Imperial

First Quarter 2015

Financial statements and management's discussion and analysis of financial condition and operating results

For the three months ended March 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING RESULTS

First quarter 2015 vs. first quarter 2014

The company's net income for the first quarter of 2015 was $421 million or $0.50 per share on a diluted basis, compared with $946 million or $1.11 per share for the same period last year.

Upstream recorded a net loss in the first quarter of $189 million, compared to income of $452 million in the same period of 2014. Earnings in the first quarter 2015 reflected the impact of lower crude oil and gas realizations of about $1,100 million. This was partially offset by lower royalties of about $200 million, the impact of a weaker Canadian dollar of about $160 million, higher Kearl and Cold Lake volumes of about $60 million and lower energy costs of about $60 million.

West Texas Intermediate (WTI), the main U.S. dollar benchmark crude for North America, decreased by 51 percent compared to the same quarter in 2014. The company's average first quarter 2015 Canadian dollar realizations for synthetic crude oil and bitumen were $55.81 and $27.40 per barrel, lower by 48 and 58 percent respectively, as a result of the weaker Canadian dollar and increased heavy – light differentials versus the same period in 2014. The company's average realizations on natural gas sales of $3.15 per thousand cubic feet, in the first quarter of 2015, were lower by $3.41 per thousand cubic feet, versus the same period in 2014.

Gross production of Cold Lake bitumen averaged 152,000 barrels per day, up from 147,000 barrels from the same period last year. Incremental volume growth of 4,000 barrels per day was achieved with initial first quarter 2015 production from the Nabiye project.

The company's share of Syncrude's gross production in the first quarter was 73,000 barrels per day, unchanged from the first quarter of 2014.

Gross production from the Kearl initial development was 95,000 barrels per day (67,000 barrels Imperial's share) compared to 70,000 barrels per day (50,000 barrels Imperial's share) in the first quarter of 2014 as a result of improved reliability.

Gross production of conventional crude oil averaged 15,000 barrels per day in the first quarter, versus 22,000 barrels in the corresponding period in 2014. The lower production volume was primarily due to the impact of properties divested during the first half of 2014.

Gross production of natural gas during the first quarter of 2015 was 146 million cubic feet per day, down from 205 million cubic feet in the same period last year, reflecting the impact of properties divested during the first half of 2014.

Downstream net income was $565 million in the first quarter, compared to $488 million in the first quarter of 2014. Increased earnings were primarily due to higher marketing margins and a first quarter 2015 gain of $17 million from the sale of assets, partially offset by lower refining margins.

Chemical net income was $66 million in the first quarter, up $23 million over the same period in 2014, mainly as a result of strong polyethylene margins.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Net income effects from Corporate and Other were negative $21 million in the first quarter, versus negative $37 million in the same period of 2014, primarily due to lower share-based compensation charges.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow generated from operating activities was $281 million in the first quarter, versus $1,085 million in the corresponding period in 2014. Lower cash flow was primarily due to lower earnings and working capital effects.

Investing activities used net cash of $1,002 million in the first quarter, compared with $1,143 million in the same period of 2014. Additions to property, plant and equipment were $1,011 million in the first quarter, compared with $1,206 million during the same quarter in 2014. Expenditures during the quarter were primarily directed towards the completion of the Cold Lake Nabiye and Kearl expansion projects.

Cash from financing activities was $566 million in the first quarter, compared with cash used in financing activities of $112 million in the first quarter of 2014. In the first quarter, the company increased long-term debt by $717 million through its existing loan facility to finance normal operations and capital projects. Dividends paid in the first quarter of 2015 were $110 million, unchanged from the corresponding period in 2014. Per-share dividend paid in the first quarter was $0.13, consistent with the same period of 2014.

The above factors led to a decrease in the company's balance of cash to $60 million at March 31, 2015, from $215 million at the end of 2014.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2017. Imperial is evaluating the standard and its effect on the Corporation’s financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Information about market risks for the three months ended March 31, 2015 does not differ materially from that discussed on page 22 in the company's Annual Report on Form 10-K for the year ended December 31, 2014 except for the following:

Earnings sensitivity millions of dollars after tax		
Four dollars (U.S.) per barrel change in crude oil prices	+ (-)	300
One dollar (U.S.) per barrel change in sales margins for total petroleum products	+ (-)	165
Seven cents decrease (increase) in the value of the Canadian dollar versus the U.S. dollar	+ (-)	560

The sensitivity of net income to changes in crude oil prices increased from year-end 2014 by about $5 million (after tax) a year for each one U.S. dollar change. A decrease in the value of the Canadian dollar at March 31, 2015 has increased the impact of U.S. dollar denominated crude oil prices on the company’s revenue and earnings.

