

Report to Shareholders for the First Quarter of 2022



All financial figures are unaudited and presented in Canadian dollars unless noted otherwise. Production volumes are presented on a working-interest basis, before royalties, except for production volumes from Suncor Energy Inc.'s (Suncor or the company) Libya operations, which are presented on an economic basis. Certain financial measures in this document are not prescribed by Canadian generally accepted accounting principles (GAAP). For a description of these non-GAAP financial measures, see the Non-GAAP and Other Financial Measures Advisory section of Suncor's Management Discussion and Analysis (MD&A) dated May 9, 2022. See also the Advisories section of the MD&A. References to Oil Sands operations exclude Suncor's interests in Fort Hills and Syncrude.

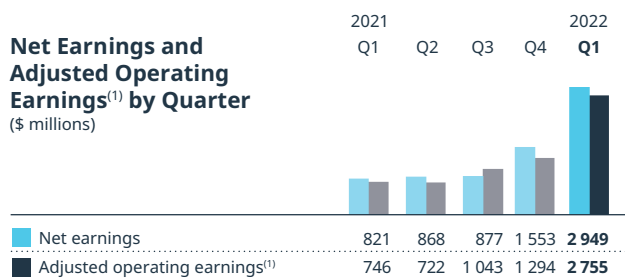
"In the first quarter of 2022, Suncor generated the highest quarterly adjusted funds from operations in the company's history of \$4.1 billion, or \$2.86 per share, including record adjusted funds from operations from our Oil Sands assets, as commodity prices increased," said Mark Little, president and chief executive officer. "Our increased cash flows enabled us to reduce net debt by \$728 million and return over \$1.4 billion of value to shareholders through \$827 million in share repurchases and payment of \$601 million in dividends."

- Adjusted funds from operations⁽¹⁾⁽²⁾ increased to \$4.094 billion (\$2.86 per common share) in the first quarter of 2022, compared to \$2.110 billion (\$1.39 per common share) in the prior year quarter, with adjusted funds from operations in the first quarter of 2022 more than doubling the prior year quarter on a per share basis. Cash flow provided by operating activities, which includes changes in non-cash working capital, was \$3.072 billion (\$2.14 per common share) in the first quarter of 2022, compared to \$2.345 billion (\$1.54 per common share) in the prior year quarter.
- Adjusted operating earnings⁽¹⁾⁽²⁾ increased to \$2.755 billion (\$1.92 per common share) in the first quarter of 2022, compared to \$746 million (\$0.49 per common share) in the prior year quarter. The company had net earnings of \$2.949 billion (\$2.06 per common share) in the first quarter of 2022, compared to \$821 million (\$0.54 per common share) in the prior year quarter.
- In the first quarter of 2022, Oil Sands delivered its highest quarterly adjusted funds from operations⁽³⁾ on record of \$3.414 billion, compared to \$1.527 billion in the prior year quarter, supported by strong production from the company's In Situ assets, including Firebag, which produced its 750 millionth barrel of oil during the quarter, and the ramp-up of production at Fort Hills, allowing the company to capture strong upstream pricing. Combined Oil Sands upgrader utilization was 96% compared to 97% in the prior year quarter.
- Refining and Marketing (R&M) generated \$1.597 billion in adjusted funds from operations⁽³⁾ in the first quarter of 2022, compared to \$1.172 billion in the prior year quarter. The first quarter of 2022 included a first-in, first-out (FIFO) inventory valuation gain, including the impact of commodity risk management activities, of \$729 million before-tax, compared to \$432 million before-tax in the prior year quarter. On a last-in, first-out (LIFO)⁽⁴⁾ basis Suncor's refining and marketing gross margin⁽¹⁾ improved nearly 20% compared to the prior year quarter. Refinery utilization in the first quarter of 2022 was 94%, compared to refinery utilization of 92% in the prior year quarter, as the company's Canadian refineries continued to outperform the national refining industry average.⁽⁵⁾
- In the first quarter of 2022, the company returned over \$1.4 billion of value to its shareholders through \$827 million in share repurchases and payment of \$601 million of dividends. As at May 6, 2022, since the start of the year, the company has repurchased \$1.3 billion of Suncor's common shares, representing approximately 33 million common shares at an average share price of \$39.70 per share, or the equivalent of 2.3% of its common shares as at December 31, 2021.
- In the first quarter of 2022, the company reduced net debt⁽¹⁾ by \$728 million, primarily due to an early redemption of its outstanding US\$182 million 4.50% notes and increased cash and cash equivalents, after making a significant income tax payment of approximately \$1.0 billion during the quarter related to the company's 2021 income tax expense.
- During the first quarter of 2022, in alignment with Suncor's strategy to maximize value through its core business, the company announced that it is taking steps to optimize its asset portfolio through the planned divestment of its Exploration & Production (E&P) assets in Norway. Subsequent to the quarter, based on interest received in the company's E&P assets in the U.K., the company is exploring the sale of its entire U.K. portfolio, and has also announced plans to divest its wind and solar assets to focus on areas of energy expansion that are more complementary to its base business, with an emphasis on hydrogen and renewable fuels.
- Subsequent to the quarter, Suncor's Board of Directors (the Board) approved a quarterly dividend of \$0.47 per share, which represents an increase of 12% over the prior quarter dividend and the highest quarterly dividend per share in the company's history. Also, the Board and the Toronto Stock Exchange (TSX) approved an increase to the company's normal course issuer bid program (NCIB), to increase the maximum number of common shares the company may repurchase to up to approximately 10% of Suncor's public float as at January 31, 2022.

- (1) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of the MD&A and the Adjusted Operating Earnings Reconciliation below for a reconciliation of net earnings to adjusted operating earnings.
- (2) Beginning in the fourth quarter of 2021, the company revised the label of operating earnings (loss) and funds from (used in) operations to adjusted operating earnings (loss) and adjusted funds from (used in) operations, respectively, to better distinguish these non-GAAP financial measures from their respective comparable GAAP measures and better reflect the purpose of such measures. The composition of these measures remained unchanged and therefore no prior periods were restated.
- (3) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings (loss), adjusted operating earnings (loss) and adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of the MD&A for a discussion on income taxes.
- (4) The estimated impact of the LIFO method is a non-GAAP financial measure. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.
- (5) Source: Canada Energy Regulator – <https://www.cer-rec.gc.ca/en/data-analysis/energy-commodities/crude-oil-petroleum-products/statistics/weekly-crude-run-summary-data/index.html>.

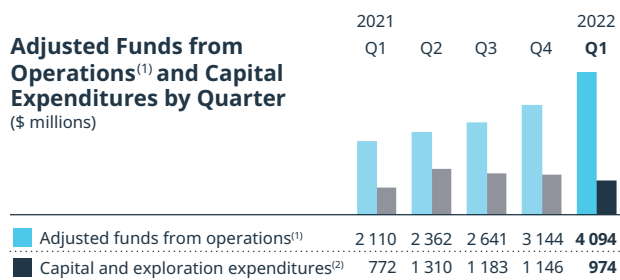
Net Earnings and Adjusted Operating Earnings⁽¹⁾ by Quarter

(\$ millions)



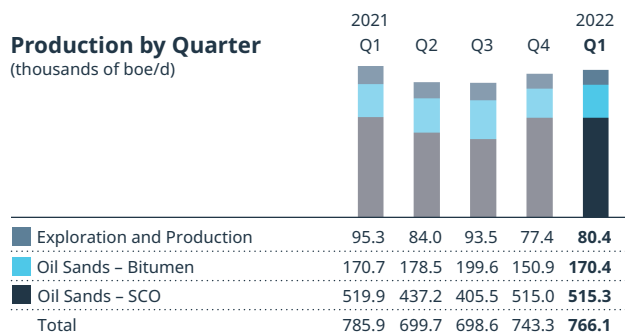
Adjusted Funds from Operations⁽¹⁾ and Capital Expenditures by Quarter

(\$ millions)



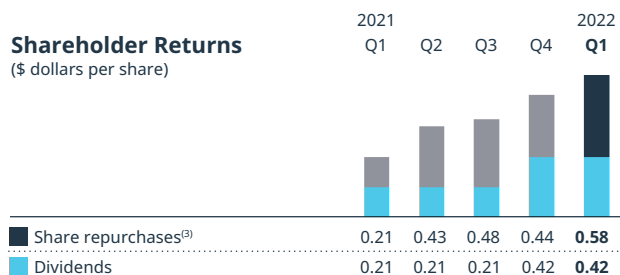
Production by Quarter

(thousands of boe/d)



Shareholder Returns

(\$ dollars per share)



(1) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of the MD&A and the Adjusted Operating Earnings Reconciliation below for a reconciliation of net earnings to adjusted operating earnings.

(2) Excludes capitalized interest for all periods presented and capital expenditures related to assets held for sale of \$19 million in the first quarter of 2022.

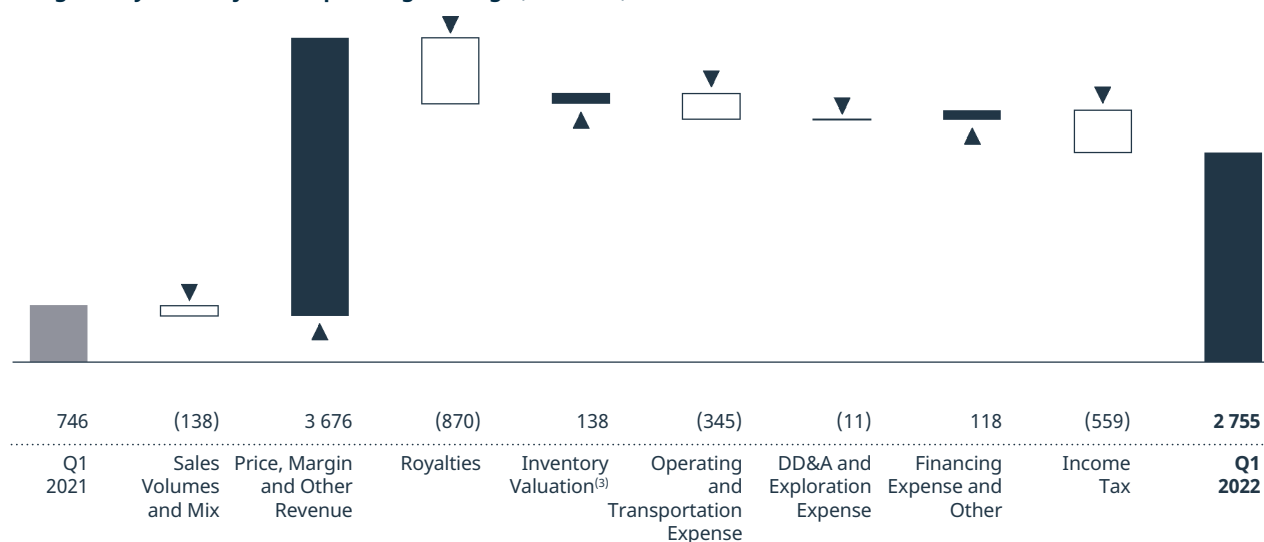
(3) Share repurchases per share are calculated as total share repurchases divided by the weighted average number of shares outstanding for the applicable period.

Financial Results

Adjusted Operating Earnings

Suncor's adjusted operating earnings increased to \$2.755 billion (\$1.92 per common share) in the first quarter of 2022, compared to \$746 million (\$0.49 per common share) in the prior year quarter, primarily due to significantly higher crude oil and refined product realizations reflecting the improved business environment in the current quarter. The increase in adjusted operating earnings was partially offset by an increase in royalties and income taxes associated with the improved business environment and increased operating expenses primarily related to a significant increase in commodity costs and share-based compensation expense in the current quarter compared to the prior year quarter.

Bridge Analysis of Adjusted Operating Earnings (\$ millions)⁽¹⁾⁽²⁾



(1) For an explanation of this bridge analysis, see the Non-GAAP and Other Financial Measures Advisory section of the MD&A.

(2) All reconciling items are presented on a before-tax basis and adjusted for income taxes in the Income Tax bridge factor.

(3) The bridge factor for Inventory Valuation is comprised of changes in the FIFO inventory valuation and the realized portion of commodity risk management activities reported in the R&M segment, and changes in the intersegment elimination of profit reported in the Corporate and Eliminations segment.

Net Earnings

Suncor's net earnings were \$2.949 billion (\$2.06 per common share) in the first quarter of 2022, compared to \$821 million (\$0.54 per common share) in the prior year quarter. In addition to the factors impacting adjusted operating earnings discussed above, net earnings for the first quarter of 2022 included a \$146 million unrealized foreign exchange gain on the revaluation of U.S. dollar denominated debt recorded in financing expenses, a \$75 million unrealized gain on risk management activities recorded in other income (loss), and a \$27 million income tax expense related to the items noted. Net earnings in the prior year quarter included a \$196 million unrealized foreign exchange gain on the revaluation of U.S. dollar denominated debt recorded in financing expenses, a \$27 million unrealized gain on risk management activities recorded in other income (loss), a restructuring charge of \$168 million related to workforce reduction plans recorded in operating, selling and general expenses in the Corporate and Eliminations segment, and a \$20 million income tax recovery related to the items noted.

Adjusted Operating Earnings Reconciliation⁽¹⁾

(\$ millions)	Three months ended	
	2022	March 31 2021
Net earnings	2 949	821
Unrealized foreign exchange gain on U.S. dollar denominated debt	(146)	(196)
Unrealized gain on risk management activities	(75)	(27)
Restructuring charge	—	168
Income tax expense (recovery) on adjusted operating earnings adjustments	27	(20)
Adjusted operating earnings ⁽¹⁾	2 755	746

(1) Adjusted operating earnings is a non-GAAP financial measure. All reconciling items are presented on a before-tax basis and adjusted for income taxes in the income tax expense (recovery) on adjusted operating earnings adjustments line. See the Non-GAAP and Other Financial Measures Advisory section of the MD&A.

Adjusted Funds from Operations and Cash Flow Provided by Operating Activities

Adjusted funds from operations were \$4.094 billion (\$2.86 per common share) in the first quarter of 2022, compared to \$2.110 billion (\$1.39 per common share) in the prior year quarter. Adjusted funds from operations were influenced by the same factors impacting adjusted operating earnings noted above. Adjusted funds from operations in the prior year quarter were also impacted by the \$168 million before-tax restructuring charge related to workforce reduction plans recorded in the first quarter of 2021.

Cash flow provided by operating activities, which includes changes in non-cash working capital, was \$3.072 billion (\$2.14 per common share) for the first quarter of 2022, compared to \$2.345 billion (\$1.54 per common share) in the prior year quarter. In addition to the factors noted above, cash flow provided by operating activities was further impacted by a use of cash associated with the company's working capital balances in the first quarter of 2022, compared to a source of cash in the prior year quarter. The use of cash in the first quarter of 2022 was primarily due to an increase in accounts receivable and inventory balances related to the increase in commodity prices through the quarter and the payment of the company's 2021 income tax expense, partially offset by an increase in accounts payable and accrued liabilities and an increase in taxes payable related to the company's 2022 income tax expense.

Operating Results

Suncor's total upstream production was 766,100 barrels of oil equivalent per day (boe/d) in the first quarter of 2022, compared to 785,900 boe/d in the prior year quarter.

Total Oil Sands production was 685,700 barrels per day (bbls/d) in the first quarter of 2022, compared to 690,600 bbls/d in the prior year quarter, with the first quarter of 2022 reflecting lower production early in the quarter due to the previously disclosed weather-related mining challenges experienced in the region. The company's net SCO production in the first quarter of 2022 was 515,300 bbls/d, compared to 519,900 bbls/d in the first quarter of 2021, reflecting a combined upgrader utilization rate of 96% compared to 97% in the prior year quarter.

The company's non-upgraded bitumen production was 170,400 bbls/d in the first quarter of 2022, comparable to 170,700 bbls/d in the prior year quarter, primarily due to increased production at Fort Hills, which was largely offset by decreased saleable bitumen production from the company's In Situ assets. Production from Fort Hills in the first quarter of 2022 increased to 87,500 bbls/d, compared to 51,200 bbls/d in the prior year quarter, as production ramped up in the quarter. Overall production from the company's In Situ assets was comparable to the prior year quarter, reflecting strong production in both periods, with the decrease in saleable bitumen production in the current period due to increased Firebag volumes being diverted to upgrading to maximize higher-value SCO production.

The company will commence significant planned turnaround activities at Firebag in the second quarter of 2022, the largest turnaround in Firebag history. Additionally, in the second quarter of 2022, the company will commence planned annual coker maintenance at Oil Sands Base Upgrader 2 and planned maintenance at Fort Hills, and is expected to complete planned maintenance at Syncrude that commenced in the first quarter. Planned maintenance at Syncrude in the first quarter of 2022 included hydrotreating maintenance that was accelerated from later in the year to stagger coker and hydrotreating maintenance, which is expected to optimize full-year production at Syncrude.

"Following the weather-related impacts early in the quarter, our Oil Sands assets delivered solid production in the first quarter, and we accelerated Syncrude hydrotreating maintenance in order to optimize full-year production, positioning us well for the remainder of the year," said Little. "In the downstream business, refinery utilization was 94% in the first quarter as our Canadian refineries continue to outperform the national refining industry average."

E&P produced 80,400 boe/d during the first quarter of 2022, compared to 95,300 boe/d in the prior year quarter. The decrease in production was primarily due to the absence of production from the Golden Eagle Area Development, as the sale of the company's working interest in the asset was completed in the fourth quarter of 2021, and natural declines, partially offset by liftings in Libya in the first quarter of 2022 compared to no liftings in Libya in the prior year quarter.

Refinery crude throughput increased to 436,500 bbls/d and refinery utilization was 94% in the first quarter of 2022, compared to 428,400 bbls/d and 92% in the prior year quarter, reflecting improved refined product demand and a strategic build in product inventory in advance of upcoming turnaround activities, partially offset by maintenance that occurred late in the current period, including maintenance that was accelerated into the first quarter from the second quarter. Refined product sales in the first quarter of 2022 increased to 551,900 bbls/d, compared to 548,100 bbls/d in the prior year quarter. Domestic demand for diesel has improved compared to 2019 levels, however, gasoline demand continues to lag behind the comparable 2019 levels. The company will undergo planned turnaround maintenance at its refineries in the second quarter of 2022.

The company's total operating, selling and general expenses were \$3.088 billion in the first quarter of 2022, compared to \$2.900 billion in the prior year quarter. The increase was primarily due to a significant increase in commodity costs, primarily driven by increased natural gas prices, and increased share-based compensation expenses in the first quarter of 2022 compared to the first quarter of 2021. The increase was also due to costs associated with increased production at Fort Hills and increased maintenance costs in the current period relative to the prior year quarter, partially offset by increased costs in the prior year quarter relating to a restructuring charge associated with the company's workforce reduction plans. The company's exposure to higher natural gas costs is partially mitigated by revenue from power sales that is recorded in operating revenues.

Strategy Update

Delivering competitive and sustainable returns to shareholders is a top priority of the company. Critically important to the delivery of this priority is the company's ability to execute on its near-term plans, including a relentless focus to operate in a safe, reliable, cost-efficient and environmentally responsible manner, while optimizing the company's asset portfolio to maximize value from its core integrated assets.

During the first quarter of 2022, in alignment with Suncor's strategy to maximize value through its core business, the company announced that it is taking steps to optimize its asset portfolio through the planned divestment of its E&P assets in Norway. Suncor has initiated the disposition process of its Norway assets, with an expected close later this year. Subsequent to the quarter, based on interest received in the company's E&P assets in the U.K., the company is exploring the sale of its entire U.K. portfolio, and has also announced plans to divest its wind and solar assets to focus on areas of energy expansion that are more complementary to its base business, with an emphasis on hydrogen, renewable fuels and an ongoing participation in low-carbon power. The company has commenced the sale process of its wind and solar assets and expects a sale to close within the next twelve months. Proceeds from the disposition of assets will be used to support the company's capital allocation framework.

With the company's increased focus on hydrogen, renewable fuels and low-carbon power, Suncor remains committed to accelerating its progress towards its strategic objective of becoming a net-zero greenhouse gas (GHG) emissions company by 2050. The company plans to continue to pursue highly economic investments in areas that are complementary to its base business, including replacing its coke-fired boilers with a lower-emissions cogeneration facility at Oil Sands Base and accelerating commercial-scale deployment of carbon capture technology. Other targeted activities include partnering with ATCO on a project to build a world-scale hydrogen facility in Alberta and deploying next-generation renewable fuel technologies. The company expects that the disciplined decisions to adjust and streamline its portfolio will improve its competitiveness and resiliency by allowing it to capitalize on its strengths, competitive advantages and resources.

"Safety and operational excellence are foundational to our business and we are continuing to implement changes to strengthen our accountability and performance in these areas," said Little. "We are also sharpening our focus on our base business and areas complementary to our base business, which will drive long-term value for our shareholders."

The company is steadfast in its commitment to capital discipline and expects to achieve its targeted annual capital expenditures of \$4.7 billion in 2022, with a capital program heavily focused on the safety, long-term reliability and efficiency of the company's operations. Economic investment capital will continue to be focused on advancing projects and investments that are expected to enhance value within the company's existing integrated asset base and accelerate the company's progress towards its emissions reductions targets, including digital technologies, production decline mitigation and the cogeneration facility at Oil Sands Base. In E&P Canada, economic investment in the Terra Nova Floating, Production, Storage and Offloading facility related to the Asset Life Extension Project is ongoing and the asset is on track to sail back to Canada for a safe return to operations before the end of 2022.

Suncor continues to execute on its digital transformation and is implementing new digital technologies across the enterprise, such as digital mine optimization and core business systems, that are expected to reduce the company's cost structure while improving safety, performance and reliability. The company expects to achieve an additional \$400 million of incremental free funds flow⁽¹⁾ in 2022, building on the incremental \$465 million achieved in 2021, primarily driven by the implementation of digital, process and technology initiatives.

Suncor remains focused on safely increasing the reliability, utilization and integration of its assets, while continuing efforts to sustainably reduce controllable costs, including optimizing transfers on the interconnecting pipelines between Oil Sands Base and Syncrude. As operator of the Syncrude asset, the company continues to progress towards realizing \$100 million of annual gross synergies for the joint venture owners in 2022, with an additional \$200 million of annual gross synergies expected to be realized through 2023-2024.

The company is committed to allocating excess funds in accordance with its capital allocation framework, maximizing returns to its shareholders and strengthening its balance sheet. In the first quarter of 2022, the company returned over \$1.4 billion of value to its shareholders through \$827 million in share repurchases and payment of \$601 million of dividends. The company also reduced net debt by \$728 million in the first quarter of 2022, reaching net debt levels of \$15.4 billion, nearly achieving its 2025 targeted net debt range of \$12 – \$15 billion. In the current business environment, the company expects to achieve the lower end of its 2025 targeted net debt range during the second half of 2022.

(1) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of the MD&A.

A combination of operational improvements and strong market conditions over the past year have driven stronger free funds flow than the scenario presented at Suncor's 2021 Investor Day. This has enabled the company to significantly increase shareholder returns and the pace of debt repayment, and as a result, the company plans to accelerate its capital allocation plan. Looking ahead, management plans to continue to allocate excess funds equally towards debt repayment and share buybacks until net debt levels have reduced to \$12 billion. Then, the company expects to allocate excess funds 75% towards share buybacks and 25% towards debt repayment. Once the company's net debt balance is at its \$9 billion floor, the company expects to allocate excess funds fully towards shareholder returns.

Subsequent to the quarter, consistent with Suncor's strategy to maximize shareholder returns and accelerate its capital allocation plan, the Board approved an increase to the company's quarterly dividend to \$0.47 per share and to its NCIB, to repurchase up to approximately 10% of Suncor's public float as at January 31, 2022. Both the dividend per share and the NCIB program represent the highest in the company's history.

