Imperial Oil Limited
Q2 2026 Earnings Call
Transcript

Friday July 31st, 2026

Conference Title: Imperial Oil 2Q26 Earnings Call

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Operator: Good day and welcome to the Imperial Oil Second Quarter 2026 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Peter Shaw, Vice President of Investor Relations. Please go ahead, sir.

Peter Shaw: Good morning, everyone. Welcome to our second quarter earnings conference call. I am joined this morning by Imperial's Senior Management team, including John Whelan, Chairman, President and CEO. Dan Lyons, Senior Vice President, Finance and Administration. Cheryl Gomez-Smith, Senior Vice President of the Upstream. And Scott Maloney, Vice President of the Downstream.

Today's comments include reference to non-GAAP financial measures. The definitions and reconciliations of these measures can be found in Attachment Six of our most recent press release, and are available on our website with a link to this conference call. Today's comments may contain forward-looking information. Any forward-looking information is not a guarantee of future performance, and actual future performance and operating results can vary materially depending on a number of factors and assumptions. Forward-looking information and the risk factors and assumptions are described in further detail on our second quarter earnings release that we issued this morning, as well as our most recent Form 10-K. All of these documents are available on CDR Plus, EDGAR, and our website. So, I would ask you to reference those.

John is going to start with some opening remarks and then hand it over to Dan, who is going to provide a financial update. And then John will provide an operations update. Once that is done, we will follow with the Q&A session. So, with that, I will turn it over to John for his opening remarks.

John Whelan: Thank you, Peter. Good morning, everybody, and welcome to our second quarter earnings call. I hope everybody is doing well. And as always, we appreciate you taking the time to join us this morning. Since our last earnings call, we've seen ongoing volatility in commodity markets driven by geopolitical events, reinforcing the strategic importance of commodity and product supply from Canada to the rest of the world.

For Imperial, our advantaged, long-standing business model uniquely provides significant leverage to upside conditions while also protecting against downside scenarios. This is a substantial long-term structural benefit that allows us to return additional surplus cash to shareholders at higher prices, while adhering to our investment plans and strategic priorities over a range of price scenarios.

As you will have seen with the recent trilateral MOU signing, governments and industry through the Oil Sands Alliance continue to collaborate on creating the conditions needed to support a more competitive, growing, and lower-emissions Canadian oil sands sector. The MOU is a positive step, and while there is definitely more work to do, I'm encouraged and optimistic about the potential for Canadians, for Albertans, for the industry, and for Imperial.

With a supportive fiscal and regulatory framework, Imperial has the potential to double our gross operated upstream production over time with the development of our high-quality oil sands leases using our advantaged technology. Consistent with that, we continue to construct the Enhanced Bitumen Recovery Technology Pilot at our Aspen lease, which is scheduled to start up early next year. We also continue to maximize the value of our existing assets, leveraging our competitive advantages of technology, scale, integration, execution, excellence and, most importantly, our people. From a financial perspective, cash flows from operating activities were over $2. 7 billion in the quarter. Excluding the impact of working capital, cash flows from operating activities were over $2. 5 billion.

Moving to operations, I want to highlight several key achievements. At Kearl, production was in line with our second-best second quarter ever. We also successfully completed our planned turnaround work ahead of schedule and below budget. At Cold Lake, we continue to see strong results from our Grand Rapids, Solvent-assisted SAGD project and the ramp-up of our Lemming SAGD project. These projects support our strategy of transforming Cold Lake with advantaged technology.

In the downstream, we completed the planned turnaround at our Strathcona refinery following a record 10-year interval for the crude unit. And we expect the turnaround to be ranked in the first quartile for cost and duration against industry benchmarks. Overall, we feel really good about our strategy and the investments we're making to grow free cash flow and to continue to deliver unmatched industry-leading total shareholder return.