The sensitivity of net income to changes in sales margins for total petroleum products increased from year-end 2014 by about $15 million (after tax) a year for each one U.S. dollar per barrel change. A decrease in the value of the Canadian dollar has also increased the impact of U.S. dollar denominated crude oil and petroleum product prices on the company’s revenues and earnings.

The sensitivity of net income to changes in the Canadian dollar versus the U.S. dollar increased from year-end 2014 by about $15 million (after tax) a year for each one-cent change, primarily due to wider Downstream and Chemicals margins.

CONSOLIDATED STATEMENT OF INCOME

(U.S. GAAP, unaudited)

millions of Canadian dollars	Three Months to March 31 2015	2014
REVENUES AND OTHER INCOME		
Operating revenues (a)(b)	**6,170**	9,197
Investment and other income (note 3)	**33**	29
TOTAL REVENUES AND OTHER INCOME	**6,203**	9,226
EXPENSES		
Exploration	**17**	21
Purchases of crude oil and products (c)	**3,305**	5,542
Production and manufacturing (d)	**1,359**	1,476
Selling and general	**264**	275
Federal excise tax (a)	**377**	370
Depreciation and depletion	**317**	280
Financing costs (note 5)	**3**	2
TOTAL EXPENSES	**5,642**	7,966
INCOME BEFORE INCOME TAXES	**561**	1,260
INCOME TAXES	**140**	314
NET INCOME	**421**	946
PER SHARE INFORMATION (Canadian dollars)		
Net income per common share - basic (note 8)	**0.50**	1.12
Net income per common share - diluted (note 8)	**0.50**	1.11
Dividends per common share	**0.13**	0.13
(a) Federal excise tax included in operating revenues	**377**	370
(b) Amounts from related parties included in operating revenues	**638**	816
(c) Amounts to related parties included in purchases of crude oil and products	**686**	770
(d) Amounts to related parties included in production and manufacturing expenses	**102**	86

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(U.S. GAAP, unaudited)

millions of Canadian dollars	Three Months to March 31 **2015**	2014
Net income	**421**	946
Other comprehensive income, net of income taxes		
Post-retirement benefit liability adjustment (excluding amortization)	**(176)**	(38)
Amortization of post-retirement benefit liability adjustment included in net periodic benefit costs	**42**	38
Total other comprehensive income/(loss)	**(134)**	-
Comprehensive income	**287**	946

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

CONSOLIDATED BALANCE SHEET

(U.S. GAAP, unaudited) millions of Canadian dollars	As at Mar 31 **2015**	As at Dec 31 2014
ASSETS		
Current assets		
Cash	**60**	215
Accounts receivable, less estimated doubtful accounts (a)	**1,752**	1,539
Inventories of crude oil and products	**1,050**	1,121
Materials, supplies and prepaid expenses	**466**	380
Deferred income tax assets	**267**	314
Total current assets	**3,595**	3,569
Long-term receivables, investments and other long-term assets	**1,467**	1,406
Property, plant and equipment,	**51,818**	50,911
less accumulated depreciation and depletion	**(15,557)**	(15,337)
Property, plant and equipment, net	**36,261**	35,574
Goodwill	**224**	224
Other intangible assets, net	**61**	57
TOTAL ASSETS	**41,608**	40,830
LIABILITIES		
Current liabilities		
Notes and loans payable (b)	**1,938**	1,978
Accounts payable and accrued liabilities (a)(note 7)	**3,583**	3,969
Income taxes payable	**218**	34
Total current liabilities	**5,739**	5,981
Long-term debt (c)(note 6)	**5,610**	4,913
Other long-term obligations (d)(note 7)	**3,784**	3,565
Deferred income tax liabilities	**3,768**	3,841
TOTAL LIABILITIES	**18,901**	18,300
SHAREHOLDERS' EQUITY		
Common shares at stated value (e)	**1,566**	1,566
Earnings reinvested	**23,334**	23,023
Accumulated other comprehensive income (note 9)	**(2,193)**	(2,059)
TOTAL SHAREHOLDERS' EQUITY	**22,707**	22,530
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**41,608**	40,830

(a) Accounts receivable, less estimated doubtful accounts included amounts receivable from related parties of $54 million (2014 - accounts payable and accrued liabilities included amounts payable to related parties of $174 million)

(b) Notes and loans payable included amounts to related parties of $75 million (2014 - $75 million)

(c) Long-term debt included amounts to related parties of $5,463 million (2014 - $4,746 million)

(d) Other long-term obligations include amounts to related parties of $105 million (2014 - $96 million)

(e) Number of common shares authorized and outstanding were 1,100 million and 848 million, respectively (2014 - 1,100 million and 848 million, respectively)

