



**Third Quarter 2019**

**Financial statements and management's  
discussion and analysis of financial condition  
and operating results**

**For the nine months ended September 30, 2019**

**Consolidated statement of income (U.S. GAAP, unaudited)**

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2019	2018	2019	2018
<b>Revenues and other income</b>				
Revenues (a)	8,687	9,697	25,880	27,113
Investment and other income (note 4)	49	35	99	96
<b>Total revenues and other income</b>	<b>8,736</b>	<b>9,732</b>	<b>25,979</b>	<b>27,209</b>
<b>Expenses</b>				
Exploration	4	4	42	13
Purchases of crude oil and products (b)	5,399	6,099	15,956	17,416
Production and manufacturing (c)	1,601	1,480	4,911	4,557
Selling and general (c)	217	224	666	691
Federal excise tax and fuel charge	486	432	1,343	1,241
Depreciation and depletion	419	410	1,201	1,145
Non-service pension and postretirement benefit	36	27	108	80
Financing (d) (note 6)	20	30	71	79
<b>Total expenses</b>	<b>8,182</b>	<b>8,706</b>	<b>24,298</b>	<b>25,222</b>
<b>Income (loss) before income taxes</b>	<b>554</b>	<b>1,026</b>	<b>1,681</b>	<b>1,987</b>
<b>Income taxes</b>	<b>130</b>	<b>277</b>	<b>(248)</b>	<b>526</b>
<b>Net income (loss)</b>	<b>424</b>	<b>749</b>	<b>1,929</b>	<b>1,461</b>
<b>Per share information</b> (Canadian dollars)				
Net income (loss) per common share - basic (note 11)	0.56	0.94	2.51	1.79
Net income (loss) per common share - diluted (note 11)	0.56	0.94	2.51	1.79
(a) Amounts from related parties included in revenues.	2,313	1,809	6,269	4,951
(b) Amounts to related parties included in purchases of crude oil and products.	717	1,071	2,353	3,337
(c) Amounts to related parties included in production and manufacturing, and selling and general expenses.	157	136	479	433
(d) Amounts to related parties included in financing, (note 6).	23	22	75	64

The information in the notes to consolidated financial statements is an integral part of these statements.

**IMPERIAL OIL LIMITED**

**Consolidated statement of comprehensive income (U.S. GAAP, unaudited)**

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	<b>2019</b>	2018	<b>2019</b>	2018
<b>Net income (loss)</b>	<b>424</b>	749	<b>1,929</b>	1,461
Other comprehensive income (loss), net of income taxes				
Postretirement benefits liability adjustment (excluding amortization)	-	-	<b>18</b>	(19)
Amortization of postretirement benefits liability adjustment included in net periodic benefit costs	<b>28</b>	34	<b>83</b>	101
<b>Total other comprehensive income (loss)</b>	<b>28</b>	34	<b>101</b>	82
<b>Comprehensive income (loss)</b>	<b>452</b>	783	<b>2,030</b>	1,543

The information in the notes to consolidated financial statements is an integral part of these statements.

## Consolidated balance sheet (U.S. GAAP, unaudited)

millions of Canadian dollars	As at Sept 30 <b>2019</b>	As at Dec 31 2018
<b>Assets</b>		
Current assets		
Cash	1,531	988
Accounts receivable, less estimated doubtful accounts (a)	2,884	2,529
Inventories of crude oil and products	989	1,297
Materials, supplies and prepaid expenses	606	541
Total current assets	6,010	5,355
Investments and long-term receivables (b)	912	857
Property, plant and equipment, less accumulated depreciation and depletion	54,531	53,944
Property, plant and equipment, net	(20,299)	(19,719)
Goodwill	34,232	34,225
Other assets, including intangibles, net	186	186
Total assets	567	833
<b>Total assets</b>	<b>41,907</b>	<b>41,456</b>
<b>Liabilities</b>		
Current liabilities		
Notes and loans payable (c)	197	202
Accounts payable and accrued liabilities (a) (note 9)	3,904	3,688
Income taxes payable	36	65
Total current liabilities	4,137	3,955
Long-term debt (d) (note 7)	4,964	4,978
Other long-term obligations (e) (note 9)	3,073	2,943
Deferred income tax liabilities	4,768	5,091
Total liabilities	16,942	16,967
<b>Shareholders' equity</b>		
Common shares at stated value (f) (note 11)	1,391	1,446
Earnings reinvested	24,990	24,560
Accumulated other comprehensive income (loss) (note 12)	(1,416)	(1,517)
Total shareholders' equity	24,965	24,489
<b>Total liabilities and shareholders' equity</b>	<b>41,907</b>	<b>41,456</b>

(a) Accounts receivable, less estimated doubtful accounts included net amounts receivable from related parties of \$1,121 million (2018 - \$666 million).

(b) Investments and long-term receivables included amounts from related parties of \$275 million (2018 - \$146 million).

(c) Notes and loans payable included amounts to related parties of \$75 million (2018 - \$75 million).

(d) Long-term debt included amounts to related parties of \$4,447 million (2018 - \$4,447 million).

(e) Other long-term obligations included amounts to related parties of \$0 million (2018 - \$15 million).

(f) Number of common shares authorized and outstanding were 1,100 million and 753 million, respectively (2018 - 1,100 million and 783 million, respectively).

The information in the notes to consolidated financial statements is an integral part of these statements.