However, we have had some short-term challenges in the downstream that I'll talk to a bit more detail as we go through the operations. And as a result, we've lowered our downstream throughput guidance by approximately 6%. That said, I would highlight that we still expect higher volumes and throughput across our entire business in the second half now that our significant turnaround activity is behind us.
In terms of capital allocation, our approach remains consistent with our long-standing priorities, which begins with investing in the business to sustain and grow value. Next, a reliable and growing dividend remains a key priority. Our annual dividend has now grown for 31 consecutive years. And then, as we generate surplus cash above and beyond our commitments, we look to return that to shareholders in a timely manner.

As you've seen in the release, and given our strong financial performance and confidence going forward, we plan to accelerate the share repurchases under the NCIB program and anticipate repurchasing all remaining allowable shares prior to year-end. And on that note, I'll pass it over to Dan to talk about our financial performance.

Daniel Lyons: Thanks, John. Starting with financial results for the second quarter, we recorded net income of $2,190,000,000, up $1,241,000,000 from the second quarter of 2025, driven primarily by higher commodity prices. Similarly, when comparing sequentially, second quarter net income is up $1,250,000,000 from the first quarter of 2026, primarily driven by higher commodity prices.

Now, shifting our attention to each business line and looking sequentially, upstream earnings of $1,299,000,000 are up $829 million from the first quarter, primarily due to higher crude prices. Downstream earnings of $787 million are up $176 million from the first quarter due to higher margins, partially offset by planned turnaround impacts at the Strathcona refinery. Our chemical business generated earnings of $65 million, up $41 million from the first quarter due to higher polyethylene margins.

Moving to cash flow, in the second quarter, we generated about $2. 7 billion in cash flows from operating activities. Excluding working capital effects, cash flows from operating activities for the second quarter were $2,522,000,000, up about $1. 1 billion from the second quarter of 2025. We ended the quarter in a strong cash position with over $2. 8 billion of cash on hand.

Shifting to Capex, capital expenditures in the second quarter totaled $531 million, $58 million higher than the second quarter of 2025 and $53 million higher than the first quarter of 2026. In the upstream, second quarter, spending of $359 million focused on sustaining capital at Kearl, Cold Lake and Syncrude. In the downstream, second quarter Capex was primarily spent on sustaining capital projects across our refinery network.

Shifting to shareholder distributions. In the second quarter, we paid $421 million of dividends, and earlier this morning, we declared a third quarter dividend of $0. 87 per share. And as John noted, we also announced plans to accelerate our NCIB with a target of completing the program by year-end, in line with our long-standing philosophy of returning surplus cash to our shareholders. Now, I'll turn it back to John to discuss the company's operational performance.

John Whelan: Thanks, Dan. I want to take the next few minutes to share key highlights from our operating results. Upstream production for the quarter averaged 414,000 gross oil equivalent barrels per day, down 5000 oil equivalent barrels per day versus the first quarter of 2026. This was driven by planned turnaround activity at Kearl, some unplanned maintenance at Cold Lake in May, and extreme rainfall at Syncrude, partially offset by higher overall reliability and the absence of the third-party regional gas supply outage. While our gross production guidance for 2026 still stands, given the results of the first half of the year, we now expect full-year upstream production to be towards the low end of the guidance range.

I'll now cover highlights for each of the assets, starting with Kearl. Kearl's quarterly production was 257,000 barrels per day, down 2000 barrels per day versus the first quarter of 2026. Primarily driven by the successful execution of the planned turnaround work, partially offset by the absence of the third-party regional gas supply outage. Kearl also experienced extreme rainfall in early June, but I'm pleased to say our team was able to significantly limit the overall impact on SAFE performance through robust, severe weather protocols and contingency plans.

Turning to the completed turnaround on the K-1 train, the team delivered the work ahead of schedule and under budget. This achievement completes the program to extend Kearls' turnaround intervals to an industry-leading four years, and advances plans to reduce maintenance costs and lower downtime. With this work now complete, our next planned turnaround is not until 2029, when we return to the K-2 train, where we successfully executed a planned turnaround last year. When I think about maximizing value at Kearl, this is exactly it. Higher volumes with less downtime and lower absolute costs, resulting in materially lower unit cash costs.

