

The background of the entire page is a photograph of an industrial refinery at night. The facility is a complex of towers, pipes, and scaffolding, all brightly lit with warm, yellow-orange lights. The lights create a strong contrast against the dark blue twilight sky. In the foreground, a calm body of water perfectly reflects the illuminated industrial structures, creating a symmetrical effect.

Strong business performance and resilience
deliver industry-leading shareholder value

2014
Letter to
Shareholders

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Letter to
Shareholders



Imperial's strong financial and operating performance in 2014 can be attributed to our competitively advantaged assets, integrated business model and focus on the fundamentals.

Most notable among our achievements last year was continued strong performance at our flagship Cold Lake in situ operation, ramp-up at our Kearl oil sands mine, record refinery capacity utilization and significant growth in petroleum product sales.

Net income in 2014 was \$3.8 billion, the second highest in company history, up 34 percent from 2013. Return on average capital employed was an industry-leading 13.7 percent and cash flow from operating activities and asset sales was \$5.3 billion, up \$1.8 billion. Capital and exploration expenditures totaled \$5.7 billion, driven primarily by Upstream growth projects at Kearl and Nabiye.

Imperial's performance in 2014 resulted in an annual shareholder return of 7.5 percent, out-performing both the S&P TSX integrated Oil and Gas Index (-6.1 percent) and our peer group (-7.4 percent). Our strong cash flow, combined with long-life, high-quality assets and industry leadership across all business lines, provides Imperial a significant competitive advantage.

Commitment to safety, environmental responsibility and operational excellence

The safety of our workforce, developing our resources responsibly and ensuring operational excellence are company-wide priorities.

Our 2014 workforce safety performance matched our best-ever, while working more than 52 million hours, our highest total on record. We continue to prioritize safety performance and our commitment to achieving a workplace where *Nobody Gets Hurt* is unwavering. The successful completion of maintenance turnarounds at Kearl, Cold Lake and at the Sarnia and Nanticoke refineries during the year without any lost-time safety incidents underscores our commitment to safety.

In addition, we continue to look for ways to minimize our environmental footprint and take into consideration the economic and social needs within the communities where we operate.

Long-life, high-quality Upstream assets deliver robust results and growth

Overall Upstream net income was \$2.1 billion, \$347 million higher than 2013. Total gross oil-equivalent production* averaged 310,000 barrels per day, up five percent from 295,000 in 2013.

Excluding the impact of conventional Upstream asset divestments in 2014, production was up 12 percent.

Gross production from Cold Lake averaged 146,000 barrels per day, down from 153,000 barrels in 2013. Lower volumes were primarily due to the cyclical nature of steaming and the impact of unplanned third-party power outages.

Cold Lake's Nabiye project start-up occurred throughout December with bitumen production expected in the first quarter of 2015. At its peak, Nabiye will add about 40,000 barrels per day before royalties.

With a 25 percent ownership, Imperial's share of Syncrude's production averaged 64,000 barrels per day, down slightly from 67,000 barrels in 2013. Priorities at Syncrude include improving reliability and reducing unit operating costs.

Imperial's share of gross production from the Kearl initial development was 51,000 barrels per day versus 16,000 in 2013. Since start-up, improvements to equipment reliability and operating procedures have been made. At year end, the construction phase of the Kearl expansion project was essentially complete. The project is ahead of schedule and start-up is slated for the third quarter 2015. At capacity, the expansion ultimately adds another 110,000 barrels per day (78,000 Imperial's share). Our "design one, build multiple" approach to project execution, as applied to Kearl expansion, is cost-effective and captures synergies and lessons learned.

Imperial has a long-standing practice of reviewing all assets for their contribution in an effort to maximize value. Consistent with this practice, in 2014 we completed the sale of conventional assets located at Boundary Lake, Cynthia/West Pembina and Rocky Mountain House for \$855 million.