Approved by the directors November 6, 2019

*/s/ Richard M. Kruger*

Chairman and  
chief executive officer

*/s/ Daniel E. Lyons*

Senior vice-president,  
finance and administration, and controller

**Consolidated statement of shareholders' equity (U.S. GAAP, unaudited)**

millions of Canadian dollars	Third Quarter		Nine Months to September	
	2019	2018	2019	2018
<b>Common shares at stated value</b> (note 11)				
At beginning of period	1,410	1,483	1,446	1,536
Issued under the stock option plan	-	-	-	-
Share purchases at stated value	(19)	(18)	(55)	(71)
At end of period	1,391	1,465	1,391	1,465
<b>Earnings reinvested</b>				
At beginning of period	25,056	24,049	24,560	24,714
Net income (loss) for the period	424	749	1,929	1,461
Share purchases in excess of stated value	(324)	(400)	(1,017)	(1,490)
Dividends declared	(166)	(151)	(482)	(438)
At end of period	24,990	24,247	24,990	24,247
<b>Accumulated other comprehensive income (loss)</b> (note 12)				
At beginning of period	(1,444)	(1,767)	(1,517)	(1,815)
Other comprehensive income (loss)	28	34	101	82
At end of period	(1,416)	(1,733)	(1,416)	(1,733)
<b>Shareholders' equity at end of period</b>	<b>24,965</b>	<b>23,979</b>	<b>24,965</b>	<b>23,979</b>

The information in the notes to consolidated financial statements is an integral part of these statements.

**Consolidated statement of cash flows (U.S. GAAP, unaudited)**

Inflow (outflow) millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2019	2018	2019	2018
<b>Operating activities</b>				
Net income (loss)	424	749	1,929	1,461
Adjustments for non-cash items:				
Depreciation and depletion	419	364	1,201	1,099
Impairment of intangible assets (note 3)	-	46	-	46
(Gain) loss on asset sales (note 4)	(28)	(10)	(34)	(29)
Deferred income taxes and other	116	276	(359)	485
Changes in operating assets and liabilities:				
Accounts receivable	250	(104)	(355)	(17)
Inventories, materials, supplies and prepaid expenses	264	(179)	243	(356)
Income taxes payable	8	(78)	(29)	(46)
Accounts payable and accrued liabilities	(82)	78	646	102
All other items - net (a) (c)	5	65	163	306
<b>Cash flows from (used in) operating activities</b>	<b>1,376</b>	<b>1,207</b>	<b>3,405</b>	<b>3,051</b>
<b>Investing activities</b>				
Additions to property, plant and equipment (a)	(417)	(327)	(1,242)	(1,055)
Proceeds from asset sales (note 4)	30	13	66	34
Loan to equity company	(26)	(38)	(129)	(75)
<b>Cash flows from (used in) investing activities</b>	<b>(413)</b>	<b>(352)</b>	<b>(1,305)</b>	<b>(1,096)</b>
<b>Financing activities</b>				
Reduction in finance lease obligations (note 8)	(7)	(7)	(20)	(20)
Dividends paid	(169)	(155)	(465)	(421)
Common shares purchased (note 11)	(343)	(418)	(1,072)	(1,561)
<b>Cash flows from (used in) financing activities</b>	<b>(519)</b>	<b>(580)</b>	<b>(1,557)</b>	<b>(2,002)</b>
<b>Increase (decrease) in cash</b>	<b>444</b>	<b>275</b>	<b>543</b>	<b>(47)</b>
<b>Cash at beginning of period</b>	<b>1,087</b>	<b>873</b>	<b>988</b>	<b>1,195</b>
<b>Cash at end of period (b)</b>	<b>1,531</b>	<b>1,148</b>	<b>1,531</b>	<b>1,148</b>
(a) The impact of carbon emission programs are included in additions to property, plant and equipment, and all other items - net.				
(b) Cash is composed of cash in bank and cash equivalents at cost. Cash equivalents are all highly liquid securities with maturity of three months or less when purchased.				
(c) Included contribution to registered pension plans.	(57)	(52)	(155)	(153)
Income taxes (paid) refunded.	35	(75)	84	(85)
Interest (paid), net of capitalization.	(11)	(16)	(41)	(44)

**Non-cash transaction**

In 2019, the company removed \$570 million of assets and corresponding liabilities associated with the Government of Ontario's revocation of its cap and trade legislation. The impact of this removal was not reflected in "Accounts payable and accrued liabilities" and "All other items - net" lines on the Consolidated statement of cash flows as it was not a cash transaction.

The information in the notes to consolidated financial statements is an integral part of these statements.

## Notes to consolidated financial statements (unaudited)

### 1. Basis of financial statement preparation

These unaudited consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (GAAP) and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) in the company's 2018 annual report on Form 10-K. In the opinion of the company, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature.

The company's exploration and production activities are accounted for under the "successful efforts" method.

The results for the nine months ended September 30, 2019, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

### 2. Accounting changes

Effective January 1, 2019, Imperial adopted the Financial Accounting Standards Board's standard, *Leases (Topic 842)*, as amended. The standard requires all leases to be recorded on the balance sheet as a right of use asset and a lease liability. The company used a transition method that applies the new lease standard at January 1, 2019. The company applied a policy election to exclude short-term leases from the balance sheet recognition and also elected certain practical expedients at adoption. As permitted, Imperial did not reassess whether existing contracts are or contain leases, the lease classification for any existing leases, initial direct costs for any existing lease and whether existing land easements and right of way, which were not previously accounted for as leases, are or contain a lease. At adoption of the lease accounting change, on January 1, 2019, an operating lease liability of \$298 million was recorded and the operating lease right of use asset was \$298 million. There was no cumulative earnings effect adjustment.

