

## 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 second quarter or year-to-date 2023 and 2022.

## Recent business environment

During the first half of 2023, the price of crude oil decreased as the global oil market saw higher inventory levels. In addition, the Canadian WTI/WCS spread continued to recover in the second quarter, but remains weaker than the first half of 2022. Refining margins declined on steady supply of diesel.

## Operating results

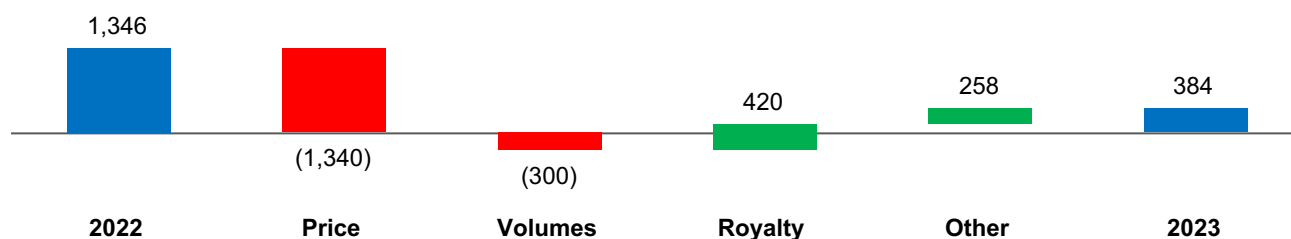
### Second quarter 2023 vs. second quarter 2022

millions of Canadian dollars, unless noted	Second Quarter	
	2023	2022
Net income (loss) (U.S. GAAP)	675	2,409
Net income (loss) per common share, assuming dilution (dollars)	1.15	3.63

### 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 \$43.63 per barrel, generally in line with WCS, and synthetic crude oil realizations decreased by \$43.75 per barrel, generally in line with WTI.

Volumes – Lower volumes were primarily driven by the timing of planned turnaround activities at Syncrude, and production and steam cycle timing at Cold Lake.

Royalty – Lower royalties were primarily driven by weakened commodity prices.

Other – Includes favourable foreign exchange impacts of about \$180 million, and lower operating expenses of about \$130 million, resulting primarily from lower energy prices.

### Marker prices and average realizations

Canadian dollars, unless noted	Second Quarter	
	2023	2022
West Texas Intermediate (US\$ per barrel)	73.56	108.52
Western Canada Select (US\$ per barrel)	58.49	95.80
WTI/WCS Spread (US\$ per barrel)	15.07	12.72
Bitumen (per barrel)	68.64	112.27
Synthetic crude oil (per barrel)	100.92	144.67
Average foreign exchange rate (US\$)	0.74	0.78

## IMPERIAL OIL LIMITED

### Production

thousands of barrels per day	Second Quarter	
	2023	2022
Kearl (Imperial's share)	154	159
Cold Lake	132	144
Syncrude (a)	66	81
<b>Kearl total gross production (thousands of barrels per day)</b>	<b>217</b>	<b>224</b>

(a) In the second quarter of 2023, Syncrude gross production included about 0 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.

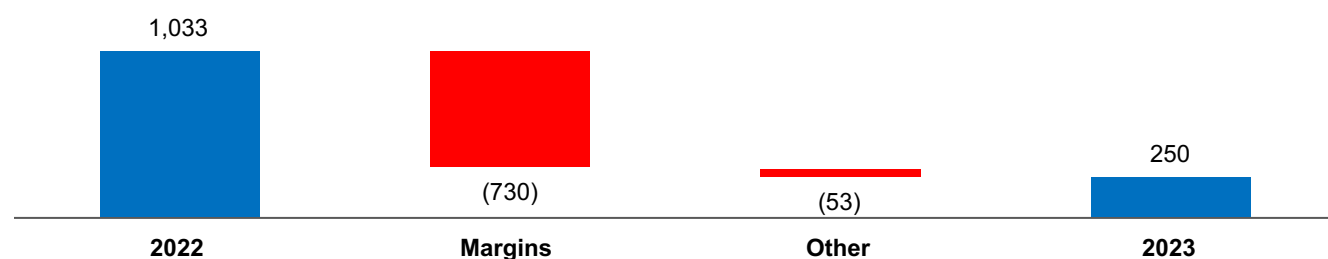
Lower production at Cold Lake was primarily driven by timing of production and steam cycles.

Lower production at Syncrude was primarily driven by the timing of the annual coker turnaround.

### Downstream

#### Net income (loss) factor analysis

millions of Canadian dollars



Margins – Lower margins primarily reflect weaker market conditions.

Other – Includes higher turnaround impacts of about \$230 million, reflecting the planned turnaround activities at Strathcona refinery, partially offset by favourable foreign exchange impacts of about \$110 million.

#### Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	Second Quarter	
	2023	2022
Refinery throughput	388	412
Refinery capacity utilization (percent)	90	96
<b>Petroleum product sales</b>	<b>475</b>	<b>480</b>

Lower refinery throughput in the second quarter of 2023 reflects the impact of planned turnaround activities at the Strathcona refinery.

### Chemicals

#### Net income (loss) factor analysis

millions of Canadian dollars



## IMPERIAL OIL LIMITED

### Corporate and other

	Second Quarter	
millions of Canadian dollars	2023	2022
Net income (loss) (U.S. GAAP)	(30)	(23)

### Liquidity and capital resources

	Second Quarter	
millions of Canadian dollars	2023	2022
Cash flow generated from (used in):		
Operating activities	885	2,682
Investing activities	(489)	(230)
Financing activities	(263)	(2,734)
Increase (decrease) in cash and cash equivalents	133	(282)
Cash and cash equivalents at period end	2,376	2,867

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

Cash flow used in investing activities primarily reflects higher additions to property, plant and equipment, and lower proceeds from asset sales.