Consistent with the approach we shared at our 2025 Investor Day, we continue to advance multiple growth initiatives at Kearl, including recovery, productivity, and reliability enhancements. For example, construction continues on the flotation columns, which is one of the secondary recovery projects we are advancing to support incremental capital-efficient production by capturing additional bitumen or already processed through the plant. With construction nearing completion, commissioning activities will be starting in the third quarter, and production is expected to start up in the fourth quarter of this year.

Moving next to Cold Lake highlights. Cold Lake's quarterly production averaged 149,000 barrels per day, down 6000 barrels per day versus the first quarter of 2026 due to unplanned maintenance that was completed in May. This quarter, we completed a key planned optimization at Cold Lake. Transferring volumes from the Lemming plant, our oldest plant, which processed approximately 5% of Cold Lake's production, into existing spare capacity at Maskwa and Mahkeses plants. This optimization of infrastructure allows us to decommission the Lemming plant, reducing our cost structure and further advancing our strategy to maximize value of our existing assets. In addition, we remain focused on continued ramp-up of our Lemming SAGD project through the balance of the year.

Now, looking to the future, we have three high-quality in-situ opportunities in our portfolio where we are focused on solvent technology to maximize value. Our Aspen, Clark Creek and Corner assets, together with our advantaged technology, underpin our long-term growth opportunity with the potential over time to double our gross operated upstream production. As mentioned, we continue to progress the Enhanced Bitumen Recovery Technology Pilot, with start-up remaining on track for 2027.

To round out the upstream, I'll now cover Syncrude. Imperial's share of Syncrude production for the quarter averaged 73,000 barrels per day, up 1000 barrels per day versus the first quarter of 2026. Mainly due to the absence of the Coker 8-3 unplanned downtime, which was largely offset by extreme rainfall impacts. Syncrude continued to utilize the interconnect pipeline to import bitumen and gas oil to ensure high upgrader utilization. This enabled approximately 11,000 barrels per day our share of additional Syncrude Sweet Premium production.

As a reminder, due to the unplanned maintenance required on Coker 8-3 at Syncrude last quarter, the decision was made to defer the planned second quarter turnaround work on Coker 8-2. We expect that turnaround to now start in the latter half of August and take approximately 50 days to complete.

Let's move to the downstream. In the second quarter, we refined an average of 331,000 barrels per day, representing a utilization of 76%. Compared to the first quarter of 2026, refinery throughput was down 53,000 barrels a day, mainly driven by the planned turnaround work at Strathcona.

Our team successfully completed the planned turnaround on the Strathcona crude unit, which had achieved its longest ever run length of 10-years. We forecast the turnaround to rank in the first quartile when compared against industry benchmarking. Our renewable diesel facility at Strathcona, the largest in Canada, continues to generate highly attractive economics relative to more costly imports.

Now, as we discussed in our earnings press release this morning, we've lowered our downstream throughput guidance by approximately 6%. This is due to three key factors. First, and while behind us now, we had higher unplanned downtime in the first half of the year. Second, at Strathcona, we have prioritized renewable diesel production due to strong economics. This has improved margins but reduced crude throughput. And as we ramped up renewable diesel, we also identified congestion in some areas of our rail yard. We are now adding additional rail handling capacity to alleviate that congestion and are targeting completion by year-end.

And finally, in mid-July, Nanticoke experienced unplanned downtime impacting the crude unit. Other units continue to run, and we expect to resume full operation by early August. These items have now been fully factored into the updated downstream guidance range. The overall downstream outlook remains positive for the balance of the year, with higher volumes, structural advantages, and a supportive market environment.