### 3. Business segments

Third Quarter millions of Canadian dollars	Upstream		Downstream		Chemical	
	2019	2018	2019	2018	2019	2018
<b>Revenues and other income</b>						
Revenues (a)	2,185	2,489	6,266	6,880	236	328
Intersegment sales	913	771	314	425	61	79
Investment and other income (note 4)	7	2	32	25	1	1
	<b>3,105</b>	<b>3,262</b>	<b>6,612</b>	<b>7,330</b>	<b>298</b>	<b>408</b>
<b>Expenses</b>						
Exploration	4	4	-	-	-	-
Purchases of crude oil and products	1,376	1,566	5,142	5,567	167	239
Production and manufacturing	1,087	1,073	460	356	54	51
Selling and general	-	-	191	199	23	21
Federal excise tax and fuel charge	-	-	486	432	-	-
Depreciation and depletion (b)	364	309	45	91	4	4
Non-service pension and postretirement benefit	-	-	-	-	-	-
Financing (note 6)	-	-	-	-	-	-
<b>Total expenses</b>	<b>2,831</b>	<b>2,952</b>	<b>6,324</b>	<b>6,645</b>	<b>248</b>	<b>315</b>
<b>Income (loss) before income taxes</b>	<b>274</b>	<b>310</b>	<b>288</b>	<b>685</b>	<b>50</b>	<b>93</b>
<b>Income taxes</b>	<b>65</b>	<b>88</b>	<b>67</b>	<b>183</b>	<b>12</b>	<b>24</b>
<b>Net income (loss)</b>	<b>209</b>	<b>222</b>	<b>221</b>	<b>502</b>	<b>38</b>	<b>69</b>
<b>Cash flows from (used in) operating activities</b>	<b>392</b>	<b>872</b>	<b>900</b>	<b>281</b>	<b>75</b>	<b>79</b>
<b>Capital and exploration expenditures (c)</b>	<b>302</b>	<b>257</b>	<b>124</b>	<b>105</b>	<b>4</b>	<b>8</b>

Third Quarter millions of Canadian dollars	Corporate and other		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018
<b>Revenues and other income</b>						
Revenues (a)	-	-	-	-	8,687	9,697
Intersegment sales	-	-	(1,288)	(1,275)	-	-
Investment and other income (note 4)	9	7	-	-	49	35
	<b>9</b>	<b>7</b>	<b>(1,288)</b>	<b>(1,275)</b>	<b>8,736</b>	<b>9,732</b>
<b>Expenses</b>						
Exploration	-	-	-	-	4	4
Purchases of crude oil and products	-	-	(1,286)	(1,273)	5,399	6,099
Production and manufacturing	-	-	-	-	1,601	1,480
Selling and general	5	6	(2)	(2)	217	224
Federal excise tax and fuel charge	-	-	-	-	486	432
Depreciation and depletion (b)	6	6	-	-	419	410
Non-service pension and postretirement benefit	36	27	-	-	36	27
Financing (note 6)	20	30	-	-	20	30
<b>Total expenses</b>	<b>67</b>	<b>69</b>	<b>(1,288)</b>	<b>(1,275)</b>	<b>8,182</b>	<b>8,706</b>
<b>Income (loss) before income taxes</b>	<b>(58)</b>	<b>(62)</b>	<b>-</b>	<b>-</b>	<b>554</b>	<b>1,026</b>
<b>Income taxes</b>	<b>(14)</b>	<b>(18)</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>277</b>
<b>Net income (loss)</b>	<b>(44)</b>	<b>(44)</b>	<b>-</b>	<b>-</b>	<b>424</b>	<b>749</b>
<b>Cash flows from (used in) operating activities</b>	<b>9</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>1,376</b>	<b>1,207</b>
<b>Capital and exploration expenditures (c)</b>	<b>12</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>442</b>	<b>376</b>



## IMPERIAL OIL LIMITED

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- (a) Included export sales to the United States of \$1,807 million (2018 - \$1,741 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.
- (b) In 2018, the Downstream segment included a non-cash impairment charge of \$46 million, before tax, associated with the Government of Ontario's revocation of its cap and trade legislation.
- (c) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant and equipment, additions to finance leases, additional investments and acquisitions. CAPEX excludes the purchase of carbon emission credits.