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

Approved by the directors May 5, 2015

/s/ R.M. Kruger

Chairman, president and chief executive officer

/s/ P.J. Masschelin

Senior vice-president, finance and administration, and controller

CONSOLIDATED STATEMENT OF CASH FLOWS

(U.S. GAAP, unaudited) inflow/(outflow) millions of Canadian dollars	Three Months to March 31 **2015**	 2014
OPERATING ACTIVITIES		
Net income	**421**	946
Adjustments for non-cash items:		
Depreciation and depletion	**317**	280
(Gain)/loss on asset sales (note 3)	**(26)**	(20)
Deferred income taxes and other	**18**	5
Changes in operating assets and liabilities:		
Accounts receivable	**(213)**	(654)
Inventories, materials, supplies and prepaid expenses	**(15)**	(28)
Income taxes payable	**184**	92
Accounts payable and accrued liabilities	**(386)**	435
All other items - net (a)	**(19)**	29
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**281**	1,085
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(1,011)**	(1,206)
Proceeds associated with asset sales (b)	**25**	75
Additional investments	**(16)**	(12)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(1,002)**	(1,143)
FINANCING ACTIVITIES		
Short-term debt - net	**(39)**	-
Long-term debt issued	**717**	-
Reduction in capitalized lease obligations	**(2)**	(2)
Dividends paid	**(110)**	(110)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**566**	(112)
INCREASE (DECREASE) IN CASH	**(155)**	(170)
CASH AT BEGINNING OF PERIOD	**215**	272
CASH AT END OF PERIOD (c)	**60**	102

(a) Included contribution to registered pension plans **(63)** (76)

(b) 2014 included $50 million deposit for the sale of producing conventional assets which closed in the second quarter of 2014

(c) Cash is composed of cash in bank and cash equivalents at cost. Cash equivalents are all highly liquid securities with maturity of three months or less when purchased

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of financial statement preparation

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual consolidated financial statements filed with the U.S. Securities and Exchange Commission in the company's 2014 Annual Report on Form 10-K. In the opinion of the company, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The company's exploration and production activities are accounted for under the "successful efforts" method.

The results for the three months ended March 31, 2015, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

2. Business segments

Three Months to March 31	Upstream		Downstream		Chemical	
millions of dollars	**2015**	2014	**2015**	2014	**2015**	2014
REVENUES AND OTHER INCOME						
Operating revenues (a)	**1,212**	2,197	**4,669**	6,645	**289**	355
Intersegment sales	**598**	1,068	**256**	430	**59**	102
Investment and other income	**2**	13	**30**	13	**1**	1
	1,812	3,278	**4,955**	7,088	**349**	458
EXPENSES						
Exploration	**17**	21	**-**	-	**-**	-
Purchases of crude oil and products	**838**	1,405	**3,195**	5,416	**182**	319
Production and manufacturing	**950**	1,029	**356**	386	**53**	61
Selling and general	**-**	2	**221**	210	**22**	17
Federal excise tax	**-**	-	**377**	370	**-**	-
Depreciation and depletion	**259**	222	**52**	52	**3**	3
Financing costs	**3**	2	**-**	-	**-**	-
TOTAL EXPENSES	**2,067**	2,681	**4,201**	6,434	**260**	400
INCOME BEFORE INCOME TAXES	**(255)**	597	**754**	654	**89**	58
INCOME TAXES	**(66)**	145	**189**	166	**23**	15
NET INCOME	**(189)**	452	**565**	488	**66**	43
Cash flows from (used in) operating activities	**(251)**	357	**514**	712	**55**	3
CAPEX (b)	**890**	1,163	**125**	48	**12**	2
Total assets as at March 31	**35,655**	32,326	**5,600**	6,043	**387**	401

Three Months to March 31	Corporate and Other		Eliminations		Consolidated	
millions of dollars	**2015**	2014	**2015**	2014	**2015**	2014
REVENUES AND OTHER INCOME						
Operating revenues (a)	**-**	-	**-**	-	**6,170**	9,197
Intersegment sales	**-**	-	**(913)**	(1,600)	**-**	-
Investment and other income	**-**	2	**-**	-	**33**	29
	-	2	**(913)**	(1,600)	**6,203**	9,226
EXPENSES						
Exploration	**-**	-	**-**	-	**17**	21
Purchases of crude oil and products	**-**	-	**(910)**	(1,598)	**3,305**	5,542
Production and manufacturing	**-**	-	**-**	-	**1,359**	1,476
Selling and general	**24**	48	**(3)**	(2)	**264**	275
Federal excise tax	**-**	-	**-**	-	**377**	370
Depreciation and depletion	**3**	3	**-**	-	**317**	280
Financing costs	**-**	-	**-**	-	**3**	2
TOTAL EXPENSES	**27**	51	**(913)**	(1,600)	**5,642**	7,966
INCOME BEFORE INCOME TAXES	**(27)**	(49)	**-**	-	**561**	1,260
INCOME TAXES	**(6)**	(12)	**-**	-	**140**	314
NET INCOME	**(21)**	(37)	**-**	-	**421**	946
Cash flows from (used in) operating activities	**(37)**	13	**-**	-	**281**	1,085
CAPEX (b)	**23**	21	**-**	-	**1,050**	1,234
Total assets as at March 31	**439**	448	**(473)**	(473)	**41,608**	38,745

