

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 first quarter of 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 early 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. In the first quarter 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.

Operating results

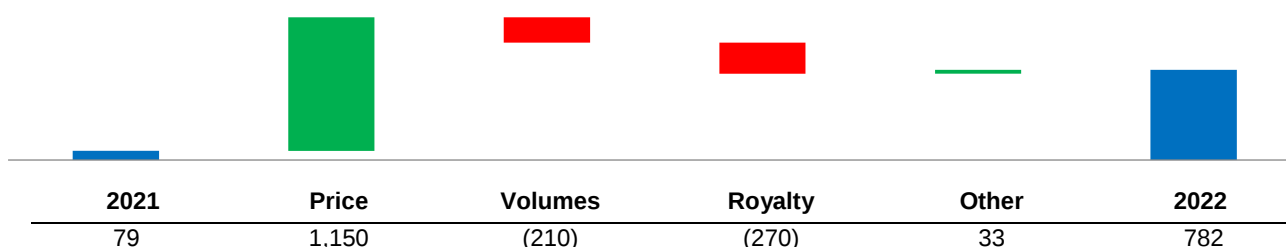
First quarter 2022 vs. first quarter 2021

millions of Canadian dollars, unless noted	First Quarter	
	2022	2021
Net income (loss) (U.S. GAAP)	1,173	392
Net income (loss) per common share, assuming dilution (dollars)	1.75	0.53

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 \$42.17 per barrel generally in line with WCS and synthetic crude oil realizations increased by \$49.83 per barrel generally in line with WTI.

Volumes – Lower volumes primarily driven by extreme cold weather and unplanned downtime at Kearl.

Royalty – Higher royalties primarily driven by improved commodity prices.

Marker prices and average realizations

Canadian dollars, unless noted	First Quarter	
	2022	2021
West Texas Intermediate (US\$)	95.01	58.14
Western Canada Select (US\$)	80.46	45.64
WTI/WCS Spread (US\$)	14.55	12.50
Bitumen (per barrel)	89.36	47.19
Synthetic crude oil (per barrel)	117.24	67.41
Average foreign exchange rate (US\$)	0.79	0.79

IMPERIAL OIL LIMITED

Production

	First Quarter	
thousands of barrels per day	2022	2021
Kearl (Imperial's share)	132	178
Cold Lake	140	140
Syncrude (Imperial's share) (a)	77	79

Kearl total gross production (thousands of barrels per day)	186	251
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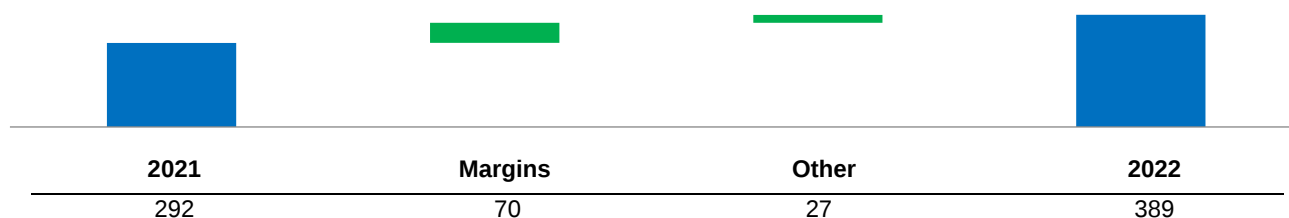
(a) In the first quarter of 2022, Syncrude (Imperial's share) gross production included about 1 thousand barrels per day of bitumen (2021 - rounded to 0 thousand barrels per day) that was exported to the operator's facilities using an existing interconnect pipeline.

Lower production at Kearl was primarily a result of extreme cold weather and unplanned downtime.

Downstream

Net income (loss) factor analysis

millions of Canadian dollars



Margins – Higher margins primarily reflect improved market conditions.

Refinery utilization and petroleum product sales

	First Quarter	
thousands of barrels per day, unless noted	2022	2021
Refinery throughput	399	364
Refinery capacity utilization (percent)	93	85
Petroleum product sales	447	414

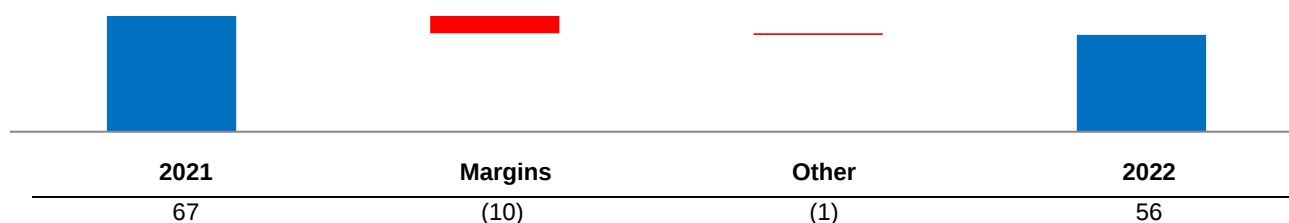
Improved refinery throughput in the first quarter of 2022 primarily reflects increased demand.

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

Chemicals

Net income (loss) factor analysis

millions of Canadian dollars



Corporate and other

	First Quarter	
millions of Canadian dollars	2022	2021
Net income (loss) (U.S. GAAP)	(54)	(46)

Liquidity and capital resources

	First Quarter	
millions of Canadian dollars	2022	2021
Cash flow generated from (used in):		
Operating activities	1,914	1,045
Investing activities	(279)	(147)
Financing activities	(639)	(202)
Increase (decrease) in cash and cash equivalents	996	696
Cash and cash equivalents at period end	3,149	1,467

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:

	First Quarter	
millions of Canadian dollars, unless noted	2022	2021
Dividends paid	185	162
Per share dividend paid (dollars)	0.27	0.22
Share repurchases (a)	449	-
Number of shares purchased (millions) (a)	8.9	-

(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.

The company completed share repurchases under its normal course issuer bid on January 31, 2022. The company did not purchase shares during the first quarter of 2021.

On April 29, 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 \$2,500,000,000 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.

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; updated earnings sensitivities; and the company's continued evaluation of renewal of its normal course issuer bid program.

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; commodity prices, foreign exchange rates and general market conditions; 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; that the necessary exemptive relief to proceed with the substantial issuer bid under applicable securities laws will be received on the timeline anticipated; ExxonMobil making a proportionate tender in connection with the substantial issuer bid; cash generation, financing sources and capital structure, including the timing and amount of share repurchases; capital and environmental expenditures; 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; the company's ability to effectively execute on its business continuity plans and pandemic response activities; 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; project management and schedules and timely completion of projects; unanticipated technical or operational difficulties; management effectiveness and disaster response preparedness, including business continuity plans in response to COVID-19; operational hazards and risks; 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 such as tax laws, production curtailment and actions in response 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; 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.

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, 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. The following table details those earnings sensitivities that have been updated from the fiscal year-end to reflect current market conditions.

Earnings Sensitivities (a)

millions of Canadian dollars after tax

One dollar (U.S.) per barrel increase (decrease) in crude oil prices	+ (-)	105
One dollar (U.S.) per barrel increase (decrease) in light and heavy crude price differentials	+ (-)	35
One cent decrease (increase) in the value of the Canadian dollar versus the U.S. dollar	+ (-)	200

(a) Each sensitivity calculation shows the annual impact on net income resulting from a change in one factor, after tax and royalties and holding all other factors constant. These sensitivities have been updated to reflect current market conditions. They may not apply proportionately to larger fluctuations.