## IMPERIAL OIL LIMITED

Nine Months to September 30 millions of Canadian dollars	Upstream		Downstream		Chemical	
	2019	2018	2019	2018	2019	2018
<b>Revenues and other income</b>						
Revenues (a)	7,012	6,796	18,115	19,357	753	960
Intersegment sales	2,977	2,078	1,249	1,119	181	226
Investment and other income (note 4)	11	6	61	66	1	1
	<b>10,000</b>	<b>8,880</b>	<b>19,425</b>	<b>20,542</b>	<b>935</b>	<b>1,187</b>
<b>Expenses</b>						
Exploration	42	13	-	-	-	-
Purchases of crude oil and products	4,764	4,513	15,062	15,664	531	657
Production and manufacturing	3,414	3,191	1,315	1,212	182	154
Selling and general	-	-	571	569	67	65
Federal excise tax and fuel charge	-	-	1,343	1,241	-	-
Depreciation and depletion (b)	1,036	927	137	191	11	11
Non-service pension and postretirement benefit	-	-	-	-	-	-
Financing (note 6)	-	-	-	-	-	-
<b>Total expenses</b>	<b>9,256</b>	<b>8,644</b>	<b>18,428</b>	<b>18,877</b>	<b>791</b>	<b>887</b>
<b>Income (loss) before income taxes</b>	<b>744</b>	<b>236</b>	<b>997</b>	<b>1,665</b>	<b>144</b>	<b>300</b>
<b>Income taxes</b>	<b>(508)</b>	<b>64</b>	<b>261</b>	<b>441</b>	<b>34</b>	<b>80</b>
<b>Net income (loss)</b>	<b>1,252</b>	<b>172</b>	<b>736</b>	<b>1,224</b>	<b>110</b>	<b>220</b>
<b>Cash flows from (used in) operating activities</b>	<b>1,257</b>	<b>1,199</b>	<b>2,055</b>	<b>1,647</b>	<b>175</b>	<b>278</b>
<b>Capital and exploration expenditures (c)</b>	<b>975</b>	<b>646</b>	<b>364</b>	<b>250</b>	<b>27</b>	<b>19</b>
<b>Total assets as at September 30 (d) (e)</b>	<b>35,066</b>	<b>34,570</b>	<b>4,433</b>	<b>5,426</b>	<b>423</b>	<b>427</b>

Nine Months to September 30 millions of Canadian dollars	Corporate and other		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018
<b>Revenues and other income</b>						
Revenues (a)	-	-	-	-	25,880	27,113
Intersegment sales	-	-	(4,407)	(3,423)	-	-
Investment and other income (note 4)	26	23	-	-	99	96
	<b>26</b>	<b>23</b>	<b>(4,407)</b>	<b>(3,423)</b>	<b>25,979</b>	<b>27,209</b>
<b>Expenses</b>						
Exploration	-	-	-	-	42	13
Purchases of crude oil and products	-	-	(4,401)	(3,418)	15,956	17,416
Production and manufacturing	-	-	-	-	4,911	4,557
Selling and general	34	62	(6)	(5)	666	691
Federal excise tax and fuel charge	-	-	-	-	1,343	1,241
Depreciation and depletion (b)	17	16	-	-	1,201	1,145
Non-service pension and postretirement benefit	108	80	-	-	108	80
Financing (note 6)	71	79	-	-	71	79
<b>Total expenses</b>	<b>230</b>	<b>237</b>	<b>(4,407)</b>	<b>(3,423)</b>	<b>24,298</b>	<b>25,222</b>
<b>Income (loss) before income taxes</b>	<b>(204)</b>	<b>(214)</b>	<b>-</b>	<b>-</b>	<b>1,681</b>	<b>1,987</b>
<b>Income taxes</b>	<b>(35)</b>	<b>(59)</b>	<b>-</b>	<b>-</b>	<b>(248)</b>	<b>526</b>
<b>Net income (loss)</b>	<b>(169)</b>	<b>(155)</b>	<b>-</b>	<b>-</b>	<b>1,929</b>	<b>1,461</b>
<b>Cash flows from (used in) operating activities</b>	<b>(82)</b>	<b>(73)</b>	<b>-</b>	<b>-</b>	<b>3,405</b>	<b>3,051</b>
<b>Capital and exploration expenditures (c)</b>	<b>34</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>1,400</b>	<b>934</b>
<b>Total assets as at September 30 (d) (e)</b>	<b>2,298</b>	<b>1,727</b>	<b>(313)</b>	<b>(331)</b>	<b>41,907</b>	<b>41,819</b>

## IMPERIAL OIL LIMITED

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- (a) Included export sales to the United States of \$5,623 million (2018 - \$4,509 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.
- (b) In 2018, the Downstream segment included a non-cash impairment charge of \$46 million, before tax, associated with the Government of Ontario's revocation of its cap and trade legislation.
- (c) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant and equipment, additions to finance leases, additional investments and acquisitions. CAPEX excludes the purchase of carbon emission credits.
- (d) Effective January 1, 2019, Imperial adopted the Financial Accounting Standards Board's standard, *Leases (Topic 842)*, as amended. As at September 30, 2019, Total assets include operating lease right of use assets of \$283 million. An election was made not to restate prior periods. See note 8 for additional details.
- (e) In 2019, the company removed \$570 million from Total assets and corresponding liabilities in the Downstream segment associated with the Government of Ontario's revocation of its cap and trade legislation.