Petroleum product sales were 446,000 barrels per day, down 5000 barrels per day compared to the first quarter of 2026. Overall, across our Canadian network, we saw very similar demand for each of our primary petroleum products in the second quarter of 2026 relative to 2025. Turning now to chemicals. Earnings in the second quarter were $65 million, up $41 million from the second quarter of 2025 due to higher product pricing.

In closing, while the external environment continues to be dynamic, our priorities remain unchanged. We are focused on capturing the full value of our advantaged integrated business, growing profitable volumes, advancing structural cost improvements, and increasing cash flow generation. Further to that, we continue to advance our restructuring plans. We are firmly in the implementation phase, guided by a robust and disciplined approach, and things are progressing well. As shared previously, we will capture significant long-term efficiency and effectiveness benefits as we further transform our business, leveraging rapidly advancing technology and ExxonMobil's global capability centers.

Through disciplined implementation, we will continue to strengthen the competitiveness of our operations, maximize the value of our asset base and deliver superior long-term returns to shareholders. Operationally, our focus remains on execution, excellence and being the most responsible operator. This includes the safe and effective execution of upcoming planned turnaround activities at Cold Lake and Sarnia. Given global supply challenges, the external environment continues to support strong cash flow generation with notable tightness in refined product markets.
With the heaviest turnaround quarter behind us, we are well positioned to deliver higher volumes and throughput in the second half, capturing significant value and continuing to deliver industry-leading shareholder returns. As noted earlier, we also announced today our intention to accelerate share repurchases under the renewed NCIB and expect to repurchase all remaining allowable shares before year-end.

As always, I want to thank our employees for their commitment, expertise, professionalism, and teamwork. Their dedication to safe operations, execution, excellence, and customer and community service is what makes our achievements possible. And I'd like to thank all of you once again for your continued interest and confidence in Imperial. And with that, we'll move to the Q&A portion of the call, and I'll hand it back to Peter.

Peter Shaw: Thank you, John. We'd appreciate it if you could limit yourself to one question, plus a follow-up, so that we can get to all the questions. So, with that, operator, could you please open up the line for questions?

Operator: Thank you. And if you are dialed in via the telephone and would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We will now go with your first question coming from the line of Greg Pardy with RBC Capital Markets.

Greg Pardy: Yeah, thanks. Good morning, guys. Thanks for the rundown. Just in the release, probably what jumped out is that Kearl, and just not only the downtime impacting production rates, but also just, I think you referred to it as the lack of exceptional work rates. So, just curious there is as to whether you're moving into a different area of the mine or a new pit or what have you, and then whether you expect to move back into, I guess, higher ore grades as we move along.

John Whelan: Good morning, Greg, and thanks. Thanks for your question. It was really interesting. It isn't a case of moving into the lower ore grades. We remain extremely confident or quality. It really was. At the second quarter of 2025, we experienced exceptional ore grade material. The exception was the second quarter and a little bit into the third quarter of 2025. We hit the highest, sweetest portion of the mine at that time. That was the anomaly was last year's second quarter and the third quarter. We're now back into really the ore grade that we've been seeing over the last two or three years.

On average, I would just really stress that we have very high relative oil grade compared to other oil sands mines. And we benefit from that going forward. So again, the exception, what really was truly the second quarter of 2025 and not where we are now and not where we see ourselves going in the future.

Greg Pardy: Okay. Understood. Thanks. Thanks for the clarification there. And John, as I look at our model in 2027, even if we don't really make big changes on volumes, the margins get so much better. And I guess this comes back to you, and just correct me if I'm wrong, but your 2025 Investor Day and then you've got different unit opex targets. I think it's 18 US at Kearl and 13 at Cold Lake. I'm just curious. Are those numbers achievable? And am I working with the right numbers in the right time frame?

