

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

millions of Canadian dollars	Third Quarter		Nine Months	
	2022	2021	2022	2021
From Imperial's Consolidated statement of income				
Net income (loss) (U.S. GAAP)	2,031	908	5,613	1,666
Less identified items included in Net income (loss)				
Gain/(loss) on sale of assets	208	—	208	—
Subtotal of identified items	208	—	208	—
Net income (loss) excluding identified items	1,823	908	5,405	1,666

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. Across the third quarter of 2022, high prices and economic uncertainty led to a tempering of demand for some products, causing crude oil prices and refining margins to soften relative to first half levels. Commodity and product prices are expected to remain volatile given the current global economic and geopolitical uncertainty affecting supply and demand.

Operating results

Third quarter 2022 vs. third quarter 2021

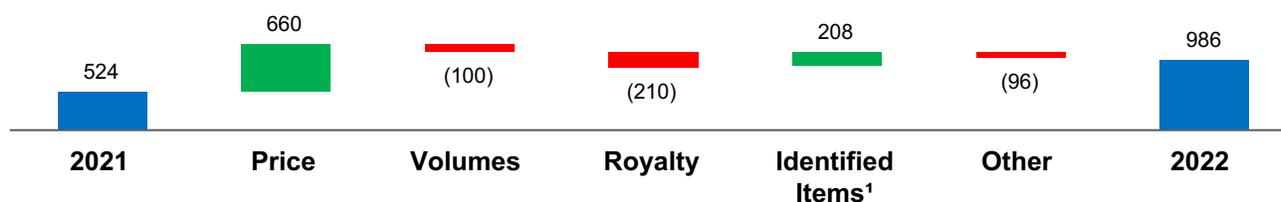
millions of Canadian dollars, unless noted	Third Quarter	
	2022	2021
Net income (loss) (U.S. GAAP)	2,031	908
Net income (loss) per common share, assuming dilution (dollars)	3.24	1.29
Net income (loss) excluding identified items ¹	1,823	908

Current quarter results include favourable identified items¹ of \$208 million related to the company's gain on the sale of interests in XTO Energy Canada.

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 \$21.14 per barrel generally in line with WCS, and synthetic crude oil realizations increased by \$38.86 per barrel generally in line with WTI.

Volumes – Lower volumes were the result of timing of planned turnaround activities at Syncrude, partially offset by higher volumes at Cold Lake, primarily driven by continued focus on sustained performance and production optimization.

Royalty – Higher royalties primarily driven by improved commodity prices.

Identified Items¹ – Current quarter results include favourable identified items¹ related to the company's gain on the sale of interests in XTO Energy Canada.

Other – Includes higher operating expenses of about \$200 million, partially offset by favourable foreign exchange impacts of about \$80 million.

¹ non-GAAP financial measure - see non-GAAP financial measures and other specified financial measures for definition and reconciliation

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Marker prices and average realizations

Canadian dollars, unless noted	Third Quarter	
	2022	2021
West Texas Intermediate (US\$ per barrel)	91.43	70.52
Western Canada Select (US\$ per barrel)	71.53	57.08
WTI/WCS Spread (US\$ per barrel)	19.90	13.44
Bitumen (per barrel)	81.58	60.44
Synthetic crude oil (per barrel)	124.80	85.94
Average foreign exchange rate (US\$)	0.77	0.79

Production

thousands of barrels per day	Third Quarter	
	2022	2021
Kearl (Imperial's share)	193	194
Cold Lake	150	135
Syncrude (a)	62	78
Kearl total gross production (thousands of barrels per day)	271	274

(a) In the third quarter of 2022, Syncrude gross production included about 7 thousand barrels per day of bitumen and other products (2021 - 1 thousand barrels per day) that was exported to the operator's facilities using an existing interconnect pipeline.

Higher production at Cold Lake was primarily driven by continued focus on sustained performance and production optimization.

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

Downstream

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Higher margins primarily reflect improved market conditions.

Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	Third Quarter	
	2022	2021
Refinery throughput	426	404
Refinery capacity utilization (percent)	100	94
Petroleum product sales	484	485

Improved refinery throughput in the third quarter of 2022 was primarily driven by economic optimization across the downstream supply chain.

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Lower margins primarily reflect weaker industry polyethylene margins.

Corporate and other

millions of Canadian dollars	Third Quarter	
	2022	2021
Net income (loss) (U.S. GAAP)	(21)	(30)

Liquidity and capital resources

millions of Canadian dollars	Third Quarter	
	2022	2021
Cash flow generated from (used in):		
Operating activities	3,089	1,947
Investing activities	364	(259)
Financing activities	(2,744)	(589)
Increase (decrease) in cash and cash equivalents	709	1,099
Cash and cash equivalents at period end	3,576	1,875

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

Cash flow generated from investing activities primarily reflects proceeds from the sale of interests in XTO Energy Canada, partially offset by higher additions to property, plant and equipment.