## 4. Investment and other income

Investment and other income included gains and losses on asset sales as follows:

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2019	2018	2019	2018
Proceeds from asset sales	30	13	66	34
Book value of asset sales	2	3	32	5
Gain (loss) on asset sales, before tax	28	10	34	29
Gain (loss) on asset sales, after tax	25	6	31	21

## 5. Employee retirement benefits

The components of net benefit cost were as follows:

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2019	2018	2019	2018
Pension benefits:				
Current service cost	57	59	171	179
Interest cost	81	76	243	227
Expected return on plan assets	(87)	(100)	(262)	(301)
Amortization of prior service cost	-	1	-	3
Amortization of actuarial loss (gain)	37	43	112	130
Net periodic benefit cost	88	79	264	238
Other postretirement benefits:				
Current service cost	4	5	12	13
Interest cost	5	5	16	16
Amortization of actuarial loss (gain)	-	2	(1)	5
Net periodic benefit cost	9	12	27	34

## 6. Financing and additional notes and loans payable information

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2019	2018	2019	2018
Debt-related interest	32	36	105	98
Capitalized interest	(12)	(6)	(34)	(19)
Net interest expense	20	30	71	79
Other interest	-	-	-	-
Total financing	20	30	71	79

## 7. Long-term debt

millions of Canadian dollars	As at	As at
	Sept 30	Dec 31
	2019	2018
Long-term debt	4,447	4,447
Finance leases (a)	517	531
Total long-term debt	4,964	4,978

(a) Maturity analysis of finance lease liabilities is disclosed in note 8.

In September 2019, the company extended the maturity date of its existing long-term, variable-rate, Canadian dollar loan from ExxonMobil to June 30, 2025. All other terms and conditions remain unchanged.

## 8. Leases

The company generally purchases the property, plant and equipment used in operations, but there are situations where assets are leased, primarily rail cars, marine vessels, storage tanks and other moveable equipment. Right of use assets and lease liabilities are established on the balance sheet for leases with an expected term greater than one year, by discounting the amounts fixed in the lease agreement for the duration of the lease which is reasonably certain, considering the probability of exercising any early termination and extension options. The portion of the fixed payment related to service costs for long-term transportation agreements is excluded from the calculation of right of use assets and lease liabilities. Usually, assets are leased only for a portion of their useful lives and are accounted for as operating leases. In limited situations assets are leased for nearly all of their useful lives and are accounted for as finance leases. In general, leases are capitalized using the company's incremental borrowing rate.

Variable payments under these lease agreements are not significant. Residual value guarantees, restrictions, or covenants related to leases, and transactions with related parties are also not significant. The company's activities as a lessor are not material.

At adoption of the lease accounting change (see note 2), on January 1, 2019, an operating lease liability of \$298 million was recorded and the operating lease right of use asset was \$298 million. There was no cumulative earnings effect adjustment.

The table below summarizes the total lease cost incurred:

millions of Canadian dollars	Third Quarter 2019		Nine Months to September 30 2019	
	Operating leases	Finance leases	Operating leases	Finance leases
Operating lease cost	39		113	
Short-term and other (net of sublease rental income)	14		54	
Amortization of right of use assets		14		41
Interest on lease liabilities		10		30
<b>Total lease cost</b>	<b>53</b>	<b>24</b>	<b>167</b>	<b>71</b>

The following table summarizes the amounts related to operating leases and finance leases recorded on the Consolidated balance sheet:

millions of Canadian dollars	As at September 30 2019	
	Operating leases	Finance leases
Right of use assets		
Included in Other assets, including intangibles, net	283	
Included in Property, plant and equipment, net		560
<b>Total right of use assets</b>	<b>283</b>	<b>560</b>
Lease liability due within one year		
Included in Accounts payable and accrued liabilities	121	27
Included in Notes and loans payable		22
Long-term lease liability		
Included in Other long-term obligations	160	-
Included in Long-term debt		517
<b>Total lease liability</b>	<b>281</b>	<b>566</b>

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The maturity analysis of the company's lease liabilities, weighted average remaining lease term and weighted average discount rates applied are summarized below:

	As at September 30 <b>2019</b>	
millions of Canadian dollars, unless noted	Operating leases	Finance leases
<b>Maturity analysis of lease liabilities</b>		
2019 remaining months	37	28
2020	114	71
2021	66	50
2022	30	49
2023	13	48
2024	11	47
2025 and beyond	30	1,086
Total lease payments	301	1,379
Discount to present value	(20)	(813)
Total lease liability	281	566
Weighted average remaining lease term (years)	4	40
Weighted average discount rate (percent)	2.5	7.5

In addition to the operating lease liabilities in the table immediately above, at September 30, 2019, additional undiscounted commitments for leases not yet commenced totalled \$2 million.

The table below summarizes the cash paid for amounts included in the measurement of lease liabilities and the right of use assets obtained in exchange for new lease liabilities:

	Third Quarter <b>2019</b>		Nine Months to September 30 <b>2019</b>	
millions of Canadian dollars	Operating leases	Finance leases	Operating leases	Finance leases
<b>Cash paid for amounts included in the measurement of lease liabilities</b>				
Cash flows from operating activities	37	11	110	33
Cash flows from financing activities		7		20
<b>Non-cash right of use assets recorded for lease liabilities</b>				
For January 1 adoption of <i>Leases (Topic 842)</i>			298	
In exchange for new lease liabilities during the period			90	

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At December 31, 2018, the company held non-cancelable operating leases covering primarily storage tanks, rail cars and marine vessels, with minimum undiscounted lease commitments totaling \$291 million as indicated in the following table:

millions of Canadian dollars	As at Dec 31 2018
Payments due by period	
2019	130
2020	82
2021	43
2022	13
2023	11
2024 and beyond	12
Total lease payments under minimum commitments (a)	291

(a) Net rental cost under cancelable and non-cancelable operating leases incurred in 2018 was \$221 million (2017 - \$206 million, 2016 - \$253 million). Related rental income was not material.

