**FIRST QUARTER** 2008
Report to shareholders for the period ended March 31, 2008

# Suncor Energy reports financial results for first quarter and updates growth plans

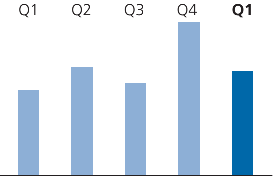
All financial figures are unaudited and in Canadian dollars unless noted otherwise. Certain financial measures referred to in this document are not prescribed by Canadian generally accepted accounting principles (GAAP). For a description of these measures, see Non-GAAP Financial Measures in Suncor's 2008 first quarter Management's Discussion and Analysis. This document makes reference to barrels of oil equivalent (boe). A boe conversion ratio of six thousand cubic feet of natural gas: one barrel of crude oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Accordingly, boe measures may be misleading, particularly if used in isolation.

Suncor Energy Inc. recorded first quarter 2008 net earnings of $708 million ($1.53 per common share), compared to $576 million ($1.25 per common share) in the first quarter of 2007. Excluding unrealized foreign exchange impacts on the company's U.S. dollar denominated long-term debt and project start-up costs, first quarter 2008 net earnings were $788 million ($1.70 per common share), compared to $567 million ($1.23 per common share) in the first quarter of 2007. Cash flow from operations was $1.161 billion in the first quarter of 2008, compared to $825 million in the first quarter of 2007.

The increase in earnings was primarily due to higher price realizations on the company's oil sands sales, as benchmark crude oil prices continued to rise. This was partially offset by increased oil sands operating expenses and increased oil sands royalties, as well as reduced margins in the refining and marketing business.

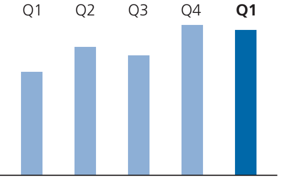
Suncor's total upstream production averaged 286,200 barrels of oil equivalent (boe) per day during the first quarter of 2008, compared to 283,100 boe per day in the first quarter of 2007. Oil sands production during the first quarter averaged 248,000 barrels per day (bpd), comparable to first quarter 2007 production of 248,200 bpd. Natural gas production increased to 229 million cubic feet equivalent (mmcfe) per day in the first quarter of 2008 from 209 mmcfe per day in the first quarter of 2007.

**Net Earnings by Quarter**
($ millions)



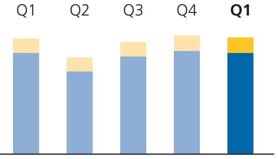
| | 2007 Q1 | 2007 Q2 | 2007 Q3 | 2007 Q4 | **2008 Q1** |
|---|---|---|---|---|---|
| Net earnings | 576 | 738 | 627 | 1,042 | **708** |

**Cash Flow from Operations by Quarter**
($ millions)



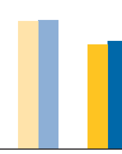
| | 2007 Q1 | 2007 Q2 | 2007 Q3 | 2007 Q4 | **2008 Q1** |
|---|---|---|---|---|---|
| Cash flow from operations | 825 | 1,027 | 957 | 1,200 | **1,161** |

**Production**
(thousands of barrels of oil equivalent per day)



| | 2007 Q1 | 2007 Q2 | 2007 Q3 | 2007 Q4 | **2008 Q1** |
|---|---|---|---|---|---|
| Natural Gas | 34.9 | 34.9 | 35.2 | 38.2 | **38.2** |
| Oil Sands | 248.2 | 202.3 | 239.1 | 252.5 | **248.0** |
| Total | 283.1 | 237.2 | 274.3 | 290.7 | **286.2** |

**Ratios**
(per cent)
for the twelve months ended March 31



| | 2007 | **2008** |
|---|---|---|
| Return on average shareholders' equity | 34.2 | **27.9** |
| Return on capital employed | 34.4 | **28.8** |

Oil sands cash operating costs averaged $31.55 per barrel in the first quarter of 2008, compared to $26.30 per barrel during the first quarter of 2007. The increase in cash operating costs per barrel was primarily due to an increase in third-party bitumen purchases and higher maintenance costs, employee expenses, contract mining and energy input costs.

## Operations and growth update

"Driving operational excellence is the priority," said Rick George, president and chief executive officer. "Ensuring a steady supply of bitumen is key to boosting production rates at our expanded oil sands facilities. A strategic focus on maintenance across the company is also expected to help us deliver on our plans to have all systems running safely and reliably."

Scheduled maintenance at both Suncor's Sarnia refinery and oil sands operations is expected to contribute to improved long-term operational performance.

Planned work at the Sarnia refinery includes equipment improvements that are expected to allow the refinery to achieve full benefit from modifications made in 2007 to increase sour synthetic crude capacity. All work is scheduled for completion in early May.

At the oil sands operations, an approximate 30-day maintenance shutdown to Upgrader 1 is expected to begin in mid-May. During the planned maintenance, Upgrader 2 is expected to produce approximately 200,000 bpd.

Progress also continues on work to reduce emissions at the company's Firebag in-situ operation. Air emissions exceeding regulatory limits at the facility resulted late last year in regulators capping production at 42,000 bpd of bitumen until emissions are stable at compliant levels. Construction is underway on a $340 million sulphur plant to help manage sulphur emissions and we continue to work closely with regulators on meeting requirements to increase production.

The addition of a third coker set to Upgrader 2 is on budget and on schedule for completion in June with production expected to increase during the balance of 2008.

"With the planned maintenance and expansion work at oil sands scheduled for completion in the coming months, we're targeting increased production through the second half of the year as we ramp up toward new capacity of 350,000 barrels per day," says George.

Plans to further increase production capacity from 350,000 bpd to 550,000 bpd in 2012 were confirmed in January when the company's Board of Directors approved the $20.6 billion Voyageur expansion. Approximately $3.3 billion has already been invested in the project, which includes constructing a third upgrader and increasing bitumen supply through further expansion of in-situ operations.

As Suncor invests for future growth, prudent debt management remains a priority. Net debt levels increased to $3.9 billion at the end of the first quarter from $3.2 billion at December 31, 2007.

## Outlook

Suncor's outlook provides management's targets for 2008 in certain key areas of the company's business. Outlook forecasts are subject to change.

| | Three Month Actuals Ended March 31, 2008 | 2008 Full Year Outlook |
|---|---|---|
| **Oil Sands** | | |
| Production (bpd)[1] | **248 000** | 275 000 bpd to 285 000 bpd |
| Diesel | **12%** | 12% |
| Sweet | **39%** | 38% |
| Sour | **49%** | 46% |
| Bitumen | **0%** | 2% |
| Third-party processing[2] | **0%** | 2% |
| Realization on crude sales basket[1] | **WTI @ Cushing less Cdn$2.14 per barrel** | WTI @ Cushing less Cdn$3.50 to Cdn$4.50 per barrel |
| Cash operating costs[1][3] | **$31.55 per barrel** | $26.00 to $27.00 per barrel |
| **Natural Gas** | | |
| Production[4] (mmcf equivalent per day) | **229** | 205 to 215 |
| Natural gas | **91%** | 93% |
| Liquids | **9%** | 7% |

(1) Based on first quarter results and expectations for the balance of the year, the outlook for oil sands production and cash operating costs per barrel have been narrowed to more conservative ranges. The original oil sands production outlook range was 275,000 bpd to 300,000 bpd with a corresponding cash operating cost range of $25.00 to $27.00 per barrel. The expected discount to WTI benchmark prices for Suncor's crude sales basket has been reduced from WTI @ Cushing less Cdn$4.25 to Cdn$5.25 per barrel due to strengthening differentials for sweet synthetic blends.

(2) Volumes transferred to us for processing for which we receive a processing fee. Volumes received under this arrangement are not included as purchases for financial statement presentation.

(3) Cash operating cost estimates are based on the following assumptions: production volumes and sales mix as described in the table above and a natural gas price of $6.70 per gigajoule at AECO. This goal also includes costs incurred for third-party bitumen processing. Cash operating costs per barrel are not prescribed by Canadian generally accepted accounting principles (GAAP). This non-GAAP financial measure does not have any standardized meaning and therefore is unlikely to be comparable to similar measures presented by other companies. Suncor includes this non-GAAP financial measure because investors may use this information to analyze operating performance. This information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See Non-GAAP Financial Measures on page 14.

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

Factors that could potentially impact Suncor's financial performance include:

- Planned maintenance at oil sands. Upgrader 1 is expected to be shut down for approximately 30 days beginning mid-May and Firebag production is expected to be reduced for a two to four week period while scheduled maintenance is underway. Although these shutdowns are reflected in operational targets for the year, production estimates could be impacted if unplanned work is identified, or the schedule is impacted by labour or material supply issues. During the Upgrader 1 outage, Upgrader 2 is expected to continue producing approximately 200,000 bpd.
- Completion of construction, commissioning and ramp-up of an expansion to Upgrader 2. Production rates during the ramp-up period are difficult to predict and can be impacted by bitumen supply, as well as planned and unplanned maintenance.
- Bitumen supply. If Suncor encounters unexpected issues in meeting regulatory requirements aimed at controlling emissions at both base plant and in-situ operations, there may be continued bitumen supply restrictions that could impact 2008 production targets.
- Production volumes at the Sarnia refinery. Suncor is performing maintenance and equipment improvements at the refinery and this work could impact future production.
- Crude oil hedges. Suncor has hedging agreements for 10,000 bpd in 2008. These costless collar hedges have an average floor of US$59.85 per barrel with an average ceiling of US$101.06 per barrel.

Information on risks, uncertainties and other factors that could affect these plans is included in Suncor's annual report to shareholders and other documents filed with regulatory authorities.

## Management's Discussion and Analysis

April 23, 2008

This Management's Discussion and Analysis (MD&A) contains forward-looking statements. These statements are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. See page 16 for additional information.

This MD&A should be read in conjunction with our March 31, 2008 unaudited interim consolidated financial statements and notes. Readers should also refer to our MD&A on pages 10 to 48 of our 2007 Annual Report and to our Annual Information Form (AIF) dated February 27, 2008. All financial information is reported in Canadian dollars (Cdn$) and in accordance with Canadian generally accepted accounting principles (GAAP) unless noted otherwise. The financial measures cash flow from operations, return on capital employed (ROCE) and cash and total operating costs per barrel referred to in this MD&A are not prescribed by GAAP and are outlined and reconciled in Non-GAAP Financial Measures on page 46 of our 2007 Annual Report, and page 14 of this MD&A.

Certain amounts in prior years have been reclassified to enable comparison with the current year's presentation.

Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (mcf) of natural gas: one barrel of crude oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

References to "we," "our," "us," "Suncor," or "the company" mean Suncor Energy Inc., its subsidiaries, partnerships and joint venture investments, unless the context otherwise requires.

The tables and charts in this document form an integral part of this MD&A.

Additional information about Suncor filed with Canadian securities commissions and the United States Securities and Exchange Commission (SEC), including periodic quarterly and annual reports and the AIF filed with the SEC under cover of Form 40-F, is available on-line 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 a part of this MD&A and is not incorporated into the MD&A by reference.

In order to provide shareholders with full disclosure relating to potential future capital expenditures, we have provided cost estimates for significant capital projects that, in some cases, are still in the early stages of development. These costs are preliminary estimates only. The actual amounts are expected to differ and these differences may be material. For a further discussion of our significant capital projects, see the Significant Capital Project Update on page 10.

## Selected Financial Information

### Industry Indicators

| (average for the period) | Three months ended March 31 **2008** | 2007 |
|---|---|---|
| West Texas Intermediate (WTI) crude oil US$/barrel at Cushing | **97.90** | 58.15 |
| Canadian 0.3% par crude oil Cdn$/barrel at Edmonton | **98.25** | 67.45 |
| Light/heavy crude oil differential US$/barrel WTI at Cushing less Western Canadian Select at Hardisty | **21.55** | 16.25 |
| Natural Gas US$/mcf at Henry Hub | **8.10** | 6.95 |
| Natural Gas (Alberta spot) Cdn$/mcf at AECO | **7.15** | 7.45 |
| New York Harbour 3-2-1 crack (1) US$/barrel | **8.75** | 11.35 |
| Exchange rate: US$/Cdn$ | **1.00** | 0.85 |

(1) New York Harbour 3-2-1 crack is an industry indicator measuring the margin on a barrel of oil for gasoline and distillate. It is calculated by taking two times the New York Harbour gasoline margin plus one times the New York Harbour distillate margin and dividing by three.

### Outstanding Share Data (at March 31, 2008)

| | |
|---|---|
| Common shares | 463 502 992 |
| Common share options – total | 27 886 707 |
| Common share options – exercisable | 7 972 905 |

**Summary of Quarterly Results**

| | 2008 | 2007 | | | | 2006 | | |
|---|---|---|---|---|---|---|---|---|
| | **Three months ended** | Three months ended | | | | Three months ended | | |
| ($ millions, except per share) | **Mar 31** | Dec 31 | Sept 30 | June 30 | Mar 31 | Dec 31 | Sept 30 | June 30 |
| Revenues | **5 988** | 4 958 | 4 666 | 4 358 | 3 951 | 3 787 | 4 114 | 4 070 |
| Net earnings | **708** | 1 042 | 627 | 738 | 576 | 334 | 669 | 1 241 |
| Net earnings attributable to common shareholders per share | | | | | | | | |
| Basic | **1.53** | 2.25 | 1.36 | 1.60 | 1.25 | 0.73 | 1.46 | 2.70 |
| Diluted | **1.50** | 2.20 | 1.33 | 1.57 | 1.22 | 0.71 | 1.42 | 2.63 |

## Analysis of Consolidated Statements of Earnings and Cash Flows

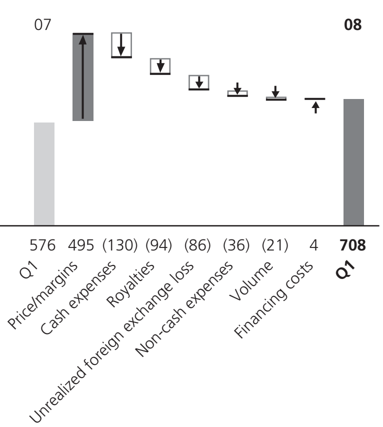
Net earnings for the first quarter of 2008 were $708 million, compared to $576 million for the first quarter of 2007. Excluding unrealized foreign exchange impacts on the company's U.S. dollar denominated long-term debt and project start-up costs, earnings for the first quarter of 2008 were $788 million, compared to $567 million in the first quarter of 2007.