Corporate Guidance

Suncor has updated its full-year business environment outlook assumptions for Brent Sullom Voe from US\$84.00/bbl to US\$101.00/bbl, WTI at Cushing from US\$80.00/bbl to US\$97.00/bbl, WCS at Hardisty from US\$68.00/bbl to US\$84.00/bbl, New York Harbor 2-1-1 crack from US\$24.00/bbl to US\$38.00/bbl and AECO-C Spot from \$3.75/GJ to \$6.10/GJ due to improvements in key forward curve pricing for the remainder of the year. As well, Suncor has updated its Cdn\$/US\$ exchange rate outlook from 0.80 to 0.78.

The company has also updated its cash operating costs per barrel guidance ranges, with the increased ranges attributed primarily to increased commodity costs. As a result, Oil Sands operations cash operating costs per barrel have been updated from \$25.00 – \$28.00 to \$27.00 – \$30.00, Fort Hills cash operating costs per barrel have been updated from \$23.00 – \$27.00 to \$25.00 – \$28.00 and Syncrude cash operating costs per barrel have been updated from \$31.00 – \$34.00 to \$33.00 – \$36.00. In addition, Fort Hills Crown royalties have been updated from 3% – 5% to 5% – 7%, Syncrude Crown royalties have been updated from 16% – 19% to 20% – 23% and East Coast Canada Crown royalties have been updated from 12% – 16% to 13% – 17%, with the increase in royalty rates attributed to higher forecasted benchmark prices.

As a result of these updates, the full-year current income tax expense range has increased from \$2.1 billion – \$2.4 billion to \$4.0 billion – \$4.3 billion.

For further details and advisories regarding Suncor's 2022 corporate guidance, see www.suncor.com/guidance.

Normal Course Issuer Bid

Subsequent to the first quarter of 2022, Suncor received approval from the TSX to amend its existing NCIB effective as of the close of markets on May 11, 2022, to increase the maximum number of common shares that may be repurchased in the period beginning February 8, 2022, and ending February 7, 2023, from 71,650,000 common shares, or approximately 5% of Suncor's issued and outstanding common shares as at January 31, 2022, to 143,500,000, or approximately 10% of Suncor's public float as at January 31, 2022. No other terms of the NCIB have been amended.

Between February 8, 2022, and May 6, 2022, and pursuant to the NCIB, Suncor has already repurchased approximately \$1.041 billion of common shares on the open market. Pursuant to the NCIB (as amended), Suncor has agreed that it will not purchase more than 143,500,000 common shares, of which 25,432,000 common shares have already been purchased between February 8, 2022, and May 6, 2022.

The actual number of common shares that may be purchased and the timing of any such purchases will be determined by Suncor. Suncor believes that, depending on the trading price of its common shares and other relevant factors, purchasing its own shares represents an attractive investment opportunity and is in the best interests of the company and its shareholders. The company does not expect the decision to allocate cash to repurchase shares will affect its long-term strategy.

Measurement Conversions

Certain natural gas volumes in this document have been converted to boe on the basis of one bbl to six mcf. See the Advisories section of the MD&A.

Management's Discussion and Analysis

May 9, 2022

Suncor Energy Inc. (Suncor or the company) is an integrated energy company headquartered in Calgary, Alberta, Canada. Suncor's operations include oil sands development, production and upgrading; offshore oil and gas; petroleum refining in Canada and the U.S.; and the company's Petro-Canada retail and wholesale distribution networks (including Canada's Electric Highway™, a coast-to-coast network of fast-charging electric vehicle stations). Suncor is developing petroleum resources while advancing the transition to a low-emissions future through investment in power, renewable fuels and hydrogen. Suncor also conducts energy trading activities focused principally on the marketing and trading of crude oil, natural gas, byproducts, refined products and power. Suncor has been recognized for its performance and transparent reporting on the Dow Jones Sustainability index, FTSE4Good and CDP. Suncor is also listed on the UN Global Compact 100 stock index. Suncor's common shares (symbol: SU) are listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE).

For a description of Suncor's segments, refer to Suncor's Management's Discussion and Analysis (MD&A) for the year ended December 31, 2021, dated February 23, 2022 (the 2021 annual MD&A).

This MD&A, for the three months ended March 31, 2022, should be read in conjunction with Suncor's unaudited interim Consolidated Financial Statements for the three months ended March 31, 2022, Suncor's audited Consolidated Financial Statements for the year ended December 31, 2021, and the 2021 annual MD&A.

Additional information about Suncor filed with Canadian securities regulatory authorities and the United States Securities and Exchange Commission (SEC), including quarterly and annual reports and Suncor's Annual Information Form dated February 23, 2022 (the 2021 AIF), which is also filed with the SEC under cover of Form 40-F, is available online at www.sedar.com, www.sec.gov and our website www.suncor.com. Information contained in or otherwise accessible through our website does not form part of this MD&A, and is not incorporated into this document by reference.

Suncor Energy Inc. has numerous direct and indirect subsidiaries, partnerships and joint arrangements (collectively, affiliates), which own and operate assets and conduct activities in different jurisdictions. The terms "we", "our", "Suncor", or "the company" are used herein for simplicity of communication and only mean there is an affiliation with Suncor Energy Inc., without necessarily identifying the specific nature of the affiliation. The use of such terms in any statement herein does not mean they apply to Suncor Energy Inc. or any particular affiliate, and does not waive the corporate separateness of any affiliate. For further clarity, Suncor Energy Inc. does not directly operate or own assets in the U.S.

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1. Advisories

Basis of Presentation

Unless otherwise noted, all financial information has been prepared in accordance with Canadian generally accepted accounting principles (GAAP), specifically International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB), which is within the framework of International Financial Reporting Standards (IFRS) as issued by the IASB.

All financial information is reported in Canadian dollars, unless otherwise noted. Production volumes are presented on a working-interest basis, before royalties, except for production volumes from the company's Libya operations, which is on an economic basis.

References to Oil Sands operations exclude Suncor's interests in Fort Hills and Syncrude.

Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings (loss), adjusted operating earnings (loss) and adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

Non-GAAP and Other Financial Measures

Certain financial measures in this MD&A – namely adjusted operating earnings (loss), adjusted funds from (used in) operations, measures contained in return on capital employed (ROCE) and ROCE excluding impairments, price realizations, Oil Sands operations cash operating costs, Fort Hills cash operating costs, Syncrude cash operating costs, refining and marketing gross margin, refining operating expense, free funds flow, net debt, total debt, last-in, first-out (LIFO) inventory valuation methodology and related per share or per barrel amounts or metrics that contain such measures – are not prescribed by GAAP. Adjusted operating earnings (loss) is defined in the Non-GAAP and Other Financial Measures Advisory section of this MD&A and reconciled to the most directly comparable GAAP measures in the Consolidated Financial Information and Segment Results and Analysis sections of this MD&A. Oil Sands operations cash operating costs, Fort Hills cash operating costs, Syncrude cash operating costs and LIFO inventory valuation methodology are defined in the Non-GAAP and Other Financial Measures Advisory section of this MD&A and reconciled to the most directly comparable GAAP measures in the Segment Results and Analysis section of this MD&A. Adjusted funds from (used in) operations, ROCE, ROCE excluding impairments, price realizations, free funds flow, net debt, total debt, refining and marketing gross margin, and refining operating expense are defined and reconciled, where applicable, to the most directly comparable GAAP measures in the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Beginning in the fourth quarter of 2021, the company changed the label of operating earnings (loss) and funds from (used in) operations to adjusted operating earnings (loss) and adjusted funds from (used in) operations, respectively, to better distinguish these non-GAAP financial measures from their respective comparable GAAP measures and better reflect the purpose of such measures. The composition of these measures remained unchanged and therefore no prior periods were restated.

Risk Factors and Forward-Looking Information

The company's business, reserves, financial condition and results of operations may be affected by a number of factors, including, but not limited to, the factors described within the Forward-Looking Information section of this MD&A. This MD&A contains forward-looking information based on Suncor's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, including those discussed in this MD&A, the 2021 annual MD&A and Suncor's other disclosure documents filed with Canadian securities regulatory authorities and the SEC, many of which are beyond the company's control. Users of this information are cautioned that actual results may differ materially. Refer to the Forward-Looking Information section of this MD&A for information on the material risk factors and assumptions underlying our forward-looking information contained in this MD&A.

Measurement Conversions

Certain crude oil and natural gas liquids volumes have been converted to mcf on the basis of one bbl to six mcf. Also, certain natural gas volumes have been converted to boe or mboe on the same basis. Any figure presented in mcf, boe or mboe may be misleading, particularly if used in isolation. A conversion ratio of one bbl of crude oil or natural gas liquids to six mcf of natural gas is based on an energy-equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, conversion on a 6:1 basis may be misleading as an indication of value.

Common Abbreviations

For a list of abbreviations that may be used in this MD&A, refer to the Common Abbreviations section of this MD&A.

2. First Quarter Highlights

• First quarter financial results

- Suncor's adjusted operating earnings⁽¹⁾⁽²⁾ increased to \$2.755 billion (\$1.92 per common share) in the first quarter of 2022, compared to \$746 million (\$0.49 per common share) in the prior year quarter, primarily due to significantly higher crude oil and refined product realizations reflecting the improved business environment in the current quarter. The increase in adjusted operating earnings was partially offset by an increase in royalties and income taxes associated with the improved business environment and increased operating expenses primarily related to a significant increase in commodity costs and share-based compensation expense in the current quarter compared to the prior year quarter.
- Suncor's net earnings were \$2.949 billion (\$2.06 per common share) in the first quarter of 2022, compared to \$821 million (\$0.54 per common share) in the prior year quarter. In addition to the factors impacting adjusted operating earnings discussed above, net earnings for the first quarter of 2022 included a \$146 million unrealized foreign exchange gain on the revaluation of U.S. dollar denominated debt recorded in financing expenses, a \$75 million unrealized gain on risk management activities recorded in other income (loss), and a \$27 million income tax expense related to the items noted. Net earnings in the prior year quarter included a \$196 million unrealized foreign exchange gain on the revaluation of U.S. dollar denominated debt recorded in financing expenses, a \$27 million unrealized gain on risk management activities recorded in other income (loss), a restructuring charge of \$168 million related to workforce reduction plans recorded in operating, selling and general expenses in the Corporate and Eliminations segment, and a \$20 million income tax recovery related to the items noted.
- Adjusted funds from operations⁽¹⁾⁽²⁾ were \$4.094 billion (\$2.86 per common share) in the first quarter of 2022, compared to \$2.110 billion (\$1.39 per common share) in the prior year quarter. Adjusted funds from operations were influenced by the same factors impacting adjusted operating earnings noted above. Adjusted funds from operations in the prior year quarter were also impacted by the \$168 million before-tax restructuring charge related to workforce reduction plans recorded in the first quarter of 2021. Cash flow provided by operating activities, which includes changes in non-cash working capital, was \$3.072 billion (\$2.14 per common share) for the first quarter of 2022, compared to \$2.345 billion (\$1.54 per common share) in the prior year quarter. In addition to the factors noted above, cash flow provided by operating activities was further impacted by a use of cash associated with the company's working capital balances in the first quarter of 2022, compared to a source of cash in the prior year quarter. The use of cash in the first quarter of 2022 was primarily due to an increase in accounts receivable and inventory balances related to the increase in commodity prices through the quarter and the payment of the company's 2021 income tax expense, partially offset by an increase in accounts payable and accrued liabilities and an increase in taxes payable related to the company's 2022 income tax expense.
- **Record Oil Sands cash flows.** In the first quarter of 2022, Oil Sands delivered its highest quarterly adjusted funds from operations⁽³⁾ on record of \$3.414 billion, compared to \$1.527 billion in the prior year quarter, supported by strong production from the company's In Situ assets, including Firebag, which produced its 750 millionth barrel of oil during the quarter, and the ramp-up of production at Fort Hills, allowing the company to capture strong upstream pricing. Combined Oil Sands upgrader utilization was 96% compared to 97% in the prior year quarter.
- **Industry-leading Refining & Marketing (R&M) utilizations.** R&M generated \$1.597 billion in adjusted funds from operations⁽³⁾ in the first quarter of 2022, compared to \$1.172 billion in the prior year quarter. The first quarter of 2022 included a first-in, first-out (FIFO) inventory valuation gain, including the impact of commodity risk management activities, of \$729 million before-tax, compared to \$432 million before-tax in the prior year quarter. On a LIFO⁽⁴⁾ basis Suncor's refining and marketing gross margin⁽¹⁾ improved nearly 20% compared to the prior year quarter. Refinery utilization in the first quarter of 2022 was 94%, compared to refinery utilization of 92% in the prior year quarter, as the company's Canadian refineries continued to outperform the national refining industry average.⁽⁵⁾

(1) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of the MD&A and the Adjusted Operating Earnings Reconciliation below for a reconciliation of net earnings to adjusted operating earnings.

(2) Beginning in the fourth quarter of 2021, the company revised the label of operating earnings (loss) and funds from (used in) operations to adjusted operating earnings (loss) and adjusted funds from (used in) operations, respectively, to better distinguish these non-GAAP financial measures from their respective comparable GAAP measures and better reflect the purpose of such measures. The composition of these measures remained unchanged and therefore no prior periods were restated.

(3) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings (loss), adjusted operating earnings (loss) and adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

(4) The estimated impact of the LIFO method is a non-GAAP financial measure. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

(5) Source: Canada Energy Regulator – <https://www.cer-rec.gc.ca/en/data-analysis/energy-commodities/crude-oil-petroleum-products/statistics/weekly-crude-run-summary-data/index.html>.

- **Returning value to shareholders.** In the first quarter of 2022, the company returned over \$1.4 billion of value to its shareholders through \$827 million in share repurchases and payment of \$601 million of dividends. As at May 6, 2022, since the start of the year, the company has repurchased \$1.3 billion of Suncor's common shares, representing approximately 33 million common shares at an average share price of \$39.70 per share, or the equivalent of 2.3% of its common shares as at December 31, 2021.
- **Accelerating net debt reduction.** In the first quarter of 2022, the company reduced net debt⁽¹⁾ by \$728 million, primarily due to an early redemption of its outstanding US\$182 million 4.50% notes and increased cash and cash equivalents, after making a significant income tax payment of approximately \$1.0 billion during the quarter related to the company's 2021 income tax expense.
- **Optimization of the company's asset portfolio.** During the first quarter of 2022, in alignment with Suncor's strategy to maximize value through its core business, the company announced that it is taking steps to optimize its asset portfolio through the planned divestment of its Exploration & Production (E&P) assets in Norway. Subsequent to the quarter, based on interest received in the company's E&P assets in the U.K., the company is exploring the sale of its entire U.K. portfolio, and has also announced plans to divest its wind and solar assets to focus on areas of energy expansion that are more complementary to its base business, with an emphasis on hydrogen and renewable fuels.
- **Record dividend and share repurchase program.** Subsequent to the quarter, Suncor's Board of Directors (the Board) approved a quarterly dividend of \$0.47 per share, which represents an increase of 12% over the prior quarter dividend and the highest quarterly dividend per share in the company's history. Also, the Board and the TSX approved an increase to the company's normal course issuer bid program (NCIB), to increase the maximum number of common shares the company may repurchase to up to approximately 10% of Suncor's public float as at January 31, 2022.

(1) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Operating Highlights

	Three months ended March 31	
	2022	2021
Production volumes		
Oil Sands – Upgraded – net SCO and diesel (mbbls/d)	515.3	519.9
Oil Sands – Non-upgraded bitumen (mbbls/d)	170.4	170.7
Exploration and Production (mboe/d)	80.4	95.3
Total (mboe/d)	766.1	785.9
Refinery utilization (%)	94	92
Refinery crude oil processed (mbbls/d)	436.5	428.4

Net Earnings

Suncor's consolidated net earnings for the first quarter of 2022 were \$2.949 billion, compared to \$821 million in the prior year quarter. Net earnings were primarily influenced by the same factors that impacted adjusted operating earnings described subsequently in this section.

Other items affecting net earnings over these periods included:

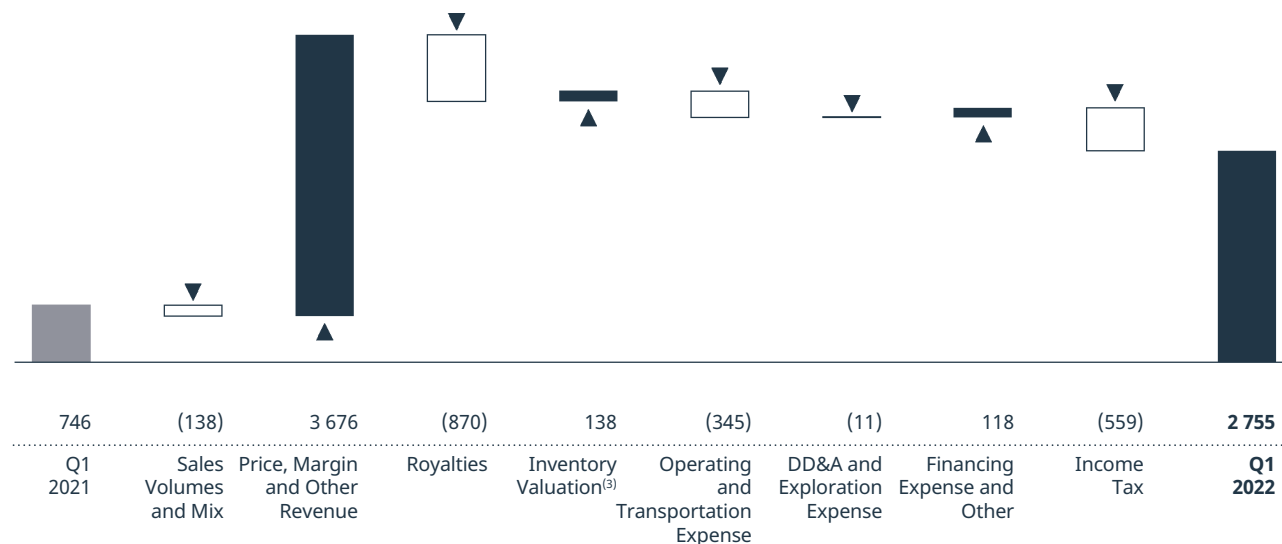
- An unrealized foreign exchange gain on the revaluation of U.S. dollar denominated debt of \$146 million recorded in financing expenses in the Corporate and Eliminations segment in the first quarter of 2022, compared to \$196 million in the first quarter of 2021.
- An unrealized gain on risk management activities of \$75 million recorded in other income (loss) in the first quarter of 2022, compared to \$27 million in the first quarter of 2021.
- A restructuring charge of \$168 million related to workforce reduction plans, recorded in operating, selling and general expenses in the Corporate and Eliminations segment in the first quarter of 2021.
- An income tax expense related to the items noted above of \$27 million in the first quarter of 2022, compared to an income tax recovery of \$20 million in the first quarter of 2021.

Adjusted Operating Earnings Reconciliation⁽¹⁾

(\$ millions)	Three months ended March 31	
	2022	2021
Net earnings	2 949	821
Unrealized foreign exchange gain on U.S. dollar denominated debt	(146)	(196)
Unrealized gain on risk management activities	(75)	(27)
Restructuring charge	—	168
Income tax expense (recovery) on adjusted operating earnings adjustments	27	(20)
Adjusted operating earnings⁽¹⁾	2 755	746

(1) Adjusted operating earnings is a non-GAAP financial measure. All reconciling items are presented on a before-tax basis and adjusted for income taxes in the income tax expense (recovery) on adjusted operating earnings adjustments line. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Bridge Analysis of Adjusted Operating Earnings (\$ millions)⁽¹⁾⁽²⁾



(1) For an explanation of this bridge analysis, see the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

(2) All reconciling items are presented on a before-tax basis and adjusted for income taxes in the Income Tax bridge factor.

(3) The bridge factor for Inventory Valuation is comprised of changes in the FIFO inventory valuation and realized commodity risk management activities reported in the R&M segment, and changes in the intersegment elimination of profit reported in the Corporate and Eliminations segment.

Suncor's adjusted operating earnings increased to \$2.755 billion (\$1.92 per common share) in the first quarter of 2022, compared to \$746 million (\$0.49 per common share) in the prior year quarter, primarily due to significantly higher crude oil and refined product realizations reflecting the improved business environment in the current quarter. The increase in adjusted operating earnings was partially offset by an increase in royalties and income taxes associated with the improved business environment and increased operating expenses primarily related to a significant increase in commodity costs and share-based compensation expense in the current quarter compared to the prior year quarter.

Operating, Selling and General Expenses

(\$ millions)	Three months ended	
	2022	March 31 2021
Operations, selling and corporate costs	2 333	2 193
Commodities	498	370
Share-based compensation and other ⁽¹⁾	257	337
Total operating, selling and general expenses	3 088	2 900

(1) In the first quarter of 2022, share-based compensation expense of \$206 million includes \$70 million recorded in the Oil Sands segment, \$6 million recorded in the E&P segment, \$32 million recorded in the R&M segment and \$98 million recorded in the Corporate and Eliminations segment. The first quarter of 2021 share-based compensation expense of \$111 million includes \$31 million recorded in the Oil Sands segment, \$3 million recorded in the E&P segment, \$19 million recorded in the R&M segment and \$58 million recorded in the Corporate and Eliminations segment. Other primarily includes non-recurring costs associated with investments in the company's digital transformation, Syncrude long-term incentive program expense in the first quarter of 2021, and a non-recurring \$168 million restructuring charge related to workforce reduction plans recorded in the first quarter of 2021.

The company's total operating, selling and general expenses were \$3.088 billion in the first quarter of 2022, compared to \$2.900 billion in the prior year quarter. The increase was primarily due to a significant increase in commodity costs, primarily driven by increased natural gas prices, and increased share-based compensation expenses in the first quarter of 2022 compared to the first quarter of 2021. The increase was also due to costs associated with increased production at Fort Hills and increased maintenance costs in the current period relative to the prior year quarter, partially offset by increased costs in the prior year quarter relating to a restructuring charge associated with the company's workforce reduction plans. The company's exposure to higher natural gas costs is partially mitigated by revenue from power sales that is recorded in operating revenues.

Business Environment

Commodity prices, refining crack spreads and foreign exchange rates are important factors that affect the results of Suncor's operations.

		2022	Average for the three months ended March 31 2021
WTI crude oil at Cushing	US\$/bbl	94.40	57.80
Dated Brent crude	US\$/bbl	101.50	60.85
Dated Brent/Maya crude oil FOB price differential	US\$/bbl	14.30	4.70
MSW at Edmonton	Cdn\$/bbl	115.75	66.55
WCS at Hardisty	US\$/bbl	79.80	45.40
Light/heavy differential for WTI at Cushing less WCS at Hardisty	US\$/bbl	(14.60)	(12.40)
SYN-WTI differential	US\$/bbl	(1.30)	(3.50)
Condensate at Edmonton	US\$/bbl	96.15	58.00
Natural gas (Alberta spot) at AEEO	Cdn\$/GJ	4.50	2.95
Alberta Power Pool Price	Cdn\$/MWh	90.00	95.45
New York Harbor 2-1-1 crack ⁽¹⁾	US\$/bbl	28.25	15.60
Chicago 2-1-1 crack ⁽¹⁾	US\$/bbl	20.20	13.40
Portland 2-1-1 crack ⁽¹⁾	US\$/bbl	33.80	15.80
Gulf Coast 2-1-1 crack ⁽¹⁾	US\$/bbl	26.80	14.45
U.S. Renewable Volume Obligation	US\$/bbl	6.45	5.50
Exchange rate	US\$/Cdn\$	0.79	0.79
Exchange rate (end of period)	US\$/Cdn\$	0.80	0.80

(1) 2-1-1 crack spreads are indicators of the refining margin generated by converting two barrels of WTI into one barrel of gasoline and one barrel of diesel. The crack spreads presented here generally approximate the regions into which the company sells refined products through retail and wholesale channels.

In the first quarter of 2022, crude oil and crack spread benchmarks significantly improved compared to the prior year quarter and were impacted by increased demand in addition to supply uncertainty related to the current geopolitical conflict.

