

Management's discussion and analysis of financial condition and results of operations

Non-GAAP financial measures and other specified financial measures

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

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

Net income (loss) excluding identified items

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

Reconciliation of net income (loss) excluding identified items

There were no identified items in the second quarter or year-to-date 2022 and 2021.

Current business environment

During the COVID-19 pandemic, industry investment to maintain and increase production capacity was restrained to preserve capital, resulting in underinvestment and supply tightness as demand for petroleum and petrochemical products recovered. Across late 2021 and the first half of 2022, this dynamic, along with supply chain constraints and a continuation of demand recovery, led to a steady increase in oil and natural gas prices and refining margins. In the first half of 2022, tightness in the oil and natural gas markets was further exacerbated by Russia's invasion of Ukraine and subsequent sanctions imposed upon business and other activities in Russia. The price of crude oil and certain regional natural gas indicators increased to levels not seen for several years. By the end of the second quarter, high prices had led to a tempering of demand for some products. Commodity and product prices are expected to remain volatile given the current global economic and geopolitical uncertainty affecting supply and demand.

Operating results

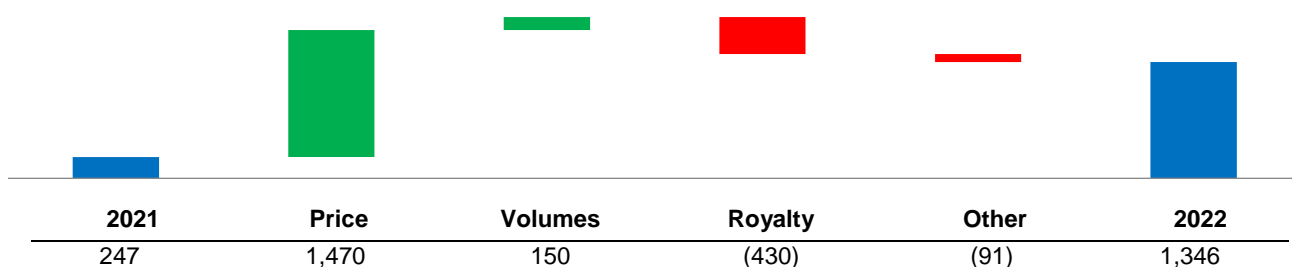
Second quarter 2022 vs. second quarter 2021

millions of Canadian dollars, unless noted	Second Quarter	
	2022	2021
Net income (loss) (U.S. GAAP)	2,409	366
Net income (loss) per common share, assuming dilution (dollars)	3.63	0.50

Upstream

Net income (loss) factor analysis

millions of Canadian dollars



Price – Higher realizations were generally in line with increases in marker prices, driven primarily by increased demand and supply chain constraints. Average bitumen realizations increased by \$55.01 per barrel generally in line with WCS, and synthetic crude oil realizations increased by \$63.87 per barrel generally in line with WTI.

Volumes – Higher volumes primarily driven by the timing of turnaround activities at Syncrude, partially offset by downtime at Kearl.

Royalty – Higher royalties primarily driven by improved commodity prices.

Other – Includes higher operating expenses of about \$180 million, primarily higher energy prices, partially offset by favourable foreign exchange impacts of about \$60 million.

Marker prices and average realizations

Canadian dollars, unless noted	Second Quarter	
	2022	2021
West Texas Intermediate (US\$ per barrel)	108.52	66.17
Western Canada Select (US\$ per barrel)	95.80	54.64
WTI/WCS Spread (US\$ per barrel)	12.72	11.53
Bitumen (per barrel)	112.27	57.26
Synthetic crude oil (per barrel)	144.67	80.80
Average foreign exchange rate (US\$)	0.78	0.81

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Production

thousands of barrels per day	Second Quarter	
	2022	2021
Kearl (Imperial's share)	159	181
Cold Lake	144	142
Syncrude (a)	81	47

Kearl total gross production (thousands of barrels per day)	224	255
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(a) In the second quarter of 2022, Syncrude gross production included about 2 thousand barrels per day of bitumen (2021 - rounded to 0 thousand barrels per day) that was exported to the operator's facilities using an existing interconnect pipeline.

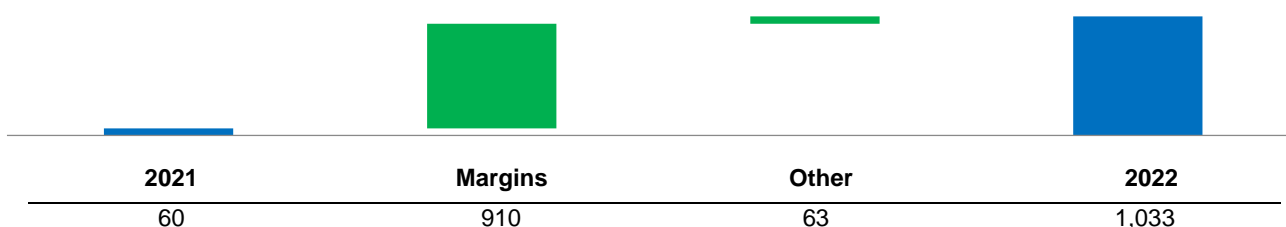
Lower production at Kearl was primarily a result of downtime.