The increase in earnings was primarily due to higher price realizations on our oil sands products, as benchmark crude prices continued to rise. This was partially offset by increased operating expenses in our oil sands business primarily due to higher maintenance costs, employee expenses, contract mining and energy input costs and increased oil sands royalties, as well as reduced margins in the refining and marketing business.

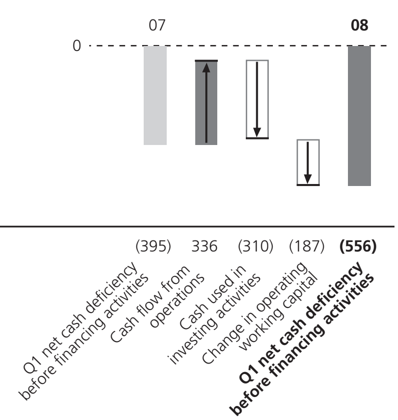
Cash flow from operations in the first quarter of 2008 was $1.161 billion, compared to $825 million in the same period of 2007. The increase was due primarily to the same factors that impacted net earnings, excluding the impact of unrealized foreign exchange losses on our U.S. dollar denominated long-term debt.

Our effective tax rate for the first quarter of 2008 was unchanged from the first quarter of 2007 at 30%. During the first three months of 2008, we recorded $156 million in current income tax expense compared to $162 million in the first three months of 2007 (see page 9 for a more detailed discussion).

**Bridge Analysis of Consolidated Net Earnings**
($ millions)




**Bridge Analysis of Consolidated Net Cash Flow**
($ millions)




**Net Earnings Components**

This table explains some of the factors impacting net earnings on an after-tax basis. For comparability purposes, readers should rely on the reported net earnings presented in our unaudited interim consolidated financial statements and notes in accordance with Canadian GAAP.

| | Three months ended March 31 | |
|---|---|---|
| ($ millions, after-tax) | **2008** | 2007 |
| Earnings before the following items: | **788** | 567 |
| Unrealized foreign exchange gain (loss) on U.S. dollar denominated long-term debt | **(75)** | 11 |
| Project start-up costs | **(5)** | (2) |
| Net earnings as reported | **708** | 576 |

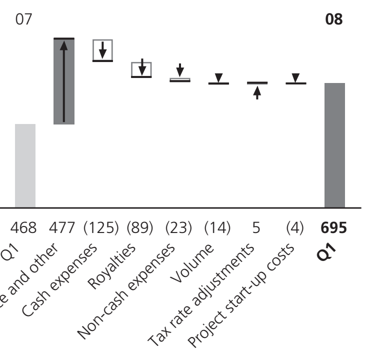
## Analysis of Segmented Earnings and Cash Flows

### Oil Sands

Oil sands recorded 2008 first quarter net earnings of $695 million, compared with $468 million in the first quarter of 2007. Excluding the impact of project start-up costs, earnings for the first quarter of 2008 were $700 million, compared to $469 million in the first quarter of 2007. Earnings increased primarily as a result of higher average price realizations for oil sands crude products, partially offset by an increase in operating expenses and higher royalty expenses.

The price increase reflects higher benchmark WTI crude oil prices and an increased premium to WTI for our sweet crude blends, partially offset by the stronger Canadian dollar and a larger discount to WTI for our sour crude blends.

**Bridge Analysis of Oil Sands Net Earnings**
($ millions)




Purchases of crude oil and products were $47 million in the first quarter of 2008, compared to $9 million in the first quarter of 2007. The increase was primarily a result of third-party bitumen purchases to offset reduced production from our in-situ operations as we work to meet regulatory requirements.

Operating expenses before tax were $717 million in the first quarter of 2008, compared to $590 million in the first quarter of 2007. The increase in operating expenses in the first quarter of 2008 was primarily due to higher maintenance expenses as part of our efforts to improve reliability, increased employee costs resulting from higher overall salaries and an increased number of employees, and higher contract mining and energy input costs.

Depreciation, depletion and amortization (DD&A) expense was $129 million in the first quarter of 2008, compared to $100 million during the same period in 2007. The increase resulted from continued growth in the depreciable cost base for our oil sands facilities.

Alberta Crown royalty expense was $282 million in the first quarter of 2008, compared to $157 million in the first quarter of 2007. The increase was due mainly to higher revenues as a result of strong WTI crude pricing. This increase was partially offset by the impact of higher operating expenses and higher eligible capital expenditures. For a further discussion of Crown royalties, see page 7.

Cash flow from operations was $910 million in the first quarter of 2008, compared to $600 million in the first quarter of 2007. Excluding the impact of DD&A, the increase was due primarily to the same factors that impacted net earnings.

Oil sands production of 248,000 barrels per day (bpd) in the first quarter of 2008 was comparable to production of 248,200 bpd during the first quarter 2007. Based on first quarter results and expectations for the balance of the year, the oil sands production outlook has been narrowed to 275,000 to 285,000 bpd from the original outlook of 275,000 to 300,000 bpd.

Sales volumes during the first quarter of 2008 averaged 245,100 bpd, compared with 254,500 bpd during the first quarter of 2007. The proportion of higher value diesel fuel and sweet crude products decreased to 51% of total sales volumes in the first quarter of 2008, compared to 53% in the first quarter of 2007.

The average price realization for oil sands crude products increased to $96.16 per barrel in the first quarter of 2008, compared to $65.70 per barrel in the first quarter of 2007. An increase in average benchmark WTI crude oil prices of approximately 70% and an increased premium to WTI on our sweet crude blends were partially offset by the stronger Canadian dollar and a larger discount to WTI for our sour crude blends. As a result, per barrel prices for our oil sands synthetic crude oil averaged $2.14 below WTI, compared to our expectation of $4.25 to $5.25 below WTI for 2008. The expected discount to WTI benchmark prices for our full year 2008 crude sales has been reduced to WTI less $3.50 to $4.50 per barrel.

During the first quarter of 2008, cash operating costs averaged $31.55 per barrel, compared to $26.30 per barrel during the first quarter of 2007. The increase in cash operating costs per barrel was primarily due to an increase in third-party bitumen purchases and the previously noted increase in operational expenses. Based on first quarter results and expectations for the balance of the year, the oil sands cash operating cost outlook has been narrowed to $26.00 to $27.00 per barrel from the original outlook of $25.00 to $27.00 per barrel. Refer to page 14 for further details on cash operating costs as a non-GAAP financial measure, including the calculation and reconciliation to GAAP measures.

An approximate 30-day maintenance shutdown to Upgrader 1 is expected to begin in mid-May. During the maintenance work, Upgrader 2 is expected to continue production of approximately 200,000 bpd. Completion of planned maintenance on Upgrader 1 is expected to be followed by completion of construction and final tie-ins of a third coker set and related facilities for Upgrader 2. Expansion work on Upgrader 2 remains on budget and on schedule for completion in June.

**Oil Sands Growth Update**

Suncor's growth strategy includes an expansion of existing upgrading facilities that targets an increase in production capacity to 350,000 bpd by the second half of 2008 with actual production ramping up towards capacity over the balance of the year. Engineering is complete and construction is substantially complete.

Construction of Suncor's $340 million Firebag sulphur plant remains on schedule and on budget. When complete, the plant is expected to play a role in reducing sulphur emissions for existing and planned in-situ developments. For further discussion of regulatory requirements related to in-situ operations, see page 12.

Suncor's Board of Directors approved the final phase of our multi-staged Voyageur growth strategy in January 2008. An investment estimated at $20.6 billion is expected to increase production capacity by 200,000 bpd, enabling production capacity of 550,000 bpd in 2012. Of the total $20.6 billion budget, $9 billion is planned for expansion of bitumen supply at our in-situ operation, while $11.6 billion is targeted for construction of a third upgrader.

We are targeting capital spending of approximately $5.3 billion this year on various components of our oil sands expansion plans.

For an update on our significant growth projects currently in progress see page 10.

**Oil Sands Crown Royalties**

For a description of the Alberta Crown royalty regimes in effect for our oil sands operations, see page 19 of our 2007 Annual Report and page 34 of our first quarter report to shareholders.

In the first quarter of 2008, we recorded a pretax royalty estimate of $282 million, compared to $157 million for the first quarter of 2007. The increase was due mainly to higher revenues as a result of strong WTI crude pricing. This increase was partially offset by the impact of higher operating expenses and higher eligible capital expenditures.

In 2008, the estimation process for calculating the quarterly royalty provision was changed from being based on an annual estimate to being based on the actual eligible revenues and costs recorded in the period. If the annualized approach was used for 2008, pretax royalties would have been $17 million higher for the first quarter.

The following table sets forth our estimates of royalties in the years 2008 through 2012, and certain assumptions on which we have based our estimates.

**Oil Sands Mining and In-Situ Royalties**

| **WTI Price/bbl US$** | **80** | **90** | **100** |
|---|---|---|---|
| Natural gas (Alberta spot) Cdn$/mcf at AECO | 7.36 | 7.61 | 7.84 |
| Light/heavy oil differential of WTI at Cushing less Maya at the U.S. Gulf Coast US$ | 18.72 | 20.86 | 22.97 |
| US$/Cdn$ exchange rate | 1.00 | 1.05 | 1.10 |
| **Crown Royalty Expense (based on percentage of total oil sands revenue)** % | | | |
| **2008** – Mining synthetic crude oil, in-situ bitumen (25% and 1% min) | 9-10 | 10-11 | 11-12 |
| **2009** – Bitumen (mining old rates – 25% and 1% min; in-situ new rates)(1) | 8-9 | 9-10 | 10-12 |
| **2010 to 2012** – Bitumen (new rates – cap 30% for mining)(1) | 9-11 | 9-11 | 10-12 |

(1) For additional information on royalty rates, see page 19 of our 2007 Annual Report.

The foregoing table contains forward-looking information and users of this information are cautioned that actual Crown royalty expense may vary from the ranges disclosed in the table. The royalty ranges disclosed in the table were developed using the following assumptions: current agreements with the government of Alberta (assuming the government enacts their proposed framework), royalty rates proposed by the government of Alberta, current forecasts of production, capital and operating costs, and the commodity prices and exchange rates described in the table. If annual average WTI prices are above US$100, Suncor anticipates Firebag in-situ royalties may be higher than disclosed in the table.

The following material risk factors could cause actual royalty rates to differ materially from the rates contained in the foregoing table:

(i) Pursuant to the new royalty framework, the government intends to establish a permanent generic "bitumen valuation methodology" for determining the "R" (gross revenues less related transportation costs) related to bitumen. The government is consulting with stakeholders and independent advisors with a decision on the methodology anticipated by June 30, 2008. Final determination of that methodology may have an impact on royalties payable to the Crown;

(ii) The government announced in April 2008 it will implement recommendations to enhance how the performance of the royalty regime is measured and reported. They are also in the process of reviewing technical policy details and business rules that are being changed to align with the new royalty framework announced in October 2007. Steps taken by the government may affect the calculation of royalties; and

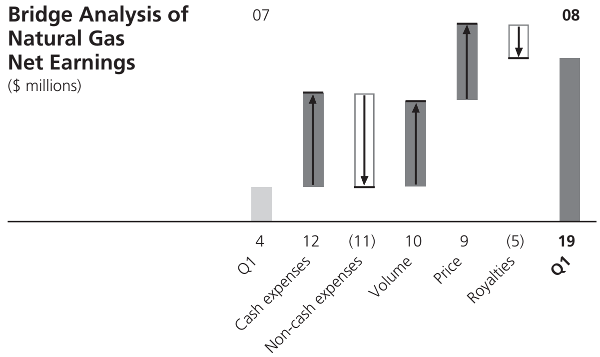
(iii) Changes in crude oil and natural gas pricing, production volumes, foreign exchange rates, and capital and operating costs for each oil sands project; changes to the generic royalty regime by the government of Alberta; changes in other legislation and the occurrence of unexpected events all have the potential to have an impact on royalties payable to the Crown.

The forward-looking information in the preceding paragraphs and table should not be taken as an estimate, forecast or prediction of future events or circumstances.

## Natural Gas

Our natural gas business recorded net earnings of $19 million in the first quarter of 2008, compared with $4 million of net earnings during the first quarter of 2007. The increase in net earnings was primarily the result of higher revenues driven by increased production, stronger price realizations and higher sulphur prices, in addition to lower dry hole costs. These factors were partially offset by higher DD&A expense resulting from increased production and an increased capital base resulting from higher finding and developing costs, as well as higher royalties related to the increased revenues.

**Bridge Analysis of Natural Gas Net Earnings**
($ millions)




Cash flow from operations for the first quarter of 2008 was $82 million, compared to $64 million in the first quarter of 2007. The increase is primarily due to the same factors affecting net earnings, excluding the impact of DD&A and dry hole costs.