### 9. Other long-term obligations

millions of Canadian dollars	As at Sept 30 <b>2019</b>	As at Dec 31 2018
Employee retirement benefits (a)	<b>1,145</b>	1,195
Asset retirement obligations and other environmental liabilities (b)	<b>1,445</b>	1,435
Share-based incentive compensation liabilities	<b>94</b>	78
Operating lease liability (c)	<b>160</b>	-
Other obligations	<b>229</b>	235
Total other long-term obligations	<b>3,073</b>	2,943

(a) Total recorded employee retirement benefits obligations also included \$55 million in current liabilities (2018 - \$55 million).

(b) Total asset retirement obligations and other environmental liabilities also included \$118 million in current liabilities (2018 - \$118 million).

(c) Effective January 1, 2019, Imperial adopted the Financial Accounting Standards Board's standard, *Leases (Topic 842)*, as amended. The standard requires all leases to be recorded on the balance sheet as a right of use asset and liability. The long-term lease liability for operating leases is included in Other long-term obligations (see note 8).

### 10. Financial instruments

The fair value of the company's financial instruments is determined by reference to various market data and other appropriate valuation techniques. There are no material differences between the fair value of the company's financial instruments and the recorded carrying value. At September 30, 2019 and December 31, 2018 the fair value of long-term debt (\$4,447 million, excluding finance lease obligations) was primarily a level 2 measurement.

## 11. Common shares

thousands of shares	As of Sept 30 <b>2019</b>	As of Dec 31 2018
Authorized	<b>1,100,000</b>	1,100,000
Common shares outstanding	<b>752,948</b>	782,565

The current 12-month normal course issuer bid program came into effect June 27, 2019, under which Imperial will continue its existing share purchase program. The program enables the company to purchase up to a maximum of 38,211,086 common shares (5 percent of the total shares on June 13, 2019) which 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 excess of the purchase cost over the stated value of shares purchased has been recorded as a distribution of earnings reinvested.

The company's common share activities are summarized below:

	Thousands of shares	Millions of dollars
Balance as at December 31, 2017	831,242	1,536
Issued under employee share-based awards	2	-
Purchases at stated value	(48,679)	(90)
Balance as at December 31, 2018	782,565	1,446
Issued under employee share-based awards	-	-
Purchases at stated value	<b>(29,617)</b>	<b>(55)</b>
<b>Balance as at September 30, 2019</b>	<b>752,948</b>	<b>1,391</b>

The following table provides the calculation of basic and diluted earnings per common share and the dividends declared by the company on its outstanding common shares:

	Third Quarter		Nine Months to September 30	
	<b>2019</b>	2018	<b>2019</b>	2018
<b>Net income (loss) per common share - basic</b>				
Net income (loss) (millions of Canadian dollars)	<b>424</b>	749	<b>1,929</b>	1,461
Weighted average number of common shares outstanding (millions of shares)	<b>757.8</b>	797.6	<b>767.6</b>	814.2
Net income (loss) per common share (dollars)	<b>0.56</b>	0.94	<b>2.51</b>	1.79
<b>Net income (loss) per common share - diluted</b>				
Net income (loss) (millions of Canadian dollars)	<b>424</b>	749	<b>1,929</b>	1,461
Weighted average number of common shares outstanding (millions of shares)	<b>757.8</b>	797.6	<b>767.6</b>	814.2
Effect of employee share-based awards (millions of shares)	<b>2.5</b>	2.9	<b>2.4</b>	2.7
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	<b>760.3</b>	800.5	<b>770.0</b>	816.9
Net income (loss) per common share (dollars)	<b>0.56</b>	0.94	<b>2.51</b>	1.79
<b>Dividends per common share - declared (dollars)</b>	<b>0.22</b>	0.19	<b>0.63</b>	0.54



## 12. Other comprehensive income (loss) information

### Changes in accumulated other comprehensive income (loss):

millions of Canadian dollars	2019	2018
Balance at January 1	(1,517)	(1,815)
Postretirement benefits liability adjustment:		
Current period change excluding amounts reclassified		
from accumulated other comprehensive income	18	(19)
Amounts reclassified from accumulated other comprehensive income	83	101
Balance at September 30	(1,416)	(1,733)

### Amounts reclassified out of accumulated other comprehensive income (loss) - before-tax income (expense):

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2019	2018	2019	2018
Amortization of postretirement benefits liability adjustment				
included in net periodic benefit cost (a)	(37)	(46)	(111)	(138)
(a) This accumulated other comprehensive income component is included in the computation of net periodic benefit cost, (note 5).				

### Income tax expense (credit) for components of other comprehensive income (loss):

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2019	2018	2019	2018
Postretirement benefits liability adjustments:				
Postretirement benefits liability adjustment (excluding amortization)	-	-	7	(7)
Amortization of postretirement benefits liability adjustment				
included in net periodic benefit cost	9	12	28	37
Total	9	12	35	30

## 13. Recently issued accounting standards

Effective January 1, 2020, Imperial will adopt the Financial Accounting Standards Board's update, *Financial Instruments - Credit Losses (Topic 326)*, as amended. The standard requires a valuation allowance for credit losses be recognized for certain financial assets that reflects the current expected credit loss over the asset's contractual life. The valuation allowance considers the risk of loss, even if remote and considers past events, current conditions and expectations of the future. The company does not expect a material change in the credit allowance for trade receivables and continues to evaluate the impact on other financial assets in scope of the standard.

