and we'll be able to capture that enhanced margin like we did in the fourth quarter of this year.

Patrick O'Rourke: Okay. Thank you very much.

Operator: The next question comes from Neil Mehta with Goldman Sachs.

Neil Mehta: Hey, good morning, John and team. The first question I had is just around Syncrude. It was a good quarter here from a production standpoint. Just your perspective on where we are on the journey at Syncrude. Any things that you and your partner are focused on there? While we're on the topic of Syncrude, any thoughts on realizations in a pretty good distillate market right now?

John Whelan: Yeah, not a lot to say on Syncrude. We're pleased to see the performance improvement over the last couple of years at Syncrude. I feel that, as a partner in that, we contribute to that. We look at the learnings we have at Kearl, and we contribute that to, we kind of bring those learnings to bear at Syncrude. I think the operator has been improving their performance.

And, Neil, of course, we've been involved in Syncrude from the beginning. The only owners that are in there today that have been. And so we've learned from Syncrude over the years as well and been able to apply those things at Kearl. I'm pleased to see the performance improvement. We're a big part of that and supporting that going forward. Maybe I'll ask Scott on the diesel question.

Scott Maloney: Yeah, sure. Yeah. As we look at the distillates market, the global supply-demand balance is really created supply demand imbalances in certain locations. And so that's really what's pushed up a little bit more, the distillate margin even, versus the gasoline margins that we've seen over the last several months.

And so, as I mentioned before, we're uniquely advantaged to be able to tune our refinery to make sure we're putting the output, matching the margins that are available in the marketplace, and then leveraging our logistics to get there.

The other factor that is starting to play into the Canadian marketplace is the onset of additional renewable diesel. Our unique position there, by producing renewable diesel at our Strathcona refinery, has enabled us to bring that locally produced product to market and blend into our diesel sales throughout the year, with our technology to be able to blend that year round. We're seeing the benefit of that versus having to import additional renewable diesel from other markets. And so, that's the other thing that's supporting our distillate plans and margin capture in the downstream.

Neil Mehta: That's helpful. John, I'd love your perspective on where you stand in terms of continuing to drive efficiency and reduce costs, something that Exxon talked about this morning. But I think since the last call, you announced an update of the sale of the campus and relocation of some of the staff. And so just talk about, organizationally, some of the changes that you are making and how that fits into it in terms of driving some of the cost goals you have.

John Whelan: Well, yeah, that is a big part of it. But I would say everything we've been doing over the last number of years to reduce our cost structure, we talk about the Kearl journey we're on, and Cold Lake, and so on. All of those things contribute to that as well. We've been part of that, moving our cost structure down, and you see that in our results. The restructuring piece that we announced in September, of course, that really is consistent with our strategy to maximize value, use technology, and leverage our relationship with ExxonMobil.

As we talked about at the time, that with data availability, processing capabilities, technology in general growing, we see that all around us, it's moving in leaps and bounds, at an accelerating pace. With that aspect of it. Then in addition to that, we see these global capability centers growing both in terms of not just capacity, but capability, the type of work that those global capability centres were doing. We saw an opportunity to move through a transformation, and we announced the reduction about 20% of our staff with a focus on our above field staff. That's going to be a two-year process. Then we said when we get down to that smaller size, we'll move the majority of our folks to sites predominantly Strathcona and Edmonton.

We see that efficiency capture to be $150 million a year starting in 2028. That's the annual savings we would get from that, just from the efficiency side of things, which is we are capturing efficiencies and getting smaller. Then we're also outsourcing work to these global capability centers. The net effect of that is $150 million per year. But as we talked about, we also believe, as we do that, we're going to be able to further accelerate the application of technology and leverage more broader global fleet of learning that we can learn from. That's going to improve our effectiveness as well.

I would say we announced it in September. We're currently going through the staffing of the future organization. We're starting to outsource more work because we've already been outsourcing work in the past, continuing to outsource work to those global centers. The restructuring is going to take place over a couple of years. We're going to manage that in a very rigorous, orderly fashion to migrate work and capture the plant efficiencies. It's going as per plan. It is going to contribute significantly to again our leading position and our foundation for growth going forward.