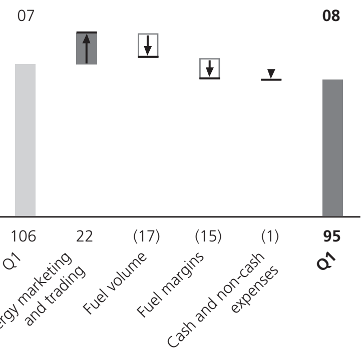
Natural gas and liquids production in the first quarter of 2008 was 229 million cubic feet equivalent (mmcfe) per day, compared to 209 mmcfe per day in the first quarter of 2007. The increased production compared to the prior year was primarily due to the addition of new wells and improved access to processing facilities. Our 2008 planned production (205 to 215 mmcfe per day) offsets Suncor's projected purchases for internal consumption at our oil sands operations.

Realized natural gas prices in the first quarter of 2008 were $7.30 per thousand cubic feet (mcf), compared to $7.01 per mcf in the first quarter of 2007, reflecting favourable pricing terms.

## Refining and Marketing

Refining and marketing recorded 2008 first quarter net earnings of $95 million, compared to net earnings of $106 million in the first quarter of 2007. The decrease in net earnings primarily resulted from reduced margins on gasoline and other petroleum products as well as softening demand for petroleum products due to historically high prices. Net earnings were also negatively impacted by the loss of third-party hydrogen supply in January at our Sarnia refinery, which negatively affected production and resulted in increased finished product purchases. A required retroactive change to inventory accounting policy resulted in refining and marketing recording an $80 million positive adjustment to net earnings in the first quarter of 2008. For further details of this change, see page 13.

**Bridge Analysis of Refining and Marketing Net Earnings**
($ millions)




Energy marketing and trading activities, including physical trading activities, resulted in a net pretax gain of $29 million in the first quarter of 2008, compared to a net pretax loss of $2 million in the first quarter of 2007. The higher earnings in the first quarter of 2008 were due to stronger crude trading margins.

Cash flow from operations was $190 million in the first quarter of 2008, compared to $180 million in the first quarter of 2007. Despite decreased net earnings in the first quarter of 2008, cash flow from operations was up in the quarter due to an increase in non-cash expenses.

During the first quarter of 2008, refinery crude oil utilization was 90%, compared to 97% in the first quarter of 2007. The utilization rate at the Sarnia refinery was negatively impacted in the first quarter of 2008 due to the loss of third-party hydrogen supply.

Maintenance is underway to portions of the Sarnia refinery. The work, which began in early April, includes minor planned maintenance and equipment improvements that are expected to allow the refinery to achieve full benefit from modifications made in 2007 to increase sour synthetic crude capacity at the facility. All work is scheduled for completion in early May.

We are assessing plans to expand ethanol production at the St. Clair plant site. Final approval of the project remains subject to approval of government support under the Federal ecoAgricultural Biofuels Capital (ecoABC) Initiative.

For an update on our significant growth projects currently in progress see page 10.

### Corporate and Eliminations

After-tax net corporate expense was $101 million in the first quarter of 2008, compared to $2 million in the first quarter of 2007. Excluding the impact of group elimination entries, after-tax net corporate expense was $73 million in the first quarter of 2008 (nil in the first quarter of 2007). Net expense increased mainly due to unrealized foreign exchange losses on our U.S dollar denominated long-term debt as the U.S. dollar strengthened against the Canadian dollar during the first quarter of 2008. After-tax unrealized foreign exchange losses on U.S. dollar denominated long-term debt were $75 million in the first quarter of 2008 compared to a gain of $11 million in the first quarter of 2007. Group elimination entries increased to $28 million in the first quarter of 2008, from $2 million in the first quarter of 2007, primarily as a result of profit elimination on inventory sold from oil sands to refining and marketing.

**Breakdown of Net Corporate Expense**

| Three months ended March 31 ($ millions) | **2008** | 2007 |
|---|---|---|
| Corporate expense | **(73)** | — |
| Group eliminations | **(28)** | (2) |
| Total | **(101)** | (2) |

Cash used in operations was $21 million in the first quarter of 2008, compared to $19 million in the first quarter of 2007.

## Cash Income Taxes

The 2007 federal budget proposed to phase out the accelerated capital cost allowance that was originally intended to offset some of the risk associated with the large capital investment required to bring oil sands projects to production. The accelerated capital cost allowance will continue to be available for assets acquired before 2012 on projects where major construction commenced before March 19, 2007. We believe Suncor's Voyageur expansion, targeted for completion in 2012, will fall under the current accelerated capital cost allowance provisions. If not, the accelerated capital cost allowance for Voyageur will be gradually phased out between 2011 and 2015.

We estimate we will have cash income taxes of 30% to 50% of our effective tax rate during 2008 to 2010 inclusive. Thereafter, we do not anticipate any significant cash income tax until the middle of the next decade. Cash income taxes are sensitive to crude oil and natural gas commodity price volatility and the timing of deductibility of capital expenditures for income tax purposes. This estimate is based on the following assumptions: current forecasts of production, capital and operating costs, the commodity prices and exchange rates described in the table "Oil Sands Mining and In-Situ Royalties" on page 7 and effective income tax rates within 2% of the statutory income tax rate, assuming there are no changes to the current income tax regime. Our outlook on cash income tax is a forward-looking statement and users of this information are cautioned that actual cash income taxes may vary from our outlook.

## Analysis of Financial Condition and Liquidity

Excluding cash and cash equivalents, short-term debt and future income taxes, Suncor had an operating working capital deficiency of $347 million at the end of the first quarter of 2008, compared to a deficiency of $212 million at the end of the first quarter of 2007, due primarily to increases in accounts payable and accrued liabilities.

During the first three months of 2008, net debt increased to $3.902 billion from $3.248 billion at December 31, 2007. The increase in net debt levels was primarily a result of increased capital spending to fulfill our growth strategies.

In February, Suncor's $330 million bilateral credit facility was increased to $410 million and, in March, our $2 billion syndicated credit facility was increased to $3.5 billion and its term was extended to 2013.

At March 31, 2008, our undrawn credit facilities were approximately $2.5 billion. Outstanding debt shelf prospectuses filed in 2007 in Canada and the U.S. enable the company to issue up to $1.4 billion in debt in Canada and US$850 million in debt in the U.S. We believe we have the capital resources from our undrawn credit facilities, cash flow from operations, and access to debt capital markets to fund the remainder of our 2008 capital spending program and to meet our current working capital requirements. If additional capital is required, we believe adequate additional financing will continue to be available at commercial terms and rates. As reported in our 2007 Annual Report, we anticipate capital spending of approximately $7.5 billion for 2008.

## Significant Capital Project Update

A summary of the progress on our significant projects under construction to support both our growth and sustaining needs is provided below. All projects listed below have received Board of Directors approval.

| Project | Plan | Cost Estimate $ millions (1) | Estimate % Accuracy (1) | Spent to date | % complete Overall engineering | % complete Construction | Target completion date |
|---|---|---|---|---|---|---|---|
| Coker unit | Expected to increase production capacity by 90,000 bpd | 2 100 | +13/–7 | 2 200 | 100 | 98 | Q2 2008 |
| Naphtha unit | Increases sweet product mix | 650 | +10/–10 | 420 | 97 | 25 | 2009 |
| Steepbank extraction plant | New location and technologies aimed at improving operational performance | 850 | +10/–10 | 390 | 97 | 30 | 2009 |
| North Steepbank mine extension | Expected to generate about 180,000 bpd of bitumen | 400 | +10/–10 | 70 | 50 | 15 | 2009 |
| Firebag sulphur plant | Support emission abatement plan at Firebag; capacity to support stages 1-6 | 340 | +10/–10 | 130 | 80 | 15 | 2009 |
| Voyageur program: Firebag (2) | Expansion of Firebag 3-6 is expected to generate about 270,000 bpd of bitumen | 9 000 | +18/–13 | 1 825 (3) | | | |
| | – Stage 3 | | | | 85 | 25 | 2009 |
| | – Stage 4 (4) | | | | 35 | — | 2010 |
| | – Stage 5 (4) | | | | 10 | — | 2011 |
| | – Stage 6 (4) | | | | 10 | — | 2011 |
| Voyageur program: Upgrader 3 (5) | Expected to increase production capacity by 200,000 bpd | 11 600 | +12/–8 | 1 435 (3) | 50 | 4 | 2011 |

(1) Excludes commissioning and start-up costs. Cost estimates and estimate accuracy reflect budgets approved by Suncor's Board of Directors.

(2) Ramp-up to full capacity of each stage can take up to eighteen months from completion of construction.

(3) Spending to date includes procurement of major project components. For Firebag Stage 3, procurement at March 31, 2008, was 73% complete; for Stage 4, 72% complete; and for Stage 5, 4% complete. For Upgrader 3, procurement was 48% complete.

(4) Pending regulatory approval.

(5) Construction completion targeted in 2011 with ramp-up to full capacity during 2012.

The previous table contains forward-looking information and users of this information are cautioned that the actual timing, amount of the final capital expenditures and expected results for each of these projects may vary from the plans disclosed in the table. The target completion dates and cost estimates are based on information and assumptions from the procurement, design and engineering phases of the projects. The more preliminary the project, the greater the range of uncertainty that is projected in connection with the project.

For a list of the material risk factors that could cause actual timing, amount of the final capital expenditures and expected results to differ materially from those contained in the previous table, please see our 2007 Annual Report, pages 21 to 26. The forward-looking information in the preceding paragraphs and table should not be taken as an estimate, forecast or prediction of future events or circumstances.

## Derivative Financial Instruments

On January 1, 2008, the company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation", which enhance existing disclosures for financial instruments. In particular, section 3862 focuses on the identification of risk exposures and the company's approach to management of these risks. These new disclosures have been incorporated in the following discussion and in the notes to our unaudited financial statements.

We periodically enter into derivative contracts to hedge against the potential adverse impact of changing market prices due to changes in the underlying indices. We also use physical and financial energy contracts to earn trading and marketing revenues.

The estimated fair values of financial instruments have been determined based on the company's assessment of available market information and appropriate valuation methodologies based on industry-accepted third-party models; however, these estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction.

**Commodity Hedging Activities** To provide an element of stability to future earnings and cash flow, we have Board of Directors approval to fix a price or range of prices for up to approximately 30% of our total planned production of crude oil for specified periods of time. The company has hedged a portion of its forecasted U.S. dollar denominated sales subject to U.S. dollar West Texas Intermediate (WTI) commodity price risk. At March 31, 2008, costless collar crude oil hedges totaling 10,000 bpd of production were outstanding for the remainder of 2008. Prices for these barrels are fixed within a range from an average of US$59.85/bbl up to an average of US$101.06/bbl. In addition to these hedges, during the first quarter of 2008, we purchased crude oil puts for 55,000 bpd of production for 2009 and 2010 which provide us with a floor price of US$60.00/bbl.

In addition to our strategic crude oil hedging program, the company also uses derivative contracts to hedge risks related to purchases and sales of natural gas and refined products, and to hedge risks specific to individual transactions.

Settlement of our hedging contracts result in cash receipts or payments for the difference between the derivative contract and market rates for the applicable volumes hedged during the contract term. Cash received or paid offsets corresponding decreases or increases in our sales revenues or product purchase costs. For accounting purposes, amounts received or paid on settlement are recorded as part of the related hedged sales or purchase transactions in the Consolidated Statements of Earnings and Comprehensive Income.

**Treasury Hedging Activities** We periodically enter into interest rate swap contracts as part of our strategy to manage exposure to interest rates. The interest rate swap contracts involve an exchange of floating rate and fixed rate interest payments between ourselves and investment grade counterparties. The differentials on the exchange of periodic interest payments are recognized as an adjustment to interest expense. In addition to our interest rate swap contracts, the company also manages variability in market interest rates and foreign exchange rates during periods of debt issuance through the use of interest rate locks and foreign exchange forward contracts.

The earnings impact associated with changes in the fair values of our commodity and treasury hedging derivative financial instruments in the first quarter of 2008 was a pretax loss of $16 million (2007 – pretax loss of $2 million).

**Energy Marketing and Trading Activities** In addition to derivative contracts used for hedging activities, the company uses physical and financial energy derivatives to earn trading and marketing revenues. The results of these trading activities are reported as revenue and as energy marketing and trading expenses in the Consolidated Statements of Earnings and Comprehensive Income. The net pretax earnings associated with our energy marketing and trading activities in the first quarter of 2008 were $29 million (2007 – pretax loss of $2 million).

**Fair Value of Derivative Financial Instruments** The fair value of derivative financial instruments is the estimated amount that we would receive (pay) to terminate the contracts. Such amounts, which also represent the unrealized gain (loss) on the contracts, were as follows:

| ($ millions) | **March 31 2008** | December 31 2007 |
|---|---|---|
| Derivative financial instruments accounted for as hedges | | |
| Assets | **26** | 20 |
| Liabilities | **(19)** | (11) |
| Derivative financial instruments not accounted for as hedges | | |
| Assets | **70** | 18 |
| Liabilities | **(39)** | (21) |
| Net derivative financial instruments | **38** | 6 |

For further details on our derivative financial instruments, see note 3 to the unaudited interim consolidated financial statements on page 24.

## Environmental Regulation and Risk

Suncor is making progress to reduce emissions at our in-situ operation. Late last year, air emissions exceeding regulatory limits at the facility resulted in government regulators capping production at 42,000 bpd until emissions are stable at compliant levels. Suncor is continuing its work to construct a $340 million Firebag sulphur plant to help manage sulphur emissions.