Record refinery utilization and higher sales volumes drive Downstream performance

Imperial's Downstream businesses delivered net income of \$1.6 billion, up \$542 million versus 2013. Earnings benefitted from improved refinery reliability, further access to advantaged feedstocks, as well as a weaker Canadian dollar and increased sales volumes. Refinery throughput increased five percent in 2014 (excluding Dartmouth) averaging 394,000 barrels per day, with annual capacity utilization reaching a

record high of 94 percent. Net petroleum product sales increased seven percent to 485,000 barrels per day, consistent with our strategy to grow sales in profitable Canadian markets. Currently, about 1,200 of our 1,700 Esso-branded sites across Canada operate under a branded wholesaler model where Imperial supplies fuel to independent parties who own and operate retail stations. In early 2015 we announced plans to evaluate the potential transition of the remaining approximately 500 company-owned Esso retail sites to our branded wholesaler operating model.

Anchored by a world-scale polyethylene plant, Imperial's Chemical business achieved record net income of \$229 million in 2014, up \$67 million from 2013. This result was achieved with strong margins across all major product lines and processing of cost-advantaged ethane feedstock from the Marcellus. Total sales volumes of 953,000 tonnes were up 13,000 tonnes from 2013.

Addressing market access challenges

Upstream production growth, coupled with delays in new pipeline projects, continued to challenge the Canadian oil and gas industry in 2014. To support the company's Upstream growth strategy, and to mitigate uncertainties associated with pending pipeline projects, Imperial is developing a rail terminal near our Strathcona refinery. The terminal, scheduled to start up in 2015, will provide incremental transportation capacity of up to 210,000 barrels per day, ensuring access to the highest-value markets for equity crude production.

Technology unlocks growth opportunities

In 2014, Imperial invested \$175 million in research and technology to enhance environmental performance, improve efficiency and augment bitumen recovery. Priorities included advancing optimization of the extraction and paraffinic froth treatment processes at Kearl and the Cyclic Solvent Process (CSP), a promising technology to enhance in situ bitumen recovery, while reducing water use and greenhouse gas emissions. A pilot to further test CSP began in June 2014 at Cold Lake.

Our Solvent-Assisted Steam-Assisted Gravity Drainage (SA-SAGD) technology, jointly developed with ExxonMobil, enhances bitumen recovery by adding solvents. This technology is currently being

evaluated for commercial application. Technology and innovation are fundamental to unlocking the potential of future company growth opportunities, particularly for in situ projects, including Aspen, Corner, Clyden and Cold Lake Midzaghe (formerly Grand Rapids).

Resiliency to market conditions

The business environment of the past several months, with the dramatic decline in global crude prices, illustrates the cyclical nature of the oil and gas business. Imperial plans and operates its businesses with a long-term perspective that results in resiliency across a wide range of market conditions. Our resiliency is achieved in large part due to our long-life, high-quality assets, integrated business model and ongoing focus on business fundamentals. Consequently, our near-term investment plans remain largely unchanged. However, we will continue to closely monitor and respond to market conditions, rigorously examining operating costs and capital investments to maximize value in whatever business environment we operate in.

Our workforce is a competitive advantage

Imperial's success is the result of hard work, dedication and commitment to excellence by our workforce. Collectively, we strive to deliver industry-leading performance in safety, operational integrity, reliability and profitability. On behalf of the Board of Directors and Imperial's workforce, I would like to thank you, our shareholders, for your trust and confidence in our ability to continue to deliver superior, long-term shareholder value.

Rich Kruger
Chairman, President and CEO

*Gross production is the company's share of production (excluding purchases) before deduction of the mineral owner's or governments' share or both.

2014 highlights

Imperial's Business Model

- Long-life, competitively advantaged assets
- Disciplined investment, cost management
- Value chain integration and synergies
- High-impact technologies and innovation
- Operational excellence, responsible growth



Kearl

Gross production averaged
51,000 barrels per day^[2]

Kearl, an oil sands mining operation, has one of Canada's highest-quality oil sands deposits. By using our proprietary paraffinic froth treatment technology, we are the only oil sands operation that produces pipeline-quality bitumen without the need of an onsite upgrader. With an estimated total of 4.6 billion barrels of recoverable bitumen resource, Kearl expansion, scheduled to start up in the third quarter 2015, will ultimately add about 110,000 barrels per day of capacity.