Cash flow used in financing activities primarily reflects:

millions of Canadian dollars, unless noted	Third Quarter	
	2022	2021
Dividends paid	227	195
Per share dividend paid (dollars)	0.34	0.27
Share repurchases (a)	1,512	313
Number of shares purchased (millions) (a)	25.2	9.0

(a) Share repurchases were made under the company's normal course issuer bid program, and include shares purchased from Exxon Mobil Corporation concurrent with, but outside of the normal course issuer bid.

During the third quarter of 2022, the company decreased its long-term debt by \$1 billion by partially repaying an existing facility with an affiliated company of ExxonMobil.

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Nine months 2022 vs. nine months 2021

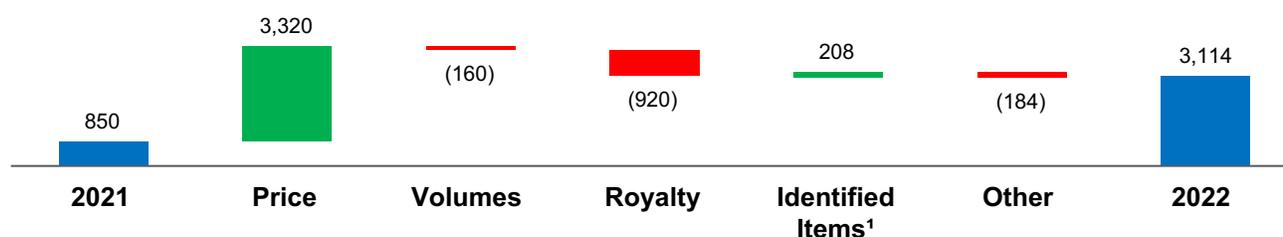
millions of Canadian dollars, unless noted	Nine Months	
	2022	2021
Net income (loss) (U.S. GAAP)	5,613	1,666
Net income (loss) per common share, assuming dilution (dollars)	8.58	2.31
Net income (loss) excluding identified items ¹	5,405	1,666

Current year results include favourable identified items¹ of \$208 million related to the company's gain on the sale of interests in XTO Energy Canada.

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 \$38.71 per barrel generally in line with WCS, and synthetic crude oil realizations increased by \$51.90 per barrel generally in line with WTI.

Volumes – Lower volumes were primarily the result of downtime at Kearl in the first half of the year.

Royalty – Higher royalties primarily driven by improved commodity prices.

Identified Items¹ – Current year results include favourable identified items¹ related to the company's gain on the sale of interests in XTO Energy Canada.

Other – Includes higher operating expenses of about \$430 million, primarily higher energy prices, partially offset by favourable foreign exchange impacts of about \$130 million.

Marker prices and average realizations

Canadian dollars, unless noted	Nine Months	
	2022	2021
West Texas Intermediate (US\$ per barrel)	98.25	65.04
Western Canada Select (US\$ per barrel)	82.60	52.45
WTI/WCS Spread (US\$ per barrel)	15.65	12.59
Bitumen (per barrel)	94.01	55.30
Synthetic crude oil (per barrel)	129.52	77.62
Average foreign exchange rate (US\$)	0.78	0.80

¹ non-GAAP financial measure - see non-GAAP financial measures and other specified financial measures for definition and reconciliation

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Production

thousands of barrels per day	Nine Months	
	2022	2021
Kearl (Imperial's share)	162	185
Cold Lake	145	139
Syncrude (a)	74	68
Kearl total gross production (thousands of barrels per day)	228	260

(a) In 2022, Syncrude gross production included about 4 thousand barrels per day of bitumen and other products (2021 - 1 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 in the first half of the year.

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 \$140 million, reflecting the absence of turnaround activities at Strathcona refinery and favourable foreign exchange impacts of about \$70 million, partially offset by higher operating expenses of about \$130 million, primarily from higher energy costs.