In compliance with the Alberta government's Climate Change and Emissions Management Amendment Act, Suncor filed applications in December 2007 to establish baseline intensities for our oil sands facility. In March 2008, Suncor filed the Alberta Specified Gas Compliance Report (July 1 – December 31, 2007 Compliance Period) and remitted a payment of approximately $0.5 million to Alberta Environment.

In April 2007, the Canadian federal government introduced the Clean Air regulatory framework, which is expected to regulate both greenhouse gas (GHG) emissions and air pollutants from industrial emitters. Further details on the GHG framework were released in March, 2008. Suncor has been engaged in the ongoing consultations on this framework. In support of developing regulation, the federal government has required the submission of production, operations and emissions information for designated facilities by May 31, 2008. Draft GHG regulations are expected in fall 2008, with final regulations in fall 2009 and the provisions coming into force January 1, 2010. The financial impact of this proposed legislation will be dependent on the details of Clean Air Act regulations.

There remains uncertainty around the outcome and impacts of climate change and other environmental regulations. We continue to actively work to mitigate our environmental impact, including taking action to reduce GHG emissions, investing in renewable and alternate forms of energy such as wind power and biofuels, accelerating land reclamation, the installation of new emission abatement equipment and pursuing other opportunities such as carbon capture and sequestration.

## Control Environment

Based on their evaluation as of March 31, 2008, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures (as defined in Rules 13(a) – 15(e) and 15(d) – 15(e) under the United States Securities and Exchange Act of 1934 (the Exchange Act)) are effective to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. In addition, as of March 31, 2008, there were no changes in our internal control over financial reporting that occurred during the three month period ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting. We will continue to periodically evaluate our disclosure controls and procedures and internal control over financial reporting and will make any modifications from time to time as deemed necessary.

## Change in Accounting Policies

### (a) Inventories

On January 1, 2008 the company was required to retroactively adopt CICA Handbook section 3031 "Inventories". Under the new standard, the use of a LIFO (last-in-first-out) based valuation approach for inventory has been eliminated. The standard also requires any impairment to net realizable value of inventory to be written down at each reporting period, with subsequent reversals when applicable. The company transitioned to a FIFO (first-in-first-out) based valuation approach for inventory effective January 1, 2008. The impact of adopting this standard is as follows:

**Change in Consolidated Balance Sheets**

| ($ millions, increase/(decrease)) | **March 31 2008** | December 31 2007 |
|---|---|---|
| Inventory | **415** | 404 |
| Total assets | **415** | 404 |
| Accounts payable and accrued liabilities | **(43)** | — |
| Future income taxes | **146** | 121 |
| Retained earnings | **312** | 283 |
| Total liabilities and shareholders' equity | **415** | 404 |

**Change in Consolidated Statements of Earnings and Comprehensive Income**

| | Three months ended March 31 | |
|---|---|---|
| ($ millions, increase/(decrease)) | **2008** | 2007 |
| Purchases of crude oil and products | **(120)** | (9) |
| Operating, selling and general | **66** | (26) |
| Future income taxes | **25** | 10 |
| Net earnings (1) | **29** | 25 |
| Per common share – basic (dollars) | **0.06** | 0.05 |
| Per common share – diluted (dollars) | **0.06** | 0.05 |

(1) Net earnings impact for 2008 is as follows: oil sands – $(34) million, refining and marketing – $80 million, corporate – $(17) million (2007 – oil sands – $15 million, refining and marketing – $7 million, corporate – $3 million).

### (b) Capital Disclosure

On January 1, 2008, the company adopted CICA Handbook section 1535 "Capital Disclosures". This section establishes disclosure requirements for management's policies and processes in defining and managing its capital. There is no financial impact to previously reported financial statements as a result of the implementation of this new standard.

### (c) Financial Instruments – Disclosures and Presentation

On January 1, 2008, the company adopted CICA Handbook sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation", which enhance existing disclosures for financial instruments. In particular, section 3862 focuses on the identification of risk exposures and the company's approach to management of these risks. There is no financial impact to previously reported financial statements as a result of the implementation of this new standard.

## Non-GAAP Financial Measures

Certain financial measures referred to in this MD&A, namely cash flow from operations, return on capital employed (ROCE) and oil sands cash and total operating costs per barrel, are not prescribed by GAAP. 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. Suncor includes these non-GAAP financial measures because investors may use this information to analyze operating performance, leverage and liquidity. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Suncor provides a detailed numerical reconciliation of ROCE on an annual basis in the company's annual MD&A, which is to be read in conjunction with the company's annual consolidated financial statements. For a summarized narrative reconciliation of ROCE calculated on a March 31, 2008 interim basis, please refer to page 36.

Cash flow from operations is expressed before changes in non-cash working capital. A reconciliation of net earnings to cash flow from operations is provided in the Schedules of Segmented Data, which are an integral part of Suncor's March 31, 2008 unaudited interim consolidated financial statements.

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

| For the three months ended March 31 | | **2008** | 2007 |
|---|---|---|---|
| Cash flow from operations ($ millions) | A | **1 161** | 825 |
| Weighted number of shares outstanding – basic (millions of shares) | B | **463.1** | 460.1 |
| Cash flow from operations – basic ($ per share) | (A/B) | **2.51** | 1.79 |

The following tables outline the reconciliation of oil sands cash and total operating costs to expenses included in the Schedules of Segmented Data in the company's financial statements.

### Oil Sands Operating Costs – Total Operations

| | Quarter ended March 31 | | | |
|---|---|---|---|---|
| | **2008** | | 2007 (1) | |
| (unaudited) | $ millions | $/barrel | $ millions | $/barrel |
| Operating, selling and general expenses | **717** | | 590 | |
| Less: natural gas costs, inventory changes and stock-based compensation | **(155)** | | (94) | |
| Less: non-monetary transactions | **(26)** | | (32) | |
| Accretion of asset retirement obligations | **14** | | 10 | |
| Taxes other than income taxes | **16** | | 12 | |
| Cash costs | **566** | **25.10** | 486 | 21.75 |
| Natural gas | **111** | **5.00** | 100 | 4.50 |
| Purchased bitumen (excluding other reported product purchases) | **33** | **1.45** | 1 | 0.05 |
| Cash operating costs | **710** | **31.55** | 587 | 26.30 |
| Project start-up costs | **7** | **0.30** | 2 | 0.10 |
| Total cash operating costs | **717** | **31.85** | 589 | 26.40 |
| Depreciation, depletion and amortization | **129** | **5.75** | 100 | 4.45 |
| Total operating costs | **846** | **37.60** | 689 | 30.85 |
| Production (thousands of barrels per day) | **248.0** | | 248.2 | |

(1) Prior period amounts have been restated to reflect the change in accounting policy noted on page 13.

**Oil Sands Operating Costs – In-situ Bitumen Production Only**

| | Quarter ended March 31 | | | |
|---|---|---|---|---|
| | **2008** | | 2007 | |
| (unaudited) | $ millions | $/barrel | $ millions | $/barrel |
| Operating, selling and general expenses | **89** | | 69 | |
| Less: natural gas costs and inventory changes | **(45)** | | (35) | |
| Taxes other than income taxes | **2** | | 1 | |
| Cash costs | **46** | **14.60** | 35 | 11.05 |
| Natural gas | **45** | **14.10** | 35 | 11.05 |
| Cash operating costs | **91** | **28.70** | 70 | 22.10 |
| In-situ (Firebag) start-up costs | **1** | **0.35** | — | — |
| Total cash operating costs | **92** | **29.05** | 70 | 22.10 |
| Depreciation, depletion and amortization | **21** | **6.75** | 17 | 5.35 |
| Total operating costs | **113** | **35.80** | 87 | 27.45 |
| Production (thousands of barrels per day) | **34.6** | | 35.3 | |

## Legal Notice – Forward-Looking Information

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

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

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

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

## Consolidated statements of earnings and comprehensive income

(unaudited)

| ($ millions) | Three months ended March 31 2008 | 2007 (restated) (note 2) |
|---|---|---|
| **Revenues** (note 3) | **5 988** | 3 951 |
| **Expenses** | | |
| Purchases of crude oil and products (note 2) | **1 258** | 1 129 |
| Operating, selling and general (notes 2, 3 and 7) | **973** | 814 |
| Energy marketing and trading activities (note 3) | **1 851** | 571 |
| Transportation and other costs | **52** | 46 |
| Depreciation, depletion and amortization | **248** | 190 |
| Accretion of asset retirement obligations | **16** | 12 |
| Exploration | **12** | 32 |
| Royalties (note 11) | **322** | 189 |
| Taxes other than income taxes | **150** | 158 |
| Loss on disposal of assets | **2** | — |
| Project start-up costs | **7** | 3 |
| Financing expenses (income) (note 5) | **79** | (11) |
| | **4 970** | 3 133 |
| **Earnings Before Income Taxes** | **1 018** | 818 |
| **Provision for Income Taxes** (notes 2 and 10) | | |
| Current | **156** | 162 |
| Future | **154** | 80 |
| | **310** | 242 |
| **Net Earnings** | **708** | 576 |
| Other comprehensive income (loss) (note 13) | **47** | (17) |
| **Comprehensive Income** | **755** | 559 |
| **Net Earnings Per Common Share** (dollars), (note 6) | | |
| Basic | **1.53** | 1.25 |
| Diluted | **1.50** | 1.22 |
| Cash dividends | **0.10** | 0.08 |

See accompanying notes.

## Consolidated balance sheets

(unaudited)

| ($ millions) | **March 31 2008** | December 31 2007 (restated) (note 2) |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **657** | 569 |
| Accounts receivable (note 3) | **1 847** | 1 416 |
| Inventories (note 2) | **1 154** | 1 012 |
| Income taxes receivable | **61** | 95 |
| Future income taxes | **55** | 46 |
| Total current assets | **3 774** | 3 138 |
| Property, plant and equipment, net | **22 194** | 20 945 |
| Deferred charges and other (note 3) | **467** | 404 |
| Total assets | **26 435** | 24 487 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities | | |
| Short-term debt | **7** | 6 |
| Accounts payable and accrued liabilities (notes 2, 3 and 11) | **3 249** | 2 775 |
| Taxes other than income taxes | **64** | 72 |
| Income taxes payable | **96** | 244 |
| Future income taxes | **65** | 37 |
| Total current liabilities | **3 481** | 3 134 |
| Long-term debt (note 12) | **4 552** | 3 811 |
| Accrued liabilities and other (notes 3 and 8) | **1 382** | 1 434 |
| Future income taxes (notes 2, 3 and 10) | **4 344** | 4 212 |
| Shareholders' equity (see below) | **12 676** | 11 896 |
| Total liabilities and shareholders' equity | **26 435** | 24 487 |

### Shareholders' Equity

| | **Number (thousands)** | | Number (thousands) | |
|---|---|---|---|---|
| Share capital | **463 503** | **913** | 462 783 | 881 |
| Contributed surplus | | **233** | | 194 |
| Accumulated other comprehensive loss (note 13) | | **(206)** | | (253) |
| Retained earnings (note 2) | | **11 736** | | 11 074 |
| Total shareholders' equity | | **12 676** | | 11 896 |

See accompanying notes.

## Consolidated statements of cash flows

(unaudited)

| ($ millions) | Three months ended March 31 **2008** | 2007 (restated) (note 2) |
|---|---|---|
| **Operating Activities** | | |
| Cash flow from operations | **1 161** | 825 |
| Decrease (increase) in operating working capital | | |
| Accounts receivable | **(431)** | (139) |
| Inventories | **(142)** | (32) |
| Accounts payable and accrued liabilities | **387** | (101) |
| Taxes payable/receivable | **(121)** | 152 |
| Cash flow from operating activities | **854** | 705 |
| **Cash Used in Investing Activities** | **(1 410)** | (1 100) |
| **Net Cash Deficiency Before Financing Activities** | **(556)** | (395) |
| **Financing Activities** | | |
| Decrease in short-term debt | **—** | (1) |
| Net proceeds from issuance of long-term debt | **—** | 601 |
| Net increase (decrease) in long-term debt | **651** | (231) |
| Issuance of common shares under stock option plan | **24** | 5 |
| Dividends paid on common shares | **(43)** | (33) |
| Deferred revenue | **—** | 3 |
| Cash flow provided by financing activities | **632** | 344 |
| **Increase (Decrease) in Cash and Cash Equivalents** | **76** | (51) |
| **Effect of Foreign Exchange on Cash and Cash Equivalents** | **12** | (2) |
| **Cash and Cash Equivalents at Beginning of Period** | **569** | 521 |
| **Cash and Cash Equivalents at End of Period** | **657** | 468 |

See accompanying notes.