John Whelan: Yeah, absolutely. That is our clear goal for 2027. Is that we're going to get to $18 a barrel. And we've been marching down our unit cost towards that. Last year, we were below $20 a barrel. We expect to be lower again this year and $18 a barrel next year. And we continue to be very focused on getting the asset to 300,000 barrels per day of production. And we feel all of our plans that we've put in place around improved recovery, improved reliability, and availability, the turnaround going to the four-year interval that I just spoke about, all those things are on track to get us to 300. And as we've talked about before, when we get there, we don't necessarily that's not a hard-and-fast kind of barrier. We're going to look at what opportunities we have beyond that once we get there. So, now you can feel good about $18 a barrel for next year.

Greg Pardy: Okay. Terrific. Thanks very much.

John Whelan: Thanks, Greg.

Operator: We will now take your next question coming from the line of Menno Hulshof with TD Cowen.

Menno Hulshof: Thanks and good morning, everyone. I'll start with a question on G&A or selling in general in the financials, which came down a lot quarter on quarter. Presumably it falls further from here as you work through the workforce reduction. But can you just remind us of what that number could look like on a run-rate basis on completion?

John Whelan: Well, I'm going to hand that over to Dan.

Daniel Lyons: What Menno we said is by 2028, once we're through our restructuring program, we expect $150 million lower cash opex going forward. I think that still holds, and as we go through the restructuring, obviously you don't see all that. But once we get lined out by 2028, that's what we expect to see.

Menno Hulshof: Terrific. Thanks, Dan. And then I guess the second question is on growth. Just given your reference to having the resources to potentially double production theoretically over time. I think we have a pretty good sense of what's going on at Aspen and with the BLT pilot. But is anything going on with Corner and Clark Creek right now?

John Whelan: Menno, John here. Thanks for the question. I think they're, we're doing some delineation drilling, make sure we understand the resource. We have very good handle on that. But that's the main focus there right now is understanding the resource that we have there and the best way to develop that. We do anticipate. Enhanced bitumen recovery technology is the technology we are looking to prove out and apply to all three of those assets. Of course, we're doing that pilot at Aspen.

We see Aspen as the first part of that development. And then depending on the investment climate and everything else, we kind of have a lot of flexibility in how we pace the further developments at Corner and Clark Creek. But we all have done the work to fully understand the resource and move forward there in a timely way.

Menno Hulshof: Thanks, John. I'll turn it back.

John Whelan: Great. Thank you, Menno. Appreciate it.

Operator: Your next question will come from the line of Dennis Fong with CIBC.

Dennis Fong: Hi. Good morning and thanks for taking my questions. My first one here follows along the line of what Greg was discussing, maybe a little bit on Kearl. As we think about the work that you guys are doing on mine progression, especially to make enough feedstock available for production at a 300,000 barrel a day plus level. Can you talk towards A, how that is progressing? I'm hearing, obviously, from your prepared remarks around the work that you're doing to optimize and improve secondary recovery here, but was hoping to get a little bit of a better sense as to how you think about mine progression. And again, maybe going back towards higher grades of ore as you move to the East Pit in terms of more full development.

John Whelan: Yeah, thanks. Thanks, Dennis. I'll say a few words about that, and I'm going to hand over to Cheryl to share a bit more detail. But the bottom line is that you're right. We're kind of finishing up in the North Pit. We're getting ready to go into the East Pit. Again, the quality of ore that we're in today is what we expect. And again, Kearl does have ore quality that is better than other oil sands mines. So, we're blessed with that. And the work that's now going on to be prepared to move into the East Pit is progressing per plan.

We talked about that was a little bit of the reason why we had a little higher capital this year as we started to prepare for that and open up that mine. But it's going as planned. We look forward to getting and getting there into the East Pit as well. But we feel overall, again, the ore quality is exactly where we expect it to be. And I'll hand it over to Cheryl to share a bit more about the East Pit.

Cheryl Gomez-Smith: Sure. Thanks. Thanks, John, and thanks, Dennis, for the question. Maybe a little bit more as I think about the second half of 2026, and John mentioned, which is we expect higher production in our second half and what's going to make that difference. We're increasing the throughput. So in short, that means we're sending more order to the plant. John mentioned about optimizing our plant recovery. And we've got secondary projects with our KFCC project coming online by the end of this year. But behind that, we've also got some projects.