Neil Mehta: Thanks, John.

Operator: The next question will come from Doug Leggate with Wolfe Research.

Doug Leggate: Hey, guys. I know a lot of stuff's been hit, so I want to try and come back to a couple of things to get some clarification. Obviously, a lot of focus on Kearl today. Maybe you could just help us with, if you strip away weather, what do you think today is the sustainable production capacity? Gross production capacity at Kearl.

John Whelan: Thanks, Doug. Of course, our guidance for 2026 is where we're focused, at 285 to 295,000 barrels per day. But I'll pass off to Cheryl to kind of put a little more color to that.

Cheryl Gomez-Smith: Sure. I'll go back to the 300 KBD is our target. For this year, 285. Obviously, we're going to continue to focus on Winterization and maybe a little bit more color on that, which is really around maximizing the reliability of our existing kit and closing the gaps in targeted areas. One of the areas I've mentioned before is we're continuing to debottleneck our hydro transport line. That's building capacity on the front end.

The other thing is I think about mining and specifically for 2026, at the end of this year, we'll be moving into the East pit. We've got opportunity both from the front end, where debottlenecking the facilities, and of course, working on water management and tailing throughout this process. What I would say is we've got good line of sight and a well-defined path to get to 300 kbd, and so that'll be our target for this year. But like I said at 285 and continuing to grow 300 plus.

Doug Leggate: To be clear, there's nothing terminal. Or it was very much just a one-off weather event in the fourth quarter. No reason to be reacting like this.

Cheryl Gomez-Smith: That's right. The wet weather in October is behind us. Yes, sir.

John Whelan: Yeah. No, we remain very confident, Doug, in that. We remain very confident in the 285 to 295 target for this year. The path of 300. As Cheryl said, we see potential upside beyond that.

Doug Leggate: Yeah. I'm just trying to understand why the market is being so short-sighted, I guess, is my issue. But thank you for the clarification. My follow-up, I'm afraid. Mr. Lyons, you're up. 20% dividend bump, I think, Manav, hit on it earlier, but. I've asked you this question multiple times. Multiple different ways. Are you prepared to lean into your balance sheet? Are you prepared to allow your dividend breakeven to move up? Well, based on today's decision, you don't. Maybe I'm wrong on this, but you don't have a big step change in free cash flow capacity outside of what the commodity gives you.

Can you help us reconcile which of those two is supporting the dividend growth? Is it the break-even creeping up, or is it the balance sheet a little bit, or is there something in the outlook that we've not currently taken into account?

Dan Lyons: Okay. Thanks, Doug. Appreciate the recurring question. I would say, when we look at the dividend, as I said a little bit earlier, we're not looking at the short-term environment or even the current strip. We're looking at a long-term outlook. Our goal is to grow the dividend robustly but sustainably, so we obviously do stress tests and things. But what if it's that long term outlook is the work we're doing to reduce unit opex? The incremental volume growth we're pursuing at Kearl and Cold Lake.

The growth capital, the secondary recovery that Cheryl talked about, and also the restructuring, which is improving our cost structure as well as generating more revenue over time. We roll all those things into our outlook, and then we run various cases, and we see what we think we can handle sustainably. That's how we get to the dividend. We're committed to continue that process.

Yeah, you're right. As you increase the dividend, if nothing else happens, the break-even moves up. But if you're running down your unit costs, as we are at Kearl and Cold Lake, that kind of offsets that. But we don't have a specific break-even target. If we have to go above a certain dollar break-even, we won't increase the dividend. There's no set number of break-even that we're trying to achieve. We're trying to grow the dividend sustainably, robustly over time. I don't know if that's a satisfying answer. And of course, the whole buyback is really about returning surplus cash as we generate it over time, which we'll continue to do.