## Consolidated statements of changes in shareholders' equity

(unaudited)

| ($ millions) | Share Capital | Contributed Surplus | Accumulated Other Comprehensive Income (AOCI) | Retained Earnings |
|---|---|---|---|---|
| **At December 31, 2006, as previously reported** | 794 | 100 | (71) | 8 129 |
| Retroactive adjustment for change in accounting policy (note 2) | — | — | — | 132 |
| **At December 31, 2006, as restated** | 794 | 100 | (71) | 8 261 |
| Net earnings | — | — | — | 576 |
| Dividends paid on common shares | — | — | — | (33) |
| Issued for cash under stock option plan | 7 | (2) | — | — |
| Issued under dividend reinvestment plan | 3 | — | — | (3) |
| Stock-based compensation expense | — | 18 | — | — |
| Adjustment to opening retained earnings arising from ineffective portion of cash flow hedges at January 1, 2007 | — | — | — | 5 |
| Adjustment to opening AOCI arising from effective portion of cash flow hedges at January 1, 2007 | — | — | 8 | — |
| Change in AOCI related to foreign currency translation | — | — | (13) | — |
| Change in AOCI related to derivative hedging activities | — | — | (4) | — |
| **At March 31, 2007** | 804 | 116 | (80) | 8 806 |
| **At December 31, 2007, as previously reported** | 881 | 194 | (253) | 10 791 |
| Retroactive adjustment for change in accounting policy (note 2) | — | — | — | 283 |
| **At December 31, 2007, as restated** | 881 | 194 | (253) | 11 074 |
| Net earnings | **—** | **—** | **—** | **708** |
| Dividends paid on common shares | **—** | **—** | **—** | **(43)** |
| Issued for cash under stock option plan | **29** | **(5)** | **—** | **—** |
| Issued under dividend reinvestment plan | **3** | **—** | **—** | **(3)** |
| Stock-based compensation expense | **—** | **44** | **—** | **—** |
| Change in AOCI related to foreign currency translation | **—** | **—** | **53** | **—** |
| Change in AOCI related to derivative hedging activities | **—** | **—** | **(6)** | **—** |
| **At March 31, 2008** | **913** | **233** | **(206)** | **11 736** |

See accompanying notes.

## Schedules of Segmented Data

(unaudited)

Three months ended March 31

| ($ millions) | Oil Sands 2008 | Oil Sands 2007 | Natural Gas 2008 | Natural Gas 2007 | Refining and Marketing 2008 | Refining and Marketing 2007 | Corporate and Eliminations 2008 | Corporate and Eliminations 2007 | Total 2008 | Total 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EARNINGS** | | | | | | | | | | |
| **Revenues** | | | | | | | | | | |
| Operating revenues | **1 945** | 1 443 | **162** | 144 | **2 022** | 1 786 | **5** | 2 | **4 134** | 3 375 |
| Energy marketing and trading activities | **—** | — | **—** | — | **1 881** | 571 | **(33)** | (1) | **1 848** | 570 |
| Intersegment revenues | **301** | 151 | **10** | — | **—** | — | **(311)** | (151) | **—** | — |
| Interest | **—** | — | **—** | — | **—** | 3 | **6** | 3 | **6** | 6 |
| | **2 246** | 1 594 | **172** | 144 | **3 903** | 2 360 | **(333)** | (147) | **5 988** | 3 951 |
| **Expenses** | | | | | | | | | | |
| Purchases of crude oil and products | **47** | 9 | **—** | — | **1 553** | 1 270 | **(342)** | (150) | **1 258** | 1 129 |
| Operating, selling and general | **717** | 590 | **40** | 38 | **175** | 175 | **41** | 11 | **973** | 814 |
| Energy marketing and trading activities | **—** | — | **—** | — | **1 852** | 573 | **(1)** | (2) | **1 851** | 571 |
| Transportation and other costs | **42** | 32 | **3** | 7 | **7** | 7 | **—** | — | **52** | 46 |
| Depreciation, depletion and amortization | **129** | 100 | **58** | 41 | **51** | 39 | **10** | 10 | **248** | 190 |
| Accretion of asset retirement obligations | **14** | 10 | **2** | 2 | **—** | — | **—** | — | **16** | 12 |
| Exploration | **9** | 13 | **3** | 19 | **—** | — | **—** | — | **12** | 32 |
| Royalties (note 11) | **282** | 157 | **40** | 32 | **—** | — | **—** | — | **322** | 189 |
| Taxes other than income taxes | **27** | 21 | | — | **123** | 137 | | — | **150** | 158 |
| Loss on disposal of assets | **—** | — | **—** | — | **2** | — | **—** | — | **2** | — |
| Project start-up costs | **7** | 2 | **—** | — | **—** | 1 | **—** | — | **7** | 3 |
| Financing expenses (income) | **—** | — | **—** | — | **—** | — | **79** | (11) | **79** | (11) |
| | **1 274** | 934 | **146** | 139 | **3 763** | 2 202 | **(213)** | (142) | **4 970** | 3 133 |
| **Earnings (loss) before income taxes** | **972** | 660 | **26** | 5 | **140** | 158 | **(120)** | (5) | **1 018** | 818 |
| Income taxes | **(277)** | (192) | **(7)** | (1) | **(45)** | (52) | **19** | 3 | **(310)** | (242) |
| **Net earnings (loss)** | **695** | 468 | **19** | 4 | **95** | 106 | **(101)** | (2) | **708** | 576 |
| As at March 31 | | | | | | | | | | |
| **TOTAL ASSETS** | **19 759** | 14 414 | **1 874** | 1 716 | **5 436** | 4 038 | **(634)** | (219) | **26 435** | 19 949 |

## Schedules of Segmented Data (continued)

(unaudited)

| | Three months ended March 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Oil Sands | | Natural Gas | | Refining and Marketing | | Corporate and Eliminations | | Total | |
| ($ millions) | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| **CASH FLOW BEFORE FINANCING ACTIVITIES** | | | | | | | | | | |
| **Cash flow from (used in) operating activities:** | | | | | | | | | | |
| Cash flow from (used in) operations | | | | | | | | | | |
| Net earnings (loss) | **695** | 468 | **19** | 4 | **95** | 106 | **(101)** | (2) | **708** | 576 |
| Exploration expenses | **—** | — | **—** | 15 | **—** | — | **—** | — | **—** | 15 |
| Non-cash items included in earnings | | | | | | | | | | |
| Depreciation, depletion and amortization | **129** | 100 | **58** | 41 | **51** | 39 | **10** | 10 | **248** | 190 |
| Future income taxes | **135** | 49 | **3** | — | **31** | 29 | **(15)** | 2 | **154** | 80 |
| Loss on disposal of assets | **—** | — | **—** | — | **2** | — | **—** | — | **2** | — |
| Stock-based compensation expense | **22** | 8 | **2** | 1 | **7** | 5 | **13** | 4 | **44** | 18 |
| Other | **(24)** | (20) | **—** | 3 | **5** | 2 | **72** | (33) | **53** | (48) |
| Decrease in deferred credits and other | **(47)** | (5) | **—** | — | **(1)** | (1) | **—** | — | **(48)** | (6) |
| Total cash flow from (used in) operations | **910** | 600 | **82** | 64 | **190** | 180 | **(21)** | (19) | **1 161** | 825 |
| Decrease (increase) in operating working capital | **200** | (9) | **41** | 13 | **(110)** | (45) | **(438)** | (79) | **(307)** | (120) |
| Total cash flow from (used in) operating activities | **1 110** | 591 | **123** | 77 | **80** | 135 | **(459)** | (98) | **854** | 705 |
| **Cash from (used in) investing activities:** | | | | | | | | | | |
| Capital and exploration expenditures | **(1 291)** | (793) | **(126)** | (275) | **(28)** | (57) | **(4)** | (6) | **(1 449)** | (1 131) |
| Deferred maintenance shutdown expenditures | **(19)** | — | **—** | (1) | **(21)** | (1) | **—** | — | **(40)** | (2) |
| Deferred outlays and other investments | **(6)** | — | **—** | — | **(1)** | — | **(4)** | (1) | **(11)** | (1) |
| Decrease (increase) in investing working capital | **102** | 73 | **—** | — | **(12)** | (39) | **—** | — | **90** | 34 |
| Total cash (used in) investing activities | **(1 214)** | (720) | **(126)** | (276) | **(62)** | (97) | **(8)** | (7) | **(1 410)** | (1 100) |
| **Net cash surplus (deficiency) before financing activities** | **(104)** | (129) | **(3)** | (199) | **18** | 38 | **(467)** | (105) | **(556)** | (395) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

### 1. ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual financial statements, except for the accounting policy changes as described in note 2, Changes in Accounting Policies.

In the opinion of management, these interim consolidated financial statements contain all adjustments of a normal and recurring nature necessary to present fairly Suncor Energy Inc.'s (Suncor) financial position at March 31, 2008 and the results of its operations and cash flows for the three month periods ended March 31, 2008 and 2007.

Certain prior period comparative figures have been reclassified to conform to the current period presentation.

### 2. CHANGES IN ACCOUNTING POLICIES

#### (a) Inventories

On January 1, 2008 the company retroactively adopted the Canadian Institute of Chartered Accountants (CICA) Handbook section 3031 "Inventories". Under the new standard, the use of a LIFO (last-in-first-out) based valuation approach for inventory has been eliminated. The standard also required any impairment to net realizable value of inventory to be written down at each reporting period, with subsequent reversals when applicable. The company transitioned to a FIFO (first-in-first-out) based valuation approach for inventory effective January 1, 2008. The impact of adopting this accounting standard is as follows:

**Change in Consolidated Balance Sheets**

| ($ millions, increase (decrease)) | **As at March 31 2008** | As at December 31 2007 |
|---|---|---|
| Inventories | **415** | 404 |
| Total assets | **415** | 404 |
| Accounts payable and accrued liabilities | **(43)** | — |
| Future income taxes | **146** | 121 |
| Retained earnings | **312** | 283 |
| Total liabilities and shareholders' equity | **415** | 404 |

**Change in Consolidated Statements of Earnings and Comprehensive Income**

| | Three months ended March 31 | |
|---|---|---|
| ($ millions, increase/(decrease)) | **2008** | 2007 |
| Purchases of crude oil and products | **(120)** | (9) |
| Operating, selling and general | **66** | (26) |
| Future income taxes | **25** | 10 |
| Net earnings | **29** | 25 |
| Per common share – basic (dollars) | **0.06** | 0.05 |
| Per common share – diluted (dollars) | **0.06** | 0.05 |

#### (b) Capital Disclosure

On January 1, 2008, the company adopted CICA Handbook section 1535 "Capital Disclosures". This section establishes disclosure requirements for management's policies and processes in defining and managing its capital. There was no financial impact to previously reported financial statements as a result of the implementation of this new standard.

**(c) Financial Instruments – Disclosures and Presentation**

On January 1, 2008, the company adopted CICA Handbook sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation", which enhance existing disclosures for financial instruments. In particular, section 3862 focuses on the identification of risk exposures and the company's approach to management of these risks. There was no financial impact to previously reported financial statements as a result of the implementation of this new standard.

### 3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

*Derivatives are financial instruments that either imitate or counter the price movements of stocks, bonds, currencies, commodities and interest rates. Suncor uses derivatives to reduce (hedge) its exposure to fluctuations in commodity prices and foreign currency exchange rates and to manage interest rate or currency-sensitive assets and liabilities. Suncor also uses derivatives for trading purposes. When used in a trading activity, the company is attempting to realize a gain on the fluctuations in the market value of the derivative.*

*Forwards and futures are contracts to purchase or sell a specific item at a specified date and price. When used as hedges, forwards and futures help to manage the exposure to losses that could result if commodity prices or foreign currency exchange rates change adversely.*

*An option is a contract where its holder, for a fee, has purchased the right (but not the obligation) to buy or sell a specified item at a fixed price during a specified period. Options used as hedges help to protect against adverse changes in commodity prices, interest rates, or foreign currency exchange rates.*

*A costless collar is a combination of two option contracts that limit the holder's exposure to changes in prices to within a specific range. The "costless" nature of this derivative is achieved by buying a put option (the right to sell) for consideration equal to the premium received from selling a call option (the right to purchase).*

*A swap is a contract where two parties exchange commodity, currency, interest or other payments in order to alter the nature of the payments. For example, fixed interest rate payments on debt may be converted to payments based on a floating interest rate, or vice versa; a domestic currency debt may be converted to a foreign currency debt.*

***See below for more technical details and amounts.***

**Financial risk factors**

The company is exposed to a number of different financial risks arising from normal course business exposures, as well as the company's use of financial instruments. These risk factors include market risks relating to commodity prices, foreign currency risk and interest rate risk, as well as liquidity risk and credit risk.

The company maintains a formal governance process to manage its financial risks. Our Risk Management Committee (RMC) is charged with the oversight of the company's risk management for trading risk management activities which are defined as strategic hedging, optimization trading, marketing and speculative trading. The RMC, acting under board authority, meets regularly to monitor limits on risk exposures, review policy compliance and validate risk-related methodologies and procedures. All risk management activity is carried out by specialist teams that have the appropriate skills, experience and supervision with the appropriate financial and management controls.

**1) Market Risk**

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the company's financial assets, liabilities and expected future cash flows include commodity price risk (crude oil, natural gas and electricity price), foreign currency exchange risk and interest rate risk.

### (a) Commodity Price Risk

The company's financial performance is closely linked to crude oil prices (including pricing differentials for various product types), and to a lesser extent, natural gas and electricity prices. The company's policies permit the use of various financial instruments in managing these price exposures. Our strategic crude oil hedging program gives management approval to fix a price or range of prices for approximately 30% of the total crude oil planned production for specified periods of time. Historically, the company has leveraged hedging instruments to stabilize cash flows during periods of growth and expansion. The company will consider additional strategic hedging opportunities as they become available.

A key component of our overall business strategy is to produce sufficient natural gas to meet or exceed internal demands for natural gas purchased for consumption in our oil sands operation, thus creating a price hedge which reduces our exposure to natural gas price volatility. In addition, existing corporate policies also permit the hedging of natural gas exposures to manage regional price differentials and pricing indexes as identified.