Suncor's sweet SCO price realizations are influenced primarily by the price of WTI at Cushing and by the supply and demand for sweet SCO from Western Canada. Sweet SCO price realizations in the first quarter of 2022 reflected an increase in WTI at Cushing, which averaged US\$94.40/bbl compared to US\$57.80/bbl in the prior year quarter. Suncor also produces sour SCO, the price of which is influenced by various crude benchmarks, including, but not limited to, MSW at Edmonton and WCS at Hardisty, and which can also be affected by prices negotiated for spot sales. Prices for MSW at Edmonton increased to \$115.75/bbl in the first quarter of 2022 compared to \$66.55/bbl in the prior year quarter, and prices for WCS at Hardisty increased to US\$79.80/bbl in the first quarter of 2022, from US\$45.40/bbl in the prior year quarter.

Bitumen production that Suncor does not upgrade is blended with diluent or SCO to facilitate delivery through pipeline systems. Net bitumen price realizations are, therefore, influenced by prices for Canadian heavy crude oil (WCS at Hardisty is a common reference), prices for diluent (Condensate at Edmonton) and SCO. Bitumen price realizations can also be affected by bitumen quality premiums and discounts and spot sales, and the price differential between Hardisty, Alberta, and U.S. Gulf Coast benchmarks.

The company leverages the expertise of its marketing and logistics business to optimize midstream capacity to the U.S. Gulf Coast and this is reflected in bitumen and sour SCO price realizations. Bitumen prices were unfavourably impacted by the widening of heavy crude oil differentials in the first quarter of 2022, but were higher than the prior year quarter on an absolute basis due to the increase in WTI prices.

Suncor's price realizations for production from E&P Canada and E&P International assets are influenced primarily by the price for Brent crude, which increased to US\$101.50/bbl in the first quarter of 2022 compared to US\$60.85/bbl in the prior year quarter.

Suncor's refining and marketing gross margins are primarily influenced by 2-1-1 benchmark crack spreads, which are industry indicators approximating the gross margin on a barrel of crude oil that is refined to produce gasoline and distillates. Market crack

spreads are based on quoted near-month contracts for WTI and spot prices for gasoline and diesel and do not necessarily reflect the margins at a specific refinery. Suncor's realized refining and marketing gross margins are influenced by actual crude oil feedstock costs, refinery configuration, product mix and realized market prices unique to Suncor's refining and marketing business. In addition, the U.S. regulatory renewable blending obligations influence the benchmark cracks, which may increase their volatility, while the cost of regulatory compliance is not deducted in calculating the benchmark cracks.

Suncor has developed an indicative 5-2-2-1 index based on publicly available pricing data to more accurately reflect Suncor's realized refining and marketing gross margin. This internal index is a single value calculated based on a notional five barrels of crude oil of varying grades refined to produce two barrels each of gasoline and distillate and one barrel of secondary product to approximate Suncor's unique set of refinery configurations; overall crude slate and product mix; and the benefit of its location, quality and grade differentials, and marketing margins. The internal index is calculated by taking the product value of refined products less the crude value of refinery feedstock excluding the impact of FIFO inventory accounting methodology. The product value incorporates the New York Harbor 2-1-1 crack, Chicago 2-1-1 crack, WTI benchmarks and seasonal factors. The seasonal factor applies an incremental US\$6.50/bbl in the first and fourth quarters and US\$5.00/bbl in the second and third quarters and reflects the location, quality and grade differentials for refined products sold in the company's core markets during the winter and summer months, respectively. The crude value incorporates the SYN, WCS and WTI benchmarks.

Crack spreads are based on current crude feedstock prices, whereas actual earnings are accounted for on a FIFO basis in accordance with IFRS where a delay exists between the time that feedstock is purchased and when it is processed and when products are sold to a third party. A FIFO loss normally reflects a declining price environment for crude oil and finished products, whereas FIFO gains reflect an increasing price environment for crude oil and finished products. The company's realized refining and marketing gross margins are also presented on a LIFO basis, which is consistent with how industry benchmarks and the Suncor 5-2-2-1 index are calculated and with how management evaluates performance.

In the first quarter of 2022, the New York Harbor 2-1-1 and Chicago 2-1-1 benchmark crack spreads increased compared to the prior year quarter due to decreased crude supply, increased demand for transportation fuels and to compensate for increased costs associated with renewable blending regulatory obligations. The Suncor 5-2-2-1 index was US\$32.25/bbl in the first quarter of 2022 compared to US\$24.50/bbl in the first quarter of 2021, primarily related to the increase in benchmark crack spreads.

The cost of natural gas used in Suncor's Oil Sands and Refining operations is primarily referenced to Alberta spot prices at AECO. The average AECO benchmark increased to \$4.50/GJ in the first quarter of 2022, from \$2.95/GJ in the prior year quarter.

Excess electricity produced at Suncor's Oil Sands assets is sold to the Alberta Electric System Operator, with the proceeds netted against the applicable cash operating cost per barrel metric. The Alberta power pool price decreased to an average of \$90.00/MWh in the first quarter of 2022 compared to \$95.45/MWh in the prior year quarter.

The majority of Suncor's revenues from the sale of oil and natural gas commodities are based on prices that are determined by or referenced to U.S. dollar benchmark prices, while the majority of Suncor's expenditures are realized in Canadian dollars. In the first quarter of 2022, the Canadian dollar remained unchanged in relation to the U.S. dollar as the average exchange rate for both the first quarters of 2022 and 2021 was US\$0.79 per one Canadian dollar.

Suncor also has assets and liabilities, including approximately 60% of the company's debt, that are denominated in U.S. dollars and translated to Suncor's reporting currency (Canadian dollars) at each balance sheet date. A decrease in the value of the Canadian dollar, relative to the U.S. dollar, from the previous balance sheet date increases the amount of Canadian dollars required to settle U.S. dollar denominated obligations, while an increase in the value of the Canadian dollar, relative to the U.S. dollar, decreases the amount of Canadian dollars required to settle U.S. dollar denominated obligations.

4. Segment Results and Analysis

Oil Sands

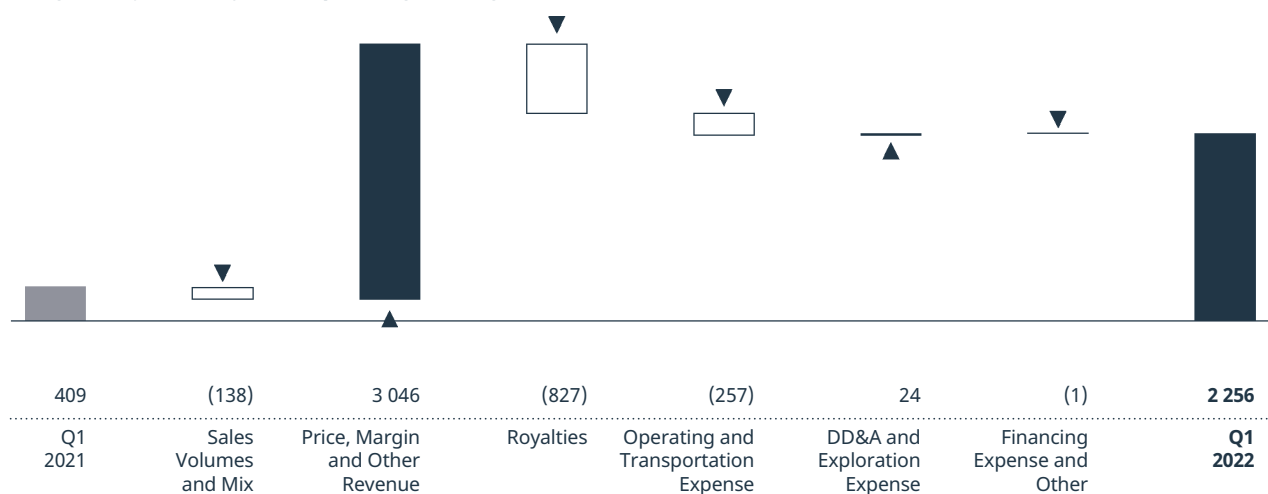
Financial Highlights

(\$ millions)	Three months ended	
	2022	March 31 2021
Gross revenues	7 470	4 351
Less: Royalties	(985)	(158)
Operating revenues, net of royalties	6 485	4 193
Earnings before income taxes ⁽¹⁾	2 309	445
Adjusted for:		
Unrealized gain on risk management activities	(53)	(36)
Adjusted operating earnings ⁽¹⁾⁽²⁾	2 256	409
Adjusted funds from operations ⁽¹⁾⁽²⁾	3 414	1 527

(1) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings (loss), adjusted operating earnings (loss) and adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

(2) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Bridge Analysis of Adjusted Operating Earnings (\$ millions)⁽¹⁾⁽²⁾



(1) For an explanation of this bridge analysis, see the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

(2) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated adjusted operating earnings (loss). Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

The Oil Sands segment had adjusted operating earnings of \$2.256 billion in the first quarter of 2022, compared to \$409 million in the prior year quarter. The increase was primarily due to significantly higher realized crude prices, which was partially offset by an increase in royalties and increased operating expenses related to a significant increase in commodity costs, share-based compensation expense, costs associated with increased production at Fort Hills and increased maintenance in the current quarter compared to the prior year quarter.

Production Volumes⁽¹⁾

(mmbbls/d)	Three months ended	
	2022	March 31 2021
Total Oil Sands bitumen production	827.7	827.8
SCO and diesel production ⁽²⁾	531.1	536.6
Internally consumed diesel and internal transfers ⁽³⁾⁽⁴⁾	(15.8)	(16.7)
Upgraded production – net SCO and diesel	515.3	519.9
Bitumen production	173.6	171.9
Internal bitumen transfers ⁽⁴⁾	(3.2)	(1.2)
Non-upgraded bitumen production	170.4	170.7
Total Oil Sands production	685.7	690.6

- (1) Bitumen production from Oil Sands Base is upgraded, while bitumen production from In Situ operations is either upgraded or sold directly to customers, including Suncor's own refineries, with SCO and diesel yields of approximately 79% of bitumen feedstock input. Fort Hills finished bitumen is sold directly to customers, including Suncor's own refineries. Essentially all of the bitumen produced at Syncrude is upgraded to sweet SCO and a small amount of diesel, at an approximate yield of 85%.
- (2) Combined upgrader utilization rates are calculated using total upgraded production, inclusive of internally consumed diesel and internal transfers.
- (3) Both Oil Sands operations and Syncrude produce diesel, which is internally consumed in mining operations, and Fort Hills and Syncrude use internally produced diesel from Oil Sands Base within their mining operations. In the first quarter of 2022, Oil Sands operations production volumes included 10,000 bbls/d of internally consumed diesel, of which 6,900 bbls/d was consumed at Oil Sands Base, 2,000 bbls/d was consumed at Fort Hills and 1,100 bbls/d was consumed at Syncrude. Syncrude production volumes included 2,000 bbls/d of internally consumed diesel.
- (4) Internal feedstock transfers between Oil Sands operations and Syncrude through the interconnecting pipelines are included in gross SCO and bitumen production volumes. In the first quarter of 2022, Oil Sands operations included 3,700 bbls/d of SCO that were transferred to Suncor's share of Syncrude through the interconnecting pipelines. Syncrude production included 100 bbls/d of SCO and 3,200 bbls/d of bitumen that were transferred to Oil Sands Base through the interconnecting pipelines.

Total Oil Sands production was 685,700 bbls/d in the first quarter of 2022, compared to 690,600 bbls/d in the prior year quarter, with the first quarter of 2022 reflecting lower production early in the quarter due to the previously disclosed weather-related mining challenges experienced in the region. The company's net SCO production in the first quarter of 2022 was 515,300 bbls/d, compared to 519,900 bbls/d in the first quarter of 2021, reflecting a combined upgrader utilization rate of 96% compared to 97% in the prior year quarter.

The company's non-upgraded bitumen production was 170,400 bbls/d in the first quarter of 2022, comparable to 170,700 bbls/d in the prior year quarter, primarily due to increased production at Fort Hills, which was largely offset by decreased saleable bitumen production from the company's In Situ assets. Production from Fort Hills in the first quarter of 2022 increased to 87,500 bbls/d, compared to 51,200 bbls/d in the prior year quarter, as production ramped up in the quarter. Overall production from the company's In Situ assets was comparable to the prior year quarter, reflecting strong production in both periods, with the decrease in saleable bitumen production in the current period due to increased Firebag volumes being diverted to upgrading to maximize higher-value SCO production.

Sales Volumes

(mmbbls/d)	Three months ended	
	2022	March 31 2021
Upgraded – net SCO and diesel	517.7	515.2
Non-upgraded bitumen	153.7	180.2
Total	671.4	695.4

SCO and diesel sales volumes were 517,700 bbls/d in the first quarter of 2022, compared to 515,200 bbls/d in the prior year quarter, reflecting a draw of inventory in the first quarter of 2022 compared to a build of inventory in the prior year quarter.

Non-upgraded bitumen sales volumes decreased to 153,700 bbls/d in the first quarter of 2022, compared to 180,200 bbls/d in the prior year quarter, due to a build of inventory in the first quarter of 2022, as increased production from Fort Hills was transported to customers extending down to the U.S. Gulf Coast, compared to a draw of inventory in the prior year quarter.

Price Realizations⁽¹⁾

Net of transportation costs, but before royalties (\$/bbl)	Three months ended March 31	
	2022	2021
Upgraded – net SCO and diesel	114.37	65.22
Non-upgraded bitumen	96.49	42.53
Crude sales basket (all products)	110.27	59.32
Crude sales basket, relative to WTI	(9.24)	(13.87)

(1) Contains non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Oil Sands price realizations increased in the first quarter of 2022 from the prior year quarter, in line with the improved commodity price environment.

Royalties

Royalties for the Oil Sands segment increased in the first quarter of 2022 compared to the prior year quarter, primarily due to higher crude price realizations in the current period compared to the prior year quarter and increased royalties for In Situ operations due to Firebag reaching the higher post-payout phase of its royalty agreement in the second quarter of 2021.

Expenses and Other Factors

Total Oil Sands operating and transportation expenses increased in the first quarter of 2022 compared to the prior year quarter. See the reconciliation in the Cash Operating Costs section below for further details regarding cash operating costs and a breakdown of non-production costs by asset.

At Oil Sands operations, operating costs increased compared to the prior year quarter, primarily due to increased natural gas prices and increased maintenance costs.

At Fort Hills, operating costs in the first quarter of 2022 increased when compared to the prior year quarter, reflecting increased mining activity in the quarter as production ramped up, and higher natural gas and commodity prices.

Suncor's share of Syncrude operating costs in the first quarter of 2022 increased when compared with the prior year quarter, primarily due to increased planned maintenance costs and natural gas prices.

In the first quarter of 2022, higher natural gas prices resulted in an increase of Oil Sands segment operating costs by \$108 million compared to the prior year quarter.

Cash Operating Costs

(\$ millions, except as noted)	Three months ended	
	2022	March 31 2021
Oil Sands operating, selling and general expense (OS&G)	2 212	1 973
Oil Sands operations cash operating costs ⁽¹⁾ reconciliation		
Oil Sands operations OS&G	1 283	1 153
Non-production costs ⁽²⁾	(45)	(67)
Excess power capacity and other ⁽³⁾	(115)	(124)
Inventory changes	(12)	10
Oil Sands operations cash operating costs ⁽¹⁾	1 111	972
Oil Sands operations production volumes (mbbls/d)	430.4	463.8
Oil Sands operations cash operating costs ⁽¹⁾ (\$/bbl)	28.70	23.30
Fort Hills cash operating costs ⁽¹⁾ reconciliation		
Fort Hills OS&G	253	181
Non-production costs ⁽²⁾	(38)	(26)
Inventory changes	13	15
Fort Hills cash operating costs ⁽¹⁾	228	170
Fort Hills production volumes (mbbls/d)	87.5	51.2
Fort Hills cash operating costs ⁽¹⁾ (\$/bbl)	29.00	37.05
Syncrude cash operating costs ⁽¹⁾ reconciliation		
Syncrude OS&G	676	639
Non-production costs ⁽²⁾	(92)	(77)
Syncrude cash operating costs ⁽¹⁾	584	562
Syncrude production volumes (mbbls/d)	186.8	193.5
Syncrude cash operating costs ⁽¹⁾ (\$/bbl)	34.70	32.25

(1) Non-GAAP financial measures. Related per barrel amounts contain non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

(2) Significant non-production costs include, but are not limited to, share-based compensation adjustments, research costs, project startup costs and adjustments to reflect the cost of internal transfers in the receiving asset at the cost of production. In addition, non-production costs include safe-mode costs associated with the deferral of capital projects and additional costs incurred in response to the COVID-19 pandemic. Non-production costs at Fort Hills and Syncrude also include, but are not limited to, excess power revenue from cogeneration units and an adjustment to reflect internally produced diesel from Oil Sands operations at the cost of production.

(3) Oil Sands operations excess power capacity and other includes, but is not limited to, the operational revenue impacts of excess power from cogeneration units and the natural gas expense recorded as part of a non-monetary arrangement involving a third-party processor.

Oil Sands operations cash operating costs per barrel⁽¹⁾ were \$28.70 in the first quarter of 2022, compared to \$23.30 in the prior year quarter, due to higher operating, selling and general expenses, as detailed above, and decreased production. Oil Sands operations non-production costs, which are excluded from cash operating costs, were lower in the current quarter compared to the prior year quarter primarily due to a decrease in research and development costs, partially offset by higher share-based compensation expense in the current quarter compared to the prior year quarter. Oil Sands operations inventory changes in the first quarter of 2022 reflected changes to inventory valuation that are excluded from cash cost per barrel, which is calculated on a production basis.

Fort Hills cash operating costs per barrel⁽¹⁾ decreased to \$29.00 in the first quarter of 2022, compared to \$37.05 in the prior year quarter, reflecting increased production, partially offset by higher operating, selling and general expenses, as detailed above. In the first quarter of 2022, non-production costs were higher compared to the prior year quarter mainly due to the increased price for internally sourced diesel, which is adjusted to reflect internally produced diesel from Oil Sands operations at the cost of production.

(1) Contains non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Syncrude cash operating costs per barrel⁽¹⁾ were \$34.70 in the first quarter of 2022, compared to \$32.25 in the prior year quarter, due to higher operating, selling and general expenses, as detailed above, and decreased production. In the first quarter of 2022, non-production costs were higher compared to the prior year quarter primarily due to the increased price for internally sourced diesel, which is adjusted to reflect internally produced diesel from Oil Sands operations at the cost of production.

Planned Maintenance Update

The company will commence significant planned turnaround activities at Firebag in the second quarter of 2022, the largest turnaround in Firebag history. Additionally, in the second quarter of 2022, the company will commence planned annual coker maintenance at Oil Sands Base Upgrader 2 and planned maintenance at Fort Hills. Planned maintenance at Syncrude, which began in the first quarter of 2022, is expected to be completed in the second quarter of 2022. The impact of these maintenance events has been reflected in the company's 2022 guidance.

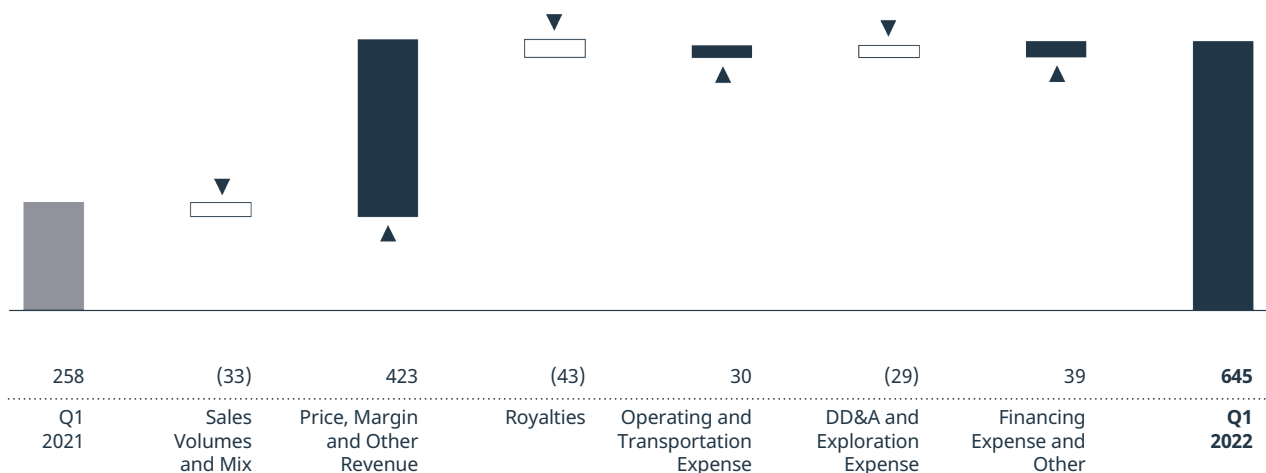
Exploration and Production

Financial Highlights

(\$ millions)	Three months ended	
	2022	March 31 2021
Gross revenues ⁽¹⁾	1 015	590
Less: Royalties ⁽¹⁾	(147)	(44)
Operating revenues, net of royalties	868	546
Earnings before income taxes ⁽²⁾	645	258
Adjusted operating earnings ⁽²⁾⁽³⁾	645	258
Adjusted funds from operations ⁽²⁾⁽³⁾	724	365

- (1) Production from the company's Libya operations has been presented in the E&P section of this MD&A on an economic basis. Revenue and royalties from the company's Libya operations are presented under the working-interest basis, which is required for presentation purposes in the company's financial statements. In the first quarter of 2022, revenue includes a gross-up amount of \$138 million, with an offsetting amount of \$60 million in royalties in the E&P segment and \$78 million in income tax expense reported at the consolidated level. In the first quarter of 2021, there were no Libya sales included in production, revenue or royalties.
- (2) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings (loss), adjusted operating earnings (loss) and adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.
- (3) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Bridge Analysis of Adjusted Operating Earnings (\$ millions)⁽¹⁾⁽²⁾



- (1) For an explanation of this bridge analysis, see the Non-GAAP and Other Financial Measures Advisory section of this MD&A.
- (2) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated adjusted operating earnings (loss). Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

- (1) Contains non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Adjusted operating earnings for the E&P segment in the first quarter of 2022 increased to \$645 million compared to \$258 million in the prior year quarter, with the increase primarily due to significantly higher realized crude prices, partially offset by higher royalties associated with higher crude price realizations.

Volumes

	Three months ended	
	2022	March 31 2021
E&P Canada (mmbbls/d)	51.2	58.0
E&P International (mboe/d)	29.2	37.3
Total production (mboe/d)	80.4	95.3
Total sales volumes (mboe/d)	79.5	84.2

Production volumes for E&P Canada were 51,200 bbls/d in the first quarter of 2022, compared to 58,000 bbls/d in the prior year quarter, primarily due to natural declines.

E&P International production was 29,200 boe/d in the first quarter of 2022, compared to 37,300 boe/d in the prior year quarter, primarily due to the absence of production from the Golden Eagle Area Development, as the sale of the company's working interest in the asset was completed in the fourth quarter of 2021, partially offset by liftings in Libya in the first quarter of 2022 compared to no liftings in Libya in the prior year quarter. In the first quarter of 2022, the company commenced a sale process for its assets in Norway with an expected close later this year. These assets have been reclassified as assets held for sale in the first quarter of 2022.

E&P sales volumes were 79,500 boe/d in the first quarter of 2022, compared to 84,200 boe/d in the prior year quarter, consistent with the decrease in production and impacted by a larger build of inventory in the prior year quarter compared to the current year quarter.

Price Realizations⁽¹⁾

	Three months ended	
	2022	March 31 2021
Net of transportation costs, but before royalties		
E&P Canada – Crude oil and natural gas liquids (\$/bbl)	122.13	73.91
E&P International ⁽²⁾ (\$/boe)	113.60	69.51

(1) Contains non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

(2) E&P International price realizations exclude Libya.