Cash flow used in financing activities primarily reflects:

	Second Quarter	
millions of Canadian dollars, unless noted	2023	2022
Dividends paid	257	228
Per share dividend paid (dollars)	0.44	0.34
Share repurchases (a)	—	2,500
Number of shares purchased (millions) (a)	—	32.5

(a) The company did not purchase shares during the second quarter of 2023. In the second quarter of 2022, share repurchases were made under the company's substantial issuer bid that commenced on May 6, 2022 and expired on June 10, 2022, and included 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, 2023, 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 29,207,635 common shares during the period June 29, 2023 to June 28, 2024. 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, 2024. Imperial plans to accelerate its share purchases under the normal course issuer bid program, and anticipates repurchasing all remaining allowable shares prior to year end. Purchase plans may be modified at any time without prior notice.

### 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.

## IMPERIAL OIL LIMITED

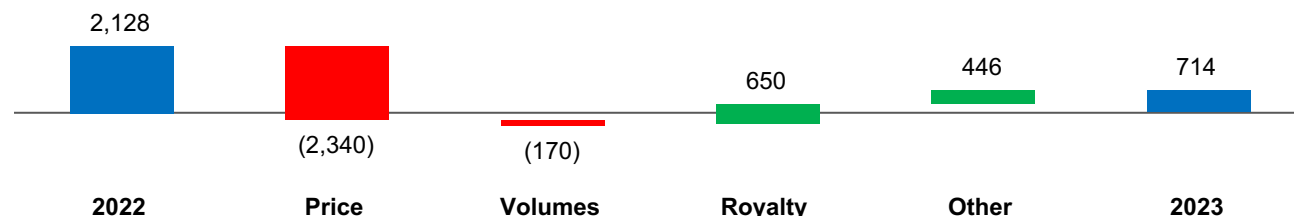
### Six months 2023 vs. six months 2022

millions of Canadian dollars, unless noted	Six Months	
	2023	2022
Net income (loss) (U.S. GAAP)	1,923	3,582
Net income (loss) per common share, assuming dilution (dollars)	3.29	5.36

### 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 \$42.59 per barrel, generally in line with WCS, and synthetic crude oil realizations decreased by \$29.68 per barrel, generally in line with WTI.

**Volumes** – Lower volumes were primarily driven by the timing of planned turnaround activities at Syncrude, and production and steam cycle timing at Cold Lake, partially offset by the absence of extreme cold weather and reduced unplanned downtime at Kearn.

**Royalty** – Lower royalties were primarily driven by weakened commodity prices.

**Other** – Includes favourable foreign exchange impacts of about \$330 million, and lower operating expenses of about \$50 million.

### Marker prices and average realizations

Canadian dollars, unless noted	Six Months	
	2023	2022
West Texas Intermediate (US\$ per barrel)	74.77	101.77
Western Canada Select (US\$ per barrel)	54.92	88.13
WTI/WCS Spread (US\$ per barrel)	19.85	13.64
Bitumen (per barrel)	58.94	101.53
Synthetic crude oil (per barrel)	101.73	131.41
Average foreign exchange rate (US\$)	0.74	0.79

## IMPERIAL OIL LIMITED

### Production

thousands of barrels per day	Six Months	
	2023	2022
Kearl (Imperial's share)	169	146
Cold Lake	137	142
Syncrude (a)	71	79

Kearl total gross production (thousands of barrels per day) **238**    205

(a) In 2023, Syncrude gross production included about 1 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 – Lower margins primarily reflect weaker market conditions.

Other – Favourable foreign exchange impacts of about \$190 million and improved volumes of about \$110 million, partially offset by higher turnaround impacts of about \$250 million, reflecting the planned turnaround activities at Strathcona refinery.

#### Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	Six Months	
	2023	2022
Refinery throughput	403	406
Refinery capacity utilization (percent)	93	95
Petroleum product sales	465	464

Lower refinery throughput in 2023 reflects the impact of planned turnaround activities at the Strathcona refinery.

### Chemicals

#### Net income (loss) factor analysis

millions of Canadian dollars



## IMPERIAL OIL LIMITED

### Corporate and other

	Six Months	
millions of Canadian dollars	2023	2022
Net income (loss) (U.S. GAAP)	<b>(35)</b>	(77)

### Liquidity and capital resources

	Six Months	
millions of Canadian dollars	2023	2022
Cash flow generated from (used in):		
Operating activities	64	4,596
Investing activities	<b>(903)</b>	(509)
Financing activities	<b>(534)</b>	(3,373)
Increase (decrease) in cash and cash equivalents	<b>(1,373)</b>	714

Cash flow generated from operating activities primarily reflects unfavourable working capital impacts, including an income tax catch-up payment of \$2.1 billion, as well as lower Upstream realizations and Downstream margins.

Cash flow used in investing activities primarily reflects higher additions to property, plant and equipment, and lower proceeds from asset sales.

Cash flow used in financing activities primarily reflects:

	Six Months	
millions of Canadian dollars, unless noted	2023	2022
Dividends paid	<b>523</b>	413
Per share dividend paid (dollars)	<b>0.88</b>	0.61
Share repurchases (a)	—	2,949
Number of shares purchased (millions) (a)	—	41.4

(a) The company did not purchase shares during the six months ended June 30, 2023. In the six months ended June 30, 2022, 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; The company's purchases under the normal course issuer bid and plans to accelerate completion prior to year end; and 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, participation of the company's majority shareholder and the results of periodic and ongoing evaluation of alternate uses of capital; 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 six months ended June 30, 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.