Higher production at Syncrude was primarily a result of the timing of turnaround activities.

Downstream

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Higher margins primarily reflect improved market conditions.

Other – Includes lower turnaround impacts of about \$130 million, reflecting the absence of turnaround activities at Strathcona refinery, partially offset by higher operating expenses of about \$70 million, primarily higher energy costs.

Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	Second Quarter	
	2022	2021
Refinery throughput	412	332
Refinery capacity utilization (percent)	96	78
Petroleum product sales	480	429

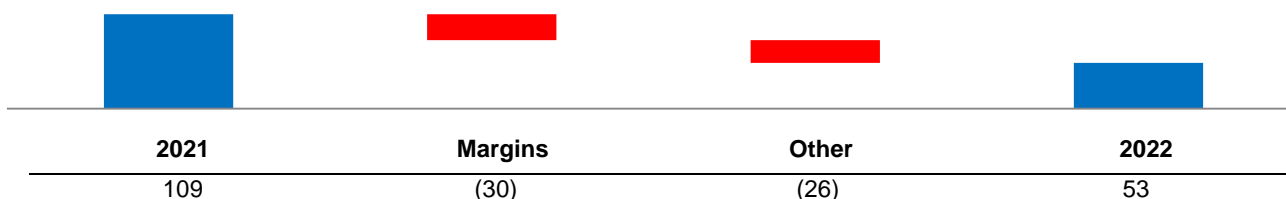
Improved refinery throughput in the second quarter of 2022 was primarily driven by reduced turnaround activity and increased demand.

Improved petroleum product sales in the second quarter of 2022 were mainly due to increased demand.

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



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Corporate and other

millions of Canadian dollars	Second Quarter	
	2022	2021
Net income (loss) (U.S. GAAP)	(23)	(50)

Liquidity and capital resources

millions of Canadian dollars	Second Quarter	
	2022	2021
Cash flow generated from (used in):		
Operating activities	2,682	852
Investing activities	(230)	(207)
Financing activities	(2,734)	(1,336)
Increase (decrease) in cash and cash equivalents	(282)	(691)
Cash and cash equivalents at period end	2,867	776

Cash flow generated from operating activities primarily reflects higher Upstream realizations and improved Downstream margins.

Cash flow used in investing activities primarily reflects higher additions to property, plant and equipment.

Cash flow used in financing activities primarily reflects:

millions of Canadian dollars, unless noted	Second Quarter	
	2022	2021
Dividends paid	228	161
Per share dividend paid (dollars)	0.34	0.22
Share repurchases (a)	2,500	1,171
Number of shares purchased (millions) (a)	32.5	29.5

(a) Share repurchases were made under the company's substantial issuer bid that commenced on May 6, 2022 and expired on June 10, 2022. Includes shares purchased from Exxon Mobil Corporation by way of a proportionate tender to maintain its ownership percentage at approximately 69.6 percent.

On May 6, 2022, the company commenced a substantial issuer bid pursuant to which it offered to purchase for cancellation up to \$2.5 billion of its common shares through a modified Dutch auction and proportionate tender offer. The substantial issuer bid was completed on June 15, 2022, with the company taking up and paying for 32,467,532 common shares at a price of \$77.00 per share, for an aggregate purchase of \$2.5 billion and 4.9 percent of Imperial's issued and outstanding shares as the close of business on May 2, 2022. This included 22,597,379 shares purchased from Exxon Mobil Corporation by way of a proportionate tender to maintain its ownership percentage at approximately 69.6 percent.

On June 27, 2022, the company announced by news release that it had received final approval from the Toronto Stock Exchange for a new normal course issuer bid and will continue its existing share purchase program. The program enables the company to purchase up to a maximum of 31,833,809 common shares during the period June 29, 2022 to June 28, 2023. This maximum includes shares purchased under the normal course issuer bid and from Exxon Mobil Corporation concurrent with, but outside of the normal course issuer bid. As in the past, Exxon Mobil Corporation has advised the company that it intends to participate to maintain its ownership percentage at approximately 69.6 percent. The program will end should the company purchase the maximum allowable number of shares, or on June 28, 2023. Imperial plans to accelerate its share purchases under the normal course issuer bid program, and anticipates repurchasing all remaining allowable shares by the end of October 2022. Purchase plans may be modified at any time without prior notice.