Cold Lake

Gross production averaged
146,000 barrels per day^[1]

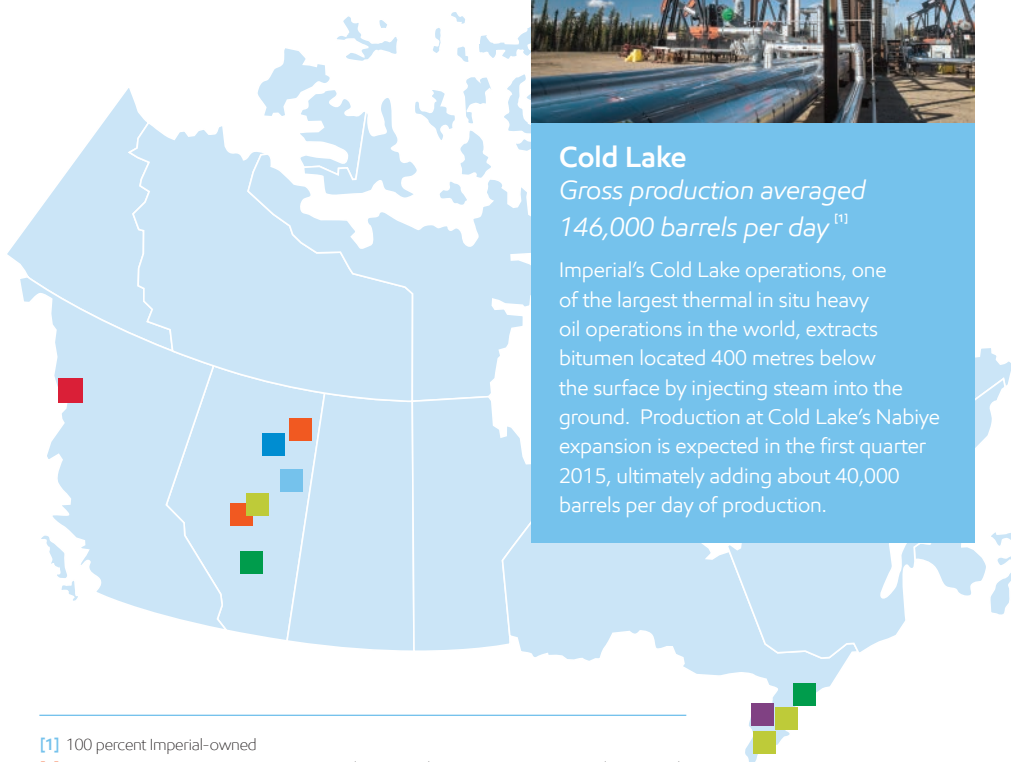
Imperial's Cold Lake operations, one of the largest thermal in situ heavy oil operations in the world, extracts bitumen located 400 metres below the surface by injecting steam into the ground. Production at Cold Lake's Nabiye expansion is expected in the first quarter 2015, ultimately adding about 40,000 barrels per day of production.



Syncrude

Gross production averaged 64,000
barrels per day^[3]

Syncrude, a mining and upgrading operation, has been operating for more than 35 years. Improved reliability and profitability is the focus for future growth opportunities.



[1] 100 percent Imperial-owned

[2] Imperial's share. Jointly owned by Imperial (71 percent) and ExxonMobil Canada (29 percent)

[3] Imperial's share. 25 percent owned by Imperial



Chemicals

Record earnings of \$229 million

Imperial is one of Canada's leading producers of chemical products. By focusing on integration synergies, operational excellence and with a disciplined approach to investing, Imperial's chemical business delivered best-ever results in 2014.



Research and growth opportunities

Committed to innovation

Our continued investment in research and technology helps unlock potential new resource opportunities and allows us to explore for, produce, refine and market products with the highest level of operational efficiency.



Refining

Record capacity utilization of 94%

Imperial is the largest petroleum refiner in Canada with a significant share in all major petroleum product market sectors. Our competitive advantage is achieved through record utilization and price-advantaged feedstocks.



WCC LNG

Environmental assessment initiated

Imperial filed a project description, required to initiate an environmental assessment, for the west coast British Columbia LNG project (WCC), a project jointly owned with ExxonMobil Canada. A final investment decision, not anticipated in the near term, will ultimately be based on a number of factors, including satisfactory government and regulatory approvals, economic competitiveness, future market conditions and LNG sales agreements.



Fuels and lubricants

Product sales of 485,000 barrels per day

The fuels and lubricants business is a major contributor to Imperial's overall downstream profitability. Imperial remains one of the largest branded retail marketers in Canada, providing high-quality fuel and lubricant products across the country.