(a) Included export sales to the United States of $801 million (2014 - $1,426 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment

(b) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant and equipment, additions to capital leases, additional investments and acquisition

3. Investment and other income

Investment and other income included gains and losses on asset sales as follows:

millions of dollars	Three Months to March 31 **2015**	2014
Proceeds from asset sales	**25**	25
Book value of assets sold (a)	**(1)**	5
Gain/(loss) on asset sales, before tax	**26**	20
Gain/(loss) on asset sales, after tax	**23**	16

(a) 2015 includes $3 million associated with the wind up of a capital lease

4. Employee retirement benefits

The components of net benefit cost were as follows:

millions of dollars	Three Months to March 31 **2015**	2014
Pension benefits:		
Current service cost	**51**	38
Interest cost	**77**	79
Expected return on plan assets	**(97)**	(91)
Amortization of prior service cost	**4**	6
Amortization of actuarial loss	**50**	43
Net benefit cost	**85**	75
Other post-retirement benefits:		
Current service cost	**4**	3
Interest cost	**6**	6
Amortization of actuarial loss	**3**	2
Net benefit cost	**13**	11

5. Financing costs and additional notes and loans payable information

	Three Months to March 31	
millions of dollars	**2015**	2014
Debt-related interest	**23**	21
Capitalized interest	**(23)**	(21)
Net interest expense	**-**	-
Other interest	**3**	2
Total financing costs	**3**	2

In the first quarter of 2015, the company extended the maturity date of its existing $500 million 364-day short-term unsecured committed bank credit facility to March 2016. The company has not drawn on the facility.

6. Long-term debt

millions of dollars	As at Mar 31 **2015**	As at Dec 31 2014
Long-term debt	**5,463**	4,746
Capital leases	**147**	167
Total long-term debt	**5,610**	4,913

In the first quarter of 2015, the company increased its long-term debt by $717 million by drawing on an existing facility with an affiliated company of Exxon Mobil Corporation. The increased debt was used to finance normal operations and capital projects.

7. Other long-term obligations

millions of dollars	As at Mar 31 **2015**	As at Dec 31 2014
Employee retirement benefits (a)	**1,936**	1,739
Asset retirement obligations and other environmental liabilities (b)	**1,330**	1,325
Share-based incentive compensation liabilities	**172**	154
Other obligations	**346**	347
Total other long-term obligations	**3,784**	3,565

(a) Total recorded employee retirement benefits obligations also included $58 million in current liabilities (2014 - $58 million)

(b) Total asset retirement obligations and other environmental liabilities also included $143 million in current liabilities (2014 - $143 million)

8. Net income per share

	Three Months to March 31 2015	2014
Net income per common share - basic		
Net income (millions of dollars)	**421**	946
Weighted average number of common shares outstanding (millions of shares)	**847.6**	847.6
Net income per common share (dollars)	**0.50**	1.12
Net income per common share - diluted		
Net income (millions of dollars)	**421**	946
Weighted average number of common shares outstanding (millions of shares)	**847.6**	847.6
Effect of share-based awards (millions of shares)	**2.9**	2.9
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	**850.5**	850.5
Net income per common share (dollars)	**0.50**	1.11

9. Other comprehensive income information

Changes in accumulated other comprehensive income:

millions of dollars	2015	2014
Balance at January 1	**(2,059)**	(1,721)
Post-retirement benefits liability adjustment:		
Current period change excluding amounts reclassified from accumulated other comprehensive income	**(176)**	(38)
Amounts reclassified from accumulated other comprehensive income	**42**	38
Balance at March 31	**(2,193)**	(1,721)

Amounts reclassified out of accumulated other comprehensive income - before-tax income/(expense):

millions of dollars	Three Months to March 31 2015	2014
Amortization of post-retirement benefits liability adjustment included in net periodic benefit cost (a)	**(57)**	(51)

(a) This accumulated other comprehensive income component is included in the computation of net periodic benefit cost (note 4)

Income tax expense/(credit) for components of other comprehensive income:

millions of dollars	Three Months to March 31 2015	2014
Post-retirement benefits liability adjustments:		
Post-retirement benefits liability adjustment (excluding amortization)	**(61)**	(13)
Amortization of post-retirement benefits liability adjustment included in net periodic benefit cost	**15**	13
	(46)	-

10. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued a new standard, *Revenue from Contracts with Customers* . The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2017. Imperial is evaluating the standard and its effect on the company's financial statements.