In June 2022, the company reduced its existing \$500 million committed long-term line of credit to \$250 million and extended the maturity date to June 30, 2023. The company also extended one of its \$250 million committed long-term lines of credit to June 30, 2024. The company has not drawn on any of its outstanding \$750 million of available credit facilities.

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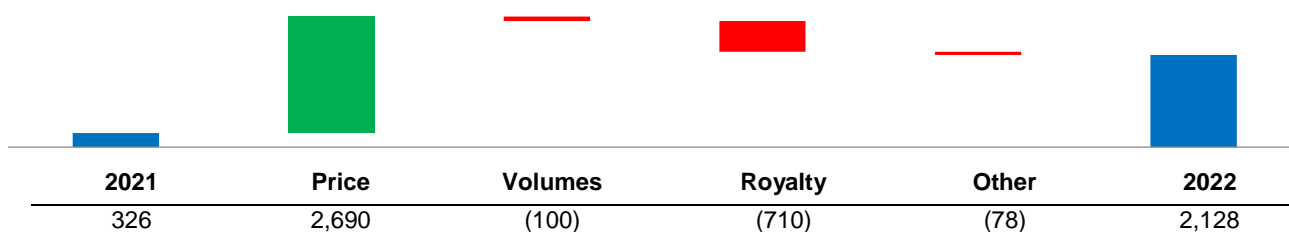
Six months 2022 vs. six months 2021

millions of Canadian dollars, unless noted	Six Months	
	2022	2021
Net income (loss) (U.S. GAAP)	3,582	758
Net income (loss) per common share, assuming dilution (dollars)	5.36	1.04

Upstream

Net income (loss) factor analysis

millions of Canadian dollars



Price – Higher realizations were generally in line with increases in marker prices, driven primarily by increased demand and supply chain constraints. Average bitumen realizations increased by \$49.08 per barrel generally in line with WCS, and synthetic crude oil realizations increased by \$58.99 per barrel generally in line with WTI.

Volumes – Lower volumes primarily driven by downtime at Kearl, partially offset by the timing of turnaround activities at Syncrude.

Royalty – Higher royalties primarily driven by improved commodity prices.

Other – Includes higher operating expenses of about \$220 million, primarily higher energy prices, partially offset by favourable foreign exchange impacts of about \$60 million.

Average realizations and marker prices

Canadian dollars, unless noted	Six Months	
	2022	2021
West Texas Intermediate (US\$ per barrel)	101.77	62.22
Western Canada Select (US\$ per barrel)	88.13	50.14
WTI/WCS Spread (US\$ per barrel)	13.64	12.08
Bitumen (per barrel)	101.53	52.45
Synthetic crude oil (per barrel)	131.41	72.42
Average foreign exchange rate (US\$)	0.79	0.80

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Production

thousands of barrels per day	Six Months	
	2022	2021
Kearl (Imperial's share)	146	180
Cold Lake	142	141
Syncrude (a)	79	63

Kearl total gross production (thousands of barrels per day)	205	253
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(a) In 2022, Syncrude gross production included about 2 thousand barrels per day of bitumen (2021 - rounded to 0 thousand barrels per day) that was exported to the operator's facilities using an existing interconnect pipeline.

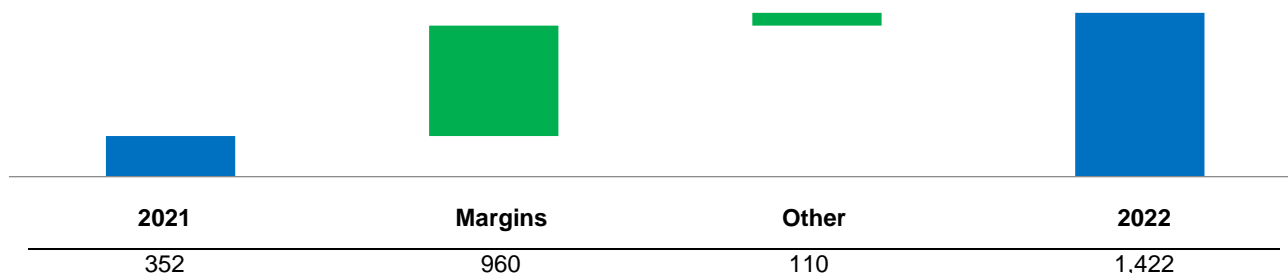
Lower production at Kearl was primarily a result of downtime.

Higher production at Syncrude was primarily a result of the timing of turnaround activities.

Downstream

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Higher margins primarily reflect improved market conditions.

Other – Includes lower turnaround impacts of about \$130 million, reflecting the absence of turnaround activities at Strathcona refinery, partially offset by higher operating expenses of about \$90 million, primarily higher energy costs.

Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	Six Months	
	2022	2021
Refinery throughput	406	348
Refinery capacity utilization (percent)	95	81
Petroleum product sales	464	421

Improved refinery throughput in 2022 was primarily driven by reduced turnaround activity and increased demand.