Market access

Providing incremental capacity

The new Edmonton rail facility will provide incremental transportation capacity of up to 210,000 barrels per day ensuring access to the highest-value markets throughout North America for equity crude production.

2014 financial and operating highlights

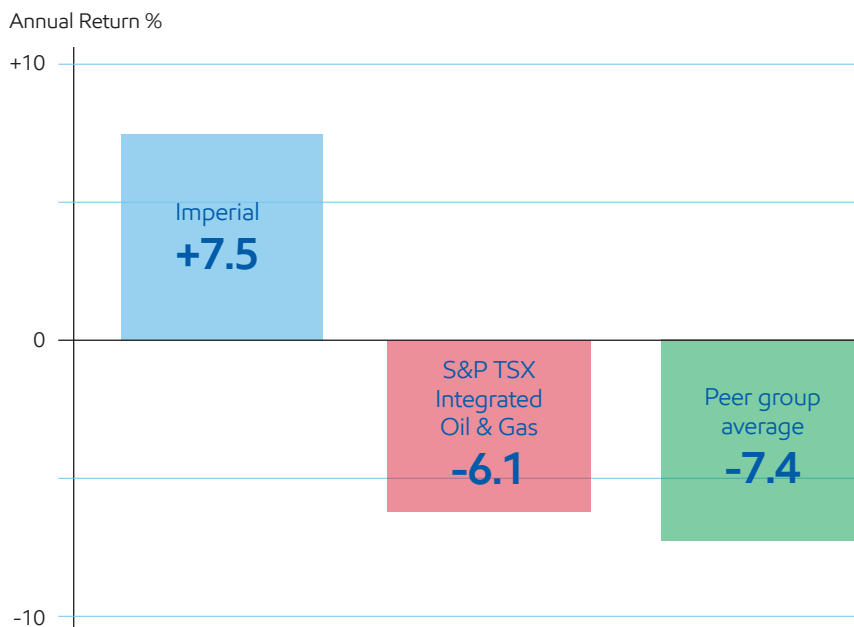
Cash flow from operating activities and asset sales increased 52% to **\$5.3 billion**

Net earnings increased 34% to **\$3.8 billion**, or **\$4.45** per share

Return on average capital employed increased to **13.7%**

Dividends increased for the **20th** consecutive year paying **\$0.52** per share

2014 Share Price Performance



Board of Directors



Richard M. Kruger

Chairman, president and chief executive officer
Imperial Oil Limited
Calgary, Alberta



Krystyna T. Hoeg

Corporate director
Toronto, Ontario
Chair – Executive resources committee
Vice-chair – Contributions committee



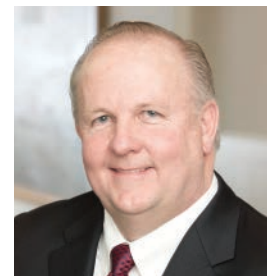
Jack M. Mintz

Palmer Chair in Public Policy
University of Calgary
Calgary, Alberta
Chair – Environment, health and safety committee
Vice-chair – Nominations and corporate governance committee



David S. Sutherland

Corporate director
Waterloo, Ontario
Chair – Contributions committee
Vice-chair – Environment, health and safety committee



D. G. (Jerry) Wascom

Vice-president of Exxon Mobil Corporation and president of ExxonMobil Refining & Supply Company
Fairfax, Virginia

Total production increased 5% to **310,000** gross oil-equivalent barrels per day

Refinery throughput increased 5% averaging **394,000** barrels per day

Petroleum product sales of **485,000** barrels per day, up 7%

Capital and exploration expenditures of **\$5.7 billion** focused on major upstream growth projects

Financial highlights (millions of Canadian dollars)	2014	2013	2012	2011	2010
Operating revenues	36 231	32 722	31 053	30 474	24 946
Net income	3 785	2 828	3 766	3 371	2 210
Cash flow from operating activities and asset sales ^(a)	5 256	3 452	4 906	4 803	3 351
Cash and cash equivalents at year-end	215	272	482	1 202	267
Total debt at year-end	6 891	6 287	1 647	1 207	756
Average capital employed ^(a)	27 637	21 941	16 302	13 261	10 791
Capital and exploration expenditures	5 654	8 020	5 683	4 066	4 045