Price realizations at E&P Canada and E&P International increased in the first quarter of 2022 from the prior year quarter, in line with the improved commodity price environment.

Royalties

E&P royalties in the first quarter of 2022 were higher than the prior year quarter primarily due to the increase in price realizations.

Expenses and Other Factors

Operating and transportation expenses decreased in the first quarter of 2022 compared to the prior year quarter, primarily due to a one-time transportation provision recorded in the prior year quarter, and the sale of the Golden Eagle Area Development resulting in lower transportation costs in the current period.

DD&A and exploration expense increased in the first quarter of 2022 compared to the prior year quarter, primarily due to the prior year quarter including a reversal of a previous asset impairment charge relating to the sale of the company's working interest in the Golden Eagle Area Development, partially offset by lower production volumes in the current quarter compared to the prior year quarter.

Financing expense and other, which includes other income, decreased in the first quarter of 2022 compared to the prior year quarter, primarily due to the recognition of contingent consideration related to the company's sale of the Golden Eagle Area Development.

Planned Maintenance Update for Operated Assets

There are no significant maintenance events scheduled for the second quarter of 2022.

Refining and Marketing

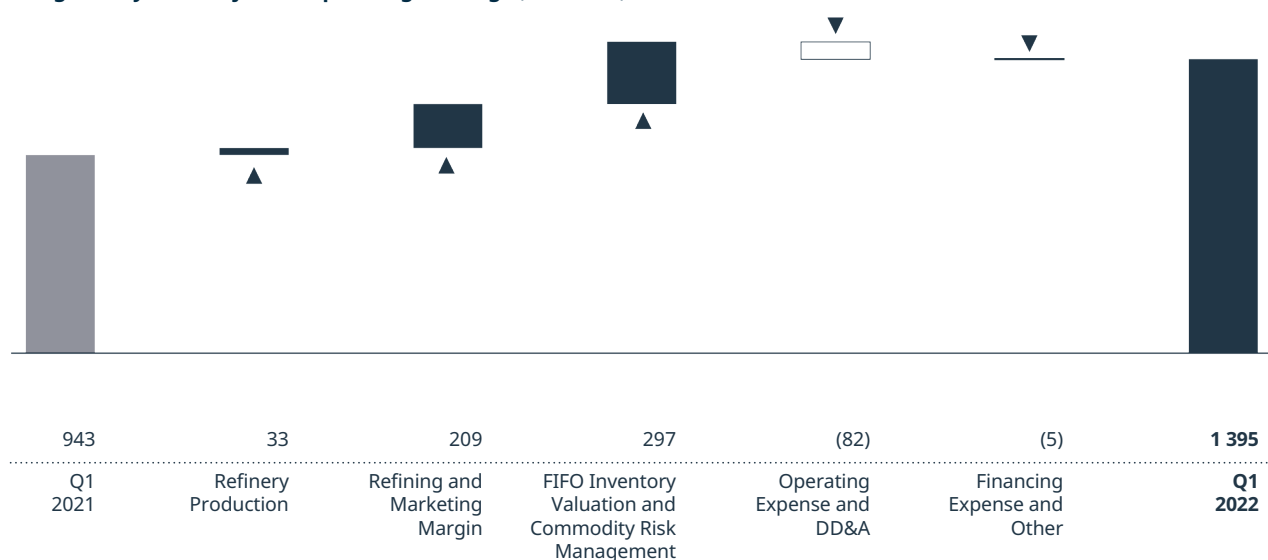
Financial Highlights

(\$ millions)	Three months ended	
	2022	March 31 2021
Operating revenues	7 855	5 013
Earnings before income taxes ⁽¹⁾	1 417	934
Adjusted for:		
Unrealized (gain) loss on risk management activities	(22)	9
Adjusted operating earnings ⁽¹⁾⁽²⁾	1 395	943
Adjusted funds from operations ⁽¹⁾⁽²⁾	1 597	1 172

(1) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings (loss), adjusted operating earnings (loss) and adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

(2) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Bridge Analysis of Adjusted Operating Earnings (\$ millions)⁽¹⁾⁽²⁾



(1) For an explanation of this bridge analysis, see the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

(2) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated adjusted operating earnings (loss). Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

R&M adjusted operating earnings in the first quarter of 2022 increased to \$1.395 billion from \$943 million in the prior year quarter. The increase was primarily due to a larger FIFO inventory valuation gain in the first quarter of 2022 compared to the prior year quarter and an increase in refining and marketing margins as a result of significantly higher crack spread benchmarks in the first quarter of 2022 compared to the prior year quarter, partially offset by an increase in operating expenses. In the first quarter of 2022, adjusted operating earnings included a before-tax FIFO inventory valuation gain, including the impact of commodity risk management activities, of \$729 million on the increase in crude and refined product benchmarks, compared to a \$432 million gain in the prior year quarter.

Volumes

	Three months ended March 31	
	2022	2021
Crude oil processed (mbbls/d)		
Eastern North America	209.6	200.5
Western North America	226.9	227.9
Total	436.5	428.4
Refinery utilization ⁽¹⁾ (%)		
Eastern North America	94	90
Western North America	93	93
Total	94	92
Refined product sales (mbbls/d)		
Gasoline	226.2	232.6
Distillate	254.3	245.7
Other	71.4	69.8
Total	551.9	548.1
Refining and marketing gross margin – FIFO ⁽²⁾ (\$/bbl)	53.20	40.75
Refining and marketing gross margin – LIFO ⁽²⁾ (\$/bbl)	35.95	30.30
Refining operating expense ⁽²⁾ (\$/bbl)	6.25	5.75

(1) Refinery utilization is the amount of crude oil and natural gas plant liquids run through crude distillation units, expressed as a percentage of the capacity of these units.

(2) Contains non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Refinery crude throughput increased to 436,500 bbls/d and refinery utilization was 94% in the first quarter of 2022, compared to 428,400 bbls/d and 92% in the prior year quarter, reflecting improved refined product demand and a strategic build in product inventory in advance of upcoming turnaround activities, partially offset by maintenance that occurred late in the current period, including maintenance that was accelerated into the first quarter from the second quarter. Refined product sales in the first quarter of 2022 increased to 551,900 bbls/d, compared to 548,100 bbls/d in the prior year quarter. Domestic demand for diesel has improved compared to 2019 levels, however, gasoline demand continues to lag behind the comparable 2019 levels.

Refining and Marketing Gross Margins⁽¹⁾

Refining and marketing gross margins were influenced by the following:

- On a LIFO⁽²⁾ basis, Suncor's refining and marketing gross margin increased to \$35.95/bbl in the first quarter of 2022, from \$30.30/bbl in the prior year quarter, due to improved benchmark crack spreads related to decreased refined product supply in the market and increased demand, in addition to the widening of heavy crude oil differentials. Suncor's refining and marketing gross margin also reflects Suncor's feedstock advantage, which enables the company to process heavier crude oil, marketing and logistics capabilities and strong sales channels within its integrated retail and wholesale networks.
- On a FIFO basis, Suncor's refining and marketing gross margin increased to \$53.20/bbl in the first quarter of 2022, from \$40.75/bbl in the prior year quarter, due to the same factors noted above, in addition to FIFO inventory valuation impacts. In the first quarter of 2022, the FIFO method of inventory valuation, relative to an estimated LIFO⁽²⁾ accounting method, including the impact of commodity risk management activities, resulted in a gain of \$729 million before-tax. In the prior year quarter, FIFO including the impact of commodity risk management activities resulted in a gain of \$432 million before-tax, for a favourable quarter-over-quarter impact of \$297 million.

(1) Contains non-GAAP financial measures. See the non-GAAP and Other Financial Measures Advisory section of this MD&A.

(2) The estimated impact of the LIFO method is a non-GAAP financial measure. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Expenses and Other Factors

Operating expenses and DD&A in the first quarter of 2022 increased compared to the prior year quarter, primarily due to increased refinery maintenance expenses, an increase in share-based compensation expense and higher commodity input costs.

Refining operating expense per barrel⁽¹⁾ was \$6.25 in the first quarter of 2022, compared to \$5.75 in the prior year quarter, due to increased operating expenses partially offset by increased throughput.

Planned Maintenance

Planned turnaround maintenance is scheduled at the Edmonton, Montreal and Sarnia refineries in the second quarter of 2022. The anticipated impact of these maintenance events has been reflected in the company's 2022 guidance.

Corporate and Eliminations

Financial Highlights

(\$ millions)	Three months ended March 31	
	2022	2021
Loss before income taxes ⁽¹⁾	(523)	(523)
Adjusted for:		
Unrealized foreign exchange gain on U.S. dollar denominated debt	(146)	(196)
Restructuring charge ⁽²⁾	—	168
Adjusted operating loss ⁽¹⁾⁽³⁾	(669)	(551)
<i>Corporate and Renewables</i>	(388)	(429)
<i>Eliminations – Intersegment profit eliminated</i>	(281)	(122)
Adjusted funds used in operations ⁽¹⁾⁽³⁾	(665)	(670)

(1) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings (loss), adjusted operating earnings (loss) and adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

(2) During the first quarter of 2021, the company recorded a restructuring charge in operating, selling and general expenses related to workforce reduction plans.

(3) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

Corporate incurred an adjusted operating loss of \$388 million for the first quarter of 2022, compared to an adjusted operating loss of \$429 million for the prior year quarter, with the decreased loss attributable to an unrealized gain on investment recorded in the first quarter of 2022 and a decrease in interest expense on long-term debt in the first quarter of 2022 compared to the prior year quarter as a result of debt repayments that occurred throughout 2021. The decreased loss was partially offset by an increase in share-based compensation expense in the first quarter of 2022 compared to the prior year quarter. Suncor capitalized \$37 million of its borrowing costs in the first quarter of 2022, as part of the cost of major development assets and construction projects in progress, compared to \$31 million in the prior year quarter.

Eliminations reflect the deferral or realization of profit or loss on crude oil sales from Oil Sands to Suncor's refineries. Consolidated profits and losses are only realized when the refined products produced from internal purchases of crude feedstock have been sold to third parties. During the first quarter of 2022, the company deferred \$281 million of intersegment profit, compared to \$122 million in the prior year quarter, which was driven by the increase in Oil Sands price realizations over the previous quarter, as lower margin crude refinery feedstock sourced internally from Oil Sands was sold and replaced by higher margin crude inventory.

Corporate and Eliminations adjusted funds used in operations were \$665 million for the first quarter of 2022, compared to \$670 million in the first quarter of 2021, and were influenced by the same factors impacting adjusted operating loss described above, excluding the impact of share-based compensation expense and the unrealized gain on investment recorded in the first quarter of 2022. Adjusted funds used in operations in the prior year quarter were impacted by the restructuring charge related to workforce reduction plans recorded in the first quarter of 2021, which was partially offset by a smaller share-based compensation cash payout in the prior year quarter compared to the current year quarter.

Subsequent to the first quarter of 2022, the company announced plans to divest its wind and solar assets. The company has commenced the sale process and expects a sale to close within the next twelve months.

(1) Contains non-GAAP financial measures. See the non-GAAP and Other Financial Measures Advisory section of this MD&A.

5. Income Tax

(\$ millions)	Three months ended	
	2022	March 31 2021
Current income tax expense	976	284
Deferred income tax (recovery) expense	(77)	9
Income tax expense included in net earnings	899	293
Less: income tax expense (recovery) on adjusted operating earnings adjustments	27	(20)
Income tax expense included in adjusted operating earnings	872	313
Effective tax rate	23.4%	26.3%

Provision for income taxes in the first quarter of 2022 increased compared to the first quarter of 2021, primarily due to increased earnings in the first quarter of 2022 compared to the prior year quarter. In the first quarter of 2022, the company's effective tax rate was 23.4%, compared to 26.3% in the prior year quarter. The effective tax rate decreased in the first quarter of 2022 compared to the first quarter of 2021, primarily due to the settlement of prior year appeals in the first quarter of 2022 and other permanent items impacting total tax expense.

6. Capital Investment Update

Capital and Exploration Expenditures by Segment

(\$ millions)	Three months ended	
	2022	March 31 2021
Oil Sands	668	539
Exploration and Production ⁽¹⁾	83	69
Refining and Marketing	132	120
Corporate and Eliminations	128	75
Total capital and exploration expenditures	1 011	803
Less: capitalized interest on debt	(37)	(31)
	974	772

(1) Excludes capital expenditures related to assets held for sale of \$19 million in the first quarter of 2022.

Capital and Exploration Expenditures by Type, Excluding Capitalized Interest

(\$ millions)	Three months ended		
	Asset Sustainment and Maintenance ⁽¹⁾	Economic Investment ⁽²⁾	March 31, 2022 Total
Oil Sands			
<i>Oil Sands Base</i>	164	143	307
<i>In Situ</i>	58	75	133
<i>Fort Hills</i>	67	1	68
<i>Syncrude</i>	95	38	133
Exploration and Production ⁽³⁾	—	77	77
Refining and Marketing	124	8	132
Corporate and Eliminations	4	120	124
	512	462	974

(1) Asset sustainment and maintenance capital expenditures include capital investments that deliver on existing value by ensuring compliance or maintaining relations with regulators and other stakeholders, maintaining current processing capacity and delivering existing developed reserves.

(2) Economic investment capital expenditures include capital investments that result in an increase in value through adding reserves or improving processing capacity, utilization, cost or margin, including associated infrastructure.

(3) Excludes capital expenditures related to assets held for sale of \$19 million in the first quarter of 2022.

During the first quarter of 2022, the company spent \$974 million on capital expenditures, excluding capitalized interest, compared to \$772 million in the prior year quarter. The increase in capital expenditures is primarily due to increased economic investment capital expenditures at Oil Sands Base and Corporate and Eliminations.

Activity in the first quarter of 2022 is summarized by business unit below.

Oil Sands

Oil Sands Base capital expenditures were \$307 million in the first quarter of 2022 and were primarily focused on asset sustainment and maintenance activities, as well as economic investment to progress low-carbon power cogeneration to replace the coke-fired boilers.

In Situ capital expenditures were \$133 million in the first quarter of 2022 and were directed towards economic investment activities, including the continued investment in well pad projects, and asset sustainment and maintenance activities.

Capital expenditures at Fort Hills were \$68 million in the first quarter of 2022, and were directed towards asset sustainment and maintenance activities in mine and tailings development.

Syncrude capital expenditures were \$133 million in the first quarter of 2022, the majority of which were for asset sustainment and maintenance expenditures relating to the company's planned maintenance program, including planned maintenance that commenced in the first quarter and additional hydrotreating maintenance that was accelerated from later in the year to stagger coker and hydrotreating maintenance, which is expected to optimize full-year production at Syncrude. Economic investment during the quarter was directed towards progressing the Mildred Lake West Extension mining project.

Exploration and Production

Capital and exploration expenditures at E&P were \$77 million in the first quarter of 2022 and were related to economic investment projects, including the Terra Nova Asset Life Extension Project, partially offset by support from the Government of Newfoundland and Labrador, and development drilling at Hebron.

Refining and Marketing

R&M capital expenditures were \$132 million in the first quarter of 2022 and were primarily related to asset sustainment and maintenance activities relating to the company's planned maintenance program.

Corporate and Eliminations

Corporate and Eliminations capital expenditures were \$124 million in the first quarter of 2022 and were primarily directed towards the Forty Mile Wind Power Project and the company's digital transformation.

7. Financial Condition and Liquidity

Indicators

	Twelve months ended March 31	
	2022	2021
Return on capital employed ⁽¹⁾⁽²⁾ (%)	12.7	(1.4)
Net debt to adjusted funds from operations ⁽¹⁾ (times)	1.3	3.8
Total debt to total debt plus shareholders' equity ⁽¹⁾ (%)	32.0	36.2
Net debt to net debt plus shareholders' equity ⁽¹⁾ (%)	28.7	34.1
Net debt to net debt plus shareholders' equity – excluding leases ⁽¹⁾ (%)	24.8	30.5

(1) Non-GAAP financial measures or contains non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

(2) ROCE would have been 12.4% for the twelve months ended March 31, 2022, excluding the impact of the impairment reversal of \$221 million (\$168 million after-tax) in the third quarter of 2021. ROCE would have been (0.6%) for the twelve months ended March 31, 2021, excluding the impact of impairments of \$559 million (\$423 million after-tax) in the fourth quarter of 2020.

Capital Resources

Suncor's capital resources consist primarily of cash flow provided by operating activities, cash and cash equivalents, and available lines of credit. Suncor's management believes the company will have the capital resources to fund its planned 2022 capital spend program of \$4.7 billion and to meet current and future working capital requirements, through cash and cash equivalents balances, cash flow provided by operating activities, available committed credit facilities, issuing commercial paper and, if needed, accessing capital markets. The company's cash flow provided by operating activities depends on a number of factors, including commodity prices, production and sales volumes, refining and marketing gross margins, operating expenses, taxes, royalties and foreign exchange rates.

The company has invested cash in short-term financial instruments that are presented as cash and cash equivalents. The objectives of the company's short-term investment portfolio are to ensure the preservation of capital, maintain adequate liquidity to meet Suncor's cash flow requirements and deliver competitive returns derived from the quality and diversification of investments within acceptable risk parameters. The maximum weighted average term to maturity of the short-term investment portfolio is not expected to exceed six months, and all investments will be with counterparties with investment grade debt ratings.

Available Sources of Liquidity

For the three months ended March 31, 2022, cash and cash equivalents increased to \$2.599 billion from \$2.205 billion at December 31, 2021, due to cash flow provided by operating activities exceeding the company's capital and exploration expenditures, debt reduction, the payment of \$601 million in dividends, the repurchase of \$827 million of Suncor's common shares under its NCIB, and the completion of a significant income tax payment related to the company's 2021 income tax expense in the first quarter of 2022.

As at March 31, 2022, the weighted average days to maturity of the company's short-term investment portfolio was approximately 18 days.

Available credit facilities for liquidity purposes at March 31, 2022 were \$4.153 billion, comparable to \$4.247 billion at December 31, 2021.

Financing Activities

Management of debt levels and liquidity continues to be a priority for Suncor given the company's long-term plans and future expected volatility in the current business environment. Suncor believes a phased and flexible approach to existing and future projects should assist the company in maintaining its ability to manage project costs and debt levels.

Total Debt to Total Debt Plus Shareholders' Equity

Suncor is subject to financial and operating covenants related to its bank debt and public market debt. Failure to meet the terms of one or more of these covenants may constitute an "event of default" as defined in the respective debt agreements, potentially resulting in accelerated repayment of one or more of the debt obligations. The company is in compliance with its financial covenant that requires total debt to not exceed 65% of its total debt plus shareholders' equity. At March 31, 2022, total debt to total debt plus shareholders' equity was 32.0% (December 31, 2021 – 33.4%). The company continues to be in compliance with all operating covenants under its debt agreements.

Change in Debt

(\$ millions)	Three months ended March 31, 2022
Total debt ⁽¹⁾ – beginning of period	18 354
Decrease in long-term debt	(233)
Increase in short-term debt	71
Increase in lease liability	66
Lease payments	(84)
Foreign exchange on debt, and other	(154)
Total debt ⁽¹⁾ – March 31, 2022	18 020
Less: Cash and cash equivalents – March 31, 2022	2 599
Net debt ⁽¹⁾ – March 31, 2022	15 421

(1) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A.

The company's total debt decreased in the first quarter of 2022 due primarily to the repayment of long-term debt and favourable foreign exchange rates on U.S. dollar denominated debt compared to December 31, 2021.

At March 31, 2022, Suncor's net debt was \$15.421 billion, compared to \$16.149 billion at December 31, 2021, with the decrease primarily due to the factors listed above and an increase in cash and cash equivalents.

In the first quarter of 2022, the company completed an early redemption of its outstanding US\$182 million 4.50% notes, originally scheduled to mature in the second quarter of 2022.

Common Shares

(thousands)	March 31, 2022
Common shares	1 422 165
Common share options – exercisable	26 499
Common share options – non-exercisable	5 990

As at May 6, 2022, the total number of common shares outstanding was 1,413,400,265 and the total number of exercisable and non-exercisable common share options outstanding was 30,109,538. Once exercisable, each outstanding common share option is convertible into one common share.

Share Repurchases

During the first quarter of 2022, the TSX accepted a notice filed by Suncor to renew its NCIB to purchase up to 5% of the company's common shares through the facilities of the TSX, NYSE and/or alternative trading systems. The notice provided that, beginning February 8, 2022, and ending February 7, 2023, Suncor may purchase for cancellation up to 71,650,000 common shares, which is equal to approximately 5% of Suncor's issued and outstanding common shares as at the date hereof. As at January 31, 2022, Suncor had 1,435,748,494 common shares issued and outstanding.

Subsequent to the first quarter of 2022, and following the Board's approval to increase the company's share repurchase program to up to 10% of the company's public float, Suncor received approval from the TSX to amend its existing NCIB effective as of the close of markets on May 11, 2022, to increase the maximum number of common shares that may be repurchased in the period beginning February 8, 2022, and ending February 7, 2023, from 71,650,000 common shares, or approximately 5% of Suncor's issued and outstanding common shares as at January 31, 2022, to 143,500,000, or approximately 10% of Suncor's public float as at January 31, 2022. No other terms of the NCIB have been amended. Suncor security holders may obtain a copy of the amended notice, without charge, by contacting the company.

Between February 8, 2022, and May 6, 2022, and pursuant to Suncor's NCIB, Suncor repurchased 25,432,000 common shares on the open market, representing the equivalent of 1.8% of its common shares as at January 31, 2022, for approximately \$1.041 billion, at a weighted average price of \$40.93 per common share.

The actual number of common shares that may be purchased and the timing of any such purchases will be determined by Suncor. Suncor believes that, depending on the trading price of its common shares and other relevant factors, purchasing its own shares represents an attractive investment opportunity and is in the best interests of the company and its shareholders. The company does not expect the decision to allocate cash to repurchase shares will affect its long-term strategy.

(\$ millions, except as noted)	Three months ended	
	2022	March 31 2021
Share repurchase activities (thousands of common shares)	21 698	12 055
Weighted average repurchase price per share (dollars per share)	38.12	26.36
Share repurchase cost	827	318

Contractual Obligations, Commitments, Guarantees and Off-Balance Sheet Arrangements

In the normal course of business, the company is obligated to make future payments, including contractual obligations and non-cancellable commitments. Suncor has included these items in the Financial Condition and Liquidity section of the 2021 annual MD&A with no material updates to note during the first three months of 2022. Suncor does not believe it has any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the company's financial performance or financial condition, results of operations, liquidity or capital expenditures.

8. Quarterly Financial Data

Trends in Suncor's quarterly revenue, earnings and adjusted funds from operations are driven primarily by production volumes, which can be significantly impacted by major maintenance events, changes in commodity prices and crude differentials, refining crack spreads, foreign exchange rates and other significant events impacting operations, such as operational incidents and the impacts of the COVID-19 pandemic.