Improved petroleum product sales in 2022 primarily reflects increased demand.

IMPERIAL OIL LIMITED

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



Corporate and other

millions of Canadian dollars	Six Months	
	2022	2021
Net income (loss) (U.S. GAAP)	(77)	(96)

Liquidity and capital resources

millions of Canadian dollars	Six Months	
	2022	2021
Cash flow generated from (used in):		
Operating activities	4,596	1,897
Investing activities	(509)	(354)
Financing activities	(3,373)	(1,538)
Increase (decrease) in cash and cash equivalents	714	5

Cash flow generated from operating activities primarily reflects higher Upstream realizations, improved Downstream margins and favourable working capital impacts.

Cash flow used in investing activities primarily reflects higher additions to property, plant and equipment.

Cash flow used in financing activities primarily reflects:

millions of Canadian dollars, unless noted	Six Months	
	2022	2021
Dividends paid	413	323
Per share dividend paid (dollars)	0.61	0.44
Share repurchases (a)	2,949	1,171
Number of shares purchased (millions) (a)	41.4	29.5

(a) Share repurchases were made under the company's normal course issuer bid program and substantial issuer bid that commenced on May 6, 2022 and expired on June 10, 2022. Includes shares purchased from Exxon Mobil Corporation concurrent with, but outside of the normal course issuer bid, and by way of a proportionate tender under the company's substantial issuer bid.

Forward-looking statements

Statements of future events or conditions in this report, including projections, targets, expectations, estimates, and business plans are forward-looking statements. Forward-looking statements can be identified by words such as believe, anticipate, intend, propose, plan, goal, seek, project, predict, target, estimate, expect, strategy, outlook, schedule, future, continue, likely, may, should, will and similar references to future periods. Forward-looking statements in this release include, but are not limited to, references to the use of derivative instruments and effectiveness of risk mitigation; purchases under the normal course issuer bid, including plans to accelerate completion by the end of October 2022; the sale of XTO Energy Canada and expected closing timing, adjustments and estimated cash flow and gain; and the expectation of commodity and product price volatility.

Forward-looking statements are based on the company's current expectations, estimates, projections and assumptions at the time the statements are made. Actual future financial and operating results, including expectations and assumptions concerning demand growth and energy source, supply and mix; production rates, growth and mix; project plans, timing, costs, technical evaluations and capacities and the company's ability to effectively execute on these plans and operate its assets; for shareholder returns, assumptions such as cash flow forecasts, financing sources and capital structure, participation of the company's majority shareholder and the results of periodic and ongoing evaluation of alternate uses of capital; capital and environmental expenditures; that regulatory approvals related to the sale of XTO Energy Canada will be received in a timely manner and the sale will close as anticipated; the adoption and impact of new facilities or technologies on reductions to GHG emissions intensity; receipt of regulatory approvals; applicable laws and government policies, including with respect to climate change and GHG emissions reductions; progression of COVID-19 and its impacts on Imperial's ability to operate its assets; and commodity prices, foreign exchange rates and general market conditions could differ materially depending on a number of factors.

These factors include global, regional or local changes in supply and demand for oil, natural gas, and petroleum and petrochemical products and resulting price, differential and margin impacts, including foreign government action with respect to supply levels and prices, the impact of COVID-19 on demand and the occurrence of wars; availability and allocation of capital; unanticipated technical or operational difficulties; operational hazards and risks; the receipt, in a timely manner, of regulatory and third-party approvals; project management and schedules and timely completion of projects; management effectiveness and disaster response preparedness, including business continuity plans in response to COVID-19; availability and performance of third-party service providers, including in light of restrictions related to COVID-19; the results of research programs and new technologies, and ability to bring new technologies to commercial scale on a cost-competitive basis; environmental risks inherent in oil and gas exploration and production activities; political or regulatory events, including changes in law or government policy such as tax laws, production curtailment and actions in response to COVID-19; cybersecurity incidents, including increased reliance on remote working arrangements; currency exchange rates; general economic conditions; and other factors discussed in Item 1A risk factors and Item 7 management's discussion and analysis of financial condition and results of operations of Imperial Oil Limited's most recent annual report on Form 10-K and subsequent interim reports.

Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, some that are similar to other oil and gas companies and some that are unique to Imperial. Imperial's actual results may differ materially from those expressed or implied by its forward-looking statements and readers are cautioned not to place undue reliance on them. Imperial undertakes no obligation to update any forward-looking statements contained herein, except as required by applicable law.

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

Quantitative and qualitative disclosures about market risk

Information about market risks for the six months ended June 30, 2022, does not differ materially from that discussed on page 33 of the company's annual report on Form 10-K for the year ended December 31, 2021 and on page 23 of the Form 10-Q for the quarter ended March 31, 2022.