Changes in commodity prices on our financial contracts would have the following impact on our net earnings and other comprehensive income for the three months ended March 31, 2008:

**Sensitivity Analysis**

| ($ millions) | March 31, 2008(1) | Change | Net Earnings | Other Comprehensive Income |
|---|---|---|---|---|
| Crude Oil | US$94.95/barrel | | | |
| Price increase | | US$1.00/barrel | (4) | (1) |
| Price decrease | | US$1.00/barrel | 4 | 1 |
| Natural Gas | US$8.62/mcf | | | |
| Price increase | | US$0.10/mcf | 1 | — |
| Price decrease | | US$0.10/mcf | (1) | — |

(1) Prices represent the average of the forward strip prices at March 31, 2008.

### (b) Foreign Currency Exchange Risk

The company is exposed to changes in foreign exchange rates as revenues, capital expenditures, or financial instruments may fluctuate due to changing rates. As crude oil, the company's primary product, is priced in U.S. dollars, fluctuations in US$/Cdn$ exchange rates may have a significant impact on revenues. The company's exposure is partially offset through the issuance of U.S. dollar denominated long-term debt (refer to note 12) and by sourcing capital projects in U.S. dollars. The company rarely hedges the foreign currency risk on estimated revenues. When hedging is used, it has historically been through the use of a combination of forward and option instruments. The effect of a $0.01 increase in the US$/Cdn$ exchange rate on our U.S. dollar denominated long-term debt would increase after-tax earnings by approximately $20 million.

Where an operating unit has substantial exposure to capital expenditures in currencies other than the U.S. dollar, the company may hedge these risks through a combination of forward and option instruments. Transactions in the applicable financial market are executed consistent with established risk management policies.

### (c) Interest Rate Risk

The company is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair values of its financial instruments. The primary exposure is related to notes and commercial paper. The company seeks to optimize this risk through the use of interest rate swaps by swapping fixed rates of interest for variable rates (see below – fair value hedges) and other derivative instruments.

To optimize the company's position with respect to interest expense, the company targets 30% to 50% of interest should be based on floating rates. Over time this floating/fixed rate mix will fluctuate based on prevailing market conditions and management's assessment of overall risk.

The proportion of floating interest rate exposure inclusive of interest rate swaps at March 31, 2008 was 31% of total debt outstanding. The weighted average interest rate on total debt for the quarter ending March 31, 2008 was 5.7%.

The company's cashflows are sensitive to changes in interest rates on the floating rate portion of the company's debt. Given our current growth and expansion plans, all interest is currently being capitalized and therefore there is no earnings impact. If the interest rates applicable to floating rate instruments were to have increased by 1%, it is estimated that the company's cashflow for the quarter would decrease by approximately $3 million. This assumes that the amount and mix of fixed and floating rate debt remains unchanged from March 31, 2008, and that the change in interest rates is effective from the beginning of the year.

**2) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company believes that it has access to sufficient capital through internally generated cashflows and external sources (bank credit markets and debt capital markets), and to undrawn committed borrowing facilities to meet current spending forecasts.

Surplus cash is invested into a range of short-dated money market securities and the company seeks to ensure the security and liquidity of those investments. Investments are only permitted in high credit quality government or corporate securities. Diversification of these investments is supported through maintaining counterparty credit limits.

The following table shows the timing of cash outflows relating to trade and other payables and finance debt.

| | **March 31, 2008** | | December 31, 2007 | |
|---|---|---|---|---|
| ($ millions) | Trade and other payables (1) | Finance debt (2) | Trade and other payables (1) | Finance debt (2) |
| Within one year | **3 120** | **1 395** | 2 821 | 764 |
| 1 to 3 years | **331** | **452** | 347 | 427 |
| 3 to 5 years | **—** | **872** | — | 917 |
| Over 5 years | **20** | **7 153** | 19 | 6 985 |
| | **3 471** | **9 872** | 3 187 | 9 093 |

(1) These balances exclude non-financial liabilities (pension liabilities, asset retirement obligation, future income taxes and financial instruments) totaling $1,385 million and $1,375 million at March 31, 2008 and December 31, 2007 respectively.

(2) Finance debt includes long-term debt, capital leases and interest payments on fixed-term debt and commercial paper.

**3) Credit Risk**

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss. We have a credit policy that is designed to ensure there is a standard credit practice throughout the company to measure and monitor credit risk. The policy outlines delegation of authority, the due diligence process required to approve a new customer or counterparty and the maximum amount of credit exposure per single entity. Before transactions begin with a new customer or counterparty, its creditworthiness is assessed, a credit rating is assigned and a maximum credit limit is allocated. The assessment process is outlined in the credit policy and considers both quantitative and qualitative factors. The company constantly monitors the exposure to any single customer or counterparty along with the financial position of the customer or counterparty. If it is deemed that a customer or counterparty has become materially weaker, the company will work to reduce the credit exposure and lower the credit limit allocated. Regular reports are generated to monitor credit risk and the credit committee meets quarterly to ensure compliance with the credit policy and review the exposures.

The table below shows no significant credit risk exposure in the balances outstanding as at:

| Trade and other receivables ($ millions) | March 31 2008 | December 31 2007 |
|---|---|---|
| Neither impaired nor past due | **1 510** | 1 145 |
| Impaired | **3** | 3 |
| Not impaired and past due in the following periods: | | |
| within 30 days | **21** | 46 |
| 31 to 60 days | **—** | 14 |
| 61 to 90 days | **6** | 10 |
| Over 90 days | **45** | 59 |
| Allowance for doubtful accounts | **(3)** | (3) |
| Trade receivables | **1 582** | 1 274 |
| Prepaids | **119** | 51 |
| Other receivables | **146** | 91 |
| Total accounts receivable | **1 847** | 1 416 |

The company has issued collateral for $4,314 million and holds collateral of $2,015 million at March 31, 2008. Collateral issued and received consists mainly of parental guarantees and letters of credit.

**(a) Balance Sheet Financial Instruments**

The company's financial instruments in the Consolidated Balance Sheets consist of cash and cash equivalents, accounts receivable, derivative contracts, substantially all current liabilities (except for the current portions of asset retirement and pension obligations), and long-term debt. Unless otherwise noted, carrying values reflect the current fair value of the company's financial instruments.

The estimated fair values of recognized financial instruments have been determined based on the company's assessment of available market information and appropriate valuation methodologies based on industry accepted third-party models; however, these estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction.

The company's fixed-term debt is accounted for under the amortized cost method. Upon initial recognition, the cost of the debt is its fair value, adjusted for any associated transaction costs. We do not recognize gains or losses arising from changes in the fair value of this debt until the gains or losses are realized. We do recognize changes in the value of our U.S. dollar denominated long-term debt based on changes in the foreign exchange rate. At March 31, 2008, the carrying value of our fixed-term debt accounted for under the amortized cost method was $3.1 billion (fair value – $3.0 billion).

**(b) Hedges – documented as part of a qualifying hedge relationship**

***Fair Value Hedges***

Suncor periodically enters into derivative financial instrument contracts such as interest rate swaps as part of its risk management strategy to manage its exposure to benchmark interest rate fluctuations. The interest rate swap contracts involve an exchange of floating rate versus fixed rate interest payments between the company and investment grade counterparties. The differentials on the exchange of periodic interest payments are recognized in the accounts as an adjustment to interest expense. The fair value of the underlying debt is adjusted by the fair value change in the derivative financial instrument with the offset to interest expense. At March 31, 2008, the company had interest rate derivatives classified as fair value hedges outstanding for up to 3 years relating to fixed-rate debt. There was no ineffectiveness recognized on interest rate swaps designated as fair value hedges during the three month period ended March 31, 2008. The fair value of interest rate swap contracts outstanding at March 31, 2008 are detailed in note 12, Long-term debt.

The company periodically enters into derivative contracts to hedge risks specific to individual transactions. The differentials between the fair value of the hedged transactions and the fair value of the derivative contracts are recognized in the accounts as an adjustment to operating revenues. The earnings impact associated with hedge ineffectiveness on derivative contracts to hedge risks specific to individual transactions during the three month period ended March 31, 2008 was a loss of $1 million, net of income taxes of $1 million (2007 – nil).

***Cash Flow Hedges***

Suncor operates in a global industry where the market price of its petroleum and natural gas products is largely determined based on floating benchmark indices. The company periodically enters into derivative financial instrument contracts such as forwards, futures, swaps, options and costless collars to hedge against the potential adverse impact of changing market prices due to changes in the underlying indices. Specifically, the company manages crude sales price variability by entering into West Texas Intermediate (WTI) derivative transactions, and manages variability in market interest rates and foreign exchange rates during periods of debt issuance through the use of interest rate locks and foreign exchange forward contracts.

At March 31, 2008, the company had hedged a portion of its forecasted U.S. dollar denominated cash flows subject to U.S. dollar WTI commodity risk for 2008, as well as cash flows related to natural gas production in 2008.

There was no earnings impact associated with realized and unrealized hedge ineffectiveness on derivative contracts designated as cash flow hedges during the three month period ended March 31, 2008 (2007 – gain of $2 million).

Certain derivative contracts do not require the payment of premiums or cash margin deposits prior to settlement. On settlement, these contracts result in cash receipts or payments by the company for the difference between the contract and market rates for the applicable dollars and volumes hedged during the contract term. Such cash receipts or payments offset corresponding decreases or increases in the company's sales revenues or crude oil purchase costs. For collars, if market rates are not different than, or are within the range of contract prices, the options contracts making up the collar will expire with no exchange of cash. For accounting purposes, amounts received or paid on settlement are recorded as part of the related hedged sales or purchase transactions.

Contracts outstanding at March 31, 2008 were as follows:

**Revenue Hedges**

| Crude Oil | Quantity (bpd) | Average Price (US$/bbl) [(a)] | Revenue Hedged (Cdn$ millions) [(b)] | Hedge Period [(c)] |
|---|---|---|---|---|
| **Costless collars** | **10 000** | **59.85 - 101.06** | **169 - 286** | **2008** |

| Natural Gas | Quantity (GJ/day) | Average Price (Cdn$/GJ) | Revenue Hedged (Cdn$ millions) | Hedge Period [(d)] |
|---|---|---|---|---|
| **Costless collars** | **15 000** | **7.00 - 8.71** | **22 - 28** | **2008** |

(a) Average price for crude costless collars is US$ WTI per barrel at Cushing, Oklahoma.

(b) The revenue hedged is translated to Cdn$ at the March 31, 2008 exchange rate for convenience purposes.

(c) Original hedge term is for the full year.

(d) For the period April to October 2008, inclusive.

***Fair Value of Hedging Derivative Financial Instruments***

The fair value of hedging derivative financial instruments as recorded, is the estimated amount that the company would receive (pay) to terminate the hedging derivative contracts. Such amounts, which also represent the unrealized gain (loss) on the contracts, were as follows:

| ($ millions) | **March 31 2008** | December 31 2007 |
|---|---|---|
| Revenue hedge swaps and collars | **(19)** | (11) |
| Fixed to floating interest rate swaps | **13** | 8 |
| Specific hedges of individual transactions | **13** | 12 |
| Fair value of outstanding hedging derivative financial instruments | **7** | 9 |

***Accumulated Other Comprehensive Income (AOCI)***

A reconciliation of changes in AOCI attributable to derivative hedging activities for the three month period ending March 31, 2008 is as follows:

| ($ millions) | 2008 |
|---|---|
| AOCI attributable to derivatives and hedging activities, at December 31, 2007, net of income taxes of $4 | 13 |
| Current year net changes arising from cash flow hedges, net of income taxes of $2 | **(7)** |
| Net unrealized hedging losses at the beginning of the year reclassified to earnings during the period, net of income taxes of $nil | **1** |
| AOCI attributable to derivatives and hedging activities, at March 31, 2008, net of income taxes of $2 | **7** |

### (c) Hedges – Not Documented as Part of a Qualifying Hedge Relationship

Suncor also periodically enters into derivative financial instruments such as options, basis swaps, and heat rate swaps that either do not qualify for hedge accounting treatment or hedges that Suncor has not elected to document as part of a qualifying hedge relationship. These financial instruments are accounted for using the mark-to-market method and, as such, these derivative instruments are recorded at fair value at each balance sheet date. The earnings impact associated with these contracts for the three month period ended March 31, 2008, was a loss of $10 million, net of income taxes of $4 million (2007 – a loss of $3 million, net of income taxes of $1 million).

Significant contracts outstanding at March 31 were as follows:

| Crude Oil [d] | Quantity (bpd) | Average Price (US$/bbl) [a] | Revenue Hedged (Cdn$ millions) [b] | Hedge Period [c] |
|---|---|---|---|---|
| **Purchased puts** | **55 000** | **60.00** | **1 238** | **2009** |
| **Purchased puts** | **55 000** | **60.00** | **1 238** | **2010** |

(a) Average price for crude puts is US$ WTI per barrel at Cushing, Oklahoma.
(b) The revenue hedged is translated to Cdn$ at the March 31, 2008 exchange rate for convenience purposes.
(c) Original hedge term is for the full year.
(d) Premium paid was US$59 million.