Financial Summary

Three months ended (\$ millions, unless otherwise noted)	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020	Jun 30 2020
Total production (mboe/d)								
Oil Sands	685.7	665.9	605.1	615.7	690.6	671.5	519.0	553.7
Exploration and Production	80.4	77.4	93.5	84.0	95.3	97.7	97.2	101.8
	766.1	743.3	698.6	699.7	785.9	769.2	616.2	655.5
Revenues and other income								
Operating revenues, net of royalties	13 487	11 149	10 145	9 159	8 679	6 615	6 427	4 229
Other income (loss)	14	10	68	(66)	(43)	(21)	30	16
	13 501	11 159	10 213	9 093	8 636	6 594	6 457	4 245
Net earnings (loss)	2 949	1 553	877	868	821	(168)	(12)	(614)
per common share ⁽¹⁾ (dollars)	2.06	1.07	0.59	0.58	0.54	(0.11)	(0.01)	(0.40)
Adjusted operating earnings (loss)⁽²⁾⁽³⁾	2 755	1 294	1 043	722	746	(109)	(338)	(1 345)
per common share ⁽⁴⁾⁽⁵⁾ (dollars)	1.92	0.89	0.71	0.48	0.49	(0.07)	(0.22)	(0.88)
Adjusted funds from operations⁽²⁾	4 094	3 144	2 641	2 362	2 110	1 221	1 166	488
per common share ⁽⁴⁾⁽⁵⁾ (dollars)	2.86	2.17	1.79	1.57	1.39	0.80	0.76	0.32
Cash flow provided by (used in) operating activities	3 072	2 615	4 718	2 086	2 345	814	1 245	(768)
per common share – basic (dollars)	2.14	1.80	3.19	1.39	1.54	0.53	0.82	(0.50)
ROCE⁽⁴⁾ (%) for the twelve months ended	12.7	8.6	4.5	1.9	(1.4)	(6.9)	(10.2)	(7.5)
ROCE excluding impairments⁽⁴⁾ (%) for the twelve months ended	12.4	8.2	4.9	2.6	(0.6)	(2.9)	(1.3)	1.0
Common share information (dollars)								
Dividend per common share	0.42	0.42	0.21	0.21	0.21	0.21	0.21	0.21
Share price at the end of trading								
Toronto Stock Exchange (Cdn\$)	40.70	31.65	26.26	29.69	26.27	21.35	16.26	22.89
New York Stock Exchange (US\$)	32.59	25.03	20.74	23.97	20.90	16.78	12.23	16.86

(1) Represented on a basic and diluted per share basis.

(2) Non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A. Adjusted operating earnings (loss) for each quarter are defined in the Non-GAAP and Other Financial Measures Advisory section and reconciled to GAAP measures in the Consolidated Financial Information and Segment Results and Analysis sections of each Quarterly Report to Shareholders issued by Suncor (Quarterly Reports) in respect of the relevant quarter. Adjusted funds from operations for each quarter are defined and reconciled to GAAP measures in the Non-GAAP and Other Financial Measures Advisory section of each Quarterly Report in respect of the relevant quarter, with such information being incorporated by reference herein and available on SEDAR at www.sedar.com.

(3) Beginning in the first quarter of 2021, the company revised its calculation of adjusted operating earnings (loss), a non-GAAP financial measure, to exclude unrealized (gains) losses on derivative financial instruments that are recorded at fair value in other income (loss) to better align the earnings impact of the activity with the underlying items being risk-managed. Prior period comparatives have been restated to reflect this change.

(4) Contains non-GAAP financial measures. See the Non-GAAP and Other Financial Measures Advisory section of this MD&A. Non-GAAP measures included in ROCE and ROCE excluding impairments are defined and reconciled to GAAP measures in the Non-GAAP and Other Financial Measures Advisory section of each Quarterly Report in respect of the relevant quarter, with such information being incorporated by reference herein and available on SEDAR at www.sedar.com.

(5) Represented on a basic per share basis.

Business Environment

(average for the three months ended)		Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020	Jun 30 2020
WTI crude oil at Cushing	US\$/bbl	94.40	77.15	70.55	66.05	57.80	42.65	40.95	27.85
Dated Brent crude	US\$/bbl	101.50	79.70	73.45	68.85	60.85	44.20	43.00	29.20
Dated Brent/Maya FOB price differential	US\$/bbl	14.30	8.60	7.80	6.20	4.70	3.30	3.50	2.70
MSW at Edmonton	Cdn\$/bbl	115.75	93.25	83.75	77.25	66.55	50.25	51.30	30.20
WCS at Hardisty	US\$/bbl	79.80	62.50	56.95	54.60	45.40	33.35	31.90	16.35
Light/heavy crude oil differential for WTI at Cushing less WCS at Hardisty	US\$/bbl	(14.60)	(14.65)	(13.60)	(11.45)	(12.40)	(9.30)	(9.05)	(11.50)
SYN-WTI (differential) premium	US\$/bbl	(1.30)	(1.80)	(1.60)	0.35	(3.50)	(3.05)	(2.45)	(4.55)
Condensate at Edmonton	US\$/bbl	96.15	79.10	69.20	66.40	58.00	42.55	37.55	22.20
Natural gas (Alberta spot) at AECO	Cdn\$/GJ	4.50	4.45	3.40	2.95	2.95	2.50	2.10	1.90
Alberta Power Pool Price	Cdn\$/MWh	90.00	107.30	100.35	104.50	95.45	46.15	43.85	29.90
New York Harbor 2-1-1 crack ⁽¹⁾	US\$/bbl	28.25	20.65	20.90	20.35	15.60	9.85	10.20	12.20
Chicago 2-1-1 crack ⁽¹⁾	US\$/bbl	20.20	16.90	20.45	20.25	13.40	7.95	7.75	6.75
Portland 2-1-1 crack ⁽¹⁾	US\$/bbl	33.80	25.35	26.70	24.55	15.80	13.15	12.55	12.20
Gulf Coast 2-1-1 crack ⁽¹⁾	US\$/bbl	26.80	19.65	19.55	18.25	14.45	9.00	8.55	9.00
U.S. Renewable Volume Obligation	US\$/bbl	6.45	6.10	7.33	8.13	5.50	3.48	2.64	2.21
Exchange rate	US\$/Cdn\$	0.79	0.79	0.79	0.81	0.79	0.77	0.75	0.72
Exchange rate (end of period)	US\$/Cdn\$	0.80	0.79	0.78	0.81	0.80	0.78	0.75	0.73

(1) 2-1-1 crack spreads are indicators of the refining margin generated by converting two barrels of WTI into one barrel of gasoline and one barrel of diesel. The crack spreads presented here generally approximate the regions into which the company sells refined products through retail and wholesale channels.

9. Other Items

Accounting Policies and New IFRS Standards

Suncor's significant accounting policies and a summary of recently announced accounting standards are described in the Accounting Policies and Critical Accounting Estimates section of Suncor's 2021 annual MD&A and in notes 3 and 5 of Suncor's audited Consolidated Financial Statements for the year ended December 31, 2021.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of contingencies. These estimates and assumptions are subject to change based on experience and new information. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on the company's financial condition, changes in financial condition or financial performance. Critical accounting estimates and judgments are reviewed annually by the Audit Committee of the Board of Directors. A detailed description of Suncor's critical accounting estimates is provided in note 4 to the audited Consolidated Financial Statements for the year ended December 31, 2021, and in the Accounting Policies and Critical Accounting Estimates section of Suncor's 2021 annual MD&A.

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have and will continue to have significant disruption to business operations and a significant increase in economic uncertainty, with reduced demand for commodities leading to volatile prices and currency exchange rates, and a decline in long-term interest rates. Our operations and business are particularly sensitive to a reduction in the demand for, and prices of, commodities that are closely linked to Suncor's financial performance, including crude oil, refined petroleum products (such as jet fuel and gasoline), natural gas and electricity. The potential direct and indirect impacts of the economic volatility have been considered in management's estimates, and assumptions at period-end have been reflected in our results with any significant changes described in the relevant notes to the company's unaudited interim Consolidated Financial Statements for the three months ended March 31, 2022.

The COVID-19 pandemic is an evolving situation that is expected to continue to have widespread implications for our business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our consolidated statements of comprehensive income (loss), consolidated balance sheets and consolidated statements of cash flows.

Financial Instruments

Suncor periodically enters into derivative contracts such as forwards, futures, swaps, options and costless collars to manage exposure to fluctuations in commodity prices and foreign exchange rates, and to optimize the company's position with respect to interest payments. The company also uses physical and financial energy derivatives to earn trading profits. For more information on Suncor's financial instruments and the related financial risk factors, see note 27 of the audited Consolidated Financial Statements for the year ended December 31, 2021, note 9 to the unaudited interim Consolidated Financial Statements for the three months ended March 31, 2022, and the Financial Condition and Liquidity section of the 2021 annual MD&A.

Control Environment

Based on their evaluation as at March 31, 2022, Suncor's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the United States *Securities Exchange Act* of 1934, as amended (the Exchange Act)), are effective to ensure that information required to be disclosed by the company in reports that are filed or submitted to Canadian and U.S. securities authorities is recorded, processed, summarized and reported within the time periods specified in Canadian and U.S. securities laws. In addition, as at March 31, 2022, there were no changes in the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the three-month period ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting. Management will continue to periodically evaluate the company's disclosure controls and procedures and internal control over financial reporting and will make any modifications from time to time as deemed necessary.

Based on their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Corporate Guidance

Suncor has further updated its previously announced 2022 guidance (which was originally disclosed via press release on December 13, 2021), as set forth in Suncor's press releases dated February 2, 2022, and May 9, 2022, a copy of which is available on www.sedar.com.

10. Non-GAAP and Other Financial Measures Advisory

Certain financial measures in this MD&A – namely adjusted operating earnings (loss), adjusted funds from (used in) operations, measures contained in ROCE and ROCE excluding impairments, price realizations, free funds flow, Oil Sands operations cash operating costs, Fort Hills cash operating costs, Syncrude cash operating costs, refining and marketing gross margin, refining operating expense, net debt, total debt, LIFO inventory valuation methodology and related per share or per barrel amounts or metrics that contain such measures – are not prescribed by GAAP. These non-GAAP financial measures are included because management uses the information to analyze business performance, leverage and liquidity, as applicable, and it may be useful to investors on the same basis. These non-GAAP financial measures do not have any standardized meaning and, therefore, are unlikely to be comparable to similar measures presented by other companies. Therefore, these non-GAAP financial measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Except as otherwise indicated, these non-GAAP financial measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

Beginning in the fourth quarter of 2021, the company changed the label of operating earnings (loss) and funds from (used in) operations to adjusted operating earnings (loss) and adjusted funds from (used in) operations, respectively, to better distinguish these non-GAAP financial measures from their respective comparable GAAP measures and better reflect the purpose of such measures. The composition of these measures remained unchanged and therefore no prior periods were restated.

Adjusted Operating Earnings (Loss)

Adjusted operating earnings (loss) is a non-GAAP financial measure that adjusts net earnings (loss) for significant items that are not indicative of operating performance. Management uses adjusted operating earnings (loss) to evaluate operating performance because management believes it provides better comparability between periods. Adjusted operating earnings (loss) is reconciled to net earnings (loss) in the Consolidated Financial Information and Segment Results and Analysis sections of this MD&A.

Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated adjusted operating earnings (loss). Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

Bridge Analyses of Adjusted Operating Earnings (Loss)

Throughout this MD&A, the company presents charts that illustrate the change in adjusted operating earnings (loss) from the comparative period through key variance factors. These factors are analyzed in the Adjusted Operating Earnings (Loss) narratives following the bridge analyses in particular sections of this MD&A. These bridge analyses are presented because management uses this presentation to evaluate performance.

- The factor for Sales Volumes and Mix is calculated based on sales volumes and mix for the Oil Sands and E&P segments and throughput volumes for the R&M segment.
- The factor for Price, Margin and Other Revenue includes upstream price realizations before royalties, with the exception of Libya, which is net of royalties, and realized commodity risk management activities. Also included are refining and marketing gross margins, other operating revenue, and the net impacts of sales and purchases of third-party crude, including product purchased for use as diluent in the company's Oil Sands operations and subsequently sold as part of diluted bitumen.
- The factor for Royalties excludes the impact of Libya, as royalties in Libya are taken into account in Price, Margin and Other Revenue as described above.
- The factor for Inventory Valuation includes the before-tax impact of the FIFO method of inventory valuation in the company's R&M segment, as well as the impact of the deferral or realization of profit or loss on crude oil sales from the Oil Sands segment to Suncor's refineries, as both represent inventory valuation adjustments, and downstream realized commodity risk management activities.
- The factor for Operating and Transportation Expense includes project startup costs, operating, selling and general expense, and transportation expense.
- The factor for Financing Expense and Other includes financing expenses, other income, operational foreign exchange gains and losses and changes in gains and losses on disposal of assets that are not adjusted operating earnings (loss) adjustments.
- The factor for DD&A and Exploration Expense includes depreciation, depletion and amortization expense, and exploration expense.
- The factor for Income Tax includes the company's current and deferred income tax expense on adjusted operating earnings, changes in statutory income tax rates and other income tax adjustments.

Return on Capital Employed (ROCE) and ROCE Excluding Impairments

ROCE is a measure that management uses to analyze operating performance and the efficiency of Suncor's capital allocation process. ROCE is calculated using the non-GAAP financial measures adjusted net earnings and average capital employed. Adjusted net earnings are calculated by taking net earnings (loss) and adjusting after-tax amounts for unrealized foreign exchange on U.S. dollar denominated debt and net interest expense. Average capital employed is calculated as a twelve-month average of the capital employed balance at the beginning of the twelve-month period and the month-end capital employed balances throughout the remainder of the twelve-month period. Figures for capital employed at the beginning and end of the twelve-month period are presented to show the changes in the components of the calculation over the twelve-month period.

For the twelve months ended March 31 (\$ millions, except as noted)		2022	2021
Adjustments to net earnings			
Net earnings		6 247	27
(Deduct) add after-tax amounts for:			
Unrealized foreign exchange gain on U.S. dollar denominated debt		(57)	(1 488)
Net interest expense		628	704
Adjusted net earnings (loss) ⁽¹⁾	A	6 818	(757)
Capital employed – beginning of twelve-month period			
Net debt ⁽²⁾		18 829	18 212
Shareholders' equity		36 325	37 965
		55 154	56 177
Capital employed – end of twelve-month period			
Net debt ⁽²⁾		15 421	18 829
Shareholders' equity		38 274	36 325
		53 695	55 154
Average capital employed	B	53 700	55 854
ROCE (%) ⁽³⁾	A/B	12.7	(1.4)

(1) Total before-tax impact of adjustments is \$765 million for the twelve months ended March 31, 2022, and (\$674) million for the twelve months ended March 31, 2021.

(2) Net debt is a non-GAAP financial measure.

(3) ROCE would have been 12.4% for the twelve months ended March 31, 2022, excluding the impact of the impairment reversal of \$221 million (\$168 million after-tax) in the third quarter of 2021. ROCE would have been (0.6%) for the twelve months ended March 31, 2021, excluding the impact of impairments of \$559 million (\$423 million after-tax) in the fourth quarter of 2020.

Adjusted Funds From (Used In) Operations⁽¹⁾

Adjusted funds from (used in) operations is a non-GAAP financial measure that adjusts a GAAP measure – cash flow provided by operating activities – for changes in non-cash working capital, which management uses to analyze operating performance and liquidity. Changes to non-cash working capital can be impacted by, among other factors, commodity price volatility, the timing of offshore feedstock purchases and payments for commodity and income taxes, the timing of cash flows related to accounts receivable and accounts payable, and changes in inventory, which management believes reduces comparability between periods.

Adjusted funds from (used in) operations for each quarter are separately defined and reconciled to the cash flow provided by the operating activities measure in the Non-GAAP and Other Financial Measures Advisory section of each respective management's discussion and analysis or quarterly report to shareholders, as applicable, for the related quarter, with such information being incorporated by reference herein and available on SEDAR at www.sedar.com.

Three months ended March 31 (\$ millions)	Oil Sands		Exploration and Production		Refining and Marketing		Corporate and Eliminations		Income Taxes ⁽¹⁾		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Earnings (loss) before income taxes ⁽¹⁾	2 309	445	645	258	1 417	934	(523)	(523)	—	—	3 848	1 114
Adjustments for:												
Depreciation, depletion, amortization and impairment	1 105	1 158	129	102	212	209	25	21	—	—	1 471	1 490
Accretion	63	59	14	14	1	2	—	(1)	—	—	78	74
Unrealized foreign exchange gain on U.S. dollar denominated debt	—	—	—	—	—	—	(146)	(196)	—	—	(146)	(196)
Change in fair value of financial instruments and trading inventory	(21)	(115)	(17)	(7)	(36)	18	—	1	—	—	(74)	(103)
Gain on disposal of assets	(2)	—	—	—	—	(8)	—	—	—	—	(2)	(8)
Share-based compensation	28	(1)	(1)	(1)	5	(2)	24	2	—	—	56	(2)
Settlement of decommissioning and restoration liabilities	(88)	(68)	—	(1)	(2)	(1)	(1)	—	—	—	(91)	(70)
Other	20	49	(46)	—	—	20	(44)	26	—	—	(70)	95
Current income tax expense	—	—	—	—	—	—	—	—	(976)	(284)	(976)	(284)
Adjusted funds from (used in) operations ⁽¹⁾	3 414	1 527	724	365	1 597	1 172	(665)	(670)	(976)	(284)	4 094	2 110
Change in non-cash working capital											(1 022)	235
Cash flow provided by operating activities											3 072	2 345

(1) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of this MD&A for a discussion on income taxes.

Free Funds Flow

Free funds flow is a non-GAAP financial measure that is calculated by taking adjusted funds from operations and subtracting capital expenditures, including capitalized interest. Free funds flow reflects cash available for increasing distributions to shareholders and reducing debt. Management uses free funds flow to measure the capacity of the company to increase returns to shareholders and to grow Suncor's business.

(\$ millions)	Three months ended	
	2022	Mar 31 2021
Cash flow provided by operating activities	3 072	2 345
(Add) deduct change in non-cash working capital	(1 022)	235
Adjusted funds from operations	4 094	2 110
Less capital expenditures including capitalized interest ⁽¹⁾	(1 011)	(803)
Free funds flow	3 083	1 307

(1) Excludes capital expenditures related to assets held for sale of \$19 million in the first quarter of 2022.

Oil Sands Operations, Fort Hills and Syncrude Cash Operating Costs

Cash operating costs are calculated by adjusting Oil Sands segment OS&G expense for i) non-production costs that management believes do not relate to production performance, including, but not limited to, share-based compensation adjustments, research costs, safe-mode costs associated with the deferral of capital projects, additional costs incurred in response to the COVID-19 pandemic, adjustments to reflect the cost of internal transfers in the receiving asset at the cost of production and the expense recorded as part of a non-monetary arrangement involving a third-party processor; ii) revenues associated with excess capacity, including excess power generated and sold that is recorded in operating revenue; iii) project startup costs; and iv) the impacts of changes in inventory levels and valuation, such that the company is able to present cost information based on production volumes. Oil Sands operations and Syncrude production volumes are gross of internally consumed diesel and feedstock transfers between assets through the interconnecting pipelines. Oil Sands operations, Fort Hills and Syncrude cash operating costs are reconciled in the Segment Results and Analysis – Oil Sands section of this MD&A. Management uses cash operating costs to measure operating performance.

Refining and Marketing Gross Margin and Refining Operating Expense

Refining and marketing gross margins and refining operating expense are non-GAAP financial measures. Refining and marketing gross margin, on a FIFO basis, is calculated by adjusting R&M segment operating revenue, other income and purchases of crude oil and products (all of which are GAAP measures) for intersegment marketing fees recorded in intersegment revenues. Refining and marketing gross margin, on a LIFO basis, is further adjusted for the impacts of FIFO inventory valuation recorded in purchases of crude oil and products and risk management activities recorded in other income (loss). Refinery operating expense is calculated by adjusting R&M segment OS&G for i) non-refining costs pertaining to the company's supply, marketing and ethanol businesses; and ii) non-refining costs that management believes do not relate to the production of refined products, including, but not limited to, share-based compensation and enterprise shared service allocations. Management uses refining and marketing gross margin and refining operating expense to measure operating performance on a production barrel basis.

(\$ millions, except as noted)	Three months ended	
	2022	March 31 2021
Refining and marketing gross margin reconciliation		
Operating revenues	7 855	5 013
Purchases of crude oil and products	(5 482)	(3 275)
	2 373	1 738
Other (loss) income	(110)	(45)
Non-refining and marketing margin	(13)	(13)
Refining and marketing gross margin – FIFO	2 250	1 680
Refinery production ⁽¹⁾ (mbbls)	42 311	41 211
Refining and marketing gross margin – FIFO (\$/bbl)	53.20	40.75
FIFO and risk management activities adjustment	(729)	(432)
Refining and marketing gross margin – LIFO	1 521	1 248
Refining and marketing gross margin – LIFO (\$/bbl)	35.95	30.30
Refining operating expense reconciliation		
Operating, selling and general expense	559	479
Non-refining costs	(294)	(242)
Refining operating expense	265	237
Refinery production ⁽¹⁾ (mbbls)	42 311	41 211
Refining operating expense (\$/bbl)	6.25	5.75

(1) Refinery production is the output of the refining process, and differs from crude oil processed as a result of volumetric adjustments for non-crude feedstock, volumetric gain associated with the refining process and changes in unfinished product inventories.

Impact of First-in, First-out (FIFO) Inventory Valuation on Refining and Marketing Net Earnings (Loss)

GAAP requires the use of a FIFO inventory valuation methodology. For Suncor, this results in a disconnect between the sales prices for refined products, which reflect current market conditions, and the amount recorded as the cost of sale for the related refinery feedstock, which reflects market conditions at the time the feedstock was purchased. This lag between purchase and sale can be anywhere from several weeks to several months, and is influenced by the time to receive crude after purchase (which can be several weeks for foreign offshore crude purchases), regional crude inventory levels, the completion of refining processes, transportation time to distribution channels and regional refined product inventory levels.

Suncor prepares and presents an estimate of the impact of using a FIFO inventory valuation methodology compared to a LIFO methodology, because management uses the information to analyze operating performance and compare itself against refining peers that are permitted to use LIFO inventory valuation under United States GAAP (U.S. GAAP).

The company's estimate is not derived from a standardized calculation and, therefore, may not be directly comparable to similar measures presented by other companies, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP or U.S. GAAP.

Net Debt and Total Debt

Net debt and total debt are non-GAAP financial measures that management uses to analyze the financial condition of the company. Total debt includes short-term debt, current portion of long-term debt, current portion of long-term lease liabilities, long-term debt and long-term lease liabilities (all of which are GAAP measures). Net debt is equal to total debt less cash and cash equivalents (a GAAP measure).

(\$ millions, except as noted)	March 31 2022	December 31 2021
Short-term debt	1 344	1 284
Current portion of long-term debt	—	231
Current portion of long-term lease liabilities	309	310
Long-term debt	13 861	13 989
Long-term lease liabilities	2 506	2 540
Total debt	18 020	18 354
Less: Cash and cash equivalents	2 599	2 205
Net debt	15 421	16 149
Shareholders' equity	38 274	36 614
Total debt plus shareholders' equity	56 294	54 968
Total debt to total debt plus shareholders' equity (%)	32.0	33.4
Net debt to net debt plus shareholders' equity (%)	28.7	30.6
Net debt to net debt plus shareholders' equity – excluding leases (%)	24.8	26.6

Price Realizations

Price realizations are a non-GAAP measure used by management to measure profitability. Oil Sands price realizations are presented on a crude product basis and are derived from the Oil Sands segmented statement of net earnings (loss), after adjusting for items not directly attributable to the revenues associated with production. E&P price realizations are presented on an asset location basis and are derived from the E&P segmented statement of net earnings (loss), after adjusting for other E&P assets, such as Libya, for which price realizations are not provided.

Oil Sands Price Realizations

For the three months ended (\$ millions, except as noted)	March 31, 2022								March 31, 2021	
	Non- Upgraded Bitumen	Upgraded – Net SCO and Diesel	Crude Sales Basket	Oil Sands Segment	Non- Upgraded Bitumen	Upgraded – Net SCO and Diesel	Crude Sales Basket	Oil Sands Segment	Crude Sales Basket	Oil Sands Segment
Operating revenues, net of royalties	1 571	4 914	6 485	6 485	990	3 203	4 193	4 193		
Add: Royalties	211	774	985	985	14	144	158	158		
Operating revenues	1 782	5 688	7 470	7 470	1 004	3 347	4 351	4 351		
Other (loss) income	(37)	44	7	7	7	(9)	(2)	(2)		
Purchases of crude oil and products	(390)	(63)	(453)	(453)	(203)	(47)	(250)	(250)		
Gross realization adjustment ⁽¹⁾	67	(136)	(69)		(35)	(74)	(109)			
Gross realization	1 422	5 533	6 955		773	3 217	3 990			
Transportation and distribution	(87)	(206)	(293)	(293)	(82)	(194)	(276)	(276)		
Price realization	1 335	5 327	6 662		691	3 023	3 714			
Sales volumes (mbbls)	13 830	46 592	60 422		16 246	46 343	62 589			
Price realization per barrel	96.49	114.37	110.27		42.53	65.22	59.32			

(1) Reflects the items not directly attributed to revenues received from the sale of proprietary crude and net non-proprietary activity at its deemed point of sale.