Key financial ratios	2014	2013	2012	2011	2010
Net income per share – diluted (dollars)	4.45	3.32	4.42	3.95	2.59
Return on average capital employed (percent) ^(a)	13.7	12.9	23.1	25.4	20.5
Return on average shareholders' equity (percent)	18.0	15.8	25.4	27.5	21.4
Annual shareholders' return (percent) ^(b)	7.5	11.3	(4.8)	12.9	0.9
Debt to capital (percent) ^(c)	23	24	9	9	7
Dividends declared per share (dollars)	0.52	0.49	0.48	0.44	0.43

Operating highlights	2014	2013	2012	2011	2010
Gross crude oil and NGL production (thousands of barrels per day)	282	261	250	255	247
Gross natural gas production (millions of cubic feet per day)	168	201	192	254	280
Gross total production (thousands of oil-equivalent barrels per day)	310	295	282	297	294
Net proved reserves (millions of oil-equivalent barrels)	3 959	3 622	3 574	3 191	2 549
Refinery throughput (thousands of barrels per day) ^(d)	394	426	435	430	444
Petroleum product sales (thousands of barrels per day)	485	454	445	447	442
Chemical sales volumes (thousands of tonnes)	953	940	1 044	1 016	989

(a) Definitions can be found under "frequently used terms" of the Financial section of the Management Proxy Circular.

(b) Includes share appreciation and dividends.

(c) Definition can be found under Management's Discussion and Analysis of Financial Condition and Results of Operations of the Management Proxy Circular.

(d) Refinery operations at the Dartmouth refinery were discontinued on September 16, 2013.

Other Officers



Sheelagh D. Whittaker

Corporate director
London, England
Chair – Nominations and corporate governance committee
Vice-chair – Audit committee



Victor L. Young

Corporate director
St. John's, Newfoundland and Labrador
Chair – Audit committee
Vice-chair – Executive resources committee

B. P. (Bart) Cahir

Senior vice-president, upstream division

Paul J. Masschelin

Senior vice-president, finance and administration, and controller

W. J. (Bill) Hartnett, Q.C.

Vice-president and general counsel

Bradley G. Merkel

Vice-president, fuels, lubricants and specialties marketing

David G. Bailey

Treasurer

John W. Blowers

Refining manufacturing manager

Marvin E. Lamb

Director, corporate tax

Lara H. Pella

Assistant general counsel and corporate secretary



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Forward-looking statements

Statements of future events or conditions in this report, including projections, targets, expectations, estimates, and business plans are forward-looking statements. Actual future results, including demand growth and energy source mix; production growth and mix; project plans, dates, costs and capacities; production rates and resource recoveries; cost savings; product sales; financing sources; and capital and environmental expenditures could differ materially depending on a number of factors, such as changes in the price, supply of and demand for crude oil, natural gas, and petroleum and petrochemical products; political or regulatory events; project schedules; commercial negotiations; the receipt, in a timely manner, of regulatory and third-party approvals; unanticipated operational disruptions; unexpected technological developments; and other factors discussed in this report and Item 1A of Imperial's most recent Form 10-K. Forward-looking 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 Imperial. Imperial'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.

The term "project" as used in this report can refer to a variety of different activities and does not necessarily have the same meaning as in any government payment transparency reports.

Reserves and contingent resource information presented in this report are an estimate of the company's net interest after royalties at year-end 2014, as determined by Imperial's internal qualified reserves evaluator. Contingent resources are those quantities of petroleum considered to be potentially recoverable from known accumulations using established technology or technology under development, but are currently not considered to be commercially recoverable due to one or more contingencies. Contingencies on resources may include, but are not limited to, factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. There is no certainty that it will be economically viable or technically feasible to produce any portion of the resource.

Imperial online

Visit our website at imperialoil.ca to learn more information about Imperial's operations, including videos about our projects and a report on our corporate citizenship efforts.

For complete consolidated financial statements, including notes, please refer to the Management Proxy Circular for Imperial's 2015 annual meeting of shareholders. The Management Proxy Circular also includes Management's Discussion and Analysis of Financial Condition and Results of Operations. The circular is located on the investors section of our website.