## Management's discussion and analysis of financial condition and results of operations

### Operating results

#### Third quarter 2019 vs. third quarter 2018

The company's net income for the third quarter of 2019 was \$424 million or \$0.56 per share on a diluted basis, compared to net income of \$749 million or \$0.94 per share in the same period of 2018.

Upstream net income was \$209 million in the third quarter, compared to net income of \$222 million in the same period of 2018. Earnings decreased mainly due to higher operating expenses of about \$70 million and higher royalties of about \$50 million, partially offset by higher volumes of about \$110 million primarily at Syncrude.

West Texas Intermediate (WTI) averaged US\$56.44 per barrel in the third quarter of 2019, down from US\$69.43 per barrel in the same quarter of 2018. Western Canada Select (WCS) averaged US\$44.21 per barrel and US\$47.49 per barrel for the same periods. The WTI / WCS differential narrowed during the third quarter of 2019 to average approximately US\$12 per barrel for the quarter, compared to around US\$22 per barrel in the same period of 2018.

The Canadian dollar averaged US\$0.76 in the third quarter of 2019, essentially unchanged from the third quarter of 2018.

Imperial's average Canadian dollar realizations for bitumen increased in the quarter supported primarily by lower diluent costs partially offset by a decrease in WCS. Bitumen realizations averaged \$51.12 per barrel in the third quarter of 2019, up from \$50.42 per barrel in the third quarter of 2018. The company's average Canadian dollar realizations for synthetic crude declined generally in line with WTI in the quarter, adjusted for changes in exchange rates and transportation costs. Synthetic crude realizations averaged \$77.27 per barrel in the third quarter of 2019, compared to \$89.70 per barrel in the same period of 2018.

Gross production of Cold Lake bitumen averaged 142,000 barrels per day in the third quarter, compared to 150,000 barrels per day in the same period of 2018.

Gross production of Kearl bitumen averaged 224,000 barrels per day in the third quarter (159,000 barrels Imperial's share), compared to 244,000 barrels per day (173,000 barrels Imperial's share) in the third quarter of 2018. Lower production was mainly due to timing of planned turnaround activity.

The company's share of gross production from Syncrude averaged 69,000 barrels per day, up from 45,000 barrels per day in the third quarter of 2018. Higher production was mainly due to the absence of production impacts from the 2018 power disruption, partially offset by planned turnaround activity.

Downstream net income was \$221 million in the third quarter, compared to \$502 million in the third quarter of 2018. Earnings were negatively impacted by lower margins of about \$230 million and planned turnaround activity of about \$70 million.

Refinery throughput averaged 363,000 barrels per day, compared to 388,000 barrels per day in the third quarter of 2018. Capacity utilization was 86 percent, compared to 92 percent in the third quarter of 2018. Reduced throughput was mainly due to planned turnaround activity at Nanticoke and ongoing impacts from the fractionation tower incident at Sarnia which occurred earlier in 2019.

Petroleum product sales were 488,000 barrels per day, compared to 516,000 barrels per day in the third quarter of 2018. Lower petroleum product sales were mainly due to lower refinery throughput.

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Chemical net income was \$38 million in the third quarter, compared to \$69 million from the same quarter of 2018, primarily reflecting lower margins.

Corporate and other expenses were \$44 million in the third quarter, unchanged from the same period of 2018.

### Nine months 2019 vs. nine months 2018

Net income in the first nine months of 2019 was \$1,929 million, or \$2.51 per share on a diluted basis, up from net income of \$1,461 million or \$1.79 per share in the first nine months of 2018. 2019 results include a favourable impact, largely non-cash, of \$662 million associated with the Alberta corporate income tax rate decrease. On June 28, 2019, the Alberta government enacted a 4 percent decrease in the provincial tax rate, from 12 percent to 8 percent by 2022.

Upstream net income was \$1,252 million for the first nine months of the year, reflecting the favourable impact associated with the decreased Alberta corporate income tax rate of \$689 million. Excluding this impact, 2019 net income was \$563 million, up from net income of \$172 million in the same period of 2018. Improved results reflect higher volumes of about \$530 million at Syncrude, Kearl and Norman Wells, as well as the impact of higher crude oil realizations of about \$220 million and favourable foreign exchange impacts of about \$90 million. Results were negatively impacted by higher operating expenses of about \$270 million, higher royalties of about \$130 million, and lower Cold Lake volumes of about \$70 million.

West Texas Intermediate averaged US\$57.10 per barrel in the first nine months of 2019, down from US\$66.77 per barrel in the same period of 2018. Western Canada Select averaged US\$45.32 per barrel and US\$44.98 per barrel for the same periods. The WTI / WCS differential narrowed to average approximately US\$12 per barrel in the first nine months of 2019, from around US\$22 per barrel in the same period of 2018.

The Canadian dollar averaged US\$0.75 in the first nine months of 2019, a decrease of \$0.03 from the same period in 2018.

Imperial's average Canadian dollar realizations for bitumen increased in the first nine months of 2019, supported primarily by lower diluent costs. Bitumen realizations averaged \$52.44 per barrel, up from \$45.04 per barrel from the same period in 2018. The company's average Canadian dollar realizations for synthetic crude declined generally in line with WTI, adjusted for changes in exchange rates and transportation costs. Synthetic crude realizations averaged \$74.59 per barrel, compared to \$83.66 per barrel from the same period in 2018.

