

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 Item 10(e) of Regulation S-K, 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 first quarter of 2023 and 2022.

Recent business environment

During the first quarter of 2023, the price of crude oil decreased as the global oil market saw higher inventory levels. The increase in inventory levels was followed by announcements early in the second quarter of decreased production in certain key oil-producing countries. In addition, the Canadian WTI/WCS spread continued to widen in January and February before beginning to recover in March. Refining margins remained high due to low inventory levels of petroleum products.

Operating results

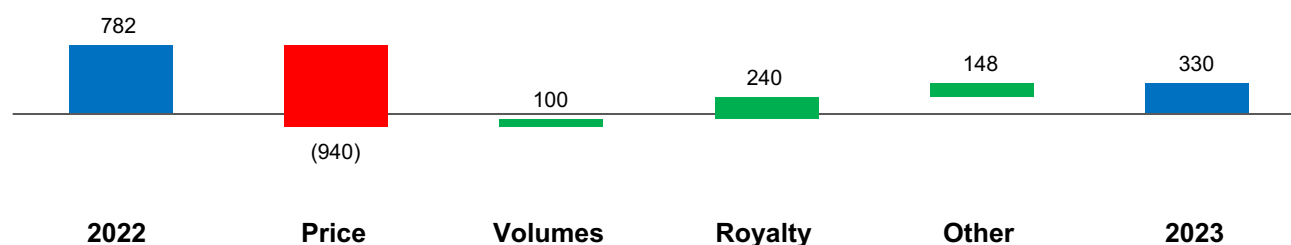
First quarter 2023 vs. first quarter 2022

millions of Canadian dollars, unless noted	First Quarter	
	2023	2022
Net income (loss) (U.S. GAAP)	1,248	1,173
Net income (loss) per common share, assuming dilution (dollars)	2.13	1.75

Upstream

Net income (loss) factor analysis

millions of Canadian dollars



Price – Lower bitumen realizations were primarily driven by lower marker prices and the widening WTI/WCS spread. Average bitumen realizations decreased by \$39.03 per barrel, generally in line with WCS, and synthetic crude oil realizations decreased by \$14.79 per barrel, generally in line with WTI.

Volumes – Higher volumes were primarily driven by the absence of extreme cold weather, and reduced unplanned downtime at Kearn as a result of the successful rollout of the winterization strategy.

Royalty – Lower royalties primarily driven by weakened commodity prices.

Other – Includes favourable foreign exchange impacts of about \$150 million, partly offset by higher operating expenses of about \$80 million.

Marker prices and average realizations

Canadian dollars, unless noted	First Quarter	
	2023	2022
West Texas Intermediate (US\$ per barrel)	75.98	95.01
Western Canada Select (US\$ per barrel)	51.42	80.46
WTI/WCS Spread (US\$ per barrel)	24.56	14.55
Bitumen (per barrel)	50.33	89.36
Synthetic crude oil (per barrel)	102.45	117.24
Average foreign exchange rate (US\$)	0.74	0.79

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Production

thousands of barrels per day	First Quarter	
	2023	2022
Kearl (Imperial's share)	184	132
Cold Lake	141	140
Syncrude (a)	76	77
Kearl total gross production (thousands of barrels per day)	259	186

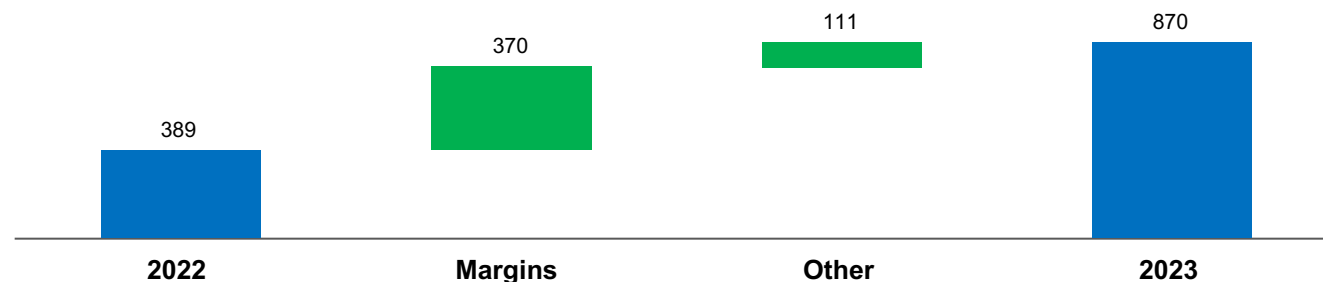
(a) In the first quarter of 2023, Syncrude gross production included about 2 thousand barrels per day of bitumen and other products (2022 - 2 thousand barrels per day) that were exported to the operator's facilities using an existing interconnect pipeline.