### (d) Energy Marketing and Trading Activities

In addition to the financial derivatives used for hedging activities, the company uses physical and financial energy contracts, including swaps, forwards and options to earn trading and marketing revenues. Financial energy trading activities are accounted for using the mark-to-market method and, as such, these derivative instruments are recorded at fair value at each balance sheet date. Physical energy marketing contracts involve activities intended to enhance prices and satisfy physical deliveries to customers. The results of these activities are reported as revenue and as energy marketing and trading expenses in the Consolidated Statements of Earnings and Comprehensive Income. Net pretax earnings (loss) for the three month period ended March 31 for our refining and marketing segment were as follows:

**Net Pretax Earnings (Loss)**

| ($ millions) | 2008 | 2007 |
|---|---|---|
| Physical energy contracts trading activity | **30** | 3 |
| Financial energy contracts trading activity | **—** | (4) |
| General and administrative costs | **(1)** | (1) |
| Total | **29** | (2) |

### (e) Fair Value of non-designated Derivative Financial Instruments

The fair value of unsettled (unrealized) energy derivative assets and liabilities, which includes all financial contracts referenced in section (c) & (d) above are as follows:

| ($ millions) | March 31 2008 | December 31 2007 |
|---|---|---|
| Energy trading assets | **70** | 18 |
| Energy trading liabilities | **39** | 21 |
| Net energy trading assets (liabilities) | **31** | (3) |

### Change in fair value of net assets

| ($ millions) | 2008 |
|---|---|
| Fair value of contracts at December 31, 2007 | (3) |
| Fair value of contracts realized during the period | **(1)** |
| Fair value of contracts entered into during the period | **38** |
| Changes in values attributable to market price and other market changes during the period | **(3)** |
| **Fair Value of Contracts outstanding at March 31, 2008** | **31** |

### 4. CAPITAL STRUCTURE FINANCIAL POLICIES

Suncor's primary capital management objective is to maintain a solid investment-grade credit rating profile. This objective affords the company the financial flexibility and access to the capital it requires to execute on its growth objectives.

Suncor monitors capital through two key ratios: net debt to cash flow from operations and total debt to total debt plus shareholders' equity.

Net debt to cash flow from operations is calculated as short-term debt plus long-term debt less cash and cash equivalents divided by 12 month trailing cash flow from operations.

Total debt to total debt plus shareholders' equity is calculated as short term-debt plus long-term debt divided by short-term debt plus long-term debt plus shareholders' equity.

Suncor's strategy during Q1 2008, which was unchanged from 2007, was to maintain the measure set out in the following schedule. Suncor believes that maintaining our capital target helps to provide the company access to capital at a reasonable cost by maintaining solid investment-grade credit ratings.

| At March 31, ($ millions) | Capital Measure Target | 2008 | 2007 |
|---|---|---|---|
| Components of ratios | | | |
| Short-term debt | | **7** | 6 |
| Long-term debt | | **4 552** | 2 714 |
| Total debt | | **4 559** | 2 720 |
| Cash and equivalents | | **657** | 468 |
| Net debt | | **3 902** | 2 252 |
| Shareholders' equity | | **12 676** | 9 646 |
| Total capitalization (total debt + shareholders' equity) | | **17 235** | 12 366 |
| Cash flow from operations (trailing 12 months) | | **4 345** | 4 013 |
| Net debt/cash flow from operations | <2.0 times | **0.9** | 0.6 |
| Total debt/total debt plus shareholders' equity | | **26%** | 22% |

## 5. FINANCING EXPENSES (INCOME)

| ($ millions) | Three months ended March 31 2008 | 2007 |
|---|---|---|
| Interest expense on debt | **64** | 38 |
| Capitalized interest | **(64)** | (38) |
| Net interest expense | **—** | — |
| Foreign exchange (gain) loss on long-term debt | **86** | (12) |
| Other foreign exchange (gain) loss | **(7)** | 1 |
| Total financing expenses (income) | **79** | (11) |

## 6. RECONCILIATION OF BASIC AND DILUTED EARNINGS PER COMMON SHARE

| ($ millions) | Three months ended March 31 2008 | 2007 (restated) |
|---|---|---|
| Net earnings | **708** | 576 |
| (millions of common shares) | | |
| Weighted-average number of common shares | **463** | 460 |
| Dilutive securities: | | |
| Options issued under stock-based compensation plans | **10** | 11 |
| Weighted-average number of diluted common shares | **473** | 471 |
| (dollars per common share) | | |
| Basic earnings per share [a] | **1.53** | 1.25 |
| Diluted earnings per share [b] | **1.50** | 1.22 |

Note: An option will have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the option.

(a) Basic earnings per share is net earnings divided by the weighted-average number of common shares.

(b) Diluted earnings per share is net earnings, divided by the weighted-average number of diluted common shares.

## 7. STOCK-BASED COMPENSATION

*A common share option gives the holder the right, but not the obligation, to purchase common shares at a predetermined price over a specified period of time.*

*After the date of grant, employees that hold options must earn the right to exercise them. This is done by the employee fulfilling a time requirement for service to the company, and with respect to certain options, is subject to accelerated vesting should the company meet predetermined performance criteria. Once this right has been earned, these options are considered vested.*

*The predetermined price at which an option can be exercised is equal to or greater than the market price of the common shares on the date the option is granted.*

*A performance vesting share unit is an award entitling employees to receive cash to varying degrees contingent upon Suncor's shareholder return relative to a peer group of companies.*

*A restricted share unit is a time vested award with a three-year term entitling employees to receive cash.*

### (a) Stock Option Plans:

#### *(i) SunShare 2012 Performance Stock Option Plan*

The company granted 115,000 options in the first quarter of 2008 under its new employee stock-based compensation plan. Under this plan, meeting specified performance targets may accelerate the vesting of some options, such that 25% of outstanding options may vest on January 1, 2010, and the remaining 75% of outstanding options may vest on January 1, 2013. All unvested options at January 1, 2013, which have not previously expired or been cancelled, will automatically expire.

***(ii) SunShare Performance Stock Option Plan***

During the first quarter of 2008, the company granted no options (312,000 options granted during the first quarter of 2007) to eligible permanent full-time and part-time employees, both executive and non-executive, under its employee stock option incentive plan ("SunShare").

On January 31, 2005, in connection with the achievement of predetermined performance criterion, approximately 25% of the then outstanding options vested under the SunShare plan. On June 30, 2005, an additional predetermined performance criterion under the SunShare plan was met, resulting in the vesting of 50% of the outstanding, unvested SunShare options on April 30, 2008. In 2007, the final predetermined performance criterion was met, and as a result, the remaining 50% of the outstanding, unvested SunShare options will vest on April 30, 2008.

***(iii) Executive Stock Option Plan***

Under this plan, the company granted 401,000 common share options in the first quarter of 2008 (457,000 options granted during the first quarter of 2007) to non-employee directors and certain executives and other senior members of the company. Options granted have a ten-year life and vest annually over a three year period.

***(iv) Key Contributor Stock Option Plan***

Under this plan, the company granted 1,170,000 common share options in the first quarter of 2008 (1,158,000 options granted during the first quarter of 2007) to non-insider senior managers and key employees. Options granted have a ten-year life and vest annually over a three year period.

**Fair Value of Options Granted**

The fair values of all common share options granted during the period are estimated as at the grant date using the Monte Carlo simulation approach for the SunShare 2012 option plan and the Black-Scholes option-pricing model for all other option plans. The weighted-average fair values of the options granted during the various periods and the weighted-average assumptions used in their determination are as noted below:

| | Three months ended March 31 | |
|---|---|---|
| | **2008** | 2007 |
| Quarterly dividend per share | **$0.10** | $0.08 |
| Risk-free interest rate | **3.62%** | 4.08% |
| Expected life | **6 years** | 6 years |
| Expected volatility | **28%** | 28% |
| Weighted-average fair value per option | **$31.29** | $28.85 |

Stock-based compensation expense recognized in the first quarter of 2008 related to stock options plans was $44 million (2007 – $18 million).

Common share options granted prior to January 1, 2003 are not recognized as compensation expense in the Consolidated Statements of Earnings. The company's reported net earnings attributable to common shareholders and earnings per share prepared in accordance with the fair value method of accounting for stock-based compensation would have been reduced for all common share options granted prior to 2003 to the pro forma amounts stated below:

| ($ millions, except per share amounts) | Three months ended March 31 **2008** | 2007 (restated) |
|---|---|---|
| Net earnings – as reported | **708** | 576 |
| Less: compensation cost under the fair value method for pre-2003 options | **3** | 3 |
| Pro forma net earnings | **705** | 573 |
| Basic earnings per share | | |
| As reported | **1.53** | 1.25 |
| Pro forma | **1.52** | 1.25 |
| Diluted earnings per share | | |
| As reported | **1.50** | 1.22 |
| Pro forma | **1.49** | 1.22 |

**(b) Performance Share Units (PSUs)**

In the first quarter of 2008 the company issued 381,000 (2007 – 399,000) PSUs. Recovery recognized in the first quarter of 2008 was $5 million (2007 – $19 million in expense).

**(c) SunShare 2012 Restricted Share Units (RSUs)**

In the first quarter of 2008 the company issued 465,000 RSUs under its new employee stock-based compensation plan. Expense recognized in the first quarter of 2008 was $3.8 million.

## 8. EMPLOYEE FUTURE BENEFITS LIABILITY

The company's pension plans and other post-retirement benefits programs are described in note 9 of the company's 2007 Annual Report. The following is the status of the net periodic benefit cost for the three months ended March 31.

| | Pension Benefits | | Other Post-retirement Benefits | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Current service costs | **14** | 13 | **1** | 1 |
| Interest costs | **12** | 11 | **2** | 2 |
| Expected return on plan assets | **(11)** | (11) | **—** | — |
| Amortization of net actuarial loss | **6** | 6 | **1** | — |
| Net periodic benefit cost | **21** | 19 | **4** | 3 |

## 9. SUPPLEMENTAL INFORMATION

| ($ millions) | Three months ended March 31 **2008** | 2007 |
|---|---|---|
| Interest paid | **66** | 55 |
| Income taxes paid | **273** | 17 |

## 10. INCOME TAXES

During the fourth quarter of 2007 the federal government substantively enacted a 3.5% reduction to its federal corporate tax rates. Accordingly, the company recognized a reduction in future income tax expense of $360 million related to the revaluation of its opening future income tax balances.

During the second quarter of 2007 the federal government substantively enacted a 0.5% reduction to its federal corporate tax rates. Accordingly, the company recognized a reduction in future income tax expense of $67 million related to the revaluation of its opening future income tax balances.

### 11. ROYALTY ESTIMATE MEASUREMENT UNCERTAINTY

Our current estimation of Alberta Crown royalties is based on regulations currently in effect. Alberta Crown royalties in effect for each oil sands project require payments to the Government of Alberta based on annual gross revenues less related transportation costs (R) less allowable costs (C), including the deduction of certain capital expenditures (the 25% R-C royalty), subject to a minimum payment of 1% of R.

Oil Sands royalties payable in 2008 are highly sensitive to, among other factors, changes in crude oil and natural gas pricing, foreign exchange rates and total capital and operating costs for each project. The oil sands pretax royalty estimate was $282 million for the first three months of 2008 compared to $157 million for the first three months of 2007. The balance of the consolidated royalty expense is in respect of natural gas royalties of $40 million (2007 – $32 million).

In 2008, the estimation process for calculating the quarterly royalty provision was changed from being based on an annual estimate to being based on the actual eligible revenues and costs recorded in the period. If the annualized approach was used for 2008, pretax royalties would have been $17 million higher for the first quarter.

### 12. LONG-TERM DEBT AND CREDIT FACILITIES

During the first quarter 2008, Suncor's $330 million bilateral credit facility was increased to $410 million. Also, the company renegotiated its $2 billion syndicated credit facility, increasing the credit limit to $3.5 billion, and extending its term to 2013.

During the third quarter, 2007, the company issued an additional US$400 million principal amount of 6.50% Notes under an outstanding US$2 billion debt shelf prospectus. These notes bear interest, which is paid semi-annually, and mature on June 15, 2038. The net proceeds received were used for general corporate purposes, including repayment of short term borrowing, supporting Suncor's ongoing capital spending program and for working capital requirements.

During the second quarter, 2007, the company issued 6.50% Notes with a principal amount of US$750 million under an outstanding US$2 billion debt shelf prospectus. These notes bear interest, which is paid semi-annually, and mature on June 15, 2038. The net proceeds received were used for general corporate purposes, including repayment of short term borrowing, supporting Suncor's ongoing capital spending program and for working capital requirements.

| ($ millions) | **March 31 2008** | December 31 2007 |
|---|---|---|
| **Fixed-term debt, redeemable at the option of the Company** | | |
| 6.50% Notes, denominated in U.S. dollars, due in 2038 (US$1150) | **1 182** | 1 137 |
| 5.95% Notes, denominated in U.S. dollars, due in 2034 (US$500) | **514** | 494 |
| 7.15% Notes, denominated in U.S. dollars, due in 2032 (US$500) | **514** | 494 |
| 5.39% Series 4 Medium Term Notes, due in 2037 | **600** | 600 |
| 6.70% Series 2 Medium Term Notes, due in 2011 | **500** | 500 |
| | **3 310** | 3 225 |
| **Revolving-term debt, with interest at variable rates** | | |
| Commercial Paper | **1 173** | 522 |
| Total unsecured long-term debt | **4 483** | 3 747 |
| Secured long-term debt | **1** | 1 |
| Capital Leases | **102** | 102 |
| Fair value of interest rate swaps | **9** | 6 |
| Deferred financing costs | **(43)** | (45) |
| Total long-term debt | **4 552** | 3 811 |

At March 31, 2008, undrawn lines of credit were approximately $2,478 million, as follows:

| ($ millions) | 2008 |
|---|---|
| Facility that is fully revolving for 364 days, has a term period of one year and expires in 2009 | **410** |
| Facility that is fully revolving for a period of five years and expires in 2013 | **3 500** |
| Facilities that can be terminated at any time at the option of the lenders | **45** |
| Total available credit facilities | **3 955** |
| Credit facilities supporting outstanding commercial paper | **1 173** |
| Credit facilities supporting standby letters of credit | **304** |
| Total undrawn credit facilities | **2 478** |

## 13. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive loss, net of income taxes, are as follows:

| ($ millions) | March 31 2008 | December 31 2007 |
|---|---|---|
| Unrealized foreign currency translation adjustments | **(213)** | (266) |
| Unrealized gains and losses on derivative hedging activities | **7** | 13 |
| Total | **(206)** | (253) |

## Highlights

(unaudited)

| | 2008 | 2007 (restated) |
|---|---|---|
| **Cash Flow from Operations** | | |
| (dollar per common share – basic) | | |
| For the three months ended March 31 | | |
| Cash flow from operations [(1)] | **2.51** | 1.79 |
| **Ratios** | | |
| For the twelve months ended March 31 | | |
| Return on capital employed (%) [(2)] | **28.8** | 34.4 |
| Return on capital employed (%) [(3)] | **21.1** | 26.0 |
| Net debt to cash flow from operations (times) [(4)] | **0.9** | 0.6 |
| Interest coverage on long-term debt (times) | | |
| Net earnings [(5)] | **17.0** | 23.3 |
| Cash flow from operations [(6)] | **22.0** | 28.3 |
| As at March 31 | | |
| Debt to debt plus shareholders' equity (%) [(7)] | **26.5** | 22.0 |
| **Common Share Information** | | |
| As at March 31 | | |
| Share price at end of trading | | |
| Toronto Stock Exchange – Cdn$ | **99.21** | 87.85 |
| New York Stock Exchange – US$ | **96.35** | 76.35 |
| Common share options outstanding (thousands) | **27 887** | 21 389 |
| For the three months ended March 31 | | |
| Average number outstanding, weighted monthly (thousands) | **463 108** | 460 074 |

Refer to the Quarterly Operating Summary for a discussion of financial measures not prepared in accordance with Canadian generally accepted accounting principles (GAAP).