One of them we call is SPA, which is a secondary process aid, really adding some chemical to help us manage fines. In mind, these projects that are already in motion, we remain confident in our long-term production potential. In terms of ore quality. What I would say is, as we advance mine infrastructure, we're continuing to comprehend the mix of ore quality as well as haul distance. John highlighted. We're really in a unique position that Kearl has very good ore quality throughout, and there's going to be variability over time.

Now, that being said, we are progressing with the mine pit. We're heading into East Pit. We anticipate we're going to start seeing some first production in November December. Based on the delineation information, we would expect to see some of that higher ore quality as we move into East Pit. So again, this is what's really underpinning our outlook and the confidence in 300-plus KBD.

Dennis Fong: Great. Thank you for the color from both of you. My next question shifts towards the downstream in your press release. And I think a little bit in your earlier remarks or prepared remarks. You talked a little bit around the short-term rail logistics challenge at Strathcona. Can you talk towards how you're looking to optimize? We'll call it value from the operations of that facility. Again, as you work through some of the logistical challenges and maybe optimizer to bottleneck that part of your facility.

John Whelan: Yeah, I'll say a few words about that, and then Scott can chime in if there's more to add. But if I step back from this and you think about this, our crude throughput and the choices we make, first I would say we've prioritized renewable diesel because of the improved margins that that provides us, and we've prioritized that. And it has required us to reduce crude throughput to some degree, and what crude throughput is a very important metric. And we keep a very close eye on that. And of course, we talk about it with all of you externally.

Our overall goal, our overall metric, is maximizing value and improving margin and improving cash flow. So, when we saw the opportunity to do that through prioritizing renewable diesel over crude throughput, we made that choice. It was an easy choice. It's a choice we make every day of the week. So, that's kind of one piece of it. And then, we built out the rail terminal with the anticipation of renewable diesel. But of course, it's a very busy rail yard right now. Just the way we like it. We want it to be busy, but we have more inputs coming in with canola feed coming in, more outputs with renewable diesel going out.

We have ramped up the activity in the rail yard with these multiple products coming in and out. And what we've seen is we're having a little higher wait times for the rail cars to load and offload than we would like. So, what we're really doing, this is actually not very complicated. We're laying some extra track and providing some additional laydown areas so we can more quickly load and offload rail cars. It's not a large project. We have the real estate to do it.

It's not going to require us to take the rail yard, slow it down, or take it offline. We can do it while the rail yard is fully operational, and we'll have that work done by the end of the year to relieve some of this congestion that we identified when we had more product coming in and out. Not concerned about it. Project is underway. It's not that complicated. And we'll have it done by the end of the year. Scott, any other color you'd like to add to that?

Scott Maloney: Yeah. Perhaps just one additional comment on that is, is you get to the mix of products that we're making. John kind of referred to the value and the renewable diesel. We're also seeing that across just the distillate products in general. And so, as we've talked about flexibility in our refineries and in prior sessions and certainly at our IR day last year. So, as we see opportunities to ramp up additional diesel and jet production, we certainly are doing that in this higher-margin environment. And that's all baked into our plans even with some of the near-term rail limitations.

Dennis Fong: Great. Thanks for the color from both of you. I'll turn it back.

John Whelan: Thank you, Dennis.

Operator: Your final questions coming from Lydia Gould with Goldman Sachs.

Lydia Gould: Hi. Good morning, team, and thanks for taking my question. How are you thinking about shareholder returns, given the acceleration of the NCIB and where commodity prices are and what your appetite and flexibility is like for a potential future SIB?

John Whelan: Thank you, Lydia. Our whole approach around capital allocation is unchanged from a shareholder returns perspective. We're going to continue to prioritize a reliable and growing dividend. And when it comes to surplus cash beyond our capital needs and dividend, our go-to, based on discussions we've had with investors, has been buybacks via the NCIB. And of course, we've just announced the acceleration of the current NCIB, and look to wrap that up by the end of the year.