Doug Leggate: Yeah, I think it does indeed. I'll congratulate you on lulling the market into a false sense of sub 10% dividend growth, because I think this surprised a lot of people. It seems that a low dividend growth per share does correlate extremely well with your share performance. One month of wet weather seems to have overlooked this very significant move you made today. We'll continue to watch it. I'll continue to ask it, but very impressive move, I guess, would be our conclusion. Thanks so much.

Dan Lyons: Thanks, Doug.

Operator: That does conclude the question and answer session. I'll now turn the conference back over to Peter Shaw, Vice President of Investor Relations, for closing remarks.

Peter Shaw: Thank you. And so, on behalf of the management team, I'd like to thank everyone for joining us this morning. If there are any further questions, please don't hesitate to reach out to the Investor Relations team will be happy to answer your questions. With that, thank you very much, and have a great day.

Operator: Thank you. That does conclude today's conference. We do thank you for your participation. Have an excellent day.

Attachment VI

Non-GAAP financial measures and other specified financial measures

Certain measures included in this document are not prescribed by U.S. Generally Accepted Accounting Principles (GAAP). These measures constitute "non-GAAP financial measures" under Securities and Exchange Commission Regulation G and Item 10(e) of Regulation S-K, and "specified financial measures" under National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure of the Canadian Securities Administrators.

Reconciliation of these non-GAAP financial measures to the most comparable GAAP measure, and other information required by these regulations, have been provided. Non-GAAP financial measures and specified financial measures are not standardized financial measures under GAAP and do not have a standardized definition. As such, these measures may not be directly comparable to measures presented by other companies, and should not be considered a substitute for GAAP financial measures.

Cash flows from (used in) operating activities excluding working capital

Cash flows from (used in) operating activities excluding working capital is a non-GAAP financial measure that is the total cash flows from operating activities less the changes in operating assets and liabilities in the period. The most directly comparable financial measure that is disclosed in the financial statements is "Cash flows from (used in) operating activities" within the company's Consolidated statement of cash flows. Management believes it is useful for investors to consider these numbers in comparing the underlying performance of the company's business across periods when there are significant period-to-period differences in the amount of changes in working capital. Changes in working capital is equal to "Changes in operating assets and liabilities" as disclosed in the company's Consolidated statement of cash flows and in Attachment II of this document. This measure assesses the cash flows at an operating level, and as such, does not include proceeds from asset sales as defined in Cash flows from operating activities and asset sales in the Frequently Used Terms section of the company's annual Form 10-K.

Reconciliation of cash flows from (used in) operating activities excluding working capital

	Fourth Quarter		Twelve Months	
millions of Canadian dollars	**2025**	2024	**2025**	2024
From Imperial's Consolidated statement of cash flows				
Cash flows from (used in) operating activities	**1,918**	1,789	**6,708**	5,981
Less changes in working capital				
Changes in operating assets and liabilities	**658**	139	**675**	(495)
Cash flows from (used in) operating activities excl. working capital (a)	**1,260**	1,650	**6,033**	6,476

(a) Includes unfavourable impacts of $325 million in the fourth quarter and $474 million in 2025 related to identified items[1].

Free cash flow

Free cash flow is a non-GAAP financial measure that is cash flows from operating activities less additions to property, plant and equipment and equity company investments plus proceeds from asset sales. The most directly comparable financial measure that is disclosed in the financial statements is "Cash flows from (used in) operating activities" within the company's Consolidated statement of cash flows. This measure is used to evaluate cash available for financing activities (including but not limited to dividends and share purchases) after investment in the business.