Refinery utilization and petroleum product sales

thousands of barrels per day, unless noted	Nine Months	
	2022	2021
Refinery throughput	413	367
Refinery capacity utilization (percent)	96	86
Petroleum product sales	471	442

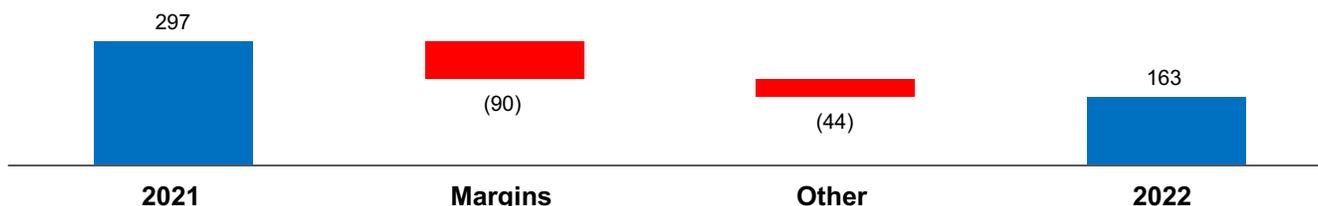
Improved refinery throughput in 2022 was primarily driven by reduced turnaround activity and increased demand.

Improved petroleum product sales in 2022 primarily reflects increased demand.

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Lower margins primarily reflect weaker industry polyethylene margins.

Corporate and other

	Nine Months	
millions of Canadian dollars	2022	2021
Net income (loss) (U.S. GAAP)	(98)	(126)

Liquidity and capital resources

	Nine Months	
millions of Canadian dollars	2022	2021
Cash flow generated from (used in):		
Operating activities	7,685	3,844
Investing activities	(145)	(613)
Financing activities	(6,117)	(2,127)
Increase (decrease) in cash and cash equivalents	1,423	1,104

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 proceeds from the sale of interests in XTO Energy Canada, partially offset by higher additions to property, plant and equipment.

Cash flow used in financing activities primarily reflects:

	Nine Months	
millions of Canadian dollars, unless noted	2022	2021
Dividends paid	640	518
Per share dividend paid (dollars)	0.95	0.71
Share repurchases (a)	4,461	1,484
Number of shares purchased (millions) (a)	66.6	38.5

(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.

During the third quarter of 2022, the company decreased its long-term debt by \$1 billion by partially repaying an existing facility with an affiliated company of ExxonMobil.

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 at 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.

Subsequent to the end of the third quarter, the company completed all share repurchases under its normal course issuer bid on October 21, 2022.

On October 28, 2022 the company announced its intention to launch a substantial issuer bid pursuant to which the company will offer to purchase for cancellation up to \$1.5 billion of its common shares. The substantial issuer bid will be made through a modified Dutch auction, with a tender price range to be determined by the company at the time of commencement of the offer. Shares may also be tendered by way of a proportionate tender, which will result in a shareholder maintaining their proportionate share ownership. ExxonMobil has advised Imperial that it intends to make a proportionate tender in connection with the offer in order to maintain its proportionate share ownership at approximately 69.6 percent following completion of the offer. Nothing in this report shall constitute an offer to purchase or a solicitation of an offer to sell any shares.

Contractual obligations

During the third quarter of 2022, the company entered into a long-term raw material purchase agreement with a third-party, commencing in 2024, which includes a take-or-pay commitment of about \$700 million. The company does not believe that this increase in obligation, including prior obligations discussed in Imperial's 2021 annual report on Form 10-K, will have a material adverse effect on the company's operations, financial conditions, or financial statements taken as a whole.

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 intention to initiate a substantial issuer bid, including the size, timing for determining the terms and pricing, commencement, structure and ExxonMobil's intent to make a proportionate tender; the continued evaluation of the share purchase program in context of overall capital activities; the company's belief that the commitment related to the long-term raw material purchase agreement will not have a material adverse effect on the company; 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; for shareholder returns, assumptions such as cash flow forecasts, financing sources and capital structure, that the necessary exemptive relief to proceed with the substantial issuer bid under applicable securities laws will be received on the timeline anticipated, and ExxonMobil making a proportionate tender in connection with the substantial issuer bid; 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; the adoption and impact of new facilities or technologies on reductions to GHG emissions intensity, and any changes in the scope, terms, or costs of such projects; 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; the receipt, in a timely manner, of regulatory and third-party approvals, including for the company's substantial issuer bid; the results of research programs and new technologies, the ability to bring new technologies to commercial scale on a cost-competitive basis, and the competitiveness of alternative energy and other emission reduction technologies; project management and schedules and timely completion of projects; unanticipated technical or operational difficulties; lack of required support from governments and policymakers for adoption of new technologies for emissions reductions; availability and performance of third-party service providers, including in light of restrictions related to COVID-19; environmental risks inherent in oil and gas exploration and production activities; political or regulatory events, including changes in law or government policy, environmental regulation including climate change and greenhouse gas regulation, and actions in response to COVID-19; management effectiveness and disaster response preparedness, including business continuity plans in response to COVID-19; 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 nine months ended September 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.