Gross production of Cold Lake bitumen averaged 141,000 barrels per day in the first nine months of 2019, compared to 145,000 barrels per day in the same period of 2018.

Gross production of Kearl bitumen averaged 204,000 barrels per day in the first nine months of 2019 (145,000 barrels Imperial's share), up from 202,000 barrels per day (144,000 barrels Imperial's share) in the same period of 2018.

During the first nine months of 2019, the company's share of gross production from Syncrude averaged 76,000 barrels per day, up from 53,000 barrels per day in the same period of 2018. Higher production was mainly due to the absence of production impacts from the 2018 power disruption.

Downstream net income was \$736 million for the first nine months of 2019, compared to \$1,224 million for the same period of 2018. Earnings were negatively impacted by lower margins of about \$430 million, reliability events of about \$140 million, including the fractionation tower incident at Sarnia, and lower sales volumes of about \$100 million. These factors were partially offset by lower net turnaround impacts of about \$80 million, and favourable foreign exchange effects of about \$60 million.

Refinery throughput averaged 363,000 barrels per day in the first nine months of 2019, compared to 386,000 barrels per day in the same period of 2018. Capacity utilization was 86 percent, compared to 91 percent in the same period of 2018. Reduced throughput was mainly due to higher planned turnaround activities and impacts from the Sarnia fractionation tower incident.

Petroleum product sales were 481,000 barrels per day in the first nine months of 2019, compared to 503,000 barrels per day in the same period of 2018. Lower petroleum product sales were mainly due to lower refinery throughput.

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Chemical net income was \$110 million in the first nine months of 2019, compared to \$220 million in the same period of 2018, primarily reflecting lower margins.

Corporate and other expenses were \$169 million in the first nine months of 2019, compared to \$155 million in the same period of 2018.

## Liquidity and capital resources

Cash flow generated from operating activities was \$1,376 million in the third quarter, up from \$1,207 million in the corresponding period in 2018, primarily reflecting favourable working capital effects, partially offset by lower earnings.

Investing activities used net cash of \$413 million in the third quarter, compared with \$352 million used in the same period of 2018.

Cash used in financing activities was \$519 million in the third quarter, compared with \$580 million used in the third quarter of 2018. Dividends paid in the third quarter of 2019 were \$169 million. The per share dividend paid in the third quarter was \$0.22, up from \$0.19 in the same period of 2018. During the third quarter, the company, under its share purchase program, purchased about 9.8 million shares for \$343 million, including shares purchased from Exxon Mobil Corporation. In the third quarter of 2018, the company purchased about 10 million shares for \$418 million.

The company's cash balance was \$1,531 million at September 30, 2019, versus \$1,148 million at the end of third quarter 2018.

Cash flow generated from operating activities was \$3,405 million in the first nine months of 2019, up from \$3,051 million in the same period of 2018, primarily reflecting favourable working capital effects.

Investing activities used net cash of \$1,305 million in the first nine months of 2019, compared with \$1,096 million used in 2018, primarily reflecting higher additions to property, plant and equipment.

Cash used in financing activities was \$1,557 million in the first nine months of 2019, compared with \$2,002 million used in the same period of 2018. Dividends paid in the first nine months of 2019 were \$465 million. The per share dividend paid in the first nine months of 2019 was \$0.60, up from \$0.51 in the same period of 2018. During the first nine months of 2019, the company, under its share purchase program, purchased about 29.6 million shares for \$1,072 million, including shares purchased from Exxon Mobil Corporation. In the first nine months of 2018, the company purchased about 38.5 million shares for \$1,561 million.

In September 2019, the company extended the maturity date of its existing long-term, variable-rate, Canadian dollar loan from ExxonMobil to June 30, 2025. All other terms and conditions remain unchanged.

## Recently issued accounting standards

Effective January 1, 2020, Imperial will adopt the Financial Accounting Standards Board's update, *Financial Instruments - Credit Losses (Topic 326)*, as amended. The standard requires a valuation allowance for credit losses be recognized for certain financial assets that reflects the current expected credit loss over the asset's contractual life. The valuation allowance considers the risk of loss, even if remote and considers past events, current conditions and expectations of the future. The company does not expect a material change in the credit allowance for trade receivables and continues to evaluate the impact on other financial assets in scope of the standard.

## Forward-looking statements

Statements of future events or conditions in this report, including projections, targets, expectations, estimates, and business plans are forward-looking statements. Disclosure related to the share purchase program and the expected impact from accounting standard changes constitute forward-looking 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 demand growth and energy source, supply and mix; commodity prices and foreign exchange rates; production rates, growth and mix; applicable laws and government policies; financing sources; and capital and environmental expenditures could differ materially depending on a number of factors. These factors include changes in the supply of and demand for crude oil, natural gas, and petroleum and petrochemical products and resulting price and margin impacts; transportation for accessing markets; political or regulatory events, including changes in law or government policy; environmental risks inherent in oil and gas exploration and production activities; environmental regulation; currency exchange rates; availability and allocation of capital; unanticipated operational disruptions; project management and schedules; operational hazards and risks; cybersecurity incidents; disaster response preparedness; 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 nine months ended September 30, 2019, does not differ materially from that discussed on page 25 of the company's annual report on Form 10-K for the year ended December 31, 2018.