Reconciliation of free cash flow

	Fourth Quarter		Twelve Months	
millions of Canadian dollars	**2025**	2024	**2025**	2024
From Imperial's Consolidated statement of cash flows				
Cash flows from (used in) operating activities	**1,918**	1,789	**6,708**	5,981
Cash flows from (used in) investing activities				
Additions to property, plant and equipment	**(632)**	(423)	**(2,005)**	(1,867)
Proceeds from asset sales	**67**	18	**101**	25
Additional investments	**—**	—	**(4)**	—
Loans to equity companies - net	**4**	1	**16**	17
Free cash flow	**1,357**	1,385	**4,816**	4,156

Net income (loss) excluding identified items

Net income (loss) excluding identified items is a non-GAAP financial measure that is total net income (loss) excluding individually significant non-operational events with an absolute corporate total earnings impact of at least $100 million in a given quarter. Net income (loss) excluding identified items per common share is a non-GAAP ratio which is calculated by dividing Net income (loss) excluding identified items by the weighted-average number of common shares outstanding, assuming dilution. The net income (loss) impact of an identified item for an individual segment may be less than $100 million when the item impacts several segments or several periods. The most directly comparable financial measure that is disclosed in the financial statements is "Net income (loss)" within the company's Consolidated statement of income. Management uses these figures to improve comparability of the underlying business across multiple periods by isolating and removing significant non-operational events from business results. The company believes this view provides investors increased transparency into business results and trends, and provides investors with a view of the business as seen through the eyes of management. Net income (loss) excluding identified items is not meant to be viewed in isolation or as a substitute for net income (loss) as prepared in accordance with U.S. GAAP. All identified items are presented on an after-tax basis.

Reconciliation of net income (loss) excluding identified items

	Fourth Quarter		Twelve Months	
millions of Canadian dollars	**2025**	2024	**2025**	2024
From Imperial's Consolidated statement of income				
Net income (loss) (U.S. GAAP)	**492**	1,225	**3,268**	4,790
Less identified items included in Net income (loss)				
Impairments	**(264)**	—	**(570)**	—
Restructuring charges	**—**	—	**(249)**	—
Other (a)	**(212)**	—	**(212)**	—
Subtotal of identified items	**(476)**	—	**(1,031)**	—
Net income (loss) excluding identified items	**968**	1,225	**4,299**	4,790

(a) Contractual obligations associated with the Norman Wells end of field life acceleration.

Reconciliation of net income (loss) excluding identified items per common share, assuming dilution

	Fourth Quarter		Twelve Months	
Canadian dollars	**2025**	2024	**2025**	2024
From Imperial's Consolidated statement of income				
Net income (loss) per common share, assuming dilution	**1.00**	2.37	**6.48**	9.03
Less identified items included in Net income (loss) per common share, assuming dilution				
Impairments	**(0.54)**	—	**(1.14)**	—
Restructuring charges	**—**	—	**(0.49)**	—
Other	**(0.43)**	—	**(0.42)**	—
Subtotal of identified items per common share, assuming dilution	**(0.97)**	—	**(2.05)**	—
Net income (loss) excluding identified items per common share, assuming dilution	**1.97**	2.37	**8.53**	9.03

Cash operating costs (cash costs)

Cash operating costs is a non-GAAP financial measure that consists of total expenses, less purchases of crude oil and products, federal excise taxes and fuel charge, financing, and costs that are non-cash in nature, including depreciation and depletion, and non-service pension and postretirement benefit. The components of cash operating costs include "Production and manufacturing", "Selling and general" and "Exploration" from the company's Consolidated statement of income, and as disclosed in Attachment III of this document. The sum of these income statement lines serves as an indication of cash operating costs and does not reflect the total cash expenditures of the company. The most directly comparable financial measure that is disclosed in the financial statements is "Total expenses" within the company's Consolidated statement of income. This measure is useful for investors to understand the company's efforts to optimize cash through disciplined expense management.