E&P Price Realizations

For the three months ended (\$ millions, except as noted)	March 31, 2022								March 31, 2021	
	E&P International	E&P Canada	Other ⁽¹⁾⁽²⁾	E&P Segment	E&P International	E&P Canada	Other ⁽¹⁾⁽²⁾	E&P Segment	E&P International	E&P Canada
Operating revenues, net of royalties	272	476	120	868	204	317	25	546		
Add: Royalties	—	87	60	147	—	44	—	44		
Operating revenues	272	563	180	1 015	204	361	25	590		
Transportation and distribution	(6)	(17)	—	(23)	(7)	(10)	(35)	(52)		
Price realization	266	546	180		197	351	(10)			
Sales volumes (mbbls)	2 336	4 460			2 828	4 748				
Price realization per barrel	113.60	122.13			69.51	73.91				

(1) Reflects other E&P assets, such as Libya, for which price realizations are not provided.

(2) Production from the company's Libya operations has been presented in the E&P section of this MD&A on an economic basis. Revenue and royalties from the company's Libya operations are presented under the working-interest basis, which is required for presentation purposes in the company's financial statements. In the first quarter of 2022, revenue includes a gross-up amount of \$138 million, with an offsetting amount of \$60 million in royalties in the E&P segment and \$78 million in income tax expense reported at the consolidated level. In the first quarter of 2021, there were no Libya sales included in production, revenue or royalties.

11. Common Abbreviations

The following is a list of abbreviations that may be used in this MD&A:

Measurement

bbbl	barrel
bbls/d	barrels per day
mbbls/d	thousands of barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mboe	thousands of barrels of oil equivalent
mboe/d	thousands of barrels of oil equivalent per day
GJ	Gigajoule
mcf	thousands of cubic feet of natural gas
mcfce	thousands of cubic feet of natural gas equivalent
MW	megawatts
MWh	megawatts per hour

Places and Currencies

U.S.	United States
U.K.	United Kingdom
\$ or Cdn\$	Canadian dollars
US\$	United States dollars

Financial and Business Environment

Q1	Three months ended March 31
DD&A	Depreciation, depletion and amortization
WTI	West Texas Intermediate
WCS	Western Canadian Select
SCO	Synthetic crude oil
SYN	Synthetic crude oil benchmark
MSW	Mixed Sweet Blend
NYMEX	New York Mercantile Exchange
YTD	Year to date

12. Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian and U.S. securities laws. Forward-looking statements and other information are based on Suncor's current expectations, estimates, projections and assumptions that were made by the company in light of information available at the time the statement was made and consider Suncor's experience and its perception of historical trends, including expectations and assumptions concerning: the accuracy of reserves estimates; the current and potential adverse impacts of the COVID-19 pandemic, including the status of the pandemic and future waves and any associated policies around current business restrictions, shelter-in-place orders or gatherings of individuals; commodity prices and interest and foreign exchange rates; the performance of assets and equipment; uncertainty related to geopolitical conflict; capital efficiencies and cost savings; applicable laws and government policies; future production rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour, services and infrastructure; the satisfaction by third parties of their obligations to Suncor; the development and execution of projects; and the receipt, in a timely manner, of regulatory and third-party approvals. All statements and information that address expectations or projections about the future, and other statements and information about Suncor's strategy for growth, expected and future expenditures or investment decisions, commodity prices, costs, schedules, production volumes, operating and financial results, future financing and capital activities, and the expected impact of future commitments are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects", "anticipates", "will", "estimates", "plans", "scheduled", "intends", "believes", "projects", "indicates", "could", "focus", "vision", "goal", "outlook", "proposed", "target", "objective", "continue", "should", "may", "future", "potential", "opportunity", "would", "priority", "strategy" and similar expressions. Forward-looking statements in this MD&A include references to:

- *Suncor's expectation that its disposition process of its E&P assets in Norway will close later this year, that a sale of its wind and solar assets will close within the next twelve months, statements regarding the potential sale of Suncor's entire U.K. portfolio and the expectation that proceeds from the disposition of assets will be used to support the company's capital allocation framework;*
- *Suncor's strategic objective of becoming a net-zero GHG emissions company by 2050, including its expectations on how it will achieve this objective and the targeted activities that are expected to contribute to it, including its focus on hydrogen and renewable fuels and an ongoing strategic participation in low-carbon power;*
- *statements and expectations regarding the proposed project with ATCO to build a world-scale hydrogen facility in Alberta and deploying next generation renewable fuel technology;*
- *Suncor's expectation that its economic investment capital will continue to be focused on advancing projects and investments that are expected to enhance value within the company's existing integrated asset base and accelerate the company's progress towards its emissions reductions targets, including digital technologies, production decline mitigation and the cogeneration facility at Oil Sands Base;*
- *Suncor's expectation that the disciplined decisions to adjust and streamline its portfolio will improve the company's competitiveness and resiliency by allowing it to capitalize on its strengths, competitive advantages and resources;*
- *the company's expectation that it will achieve an additional \$400 million of incremental free funds flow in 2022, primarily driven by the implementation of digital, process and technology initiatives;*
- *Suncor's goals of safety and operational excellence and its expectation that sharpening its focus on its base business and areas complementary to its base business will drive long-term value for its shareholders;*
- *statements about the Terra Nova Floating, Production, Storage and Offloading facility and the Asset Life Extension Project, including that the asset is on track to sail back to Canada for a safe return to operations before the end of 2022;*
- *the belief that Suncor will continue to focus on safely increasing the reliability, utilization and integration of its assets while continuing efforts to sustainably reduce controllable costs;*
- *expectations regarding Suncor's operatorship of the Syncrude asset, including that the Suncor is continuing to press towards realizing \$100 million of annual gross synergies for the joint venture owners in 2022, with an additional \$200 million of annual gross synergies expected to be realized through 2023-2024;*
- *Suncor's expectation that it will remain committed to its capital allocation framework, its plan to accelerate its capital allocation plan and allocate incremental free funds flow in accordance therewith, with excess funds being allocated towards debt repayment and share buybacks based on net debt levels;*
- *statements about Suncor's 2025 targeted net debt range of \$12-\$15 billion and the company's expectation that, in the current business environment, it will achieve the lower end of its 2025 targeted net debt range during the second half of 2022;*

- *statements with respect to planned maintenance events, the timing thereof and the expected benefits therefrom, including a turnaround at Firebag, annual coker maintenance at Oil Sands Base Upgrader 2, planned maintenance at Fort Hills and Syncrude and planned maintenance at the Edmonton, Montreal and Sarnia refineries;*
- *Suncor's belief that its indicative 5-2-2-1 index will continue to be an appropriate measure against Suncor's actual results;*
- *statements regarding Suncor's planned 2022 capital spending program of \$4.7 billion, including Suncor's expectation that its capital program will be heavily focused on the safety, long-term reliability and efficiency of the company's operations and its belief that it will have the capital resources to fund the capital spending program and to meet current and future working capital requirements through cash and cash equivalents balances, cash flow provided by operating activities, available committed credit facilities, issuing commercial paper and, if needed, accessing capital markets and Suncor's expectations regarding the allocation of its capital spending program and its expected benefits therefrom;*
- *the objectives of Suncor's short-term investment portfolio and Suncor's expectation that the maximum weighted average term to maturity of the short-term investment portfolio will not exceed six months, and that all investments will be with counterparties with investment grade debt ratings;*
- *the company's priority regarding the management of debt levels and liquidity given the company's long-term plans and future expected volatility in the pricing environment and Suncor's belief that a phased and flexible approach to existing and future projects should assist Suncor in its ability to manage project costs and debt levels;*
- *the company's belief that it does not have any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the company's financial performance or financial condition, results of operations, liquidity or capital expenditures;*
- *statements about the NCIB, including the amount, timing and manner of purchases under the NCIB, that depending on the trading price of its common shares and other relevant factors, repurchasing its common shares represents an attractive investment opportunity and is in the best interest of the company and its shareholders, and the expectation that the decision to allocate cash to repurchase shares will not affect its long-term strategy; and*
- *Suncor's full-year outlook range on Oil Sands operations cash operating costs per barrel, Fort Hills cash operating costs per barrel, Syncrude cash operating costs per barrel, Fort Hills Crown royalties, Syncrude Crown royalties, East Coast Canada Crown royalties and full-year current income tax expenses as well as business environment outlook assumptions for Brent Sullom Voe, WTI at Cushing, WCS at Hardisty, New York Harbor 2-1-1 crack, AECO-C Spot and the CAD/USD exchange rate.*

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 Suncor. Suncor's actual results may differ materially from those expressed or implied by its forward-looking statements, so readers are cautioned not to place undue reliance on them. The financial and operating performance of the company's reportable operating segments, specifically Oil Sands, E&P and R&M, may be affected by a number of factors.

Factors that affect Suncor's Oil Sands segment include, but are not limited to, volatility in the prices for crude oil and other production, and the related impacts of fluctuating light/heavy and sweet/sour crude oil differentials; changes in the demand for refinery feedstock and diesel fuel, including the possibility that refiners that process the company's proprietary production will be closed, experience equipment failure or other accidents; Suncor's ability to operate its Oil Sands facilities reliably in order to meet production targets; the output of newly commissioned facilities, the performance of which may be difficult to predict during initial operations; Suncor's dependence on pipeline capacity and other logistical constraints, which may affect the company's ability to distribute products to market and which may cause the company to delay or cancel planned growth projects in the event of insufficient takeaway capacity; Suncor's ability to finance Oil Sands economic investment and asset sustainment and maintenance capital expenditures; the availability of bitumen feedstock for upgrading operations, which can be negatively affected by poor ore grade quality, unplanned mine equipment and extraction plant maintenance, tailings storage, and in situ reservoir and equipment performance, or the unavailability of third-party bitumen; changes in operating costs, including the cost of labour, natural gas and other energy sources used in oil sands processes; and the company's ability to complete projects, including planned maintenance events, both on time and on budget, which could be impacted by competition from other projects (including other oil sands projects) for goods and services and demands on infrastructure in Alberta's Wood Buffalo region and the surrounding area (including housing, roads and schools).

Factors that affect Suncor's E&P segment include, but are not limited to, volatility in crude oil and natural gas prices; operational risks and uncertainties associated with oil and gas activities, including unexpected formations or pressures, premature declines of reservoirs, fires, blow-outs, equipment failures and other accidents, uncontrollable flows of crude oil, natural gas or well fluids, and pollution and other environmental risks; adverse weather conditions, which could disrupt output from producing assets or impact drilling programs, resulting in increased costs and/or delays in bringing on new production; political, economic and socioeconomic risks associated with Suncor's foreign operations, including the unpredictability of operating in Libya due to ongoing political unrest; and market demand for mineral rights and producing properties, potentially leading to losses on disposition or increased property acquisition costs.

Factors that affect our R&M segment include, but are not limited to, fluctuations in demand and supply for refined products that impact the company's margins; market competition, including potential new market entrants; the company's ability to reliably operate refining and marketing facilities in order to meet production or sales targets; and risks and uncertainties affecting construction or planned maintenance schedules, including the availability of labour and other impacts of competing projects drawing on the same resources during the same time period.

Additional risks, uncertainties and other factors that could influence the financial and operating performance of all of Suncor's operating segments and activities include, but are not limited to, changes in general economic, market and business conditions, such as commodity prices, interest rates and currency exchange rates (including as a result of demand and supply effects resulting from the COVID-19 pandemic and the actions of OPEC+); fluctuations in supply and demand for Suncor's products; the successful and timely implementation of capital projects, including growth projects and regulatory projects; risks associated with the development and execution of Suncor's major projects and the commissioning and integration of new facilities; the possibility that completed maintenance activities may not improve operational performance or the output of related facilities; the risk that projects and initiatives intended to achieve cash flow growth and/or reductions in operating costs may not achieve the expected results in the time anticipated or at all; competitive actions of other companies, including increased competition from other oil and gas companies or from companies that provide alternative sources of energy; labour and material shortages; actions by government authorities, including the imposition or reassessment of, or changes to, taxes, fees, royalties, duties and other government-imposed compliance costs; changes to laws and government policies that could impact the company's business, including environmental (including climate change), royalty and tax laws and policies; the ability and willingness of parties with whom Suncor has material relationships to perform their obligations to the company; the unavailability of, or outages to, third-party infrastructure that could cause disruptions to production or prevent the company from being able to transport its products; the occurrence of a protracted operational outage, a major safety or environmental incident, or unexpected events such as fires (including forest fires), equipment failures and other similar events affecting Suncor or other parties whose operations or assets directly or indirectly affect Suncor; the potential for security breaches of Suncor's information technology and infrastructure by malicious persons or entities, and the unavailability or failure of such systems to perform as anticipated as a result of such breaches; security threats and terrorist or activist activities; the risk that competing business objectives may exceed Suncor's capacity to adopt and implement change; risks and uncertainties associated with obtaining regulatory, third-party and stakeholder approvals outside of Suncor's control for the company's operations, projects, initiatives and exploration and development activities and the satisfaction of any conditions to approvals; the potential for disruptions to operations and construction projects as a result of Suncor's relationships with labour unions that represent employees at the company's facilities; the company's ability to find new oil and gas reserves that can be developed economically; the accuracy of Suncor's reserves, resources and future production estimates; market instability affecting Suncor's ability to borrow in the capital debt markets at acceptable rates or to issue other securities at acceptable prices; maintaining an optimal debt to cash flow ratio; the success of the company's marketing and logistics activities using derivatives and other financial instruments; the cost of compliance with current and future environmental laws, including climate change laws; risks relating to increased activism and public opposition to fossil fuels and oil sands; risks and uncertainties associated with closing a transaction for the purchase or sale of a business, asset or oil and gas property, including estimates of the final consideration to be paid or received; the ability of counterparties to comply with their obligations in a timely manner; risks associated with joint arrangements in which the company has an interest; risks associated with land claims and Aboriginal consultation requirements; the risk that the company may be subject to litigation; the impact of technology and risks associated with developing and implementing new technologies; and the accuracy of cost estimates, some of which are provided at the conceptual or other preliminary stage of projects and prior to commencement or conception of the detailed engineering that is needed to reduce the margin of error and increase the level of accuracy. The foregoing important factors are not exhaustive.

Many of these risk factors and other assumptions related to Suncor's forward-looking statements are discussed in further detail throughout this MD&A, and in the company's 2021 annual MD&A, the 2021 AIF and Form 40-F on file with Canadian securities commissions at www.sedar.com and the United States Securities and Exchange Commission at www.sec.gov. Readers are also referred to the risk factors and assumptions described in other MD&As that Suncor files from time to time with securities regulatory authorities. Copies of these MD&As are available without charge from the company.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A. Except as required by applicable securities laws, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

Consolidated Statements of Comprehensive Income

(unaudited)

(\$ millions)	Three months ended March 31	
	2022	2021
Revenues and Other Income		
Operating revenues, net of royalties (note 3)	13 487	8 679
Other income (loss) (note 4)	14	(43)
	13 501	8 636
Expenses		
Purchases of crude oil and products	4 502	2 583
Operating, selling and general	3 088	2 900
Transportation and distribution	370	381
Depreciation, depletion, amortization and impairment	1 471	1 490
Exploration	39	8
Gain on disposal of assets	(2)	(8)
Financing expenses (note 6)	185	168
	9 653	7 522
Earnings before Income Taxes	3 848	1 114
Income Tax Expense (Recovery)		
Current	976	284
Deferred	(77)	9
	899	293
Net Earnings	2 949	821
Other Comprehensive Income		
Items That May be Subsequently Reclassified to Earnings:		
Foreign currency translation adjustment	(56)	(41)
Items That Will Not be Reclassified to Earnings:		
Actuarial gain on employee retirement benefit plans, net of income taxes (note 11)	392	656
Other Comprehensive Income	336	615
Total Comprehensive Income	3 285	1 436
Per Common Share (dollars) (note 7)		
Net earnings – basic and diluted	2.06	0.54
Cash dividends	0.42	0.21

See accompanying notes to the condensed interim consolidated financial statements.

Consolidated Balance Sheets

(unaudited)

(\$ millions)	March 31 2022	December 31 2021
Assets		
Current assets		
Cash and cash equivalents	2 599	2 205
Accounts receivable	5 986	4 534
Inventories	5 323	4 110
Income taxes receivable	181	128
Assets held for sale (note 12)	448	—
Total current assets	14 537	10 977
Property, plant and equipment, net	63 195	65 546
Exploration and evaluation	2 225	2 226
Other assets	1 486	1 307
Goodwill and other intangible assets	3 563	3 523
Deferred income taxes	61	160
Total assets	85 067	83 739
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	1 344	1 284
Current portion of long-term debt (note 6)	—	231
Current portion of long-term lease liabilities	309	310
Accounts payable and accrued liabilities	8 576	6 503
Current portion of provisions	871	779
Income taxes payable	1 183	1 292
Liabilities associated with assets held for sale (note 12)	65	—
Total current liabilities	12 348	10 399
Long-term debt (note 6)	13 861	13 989
Long-term lease liabilities	2 506	2 540
Other long-term liabilities (note 11)	1 663	2 180
Provisions (note 10)	7 210	8 776
Deferred income taxes	9 205	9 241
Equity	38 274	36 614
Total liabilities and shareholders' equity	85 067	83 739

See accompanying notes to the condensed interim consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited)

(\$ millions)	Three months ended March 31	
	2022	2021
Operating Activities		
Net Earnings	2 949	821
Adjustments for:		
Depreciation, depletion, amortization and impairment	1 471	1 490
Deferred income tax (recovery) expense	(77)	9
Accretion (note 6)	78	74
Unrealized foreign exchange gain on U.S. dollar denominated debt (note 6)	(146)	(196)
Change in fair value of financial instruments and trading inventory	(74)	(103)
Gain on disposal of assets	(2)	(8)
Share-based compensation	56	(2)
Settlement of decommissioning and restoration liabilities	(91)	(70)
Other	(70)	95
(Increase) decrease in non-cash working capital	(1 022)	235
Cash flow provided by operating activities	3 072	2 345
Investing Activities		
Capital and exploration expenditures	(1 011)	(803)
Capital expenditures on assets held for sale	(19)	—
Proceeds from disposal of assets	2	8
Other investments and acquisitions	(14)	(7)
Increase in non-cash working capital	(31)	(34)
Cash flow used in investing activities	(1 073)	(836)
Financing Activities		
Net increase (decrease) in short-term debt	71	(1 271)
Repayment of long-term debt (note 6)	(233)	(1 050)
Issuance of long-term debt (note 6)	—	1 423
Lease liability payments	(84)	(88)
Issuance of common shares under share option plans	79	—
Repurchase of common shares (note 8)	(827)	(318)
Distributions relating to non-controlling interest	(2)	(2)
Dividends paid on common shares	(601)	(319)
Cash flow used in financing activities	(1 597)	(1 625)
Increase (Decrease) in Cash and Cash Equivalents	402	(116)
Effect of foreign exchange on cash and cash equivalents	(8)	(7)
Cash and cash equivalents at beginning of period	2 205	1 885
Cash and Cash Equivalents at End of Period	2 599	1 762
Supplementary Cash Flow Information		
Interest paid	141	139
Income taxes paid	1 092	148

See accompanying notes to the condensed interim consolidated financial statements.

Consolidated Statements of Changes in Equity

(unaudited)

(\$ millions)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total	Number of Common Shares (thousands)
At December 31, 2020	25 144	591	877	9 145	35 757	1 525 151
Net earnings	—	—	—	821	821	—
Foreign currency translation adjustment	—	—	(41)	—	(41)	—
Actuarial gain on employee retirement benefit plans, net of income taxes of \$207	—	—	—	656	656	—
Total comprehensive (loss) income	—	—	(41)	1 477	1 436	—
Repurchase of common shares for cancellation (note 8)	(199)	—	—	(119)	(318)	(12 055)
Change in liability for share repurchase commitment	(151)	—	—	(89)	(240)	—
Share-based compensation	—	9	—	—	9	—
Dividends paid on common shares	—	—	—	(319)	(319)	—
At March 31, 2021	24 794	600	836	10 095	36 325	1 513 096
At December 31, 2021	23 650	612	814	11 538	36 614	1 441 251
Net earnings	—	—	—	2 949	2 949	—
Foreign currency translation adjustment	—	—	(56)	—	(56)	—
Actuarial gain on employee retirement benefit plans, net of income taxes of \$123 (note 11)	—	—	—	392	392	—
Total comprehensive (loss) income	—	—	(56)	3 341	3 285	—
Issued under share option plans	91	(11)	—	—	80	2 612
Repurchase of common shares for cancellation (note 8)	(358)	—	—	(469)	(827)	(21 698)
Change in liability for share repurchase commitment	(89)	—	—	(196)	(285)	—
Share-based compensation	—	8	—	—	8	—
Dividends paid on common shares	—	—	—	(601)	(601)	—
At March 31, 2022	23 294	609	758	13 613	38 274	1 422 165

See accompanying notes to the condensed interim consolidated financial statements.

Notes to the Consolidated Financial Statements

(unaudited)

1. Reporting Entity and Description of the Business

Suncor Energy Inc. (Suncor or the company) is an integrated energy company headquartered in Calgary, Alberta. Suncor's operations include oil sands development, production and upgrading; offshore oil and gas; petroleum refining in Canada and the U.S.; and the company's Petro-Canada retail and wholesale distribution networks (including Canada's Electric Highway™, a coast-to-coast network of fast-charging electric vehicle stations). Suncor is developing petroleum resources while advancing the transition to a low-emissions future through investment in power, renewable fuels and hydrogen. Suncor also conducts energy trading activities focused principally on the marketing and trading of crude oil, natural gas, byproducts, refined products and power. Suncor has been recognized for its performance and transparent reporting on the Dow Jones Sustainability index, FTSE4Good and CDP. Suncor is also listed on the UN Global Compact 100 stock index. Suncor's common shares (symbol: SU) are listed on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE).

The address of the company's registered office is 150 – 6th Avenue S.W., Calgary, Alberta, Canada, T2P 3E3.

2. Basis of Preparation

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, specifically International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board. They are condensed as they do not include all of the information required for full annual financial statements, and they should be read in conjunction with the audited consolidated financial statements of the company for the year ended December 31, 2021.

(b) Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis except as detailed in the accounting policies disclosed in the company's audited consolidated financial statements for the year ended December 31, 2021.

(c) Functional Currency and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the company's functional currency.

(d) Use of Estimates, Assumptions and Judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the financial statements are described in the company's audited consolidated financial statements for the year ended December 31, 2021.

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have and may continue to have significant disruption to business operations and a significant increase in economic uncertainty, with fluctuating demand for commodities leading to volatile prices and currency exchange rates, and a decline in long-term interest rates. Our operations and business are particularly sensitive to a reduction in the demand for, and prices of, commodities that are closely linked to Suncor's financial performance, including crude oil, refined petroleum products (such as jet fuel and gasoline), natural gas and electricity. The potential direct and indirect impacts of the economic volatility have been considered in management's estimates, and assumptions at period-end have been reflected in our results with any significant changes described in the relevant notes to the company's unaudited interim Consolidated Financial Statements for the three months ended March 31, 2022.

The COVID-19 pandemic is an evolving situation that is expected to continue to have widespread implications for our business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our consolidated statements of comprehensive income, consolidated balance sheets and consolidated statements of cash flows in fiscal 2022.

(e) Income Taxes

The company recognizes the impacts of income tax rate changes in earnings in the period that the applicable rate change is enacted or substantively enacted.

3. Segmented Information

The company's operating segments are reported based on the nature of their products and services and management responsibility.

