

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 2024 and 2023.

Recent business environment

During the first quarter of 2024, the price of crude oil remained relatively flat with the fourth quarter of 2023, as markets continued to be reasonably balanced on higher inventory levels. The Canadian WTI/WCS spread began to narrow in the first quarter, but remained in line with the 2023 full year average. Refining margins improved in the first quarter of 2024 primarily driven by industry downtime and supply disruptions.

Operating results

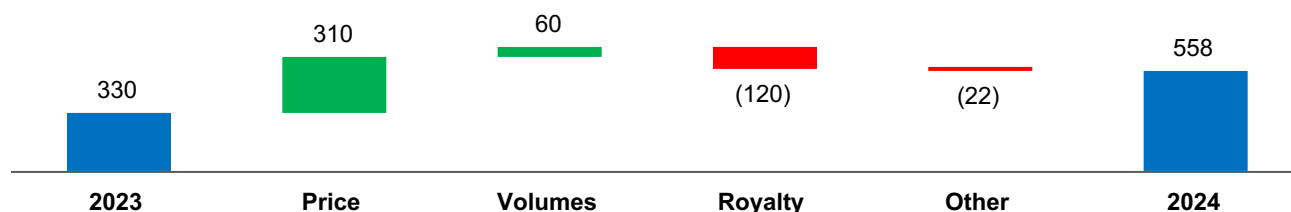
First quarter 2024 vs. first quarter 2023

millions of Canadian dollars, unless noted	First Quarter	
	2024	2023
Net income (loss) (U.S. GAAP)	1,195	1,248
Net income (loss) per common share, assuming dilution (dollars)	2.23	2.13

Upstream

Net income (loss) factor analysis

millions of Canadian dollars



Price – Average bitumen realizations increased by \$16.23 per barrel, primarily driven by higher marker prices and the narrowing of the WTI/WCS spread. Synthetic crude oil realizations decreased by \$8.94 per barrel, due to a weaker Synthetic/WTI spread.

Volumes – Higher volumes were primarily driven by strong mine and plant performance at Kearl.

Royalty – Higher royalties were primarily driven by improved commodity prices.

Marker prices and average realizations

Canadian dollars, unless noted	First Quarter	
	2024	2023
West Texas Intermediate (US\$ per barrel)	76.86	75.98
Western Canada Select (US\$ per barrel)	57.50	51.42
WTI/WCS Spread (US\$ per barrel)	19.36	24.56
Bitumen (per barrel)	66.56	50.33
Synthetic crude oil (per barrel)	93.51	102.45
Average foreign exchange rate (US\$)	0.74	0.74

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Production

thousands of barrels per day	First Quarter	
	2024	2023
Kearl (Imperial's share)	196	184
Cold Lake	142	141
Syncrude (a)	73	76
Kearl total gross production (thousands of barrels per day)	277	259

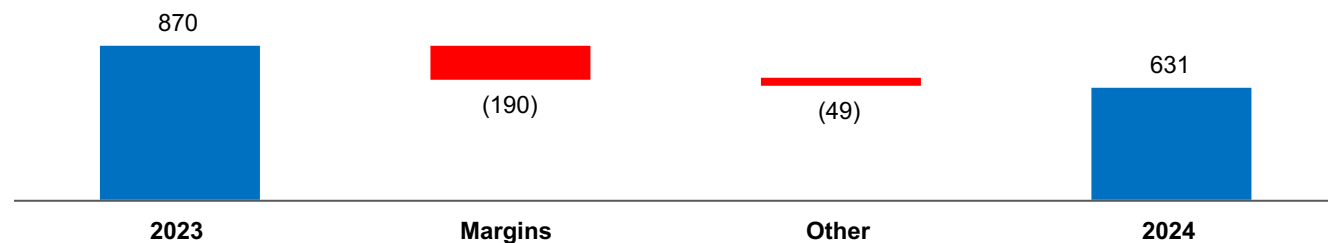
(a) In the first quarter of 2023, Syncrude gross production included about 2 thousand barrels per day of bitumen and other products that were exported to the operator's facilities using an existing interconnect pipeline.

Higher production at Kearl was primarily driven by strong mine and plant performance.

Downstream

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Lower margins primarily reflect weaker market conditions.

Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	First Quarter	
	2024	2023
Refinery throughput	407	417
Refinery capacity utilization (percent)	94	96
Petroleum product sales	450	455

Lower refinery throughput was primarily driven by minor maintenance activities.

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



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Corporate and other

	First Quarter	
millions of Canadian dollars	2024	2023
Net income (loss) (U.S. GAAP)	(51)	(5)

Liquidity and capital resources

	First Quarter	
millions of Canadian dollars	2024	2023
Cash flows from (used in):		
Operating activities	1,076	(821)
Investing activities	(481)	(414)
Financing activities	(283)	(271)
Increase (decrease) in cash and cash equivalents	312	(1,506)
Cash and cash equivalents at period end	1,176	2,243

Cash flows from operating activities primarily reflect the absence of unfavourable working capital impacts related to an income tax catch-up payment of \$2.1 billion in the prior year.

Cash flows used in investing activities primarily reflect higher additions to property, plant and equipment.

Cash flows used in financing activities primarily reflect:

	First Quarter	
millions of Canadian dollars, unless noted	2024	2023
Dividends paid	278	266
Per share dividend paid (dollars)	0.50	0.44
Share repurchases (a)	—	—
Number of shares purchased (millions) (a)	—	—

(a) The company did not purchase any shares in the first quarter of 2024 and 2023.

Contractual obligations

In the first quarter of 2024, the company entered into a long-term purchase agreement with a third party for about \$2 billion. It has no material impact on the 2024 and 2025 obligations disclosed in Imperial's 2023 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; and the company's belief that the commitment related to the long-term purchase agreement will not have a material effect on the company's operations, financial condition or financial statements.

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 future energy demand, supply and mix; production rates, growth and mix across various assets; project plans, timing, costs, technical evaluations and capacities and the company's ability to effectively execute on these plans and operate its assets, including the Cold Lake Grand Rapids Phase 1 project and the Strathcona renewable diesel project; capital and environmental expenditures; the ability to offset any ongoing inflationary pressures; 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, and the occurrence of wars; the receipt, in a timely manner, of regulatory and third-party approvals, including for new technologies that will help the company meet its lower emissions goals; 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; environmental regulation, including climate change and greenhouse gas regulation and changes to such regulation; political or regulatory events, including changes in law or government policy, applicable royalty rates, and tax laws including taxes on share repurchases; management effectiveness and disaster response preparedness; operational hazards and risks; cybersecurity incidents; currency exchange rates; general economic conditions, including inflation and the occurrence and duration of economic recessions or downturns; 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.

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, 2024, does not differ materially from that discussed on page 34 of the company's annual report on Form 10-K for the year ended December 31, 2023.