But earlier completion of that by year-end does give us the flexibility for additional share buybacks beyond the 5% that were limited via NCIB. Now, whether or not we're in a position to do that and have the capacity to do that will depend on commodity prices. But I would say from our integrated business model, we have good exposure both to oil prices and refining margins. We feel very good about that. But we'll have to see kind of how commodity prices play out over the second half of the year here. But what I can say is, you can expect from us that we will return surplus cash to shareholders in a timely manner.

If you look at 2025, we had free cash flow of $4. 8 billion. We returned 4. 6 billion to shareholders. And you look back over the last five years, 2020 through 2025. We had free cash flow of 25 billion, and we returned 24 billion to shareholders. That philosophy is unchanged, and you can rely on us to return surplus cash flow to shareholders in a timely manner.

Lydia Gould: Thanks.

John Whelan: Thank you, Lydia.

Operator: That concludes today's question and answer session. At this time, I will turn the conference back to Mr. Peter for any additional or closing remarks.

Peter Shaw: Well, thank you very much. And on behalf of the management team, I'd like to thank you, everyone, for joining us this morning. If there are any further questions, please don't hesitate to reach out to the Investor Relations team, and we'll be happy to answer your questions. With that, thank you very much, and have a great day and a great weekend.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.

Free cash flow

Free cash flow is a non-GAAP financial measure that is cash flows from operating activities less additions to property, plant and equipment and equity company investments plus proceeds from asset sales. The most directly comparable financial measure that is disclosed in the financial statements is "Cash flows from (used in) operating activities" within the company's Consolidated statement of cash flows. This measure is used to evaluate cash available for financing activities (including but not limited to dividends and share purchases) after investment in the business.

Reconciliation of free cash flow

	Second Quarter		Six Months	
millions of Canadian dollars	**2026**	2025	**2026**	2025
From Imperial's Consolidated statement of cash flows				
Cash flows from (used in) operating activities	**2,704**	1,465	**3,460**	2,992
Cash flows from (used in) investing activities				
Additions to property, plant and equipment	**(530)**	(471)	**(1,005)**	(869)
Proceeds from asset sales	**58**	2	**67**	13
Additional investments	**—**	(4)	**—**	(4)
Loans to equity companies - net	**2**	1	**18**	11
Free cash flow	**2,234**	993	**2,540**	2,143

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. Net income (loss) excluding identified items per common share is a non-GAAP ratio which is calculated by dividing Net income (loss) excluding identified items by the weighted-average number of common shares outstanding, assuming dilution. 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 periods or several segments. Net income (loss) excluding identified items does include non-operational earnings events or impacts that are generally below the $100 million threshold utilized for identified items. 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 2026 and 2025 periods.

Cash operating costs (cash costs)

Cash operating costs is a non-GAAP financial measure that consists of total expenses, less purchases of crude oil and products, federal excise taxes and fuel charge, financing, and costs that are non-cash in nature, including depreciation and depletion, and non-service pension and postretirement benefit. The components of cash operating costs include "Production and manufacturing", "Selling and general" and "Exploration" from the company's Consolidated statement of income, and as disclosed in Attachment III of this document. The sum of these income statement lines serves as an indication of cash operating costs and does not reflect the total cash expenditures of the company. The most directly comparable financial measure that is disclosed in the financial statements is "Total expenses" within the company's Consolidated statement of income. This measure is useful for investors to understand the company's efforts to optimize cash through disciplined expense management.