Intersegment sales of crude oil and natural gas are accounted for at market values and are included, for segmented reporting, in revenues of the segment making the transfer and expenses of the segment receiving the transfer. Intersegment amounts are eliminated on consolidation. Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings and comparative periods have been restated to reflect this change.

Three months ended March 31 (\$ millions)	Oil Sands		Exploration and Production		Refining and Marketing		Corporate and Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues and Other Income										
Gross revenues	5 772	3 295	1 015	590	7 823	4 990	9	6	14 619	8 881
Intersegment revenues	1 698	1 056	—	—	32	23	(1 730)	(1 079)	—	—
Less: Royalties	(985)	(158)	(147)	(44)	—	—	—	—	(1 132)	(202)
Operating revenues, net of royalties	6 485	4 193	868	546	7 855	5 013	(1 721)	(1 073)	13 487	8 679
Other income (loss)	7	(2)	68	(1)	(110)	(45)	49	5	14	(43)
	6 492	4 191	936	545	7 745	4 968	(1 672)	(1 068)	13 501	8 636
Expenses										
Purchases of crude oil and products	453	250	—	—	5 482	3 275	(1 433)	(942)	4 502	2 583
Operating, selling and general	2 212	1 973	108	110	559	479	209	338	3 088	2 900
Transportation and distribution	293	276	23	52	63	63	(9)	(10)	370	381
Depreciation, depletion, amortization and impairment	1 105	1 158	129	102	212	209	25	21	1 471	1 490
Exploration	31	2	8	6	—	—	—	—	39	8
Gain on disposal of assets	(2)	—	—	—	—	(8)	—	—	(2)	(8)
Financing expenses	91	87	23	17	12	16	59	48	185	168
	4 183	3 746	291	287	6 328	4 034	(1 149)	(545)	9 653	7 522
Earnings (Loss) before Income Taxes	2 309	445	645	258	1 417	934	(523)	(523)	3 848	1 114
Income Tax Expense (Recovery)										
Current	—	—	—	—	—	—	—	—	976	284
Deferred	—	—	—	—	—	—	—	—	(77)	9
	—	—	—	—	—	—	—	—	899	293
Net Earnings	—	—	—	—	—	—	—	—	2 949	821
Capital and Exploration Expenditures⁽¹⁾	668	539	83	69	132	120	128	75	1 011	803

(1) Excludes capital expenditures related to assets held for sale of \$19 million in the first quarter of 2022.

Disaggregation of Revenue from Contracts with Customers and Intersegment Revenue

The company derives revenue from the transfer of goods mainly at a point in time in the following major commodities, revenue streams and geographical regions:

Three months ended March 31 (\$ millions)	2022			2021		
	North America	International	Total	North America	International	Total
Oil Sands						
Synthetic crude oil and diesel	5 688	—	5 688	3 347	—	3 347
Bitumen	1 782	—	1 782	1 004	—	1 004
	7 470	—	7 470	4 351	—	4 351
Exploration and Production						
Crude oil and natural gas liquids	563	443	1 006	386	202	588
Natural gas	—	9	9	—	2	2
	563	452	1 015	386	204	590
Refining and Marketing						
Gasoline	3 033	—	3 033	2 051	—	2 051
Distillate	3 845	—	3 845	2 287	—	2 287
Other	977	—	977	675	—	675
	7 855	—	7 855	5 013	—	5 013
Corporate and Eliminations						
	(1 721)	—	(1 721)	(1 073)	—	(1 073)
Total Revenue from Contracts with Customers	14 167	452	14 619	8 677	204	8 881

4. Other Income (Loss)

Other income (loss) consists of the following:

(\$ millions)	Three months ended March 31	
	2022	2021
Energy trading activities		
Gains recognized in earnings	4	11
Gains (losses) on inventory valuation	21	(21)
Commodity risk management	(118)	(66)
Investment and interest income	32	23
Other ⁽¹⁾	75	10
	14	(43)

(1) Three months ended March 31, 2022, includes a US\$50 million contingent consideration gain related to the sale of the company's 26.69% working interest in the Golden Eagle Area Development in the fourth quarter of 2021, within the Exploration & Production segment, and an unrealized gain on an equity investment, within the Corporate segment.

5. Share-Based Compensation

The following table summarizes the share-based compensation expense for all plans recorded within operating, selling and general expense:

(\$ millions)	Three months ended	
	2022	March 31 2021
Equity-settled plans	8	9
Cash-settled plans	198	102
	206	111

6. Financing Expenses

(\$ millions)	Three months ended	
	2022	March 31 2021
Interest on debt	195	210
Interest on lease liabilities	39	41
Capitalized interest	(37)	(31)
Interest expense	197	220
Interest on partnership liability	13	13
Interest on pension and other post-retirement benefits	10	15
Accretion	78	74
Foreign exchange gain on U.S. dollar denominated debt	(146)	(196)
Operational foreign exchange and other	33	42
	185	168

During the first quarter of 2022, the company completed an early redemption of its outstanding US\$182 million 4.50% notes, originally scheduled to mature in the second quarter of 2022.

7. Earnings per Common Share

(\$ millions)	Three months ended	
	2022	March 31 2021
Net earnings	2 949	821
(millions of common shares)		
Weighted average number of common shares	1 433	1 522
Dilutive securities:		
Effect of share options	2	—
Weighted average number of diluted common shares	1 435	1 522
(dollars per common share)		
Basic and diluted earnings per share	2.06	0.54

8. Normal Course Issuer Bid

During the first quarter of 2022, the Toronto Stock Exchange (TSX) accepted a notice filed by Suncor to renew its normal course issuer bid (NCIB) to purchase the company's common shares through the facilities of the TSX, New York Stock Exchange and/or alternative trading systems. The notice provided that, beginning February 8, 2022, and ending February 7, 2023, Suncor may purchase for cancellation up to 71,650,000 common shares, which is equal to approximately 5% of Suncor's issued and outstanding common shares as at the date hereof.

During the first quarter of 2022, the company repurchased 7.1 million common shares under the previous 2021 NCIB and 14.6 million under the 2022 renewed NCIB at an average price of \$38.12 per share, for a total repurchase cost of \$827 million.

Subsequent to the first quarter of 2022, Suncor received approval from the TSX to amend its existing NCIB effective as of the close of markets on May 11, 2022, to increase the maximum number of common shares that may be repurchased in the period beginning February 8, 2022, and ending February 7, 2023, from 71,650,000 common shares, or approximately 5% of Suncor's issued and outstanding common shares as at January 31, 2022, to 143,500,000, or approximately 10% of Suncor's public float as at January 31, 2022. No other terms of the NCIB have been amended.

The following table summarizes the share repurchase activities during the period:

(\$ millions, except as noted)	2022	Three months ended March 31 2021
Share repurchase activities (thousands of common shares)		
Shares repurchased	21 698	12 055
Amounts charged to:		
Share capital	358	199
Retained earnings	469	119
Share repurchase cost	827	318

Under an automatic repurchase plan agreement with an independent broker, the company has recorded the following liability for share repurchases that may take place during its internal blackout period:

(\$ millions)	March 31 2022	December 31 2021
Amounts charged to:		
Share capital	209	120
Retained earnings	306	110
Liability for share purchase commitment	515	230

9. Financial Instruments

Derivative Financial Instruments

(a) Non-Designated Derivative Financial Instruments

The company uses derivative financial instruments, such as physical and financial contracts, to manage certain exposures to fluctuations in interest rates, commodity prices and foreign currency exchange rates, as part of its overall risk management program, as well as for trading purposes.

The changes in the fair value of non-designated derivatives are as follows:

(\$ millions)	Total
Fair value outstanding at December 31, 2021	(98)
Cash settlements – paid during the year	166
Changes in fair value recognized in earnings during the year	(114)
Fair value outstanding at March 31, 2022	(46)

(b) Fair Value Hierarchy

To estimate the fair value of derivatives, the company uses quoted market prices when available, or third-party models and valuation methodologies that utilize observable market data. In addition to market information, the company incorporates transaction-specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk. However, these fair value estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction. The company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 consists of instruments with a fair value determined by an unadjusted quoted price in an active market for identical assets or liabilities. An active market is characterized by readily and regularly available quoted prices where the prices are representative of actual and regularly occurring market transactions to assure liquidity.
- Level 2 consists of instruments with a fair value that is determined by quoted prices in an inactive market, prices with observable inputs or prices with insignificant non-observable inputs. The fair value of these positions is determined using observable inputs from exchanges, pricing services, third-party independent broker quotes and published transportation tolls. The observable inputs may be adjusted using certain methods, which include extrapolation over the quoted price term and quotes for comparable assets and liabilities.
- Level 3 consists of instruments with a fair value that is determined by prices with significant unobservable inputs. As at March 31, 2022, the company does not have any derivative instruments measured at fair value Level 3.

In forming estimates, the company utilizes the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the measurement is categorized based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the company's derivative financial instruments measured at fair value for each hierarchy level as at March 31, 2022:

(\$ millions)	Level 1	Level 2	Level 3	Total Fair Value
Accounts receivable	101	81	—	182
Accounts payable	(160)	(68)	—	(228)
	(59)	13	—	(46)

During the first quarter of 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

A substantial portion of the company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risk. While the industry has experienced credit downgrades due to the COVID-19 pandemic, Suncor has not been significantly affected as the majority of Suncor's customers are large and established downstream companies with investment grade credit ratings.

Non-Derivative Financial Instruments

At March 31, 2022, the carrying value of fixed-term debt accounted for under amortized cost was \$13.9 billion (December 31, 2021 – \$14.2 billion) and the fair value was \$15.5 billion (December 31, 2021 – \$17.4 billion). The estimated fair value of long-term debt is based on pricing sourced from market data.

10. Provisions

Suncor's decommissioning and restoration provision decreased by \$1.5 billion for the three months ended March 31, 2022. The decrease was primarily due to an increase in the credit-adjusted risk-free interest rate to 4.70% (December 31, 2021 – 3.70%).

11. Pensions and Other Post-Retirement Benefits

For the three months ended March 31, 2022, the actuarial gain on employee retirement benefit plans was \$392 million (net of taxes of \$123 million), mainly due to an increase in the discount rate to 3.80% (December 31, 2021 – 2.90%).

12. Assets Held For Sale

During the first quarter of 2022, the company reclassified the assets and liabilities related to its Norway operations as assets held for sale, including its 30% working interest in Oda and its 17.5% working interest in the Fenja Development Joint Venture. Suncor commenced a sale process for the Norway operations with an expected close later this year. The Norway assets are reported within the Exploration and Production segment.

The table below details the assets and liabilities held for sale as at March 31, 2022:

(\$ millions)	March 31 2022
Assets	
Current assets	6
Property, plant and equipment, net	414
Deferred income taxes	28
Total Assets	448
Liabilities	
Current liabilities	(30)
Provisions	(35)
Total Liabilities	(65)
Net Assets	383

13. Subsequent Events

Subsequent to March 31, 2022, the company announced its plans to divest its wind and solar assets including its interests in wind farms located in Alberta and Ontario, with the Forty Mile Wind and Solar Power Project currently under construction and expected to be completed and operational in 2022. Suncor has commenced a sale process for these assets and expects a sale to close within the next twelve months. The renewable energy business is reported within the Corporate segment.

On May 9, 2022, Suncor's Board of Directors approved an increase in the company's quarterly dividend to \$0.47 per common share from \$0.42 per common share.

Supplemental Financial and Operating Information

Quarterly Financial Summary

(unaudited)

(\$ millions, except per share amounts)	For the Quarter Ended				For the Year Ended	
	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2021
Operating revenues, net of royalties	13 487	11 149	10 145	9 159	8 679	39 132
Earnings (loss) before income taxes^(A)						
Oil Sands	2 309	1 169	629	582	445	2 825
Exploration and Production	645	603	590	340	258	1 791
Refining and Marketing	1 417	599	848	486	934	2 867
Corporate and Eliminations	(523)	(317)	(753)	(320)	(523)	(1 913)
Income tax expense	(899)	(501)	(437)	(220)	(293)	(1 451)
Net earnings	2 949	1 553	877	868	821	4 119
Adjusted operating earnings (loss)^{(A)(B)(C)}						
Oil Sands	2 256	1 172	635	613	409	2 829
Exploration and Production	645	376	369	340	258	1 343
Refining and Marketing	1 395	582	864	468	943	2 857
Corporate and Eliminations	(669)	(342)	(395)	(493)	(551)	(1 781)
Income tax expense included in adjusted operating earnings	(872)	(494)	(430)	(206)	(313)	(1 443)
Total	2 755	1 294	1 043	722	746	3 805
Adjusted funds from (used in) operations^{(A)(B)(C)}						
Oil Sands	3 414	2 459	1 745	1 844	1 527	7 575
Exploration and Production	724	565	521	500	365	1 951
Refining and Marketing	1 597	869	1 113	677	1 172	3 831
Corporate and Eliminations	(665)	(252)	(352)	(431)	(670)	(1 705)
Current income tax expense	(976)	(497)	(386)	(228)	(284)	(1 395)
Total	4 094	3 144	2 641	2 362	2 110	10 257
Change in non-cash working capital	(1 022)	(529)	2 077	(276)	235	1 507
Cash flow provided by operating activities	3 072	2 615	4 718	2 086	2 345	11 764
Per common share						
Net earnings ^(D)	2.06	1.07	0.59	0.58	0.54	2.77
Adjusted operating earnings (loss) ^{(B)(C)(E)}	1.92	0.89	0.71	0.48	0.49	2.56
Cash dividends ^(E)	0.42	0.42	0.21	0.21	0.21	1.05
Adjusted funds from operations ^{(B)(C)(E)}	2.86	2.17	1.79	1.57	1.39	6.89
Cash flow provided by operating activities ^(E)	2.14	1.80	3.19	1.39	1.54	7.79
Capital and exploration expenditures (including capitalized interest)						
Oil Sands	668	860	935	834	539	3 168
Exploration and Production ^(F)	83	73	64	64	69	270
Refining and Marketing	132	188	142	375	120	825
Corporate and Eliminations	128	63	80	74	75	292
Total capital and exploration expenditures	1 011	1 184	1 221	1 347	803	4 555

(A) Beginning in the first quarter of 2022, to align with how management evaluates segment performance, the company revised its segment presentation to reflect segment results before income tax expense and present tax at a consolidated level. This presentation change has no effect on consolidated net earnings (loss), adjusted operating earnings (loss) and adjusted funds from (used in) operations. Comparative periods have been restated to reflect this change. See the Income Tax section of the MD&A for a discussion on income taxes.

(B) Non-GAAP financial measures or contains non-GAAP financial measures. See the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

(C) Beginning in the fourth quarter of 2021, the company revised the label of operating earnings (loss) and funds from (used in) operations to adjusted operating earnings (loss) and adjusted funds from (used in) operations respectively, to better distinguish these non-GAAP financial measures from their respective comparable GAAP measures and better reflect the purpose of such measures. The composition of these measures remained unchanged and therefore no prior periods were restated.

(D) Represents on a basic and diluted per share basis.

(E) Represents on a basic per share basis.

(F) Excludes capital expenditures related to assets held for sale of \$19 million in the first quarter of 2022.

See accompanying footnotes and definitions to the quarterly operating summaries.

Supplemental Financial and Operating Information (continued)

Quarterly Financial Summary

(unaudited)

	Mar 31 2022	For the twelve months ended			
		Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021
Return on capital employed ^(A) (%)	12.7	8.6	4.5	1.9	(1.4)
Return on capital employed – excluding impairments and impairment reversals ^(A) (%)	12.4	8.2	4.9	2.6	(0.6)

(A) Non-GAAP financial measures or contains non-GAAP financial measures. See the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Summary

(unaudited)

	Mar 31 2022	For the Quarter Ended			Mar 31	For the Year Ended
		Dec 31 2021	Sep 30 2021	Jun 30 2021	2021	Dec 31 2021
Oil Sands						
Production volumes (mbbls/d)						
Total Oil Sands bitumen production	827.7	787.4	713.7	753.5	827.8	770.3
Oil Sands – upgraded – net SCO and diesel						
Oil Sands operations	333.8	332.7	221.0	326.8	329.6	301.6
Syncrude	181.5	182.3	184.5	110.4	190.3	167.0
Total Oil Sands – upgraded – net SCO and diesel production	515.3	515.0	405.5	437.2	519.9	468.6
Oil Sands – non-upgraded bitumen						
Oil Sands operations	82.9	95.4	148.8	133.2	119.5	124.9
Fort Hills	87.5	55.5	50.8	45.3	51.2	50.7
Total Oil Sands – non-upgraded bitumen production	170.4	150.9	199.6	178.5	170.7	175.6
Total Oil Sands production volumes	685.7	665.9	605.1	615.7	690.6	644.2
Oil Sands sales volumes (mbbls/d)						
Upgraded – net SCO and diesel	517.7	496.1	418.6	433.9	515.2	465.7
Non-upgraded bitumen	153.7	176.7	194.4	183.5	180.2	183.8
Total Oil Sands sales volumes	671.4	672.8	613.0	617.4	695.4	649.5
Oil Sands operations cash operating costs^{(1)(A)} (\$ millions)						
Cash costs	922	952	884	910	857	3 603
Natural gas	189	193	135	111	115	554
	1 111	1 145	1 019	1 021	972	4 157
Oil Sands operations cash operating costs^{(1)(A)} (\$/bbl)*						
Cash costs	23.80	23.40	25.20	21.25	20.60	22.45
Natural gas	4.90	4.70	3.85	2.60	2.70	3.45
	28.70	28.10	29.05	23.85	23.30	25.90
Fort Hills cash operating costs^{(1)(A)} (\$ millions)						
Cash costs	203	214	177	159	156	706
Natural gas	25	19	14	11	14	58
	228	233	191	170	170	764
Fort Hills cash operating costs^{(1)(A)} (\$/bbl)*						
Cash costs	25.90	41.85	38.00	38.60	33.95	38.20
Natural gas	3.10	3.70	2.90	2.75	3.10	3.15
	29.00	45.55	40.90	41.35	37.05	41.35
Syncrude cash operating costs^{(1)(A)} (\$ millions)						
Cash costs	550	561	521	492	538	2 111
Natural gas	34	30	22	27	24	104
	584	591	543	519	562	2 215
Syncrude cash operating costs^{(1)(A)} (\$/bbl)*						
Cash costs	32.65	31.80	29.75	47.65	30.85	33.55
Natural gas	2.05	1.70	1.30	2.60	1.40	1.65
	34.70	33.50	31.05	50.25	32.25	35.20

(A) Non-GAAP financial measures or contains non-GAAP financial measures. See the Quarterly Operating Metrics Reconciliation and the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Summary (continued)

(unaudited)

Oil Sands Segment Operating Netbacks ^{(A)(B)(C)}	Mar 31 2022	For the Quarter Ended			Mar 31 2021	For the Year Ended Dec 31 2021
		Dec 31 2021	Sep 30 2021	Jun 30 2021		
Non-upgraded bitumen (\$/bbl)						
Average price realized	102.78	67.47	65.53	55.54	47.57	59.16
Royalties	(15.17)	(9.50)	(7.99)	(3.65)	(0.83)	(5.53)
Transportation and distribution costs	(6.29)	(5.42)	(5.62)	(5.34)	(5.04)	(5.36)
Net operating expenses	(21.37)	(22.54)	(19.61)	(16.91)	(14.91)	(18.52)
Operating netback	59.95	30.01	32.31	29.64	26.79	29.75
Upgraded – net SCO and diesel (\$/bbl)						
Average price realized	118.80	93.87	84.80	81.34	69.40	82.24
Royalties	(16.60)	(10.64)	(9.33)	(4.01)	(3.10)	(6.75)
Transportation and distribution costs	(4.43)	(4.49)	(4.59)	(4.84)	(4.18)	(4.51)
Net operating expenses	(34.63)	(33.18)	(37.36)	(36.07)	(30.44)	(34.06)
Operating netback	63.14	45.56	33.52	36.42	31.68	36.92
Average Oil Sands segment (\$/bbl)						
Average price realized	115.13	86.94	78.69	73.67	63.73	75.71
Royalties	(16.28)	(10.36)	(8.91)	(3.90)	(2.50)	(6.41)
Transportation and distribution costs	(4.86)	(4.74)	(4.91)	(4.99)	(4.41)	(4.75)
Net operating expenses	(31.59)	(30.37)	(31.74)	(30.37)	(26.41)	(29.65)
Operating netback	62.40	41.47	33.13	34.41	30.41	34.90

(A) Contains non-GAAP financial measures. See the Quarterly Operating Metrics Reconciliation and the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

(B) Netbacks are based on sales volumes. Impact of inventory write-down is excluded until product is sold.