(1) Cash flow from operations for the period; divided by the weighted average number of common shares outstanding during the period.

(2) For the twelve month period ended; net earnings (2008 – $3,010 million; 2007 – $2,820 million) adjusted for after-tax financing income (2008 – $105 million; 2007 – $12 million) divided by average capital employed (2008 – $10,436 million; 2007 – $8,168 million). Average capital employed is the sum of shareholders' equity and short-term debt plus long-term debt less cash and cash equivalents, at the beginning and end of the year, divided by two, less capitalized costs related to major projects in progress (as applicable). Return on capital employed (ROCE) for Suncor operating segments as presented in the Quarterly Operating Summary is calculated in a manner consistent with consolidated ROCE. For a detailed reconciliation of ROCE prepared on an annual basis, see page 46 of Suncor's 2007 Annual Report to Shareholders.

(3) If capital employed were to include capitalized costs related to major projects in progress (average capital employed including major projects in progress: 2008 – $14,256 million; 2007 – $10,788 million), the return on capital employed would be as stated on this line.

(4) Short-term debt plus long-term debt less cash and cash equivalents, divided by cash flow from operations for the twelve month period then ended.

(5) Net earnings plus income taxes and interest expense, divided by the sum of interest expense and capitalized interest.

(6) Cash flow from operations plus current income taxes and interest expense; divided by the sum of interest expense and capitalized interest.

(7) Short-term debt plus long-term debt; divided by the sum of short-term debt, long-term debt and shareholders' equity.

## Quarterly operating summary

(unaudited)

| | For the quarter ended | | | | | Total year |
|---|---|---|---|---|---|---|
| | **Mar 31 2008** | Dec 31 2007 | Sept 30 2007 | June 30 2007 | Mar 31 2007 | Dec 31 2007 |
| **OIL SANDS** | | | | | | |
| **Production** (1),(a) | | | | | | |
| Total production | **248.0** | 252.5 | 239.1 | 202.3 | 248.2 | 235.6 |
| Firebag | **34.6** | 40.4 | 35.8 | 36.2 | 35.3 | 36.9 |
| **Sales** (a) | | | | | | |
| Light sweet crude oil | **96.2** | 102.2 | 99.3 | 100.0 | 105.5 | 101.7 |
| Diesel | **28.0** | 26.0 | 23.9 | 20.3 | 29.5 | 25.0 |
| Light sour crude oil | **120.8** | 118.2 | 94.1 | 84.2 | 112.7 | 102.3 |
| Bitumen | **0.1** | 5.4 | 6.6 | 3.8 | 6.8 | 5.7 |
| **Total sales** | **245.1** | 251.8 | 223.9 | 208.3 | 254.5 | 234.7 |
| **Average sales price** (2),(b) | | | | | | |
| Light sweet crude oil | **100.93** | 87.34 | 81.00 | 75.64 | 68.63 | 78.03 |
| Other (diesel, light sour crude oil and bitumen) | **93.09** | 78.48 | 73.76 | 66.74 | 63.62 | 70.86 |
| Total | **96.16** | 82.07 | 76.97 | 71.01 | 65.70 | 74.01 |
| Total * | **96.22** | 82.36 | 76.97 | 71.01 | 65.61 | 74.07 |
| **Cash operating costs and Total operating costs – Total operations** (c) | | | | | | |
| Cash costs | **25.10** | 24.10 | 23.00 | 28.40 | 21.75 | 24.15 |
| Natural gas | **5.00** | 3.60 | 2.10 | 4.20 | 4.50 | 3.55 |
| Imported bitumen | **1.45** | 0.20 | — | 0.10 | 0.05 | 0.10 |
| **Cash operating costs** (3) | **31.55** | 27.90 | 25.10 | 32.70 | 26.30 | 27.80 |
| Project start-up costs | **0.30** | 0.55 | 1.10 | 1.15 | 0.10 | 0.95 |
| **Total cash operating costs** (4) | **31.85** | 28.45 | 26.20 | 33.85 | 26.40 | 28.75 |
| Depreciation, depletion and amortization | **5.75** | 5.60 | 5.70 | 5.85 | 4.45 | 5.40 |
| **Total operating costs** (5) | **37.60** | 34.05 | 31.90 | 39.70 | 30.85 | 34.15 |
| **Cash operating costs and Total operating costs – In-situ bitumen production only** (c) | | | | | | |
| Cash costs | **14.60** | 9.95 | 11.85 | 10.60 | 11.05 | 10.85 |
| Natural gas | **14.10** | 9.15 | 9.10 | 10.60 | 11.05 | 9.90 |
| **Cash operating costs** (6) | **28.70** | 19.10 | 20.95 | 21.20 | 22.10 | 20.75 |
| Firebag start-up costs | **0.35** | — | — | — | — | — |
| **Total cash operating costs** (7) | **29.05** | 19.10 | 20.95 | 21.20 | 22.10 | 20.75 |
| Depreciation, depletion and amortization | **6.75** | 6.80 | 6.70 | 5.75 | 5.35 | 6.20 |
| **Total operating costs** (8) | **35.80** | 25.90 | 27.65 | 26.95 | 27.45 | 26.95 |
| (for the period ended) | | | | | | |
| **Capital employed** (i) | **6 837** | 6 605 | 6 071 | 5 112 | 5 173 | |
| (for the twelve months ended) | | | | | | |
| **Return on capital employed** (j) | **44.3** | 43.0 | 32.3 | 35.3 | 53.1 | |
| **Return on capital employed** (j)**** | **28.0** | 27.9 | 21.7 | 24.4 | 39.8 | |

## Quarterly operating summary (continued)

(unaudited)

| | For the quarter ended | | | | | Total year |
|---|---|---|---|---|---|---|
| | **Mar 31 2008** | Dec 31 2007 | Sept 30 2007 | June 30 2007 | Mar 31 2007 | Dec 31 2007 |
| **NATURAL GAS** | | | | | | |
| **Gross production** ** | | | | | | |
| Natural gas (d) | **209** | 210 | 193 | 191 | 191 | 196 |
| Natural gas liquids and crude oil (a) | **3.3** | 3.2 | 3.1 | 3.0 | 3.1 | 3.1 |
| Total gross production (e) | **38.2** | 38.2 | 35.2 | 34.9 | 34.9 | 35.8 |
| Total gross production (f) | **229** | 229 | 211 | 209 | 209 | 215 |
| **Average sales price (2)** | | | | | | |
| Natural gas (g) | **7.30** | 6.08 | 5.39 | 6.85 | 7.01 | 6.32 |
| Natural gas (g) * | **7.30** | 6.02 | 5.14 | 6.83 | 7.14 | 6.27 |
| Natural gas liquids and crude oil (b) | **64.14** | 60.31 | 58.11 | 51.21 | 56.69 | 56.64 |
| **Net wells drilled** | | | | | | |
| Conventional – exploratory *** | **2** | 6 | 1 | 3 | 4 | 14 |
| – development | **7** | 6 | 2 | 1 | 8 | 17 |
| | **9** | 12 | 3 | 4 | 12 | 31 |
| (for the period ended) | | | | | | |
| **Capital employed** (i) | **1 175** | 1 153 | 1 090 | 1 079 | 1063 | |
| (for the twelve months ended) | | | | | | |
| **Return on capital employed** (j) | **3.5** | 2.5 | (0.6) | 0.6 | 8.5 | |
| **REFINING AND MARKETING** | | | | | | |
| **Refined product sales** (h) | | | | | | |
| Transportation fuels | | | | | | |
| Gasoline – retail | **4.6** | 4.9 | 5.1 | 5.2 | 5.4 | 5.2 |
| – other | **10.8** | 11.0 | 12.0 | 11.7 | 11.8 | 11.6 |
| Distillate | **10.4** | 11.0 | 10.8 | 10.5 | 10.3 | 10.6 |
| Total transportation fuel sales | **25.8** | 26.9 | 27.9 | 27.4 | 27.5 | 27.4 |
| Petrochemicals | **0.6** | 0.7 | 0.9 | 1.3 | 0.8 | 0.9 |
| Asphalt | **2.2** | 1.4 | 2.1 | 1.8 | 1.3 | 1.7 |
| Other | **1.9** | 3.8 | 4.2 | 4.1 | 2.0 | 3.5 |
| **Total refined product sales** | **30.5** | 32.8 | 35.1 | 34.6 | 31.6 | 33.5 |
| **Crude oil supply and refining** | | | | | | |
| Processed at refineries (h) | **23.0** | 22.1 | 25.9 | 27.6 | 24.6 | 25.1 |
| Utilization of refining capacity (j) | **90** | 87 | 102 | 108 | 97 | 98 |
| (for the period ended) | | | | | | |
| **Capital employed** (i) | **2 837** | 2 489 | 2 332 | 2 011 | 2 055 | |
| (for the twelve months ended) | | | | | | |
| **Return on capital employed** (j) | **18.3** | 20.0 | 20.9 | 22.4 | 19.3 | |
| **Return on capital employed** (j) **** | **16.5** | 17.4 | 17.9 | 17.2 | 12.2 | |

## Quarterly operating summary (continued))

### *Non-GAAP Financial Measures*

Certain financial measures referred to in the Highlights and Quarterly Operating Summary are not prescribed by Canadian generally accepted accounting principles (GAAP). Suncor includes cash flow from operations, return on capital employed and cash and total operating costs per barrel data because investors may use this information to analyze operating performance, leverage and liquidity. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

### *Definitions*

| | | |
|---|---|---|
| (1) Total operations production | – | Total operations production includes total production from both mining and in-situ operations. |
| (2) Average sales price | – | This operating statistic is calculated before royalties and net of related transportation costs (including or excluding the impact of hedging activities as noted). |
| (3) Cash operating costs – Total operations | – | Include cash costs that are defined as operating, selling and general expenses (excluding inventory changes), accretion expense, taxes other than income taxes and the cost of bitumen imported from third parties. Per barrel amounts are based on total production volumes. For a reconciliation of this non-GAAP financial measure see Management's Discussion and Analysis. |
| (4) Total cash operating costs – Total operations | – | Include cash operating costs – Total operations as defined above and cash start-up costs. Per barrel amounts are based on total production volumes. |
| (5) Total operating costs – Total operations | – | Include total cash operating costs – Total operations as defined above and non-cash operating costs. Per barrel amounts are based on total production volumes. |
| (6) Cash operating costs – In-situ bitumen production | – | Include cash costs that are defined as operating, selling and general expenses (excluding inventory changes), accretion expense and taxes other than income taxes. Per barrel amounts are based on in-situ production volumes only. |
| (7) Total cash operating costs – In-situ bitumen production | – | Include cash operating costs – In-situ bitumen production as defined above and cash start-up operating costs. Per barrel amounts are based on in-situ production volumes only. |
| (8) Total operating costs – In-situ bitumen production | – | Include total cash operating costs – In-situ bitumen production as defined above and non-cash operating costs. Per barrel amounts are based on in-situ production volumes only. |

### *Explanatory Notes*

| | |
|---|---|
| * | Excludes the impact of hedging activities. |
| ** | Currently production is located in the Western Canada Sedimentary Basin. |
| *** | Excludes exploratory wells in progress. |
| **** | If capital employed were to include capitalized costs related to major projects in progress, the return on capital employed would be as stated on this line. |

(a) thousands of barrels per day
(b) dollars per barrel
(c) dollars per barrel rounded to the nearest $0.05
(d) millions of cubic feet per day
(e) thousands of barrels of oil equivalent per day
(f) millions of cubit feet equivalent per day
(g) dollars per thousand cubic feet
(h) thousands of cubic metres per day
(i) $ millions
(j) percentage

### *Metric Conversion*

Crude oil, refined products, etc. — $1m^3$ (cubic metre) = approx. 6.29 barrels

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