Reconciliation of cash operating costs

	Second Quarter		Six Months	
millions of Canadian dollars	**2026**	2025	**2026**	2025
From Imperial's Consolidated statement of income				
Total expenses	**13,202**	9,988	**24,416**	20,817
Less:				
Purchases of crude oil and products	**10,641**	7,215	**18,819**	14,971
Federal excise taxes and fuel charge	**70**	372	**418**	964
Depreciation and depletion (includes impairments)	**511**	478	**1,031**	1,009
Non-service pension and postretirement benefit	**2**	6	**5**	11
Financing	**14**	2	**25**	—
Cash operating costs	**1,964**	1,915	**4,118**	3,862

Components of cash operating costs

	Second Quarter		Six Months	
millions of Canadian dollars	**2026**	2025	**2026**	2025
From Imperial's Consolidated statement of income				
Production and manufacturing	**1,819**	1,664	**3,573**	3,350
Selling and general	**144**	251	**541**	510
Exploration	**1**	—	**4**	2
Cash operating costs	**1,964**	1,915	**4,118**	3,862

Segment contributions to total cash operating costs

	Second Quarter		Six Months	
millions of Canadian dollars	**2026**	2025	**2026**	2025
Upstream	**1,221**	1,127	**2,460**	2,305
Downstream	**737**	641	**1,380**	1,272
Chemicals	**73**	82	**147**	155
Eliminations / Corporate and other	**(67)**	65	**131**	130
Cash operating costs	**1,964**	1,915	**4,118**	3,862

Unit cash operating costs (unit cash costs)

Unit cash operating costs is a non-GAAP ratio. Unit cash operating costs (unit cash costs) is calculated by dividing cash operating costs by total gross oil-equivalent production, and is calculated for the Upstream segment, as well as the major Upstream assets. Cash operating costs is a non-GAAP financial measure and is disclosed and reconciled above. This measure is useful for investors to understand the expense management efforts of the company's major assets as a component of the overall Upstream segment. Unit cash operating cost, as used by management, does not directly align with the definition of "Average unit production costs" as set out by the U.S. Securities and Exchange Commission (SEC), and disclosed in the company's SEC Form 10-K.

Components of unit cash operating costs

	Second Quarter							
	2026				2025			
millions of Canadian dollars	Upstream (a)	Kearl	Cold Lake	Syncrude	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	**1,220**	**494**	**290**	**384**	1,127	465	272	329
Selling and general	**—**	**—**	**—**	**—**	—	—	—	—
Exploration	**1**	**—**	**—**	**—**	—	—	—	—
Cash operating costs	**1,221**	**494**	**290**	**384**	1,127	465	272	329
Gross oil-equivalent production (thousands of barrels per day)	**414**	**182**	**149**	**73**	427	195	145	77
Unit cash operating cost ($/oeb)	**32.41**	**29.83**	**21.39**	**57.81**	29.00	26.20	20.61	46.95
USD converted at the quarterly average forex *2026 US$0.72; 2025 US$0.72*	**23.34**	**21.48**	**15.40**	**41.62**	20.88	18.86	14.84	33.80

Components of unit cash operating costs

	Six Months							
	2026				2025			
millions of Canadian dollars	Upstream (a)	Kearl	Cold Lake	Syncrude	Upstream (a)	Kearl	Cold Lake	Syncrude
Production and manufacturing	**2,456**	**981**	**569**	**797**	2,303	949	557	682
Selling and general	**—**	**—**	**—**	**—**	—	—	—	—
Exploration	**4**	**—**	**—**	**—**	2	—	—	—
Cash operating costs	**2,460**	**981**	**569**	**797**	2,305	949	557	682
Gross oil-equivalent production (thousands of barrels per day)	**417**	**183**	**152**	**73**	423	189	150	75
Unit cash operating cost ($/oeb)	**32.59**	**29.62**	**20.68**	**60.32**	30.11	27.74	20.52	50.24
USD converted at the YTD average forex *2026 US$0.73; 2025 US$0.71*	**23.79**	**21.62**	**15.10**	**44.03**	21.38	19.70	14.57	35.67

(a) Upstream includes Imperial's share of Kearl, Cold Lake, Syncrude and other.