(C) Beginning in the first quarter of 2022, to align with how management evaluates performance and to better align with the calculation methodology of Oil Sands cash operating costs, another non-GAAP financial measure used by the company, the company revised its calculation of net operating expenses included in Oil Sands operating netbacks. Comparative periods have been restated to reflect this change.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Summary (continued)

(unaudited)

	Mar 31 2022	Dec 31 2021	For the Quarter Ended Sep 30 2021	Jun 30 2021	Mar 31 2021	For the Year Ended Dec 31 2021
Exploration and Production						
Production volumes						
E&P Canada (mbbs/d)	51.2	47.6	54.4	57.5	58.0	54.4
E&P International (mboe/d)	29.2	29.8	39.1	26.5	37.3	33.1
Total production volumes (mboe/d)	80.4	77.4	93.5	84.0	95.3	87.5
Total sales volumes (mboe/d)	79.5	67.2	76.3	103.8	84.2	82.8
Operating netbacks^{(A)(B)}						
E&P Canada (\$/bbl)						
Average price realized	126.15	101.87	92.88	82.24	76.09	87.04
Royalties	(19.47)	(14.59)	(11.88)	(13.26)	(9.24)	(12.20)
Transportation and distribution costs	(4.02)	(3.45)	(2.65)	(1.59)	(2.18)	(2.34)
Operating costs	(13.15)	(13.42)	(12.87)	(10.27)	(11.27)	(11.74)
Operating netback	89.51	70.41	65.48	57.12	53.40	60.76
E&P International (excluding Libya) (\$/boe)						
Average price realized	116.25	102.80	89.19	80.41	72.05	84.76
Transportation and distribution costs	(2.65)	(2.66)	(3.90)	(1.59)	(2.54)	(2.60)
Operating costs	(8.79)	(10.19)	(10.30)	(13.20)	(8.05)	(10.40)
Operating netback	104.81	89.95	74.99	65.62	61.46	71.76

(A) Contains non-GAAP financial measures. See the Quarterly Operating Metrics Reconciliation and the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

(B) Netbacks are based on sales volumes.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Summary (continued)

(unaudited)

	Mar 31 2022	For the Quarter Ended			Mar 31 2021	For the Year Ended Dec 31 2021
		Dec 31 2021	Sep 30 2021	Jun 30 2021		
Refining and Marketing						
Refined product sales (mbbls/d)	551.9	550.1	551.5	463.3	548.1	528.4
Crude oil processed (mbbls/d)	436.5	447.0	460.3	325.3	428.4	415.5
Rack forward sales volume (ML)	5 180	5 359	5 414	4 791	4 866	20 430
Utilization of refining capacity (%)	94	96	99	70	92	89
Refining and marketing gross margin – first-in, first-out (FIFO) (\$/bbl) ^(A)	53.20	33.60	35.75	38.00	40.75	36.85
Refining and marketing gross margin – last-in, first-out (LIFO) (\$/bbl) ^(A)	35.95	30.00	33.80	29.05	30.30	30.90
Rack forward gross margin (cpl) ^{(A)(B)}	7.35	6.40	7.10	8.30	6.75	7.10
Refining operating expense (\$/bbl) ^(A)	6.25	6.10	5.45	6.65	5.75	5.95
Rack forward operating expense (cpl) ^{(A)(B)}	2.95	2.95	2.80	3.10	2.80	2.90
Eastern North America						
Refined product sales (mbbls/d)						
Transportation fuels						
Gasoline	106.9	113.5	114.1	97.5	115.6	110.2
Distillate	99.8	103.1	93.7	86.4	95.8	94.7
Total transportation fuel sales	206.7	216.6	207.8	183.9	211.4	204.9
Petrochemicals	10.6	13.8	10.3	12.4	12.9	12.4
Asphalt	14.8	20.6	22.4	16.5	12.0	17.9
Other	30.1	21.2	21.7	15.4	25.6	21.0
Total refined product sales	262.2	272.2	262.2	228.2	261.9	256.2
Crude oil supply and refining						
Processed at refineries (mbbls/d)	209.6	214.3	212.3	183.7	200.5	202.8
Utilization of refining capacity (%)	94	97	96	83	90	91
Western North America						
Refined product sales (mbbls/d)						
Transportation fuels						
Gasoline	119.3	119.2	122.4	103.5	117.0	115.6
Distillate	154.5	134.8	140.1	110.5	149.9	133.8
Total transportation fuel sales	273.8	254.0	262.5	214.0	266.9	249.4
Asphalt	7.0	10.1	13.8	8.8	6.0	9.7
Other	8.9	13.8	13.0	12.3	13.3	13.1
Total refined product sales	289.7	277.9	289.3	235.1	286.2	272.2
Crude oil supply and refining						
Processed at refineries (mbbls/d)	226.9	232.7	248.0	141.6	227.9	212.7
Utilization of refining capacity (%)	93	95	102	58	93	87

(A) Contains non-GAAP financial measures. See the Quarterly Operating Metrics Reconciliation and the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

(B) In Q2 2021, the company began disclosing refinery rack forward margin and operating expenses to increase transparency into Suncor's integrated model and align with how management evaluates the performance of the business. Rack forward encompasses Suncor's retail and wholesale business. As an integrated oil and gas company, transfer prices are used to attribute margin to the value chain. The company's transfer prices affecting the refining, supply and rack forward businesses employ replacement cost methodology, which may differ from those subject to supply agreements negotiated by independent market participants. Rack forward margins may include any incremental location differentials above replacement supply cost, as well as the applicable retail and wholesale channel margins generated within those markets.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Metrics Reconciliation

(unaudited)

Oil Sands Operating Netbacks^{(A)(B)(C)}

(\$ millions, except per barrel amounts)

For the quarter ended	March 31, 2022			December 31, 2021		
	Non- Upgraded Bitumen	Upgraded – Net SCO and Diesel	Oil Sands Segment	Non- Upgraded Bitumen	Upgraded – Net SCO and Diesel	Oil Sands Segment
Operating revenues, net of royalties	1 571	4 914	6 485	1 344	3 971	5 315
Add: royalties	211	774	985	155	486	641
Operating revenues	1 782	5 688	7 470	1 499	4 457	5 956
Other (loss) income	(37)	44	7	7	4	11
Purchases of crude oil and products	(390)	(63)	(453)	(320)	(87)	(407)
Gross realization adjustment ⁽²⁾	67	(136)		(88)	(92)	
Gross realization	1 422	5 533		1 098	4 282	
Royalties	(211)	(774)	(985)	(155)	(486)	(641)
Transportation and distribution	(87)	(206)	(293)	(88)	(205)	(293)
Operating, selling and general (OS&G)	(364)	(1 848)	(2 212)	(434)	(1 700)	(2 134)
OS&G adjustment ⁽³⁾	68	236		67	186	
Net operating expenses	(295)	(1 613)		(367)	(1 514)	
Operating netback	829	2 940		488	2 077	
Sales volumes (mmbbls)	13 830	46 592		16 260	45 644	
Operating netback per barrel	59.95	63.14		30.01	45.56	

For the quarter ended	September 30, 2021			June 30, 2021		
	Non- Upgraded Bitumen	Upgraded – Net SCO and Diesel	Oil Sands Segment	Non- Upgraded Bitumen	Upgraded – Net SCO and Diesel	Oil Sands Segment
Operating revenues, net of royalties	1 478	2 995	4 473	1 280	3 136	4 416
Add: royalties	145	359	504	62	158	220
Operating revenues	1 623	3 354	4 977	1 342	3 294	4 636
Other (loss) income	1	75	76	(71)	(8)	(79)
Purchases of crude oil and products	(387)	(55)	(442)	(321)	(24)	(345)
Gross realization adjustment ⁽²⁾	(65)	(109)		(22)	(50)	
Gross realizations	1 172	3 265		928	3 212	
Royalties	(145)	(359)	(504)	(62)	(158)	(220)
Transportation and distribution	(100)	(177)	(277)	(89)	(191)	(280)
OS&G	(422)	(1 582)	(2 004)	(360)	(1 585)	(1 945)
OS&G adjustment ⁽³⁾	73	143		78	160	
Net operating expenses	(349)	(1 439)		(282)	(1 425)	
Operating netback	578	1 290		495	1 438	
Sales volumes (mmbbls)	17 888	38 507		16 700	39 489	
Operating netback per barrel	32.31	33.52		29.64	36.42	

(A) Non-GAAP financial measures. See the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

(B) Impact of inventory write-down is excluded until product is sold.

(C) Beginning in the first quarter of 2022, to align with how management evaluates performance and to better align with the calculation methodology of Oil Sands cash operating costs, another non-GAAP financial measure used by the company, the company revised its calculation of net operating expenses included in Oil Sands operating netbacks. Comparative periods have been restated to reflect this change.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Metrics Reconciliation (continued)

(unaudited)

Oil Sands Operating Netbacks^{(A)(B)(C)}

(\$ millions, except per barrel amounts)

For the quarter ended	March 31, 2021		
	Non- Upgraded Bitumen	Upgraded – Net SCO and Diesel	Oil Sands Segment
Operating revenues, net of royalties	990	3 203	4 193
Add: royalties	14	144	158
Operating revenues	1 004	3 347	4 351
Other (loss) income	7	(9)	(2)
Purchases of crude oil and products	(203)	(47)	(250)
Gross realization adjustment ⁽²⁾	(35)	(74)	
Gross realizations	773	3 217	
Royalties	(14)	(144)	(158)
Transportation and distribution	(82)	(194)	(276)
OS&G	(325)	(1 648)	(1 973)
OS&G adjustment ⁽³⁾	81	239	
Net operating expenses	(244)	(1 409)	
Operating netback	433	1 470	
Sales volumes (mbbls)	16 246	46 343	
Operating netback per barrel	26.79	31.68	

For the year ended	December 31, 2021		
	Non- Upgraded Bitumen	Upgraded – Net SCO and Diesel	Oil Sands Segment
Operating revenues, net of royalties	5 092	13 305	18 397
Add: royalties	376	1 147	1 523
Operating revenues	5 468	14 452	19 920
Other (loss) income	(56)	62	6
Purchases of crude oil and products	(1 231)	(213)	(1 444)
Gross realization adjustment ⁽²⁾	(210)	(325)	
Gross realizations	3 971	13 976	
Royalties	(376)	(1 147)	(1 523)
Transportation and distribution	(359)	(767)	(1 126)
OS&G	(1 541)	(6 515)	(8 056)
OS&G adjustment ⁽³⁾	299	728	
Net operating expenses	(1 242)	(5 787)	
Operating netback	1 994	6 275	
Sales volumes (mbbls)	67 094	169 983	
Operating netback per barrel	29.75	36.92	

(A) Non-GAAP financial measures. See the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

(B) Impact of inventory write-down is excluded until product is sold.

(C) Beginning in the first quarter of 2022, to align with how management evaluates performance and to better align with the calculation methodology of Oil Sands cash operating costs, another non-GAAP financial measure used by the company, the company revised its calculation of net operating expenses included in Oil Sands operating netbacks. Comparative periods have been restated to reflect this change.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Metrics Reconciliation (continued)

(unaudited)

Exploration and Production Operating Netbacks^(A)

(\$ millions, except per barrel amounts)

For the quarter ended	March 31, 2022				December 31, 2021			
	E&P International	E&P Canada	Other ⁽⁴⁾⁽⁵⁾	E&P Segment	E&P International	E&P Canada	Other ⁽⁴⁾⁽⁵⁾	E&P Segment
Operating revenues, net of royalties	272	476	120	868	215	324	92	631
Add: royalties	—	87	60	147	—	54	53	107
Operating revenues	272	563	180	1 015	215	378	145	738
Royalties	—	(87)	(60)	(147)	—	(54)	(53)	(107)
Transportation and distribution	(6)	(17)	—	(23)	(6)	(11)	—	(17)
OS&G	(31)	(72)	(5)	(108)	(28)	(61)	(7)	(96)
Non-production costs ⁽⁶⁾	9	14			8	11		
Operating netback	244	401			189	263		
Sales volumes (mboe)	2 336	4 460			2 111	3 724		
Operating netback per barrel	104.81	89.51			89.95	70.41		

For the quarter ended	September 30, 2021				June 30, 2021			
	E&P International	E&P Canada	Other ⁽⁴⁾⁽⁵⁾	E&P Segment	E&P International	E&P Canada	Other ⁽⁴⁾⁽⁵⁾	E&P Segment
Operating revenues, net of royalties	185	372	78	635	211	434	43	688
Add: royalties	—	55	54	109	—	84	134	218
Operating revenues	185	427	132	744	211	518	177	906
Royalties	—	(55)	(54)	(109)	—	(84)	(134)	(218)
Transportation and distribution	(8)	(13)	(2)	(23)	(4)	(10)	(6)	(20)
OS&G	(29)	(66)	(6)	(101)	(43)	(75)	(4)	(122)
Non-production costs ⁽⁶⁾	7	9			8	11		
Operating netback	155	302			172	360		
Sales volumes (mboe)	2 058	4 613			2 619	6 301		
Operating netback per barrel	74.99	65.48			65.62	57.12		

For the quarter ended	March 31, 2021			
	E&P International	E&P Canada	Other ⁽⁴⁾⁽⁵⁾	E&P Segment
Operating revenues, net of royalties	204	317	25	546
Add: royalties	—	44	—	44
Operating revenues	204	361	25	590
Royalties	—	(44)	—	(44)
Transportation and distribution	(7)	(10)	(35)	(52)
OS&G	(33)	(66)	(11)	(110)
Non-production costs ⁽⁶⁾	10	12		
Operating netback	174	253		
Sales volumes (mboe)	2 828	4 748		
Operating netback per barrel	61.46	53.40		

(A) Non-GAAP financial measures. See the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Metrics Reconciliation (continued)

(unaudited)

Exploration and Production Operating Netbacks^(A)

(\$ millions, except per barrel amounts)

For the year ended	December 31, 2021			E&P Segment
	E&P International	E&P Canada	Other ⁽⁴⁾⁽⁵⁾	
Operating revenues, net of royalties	815	1 447	238	2 500
Add: royalties	—	237	241	478
Operating revenues	815	1 684	479	2 978
Royalties	—	(237)	(241)	(478)
Transportation and distribution	(25)	(44)	(43)	(112)
OS&G	(133)	(268)	(28)	(429)
Non-production costs ⁽⁶⁾	33	43		
Operating netback	690	1 178		
Sales volumes (mboe)	9 616	19 386		
Operating netback per barrel	71.76	60.76		

(A) Non-GAAP financial measures. See the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Metrics Reconciliation (continued)

(unaudited)

Refining and Marketing

(\$ millions, except as noted)

	Mar 31 2022	For the Quarter Ended			For the Year Ended	
		Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2021
Refining and marketing gross margin reconciliation						
Operating revenues	7 855	6 623	6 341	4 938	5 013	22 915
Purchases of crude oil and products	(5 482)	(5 110)	(4 710)	(3 712)	(3 275)	(16 807)
	2 373	1 513	1 631	1 226	1 738	6 108
Other (loss) income	(110)	(2)	(9)	6	(45)	(50)
Non-refining and marketing margin ⁽⁷⁾	(13)	(14)	(13)	(14)	(13)	(54)
Refining and marketing gross margin – FIFO ^(A)	2 250	1 497	1 609	1 218	1 680	6 004
Refinery production (mmbbls) ⁽⁸⁾	42 311	44 575	45 026	32 050	41 211	162 862
Refining and marketing gross margin – FIFO (\$/bbl) ^(A)	53.20	33.60	35.75	38.00	40.75	36.85
FIFO and risk management activities adjustment ^(B)	(729)	(161)	(91)	(288)	(432)	(972)
Refining and marketing gross margin – LIFO ^{(A)(B)}	1 521	1 336	1 518	930	1 248	5 032
Refining and marketing gross margin – LIFO (\$/bbl) ^{(A)(B)(C)}	35.95	30.00	33.80	29.05	30.30	30.90
Rack forward gross margin^(D)						
Refining and marketing gross margin – FIFO ^(A)	2 250	1 497	1 609	1 218	1 680	6 004
Refining and supply gross margin	(1 869)	(1 154)	(1 225)	(820)	(1 351)	(4 550)
Rack forward gross margin ^{(A)(9)}	381	343	384	398	329	1 454
Sales volume (ML)	5 180	5 359	5 414	4 791	4 866	20 430
Rack forward gross margin (cpl) ^(A)	7.35	6.40	7.10	8.30	6.75	7.10
Refining and rack forward operating expense reconciliation						
Operating, selling and general	559	566	502	472	479	2 019
Less: Rack forward operating expense ^{(A)(D)(10)}	153	159	151	148	136	594
Less: Other operating expenses ⁽¹¹⁾	141	135	105	111	106	457
Refining operating expense ^(A)	265	272	246	213	237	968
Refinery production (mmbbls) ⁽⁸⁾	42 311	44 575	45 026	32 050	41 211	162 862
Refining operating expense (\$/bbl) ^(A)	6.25	6.10	5.45	6.65	5.75	5.95
Sales volume (ML)	5 180	5 359	5 414	4 791	4 866	20 430
Rack forward operating expense (cpl) ^{(A)(D)}	2.95	2.95	2.80	3.10	2.80	2.90

(A) Non-GAAP financial measures or contains non-GAAP financial measures. See the Operating Summary Information – Non-GAAP Financial Measures section of this Quarterly Report.

(B) Refining and marketing margin – LIFO excludes the impact of risk management activities.

(C) The Suncor 5-2-2-1 index is most comparable to the company's realized refining and marketing margin presented on a LIFO basis.

(D) In Q2 2021, the company began disclosing refinery rack forward margin and operating expenses to increase transparency into Suncor's integrated model and align with how management evaluates the performance of the business. Rack forward encompasses Suncor's retail and wholesale business. As an integrated oil and gas company, transfer prices are used to attribute margin to the value chain. The company's transfer prices affecting the refining, supply and rack forward businesses employ replacement cost methodology, which may differ from those subject to supply agreements negotiated by independent market participants. Rack forward margins may include any incremental location differentials above replacement supply cost, as well as the applicable retail and wholesale channel margins generated within those markets.

See accompanying footnotes and definitions to the quarterly operating summaries.

Quarterly Operating Metrics Reconciliation (continued)

(unaudited)

Refining and Marketing

Suncor custom 5-2-2-1 index^{(A)(12)}

(US\$/bbl, except as noted) (average for the quarter and year ended)	Mar 31 2022	For the Quarter Ended			Mar 31 2021	For the Year Ended Dec 31 2021	
		Dec 31 2021	Sep 30 2021	Jun 30 2021			
WTI crude oil at Cushing	94.40	77.15	70.55	66.05	57.80	67.95	
SYN crude oil at Edmonton	93.10	75.35	68.95	66.40	54.30	66.30	
WCS at Hardisty	79.80	62.50	56.95	54.60	45.40	54.90	
New York Harbor 2-1-1 crack ^(B)	28.25	20.65	20.90	20.35	15.60	19.40	
Chicago 2-1-1 crack ^(B)	20.20	16.90	20.45	20.25	13.40	17.75	
Product value							
New York Harbor 2-1-1 crack ^(C)	40%	49.05	39.10	36.60	34.55	29.35	34.95
Chicago 2-1-1 crack ^(D)	40%	45.85	37.60	36.40	34.50	28.50	34.30
WTI	20%	18.90	15.45	14.10	13.20	11.55	13.60
Seasonality factor		6.50	6.50	5.00	5.00	6.50	5.75
		120.30	98.65	92.10	87.25	75.90	88.60
Crude value							
SYN	40%	37.25	30.15	27.60	26.55	21.70	26.50
WCS	40%	31.90	25.00	22.80	21.85	18.15	21.95
WTI	20%	18.90	15.45	14.10	13.20	11.55	13.60
		88.05	70.60	64.50	61.60	51.40	62.05
Suncor custom 5-2-2-1 index		32.25	28.05	27.60	25.65	24.50	26.55
Suncor custom 5-2-2-1 index (Cdn\$/bbl)^(A)		40.85	35.35	34.80	31.50	31.05	33.30

(A) The Suncor 5-2-2-1 index is most comparable to the company's realized refining and marketing margin presented on a LIFO basis.

(B) 2-1-1 crack spreads are indicators of the refining margin generated by converting two barrels of WTI into one barrel of gasoline and one barrel of diesel.

(C) Product value of the New York Harbor 2-1-1 crack is calculated by adding the values of the New York Harbor 2-1-1 crack and WTI, multiplying it by 40% and rounding to the nearest nickel.

(D) Product value of the Chicago 2-1-1 crack is calculated by adding the values of the Chicago 2-1-1 crack and WTI, multiplying it by 40% and rounding to the nearest nickel.

See accompanying footnotes and definitions to the quarterly operating summaries.

Operating Summary Information

Non-GAAP Financial Measures

Certain financial measures in this document – namely adjusted operating earnings (loss), adjusted funds from (used in) operations, Oil Sands operations cash operating costs, Fort Hills cash operating costs, Syncrude cash operating costs, refining and marketing gross margin, rack forward gross margin, refining operating expense, rack forward operating expense and operating netbacks – are not prescribed by generally accepted accounting principles (GAAP). Suncor uses this information to analyze business performance, leverage and liquidity and includes these financial measures because investors may find such measures useful on the same basis. These non-GAAP financial measures do not have any standardized meaning and, therefore, are unlikely to be comparable to similar measures presented by other companies. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Adjusted operating earnings (loss), Oil Sands operations cash operating costs, Fort Hills cash operating costs and Syncrude cash operating costs are defined in the Non-GAAP Financial Measures Advisory section and reconciled to GAAP measures in the Consolidated Financial Information and Segment Results and Analysis sections of each respective quarterly Report to Shareholders in respect of the relevant quarter (Quarterly Reports). Adjusted funds from (used in) operations is defined and reconciled to GAAP measures in the Non-GAAP Financial Measures Advisory section of each respective Quarterly Report. Refining and marketing gross margin, rack forward gross margin, refining operating expense and rack forward operating expense are defined in the Non-GAAP Financial Measures Advisory section and reconciled to GAAP measures in the Operating Metrics Reconciliation section of each respective Quarterly Report. Operating netbacks are defined below and are reconciled to GAAP measures in the Quarterly Operating Metrics Reconciliation section of each respective Quarterly Report. The remainder of the non-GAAP financial measures not otherwise mentioned in this paragraph are defined and reconciled in this Quarterly Report.

Beginning in the fourth quarter of 2021, the company changed the label of operating earnings (loss) and funds from (used in) operations to adjusted operating earnings (loss) and adjusted funds from (used in) operations respectively, to better distinguish the non-GAAP financial measures from the comparable GAAP measures and better reflect the purpose of the measures. The composition of the measures remains unchanged and therefore no prior periods were restated.

Oil Sands Operating Netbacks

Oil Sands operating netbacks are a non-GAAP measure, presented on a crude product and sales barrel basis, and are derived from the Oil Sands segmented statement of net earnings (loss), after adjusting for items not directly attributable to the revenues and costs associated with production and delivery. Management uses Oil Sands operating netbacks to measure crude product profitability on a sales barrel basis.

Exploration and Production (E&P) Operating Netbacks

E&P operating netbacks are a non-GAAP measure, presented on an asset location and sales barrel basis, and are derived from the E&P segmented statement of net earnings (loss), after adjusting for items not directly attributable to the revenues and costs associated with production and delivery. Management uses E&P operating netbacks to measure asset profitability by location on a sales barrel basis.

Definitions

- (1) Cash operating costs are calculated by adjusting Oil Sands segment operating, selling and general expense for i) non-production costs that management believes do not relate to production performance, including, but not limited to, share-based compensation adjustments, research costs, safe-mode costs associated with the deferral of capital projects, additional costs incurred in response to the COVID-19 pandemic, adjustments to reflect the cost of internal transfers in the receiving asset at the cost of production and the expense recorded as part of a non-monetary arrangement involving a third-party processor; ii) revenues associated with excess capacity, including excess power generated and sold that is recorded in operating revenue; iii) project startup costs; and iv) the impacts of changes in inventory levels and valuation, such that the company is able to present cost information based on production volumes. Oil Sands operations and Syncrude production volumes are gross of internally consumed diesel and feedstock transfers between assets through the interconnecting pipelines.
- (2) Reflects the items not directly attributed to revenues received from the sale of proprietary crude and net non-proprietary activity at its deemed point of sale.
- (3) Reflects adjustments for general and administrative costs not directly attributed to the production of each crude product type, as well as the revenues associated with excess power from cogeneration units.
- (4) Reflects other E&P assets, such as Libya, for which netbacks are not provided.
- (5) Production from the company's Libya operations has been presented in this document on an economic basis. Revenue and royalties from the company's Libya operations are presented under the working-interest basis, which is required for presentation purposes in the company's financial statements. Under the working-interest basis, revenue includes a gross-up amount with offsetting amounts presented in royalties in the E&P segment and income tax expense reported at the total consolidated level.
- (6) Reflects adjustments for general and administrative costs not directly attributed to production.
- (7) Reflects adjustments for intersegment marketing fees.

- (8) Refinery production is the output of the refining process and differs from crude oil processed as a result of volumetric adjustments for non-crude feedstock, volumetric gain associated with the refining process and changes in unfinished product inventories.
- (9) Rack forward operating revenues, other income less purchases of crude oil and products.
- (10) Rack forward operating expense reflects operating, selling and general expenses associated with retail and wholesale operations.
- (11) Reflects operating, selling and general expenses associated with the company's ethanol businesses and certain general and administrative costs not directly attributable to refinery production.
- (12) The custom 5-2-2-1 index is designed to represent Suncor's Refining and Marketing business based on publicly available pricing data and approximates the gross margin on five barrels of crude oil of varying grades that is refined to produce two barrels of both gasoline and distillate and one barrel of secondary product. The index is a single value that is calculated by taking the product value of refined products less the crude value of refinery feedstock incorporating the company's refining, product supply and rack forward businesses, but excluding the impact of first-in, first-out accounting. The product value is influenced by New York Harbor 2-1-1 crack, Chicago 2-1-1 crack, WTI benchmarks and seasonal factors. The seasonal factor is an estimate and reflects the location, quality and grade differentials for refined products sold in the company's core markets during the winter and summer months. The crude value is influenced by SYN, WCS and WTI benchmarks.

Explanatory Notes

- * Users are cautioned that the Oil Sands operations, Fort Hills and Syncrude cash operating costs per barrel measures may not be fully comparable to one another or to similar information calculated by other entities due to the differing operations of each entity as well as other entities' respective accounting policy choices.

Abbreviations

bbbl	-	barrel
bbbls/d	-	barrels per day
m bbls	-	thousands of barrels
m bbls/d	-	thousands of barrels per day
boe	-	barrels of oil equivalent
boe/d	-	barrels of oil equivalent per day
m boe	-	thousands of barrels of oil equivalent
m boe/d	-	thousands of barrels of oil equivalent per day
cpl	-	cents per litre
ML	-	million litres
WTI	-	West Texas Intermediate
SYN	-	Synthetic crude oil benchmark
WCS	-	Western Canadian Select

Metric Conversion

1 m³ (cubic metre) = approximately 6.29 barrels



Suncor Energy Inc.
150 – 6 Avenue S.W.,
Calgary, Alberta, Canada T2P 3E3
T: 403-296-8000
Suncor.com