Reconciliation of cash operating costs

	Fourth Quarter		Twelve Months	
millions of Canadian dollars	**2025**	2024	**2025**	2024
From Imperial's Consolidated statement of income				
Total expenses	**10,651**	11,032	**42,816**	45,293
Less:				
Purchases of crude oil and products	**7,060**	7,888	**29,807**	33,184
Federal excise taxes and fuel charge	**371**	627	**1,715**	2,535
Depreciation and depletion (includes impairments)	**659**	529	**2,579**	1,983
Non-service pension and postretirement benefit	**5**	—	**41**	3
Financing	**4**	4	**12**	41
Cash operating costs	**2,552**	1,984	**8,662**	7,547

Components of cash operating costs

	Fourth Quarter		Twelve Months	
millions of Canadian dollars	**2025**	2024	**2025**	2024
From Imperial's Consolidated statement of income				
Production and manufacturing	**2,294**	1,729	**7,269**	6,599
Selling and general	**254**	255	**1,386**	945
Exploration	**4**	—	**7**	3
Cash operating costs	**2,552**	1,984	**8,662**	7,547

Segment contributions to total cash operating costs

	Fourth Quarter		Twelve Months	
millions of Canadian dollars	**2025**	2024	**2025**	2024
Upstream	**1,618**	1,203	**5,022**	4,647
Downstream	**814**	665	**2,717**	2,447
Chemicals	**87**	81	**322**	289
Eliminations / Corporate and other	**33**	35	**601**	164
Cash operating costs	**2,552**	1,984	**8,662**	7,547

Unit cash operating costs (unit cash costs)

Unit cash operating costs is a non-GAAP ratio. Unit cash operating costs (unit cash costs) is calculated by dividing cash operating costs by total gross oil-equivalent production, and is calculated for the Upstream segment, as well as the major Upstream assets. Cash operating costs is a non-GAAP financial measure and is disclosed and reconciled above. This measure is useful for investors to understand the expense management efforts of the company's major assets as a component of the overall Upstream segment. Unit cash operating cost, as used by management, does not directly align with the definition of "Average unit production costs" as set out by the U.S. Securities and Exchange Commission (SEC), and disclosed in the company's SEC Form 10-K.

Components of unit cash operating costs

	Fourth Quarter							
	2025				2024			
millions of Canadian dollars	Upstream (a)	Kearl (b)	Cold Lake (b)	Syncrude	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	**1,614**	**591**	**313**	**384**	1,203	514	285	359
Selling and general	**—**	**—**	**—**	**—**	—	—	—	—
Exploration	**4**	**—**	**—**	**—**	—	—	—	—
Cash operating costs	**1,618**	**591**	**313**	**384**	1,203	514	285	359
Gross oil-equivalent production (thousands of barrels per day)	**444**	**194**	**153**	**87**	460	212	157	81
Unit cash operating cost ($/oeb)	**39.61**	**33.11**	**22.24**	**47.98**	28.43	26.35	19.73	48.17
USD converted at the quarterly average forex *2025 US$0.72; 2024 US$0.72*	**28.52**	**23.84**	**16.01**	**34.55**	20.47	18.97	14.21	34.68

Components of unit cash operating costs

	Twelve Months							
	2025				2024			
millions of Canadian dollars	Upstream (a)	Kearl (b)	Cold Lake (b)	Syncrude	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	**5,015**	**1,967**	**1,123**	**1,435**	4,644	1,973	1,094	1,414
Selling and general	**—**	**—**	**—**	**—**	—	—	—	—
Exploration	**7**	**—**	**—**	**—**	3	—	—	—
Cash operating costs	**5,022**	**1,967**	**1,123**	**1,435**	4,647	1,973	1,094	1,414
Gross oil-equivalent production (thousands of barrels per day)	**438**	**199**	**151**	**79**	433	200	148	75
Unit cash operating cost ($/oeb)	**31.41**	**27.08**	**20.38**	**49.77**	29.32	26.95	20.20	51.51
USD converted at the YTD average forex *2025 US$0.72; 2024 US$0.73*	**22.62**	**19.50**	**14.67**	**35.83**	21.40	19.67	14.75	37.60

(a) Upstream includes Imperial's share of Kearl, Cold Lake, Syncrude and other.

(b) Includes an unfavourable one-time charge associated with the optimization of materials and supplies inventory of $109 million before-tax for Kearl and $21 million before-tax for Cold Lake.