Higher production at Kearl was primarily driven by the absence of extreme cold weather, and reduced unplanned downtime as a result of the successful rollout of the winterization strategy.

Downstream

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Higher margins primarily reflect improved market conditions.

Other – Improved volumes of about \$90 million and favourable foreign exchange impacts of about \$80 million.

Refinery utilization and petroleum product sales

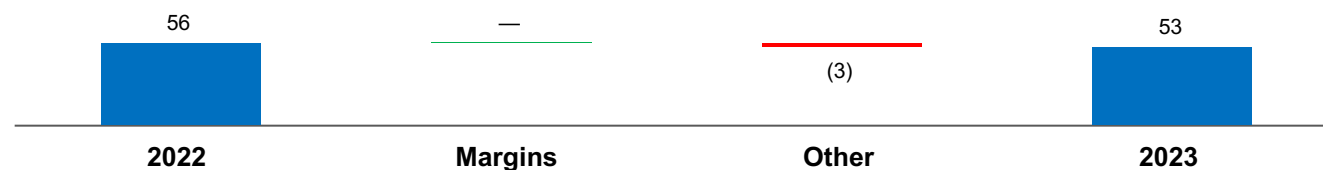
thousands of barrels per day, unless noted	First Quarter	
	2023	2022
Refinery throughput	417	399
Refinery capacity utilization (percent)	96	93
Petroleum product sales	455	447

Improved refinery throughput in the first quarter of 2023 was primarily driven by lower planned maintenance.

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



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Corporate and other

millions of Canadian dollars	First Quarter	
	2023	2022
Net income (loss) (U.S. GAAP)	(5)	(54)

Liquidity and capital resources

millions of Canadian dollars	First Quarter	
	2023	2022
Cash flow generated from (used in):		
Operating activities	(821)	1,914
Investing activities	(414)	(279)
Financing activities	(271)	(639)
Increase (decrease) in cash and cash equivalents	(1,506)	996
Cash and cash equivalents at period end	2,243	3,149

Cash flow used in operating activities primarily reflects unfavourable working capital impacts including, an income tax catch-up payment of \$2.1 billion and lower Upstream realizations, partly offset by 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	First Quarter	
	2023	2022
Dividends paid	266	185
Per share dividend paid (dollars)	0.44	0.27
Share repurchases (a)	—	449
Number of shares purchased (millions) (a)	—	8.9

(a) The company did not purchase shares during the first quarter of 2023. In the first quarter of 2022, share repurchases were made under the company's normal course issuer bid program, and included shares purchased from Exxon Mobil Corporation concurrent with, but outside of, the normal course issuer bid.

Contractual obligations

In the second quarter of 2023, the company entered into a long-term purchase agreement with a third party for about \$3 billion. It has no impact on the 2023 and 2024 obligations disclosed in Imperial's 2022 annual report on Form 10-K. The company does not believe that the increased obligation will have a material effect on Imperial's operations, financial condition or financial statements.

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; the company's belief that the commitment related to long-term purchase agreement will not have a material adverse effect on the company.

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; for shareholder returns, assumptions such as cash flow forecasts, financing sources and capital structure; project plans, timing, costs, technical evaluations and capacities and the company's ability to effectively execute on these plans and operate its assets; capital and environmental expenditures; 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; project management and schedules and timely completion of projects; unanticipated technical or operational difficulties; availability and performance of third-party service providers; environmental risks inherent in oil and gas exploration and production activities; political or regulatory events, including changes in law or government policy; management effectiveness and disaster response preparedness; operational hazards and risks; 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 three months ended March 31, 2023, does not differ materially from that discussed on page 32 of the company's annual report on Form 10-K for the year ended December 31, 2022.