



**THIRD QUARTER 2013**

**FINANCIAL STATEMENTS  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND OPERATING RESULTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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**OPERATING RESULTS****Third quarter 2013 vs. third quarter 2012**

The company's net income for the third quarter of 2013 was \$647 million or \$0.76 per share on a diluted basis, compared with \$1,040 million or \$1.22 per share for the same period last year.

Upstream net income in the third quarter was \$604 million, \$106 million higher than the same period of 2012. Earnings increased primarily due to higher liquids realizations of about \$350 million. This was partially offset by lower volumes and higher costs at Syncrude, mainly as a result of planned maintenance activities, totalling about \$150 million and higher royalty costs of about \$85 million.

The price differential between Brent crude oil, the benchmark for Atlantic basin markets, and West Texas Intermediate (WTI), a common benchmark for mid-continent North American oil markets, narrowed to \$4.54 per barrel in U.S. dollars in the third quarter of 2013, compared to \$17.37 per barrel in the corresponding period last year. As discounts for WTI crude oil decreased, the company's average realizations in Canadian dollars on sales of conventional and synthetic crude oils increased about 21 and 26 percent, respectively. The company's average bitumen realizations in Canadian dollars in the third quarter of 2013 also increased by about 36 percent to \$81.21 per barrel as the price spread between light crude oil and bitumen narrowed. The company's average realizations on natural gas sales of \$2.66 per thousand cubic feet in the third quarter of 2013 were higher by about \$0.48 per thousand cubic feet versus the same period in 2012. The significant narrowing of the price differential between Brent and WTI also adversely impacted industry refining margins and Downstream earnings.

Gross production of Cold Lake bitumen averaged 147,000 barrels per day versus 152,000 barrels in the same period last year. Lower volumes were primarily due to the cyclic nature of steaming and associated production at Cold Lake.

The company's share of Syncrude's gross production in the third quarter was 57,000 barrels per day, down from 78,000 barrels in the third quarter of 2012. The planned maintenance activities were completed, and the impacted coker unit returned to normal operations in the quarter.

The company's share of gross production from the Kearl initial development contributed 23,000 barrels per day. Throughout the quarter we continued to address ongoing improvements in equipment reliability. Gross production averaged 11,000, 43,000 and 45,000 barrels per day in July, August and September, respectively. From September 22 through October 8, the plant was shut down to address ongoing improvements in equipment reliability and prepare for potential weather-related challenges in our first winter season of operation. Post restart, rates have averaged 80,000 barrels per day gross with current production of 100,000 barrels per day. Production is expected to reach 110,000 barrels per day gross (78,000 Imperial's share) by the end of the year. As previously announced, diluted bitumen sales began in the third quarter, and Kearl diluted bitumen has been run at the company's and ExxonMobil's refineries and is performing as expected.

## IMPERIAL OIL LIMITED

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

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Gross production of conventional crude oil averaged 22,000 barrels per day in the third quarter, versus 19,000 barrels in the corresponding period in 2012.

Gross production of natural gas during the third quarter of 2013 was 211 million cubic feet per day, up from 188 million cubic feet in the same period last year. The higher production volume reflected the contributions from the Celtic (XTO Energy Canada) acquisition earlier in the year and the Horn River pilot which more than offset normal field decline.

Downstream net income was \$46 million in the third quarter, \$490 million lower than the third quarter of 2012. Earnings decreased primarily due to significantly lower industry refining margins of about \$565 million. This was partially offset by favourable impacts of improved refinery operations and an increase in marketing margins.

Chemical net income was \$39 million in the third quarter, in line with \$37 million in the same quarter last year.

Net income effects from Corporate and Other were negative \$42 million in the third quarter, versus negative \$31 million in the same period of 2012 due to changes in share-based compensation charges.

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#### **Nine months 2013 vs. nine months 2012**

Net income in the first nine months of 2013 was \$1,772 million or \$2.08 per share on a diluted basis, versus \$2,690 million or \$3.16 per share for the first three quarters of 2012.

Earnings decreased primarily due to significantly lower industry refining margins of about \$720 million, higher Kearn start-up and operating costs of about \$175 million, and lower production and higher maintenance costs at Syncrude totalling about \$150 million. First nine months earnings in 2013 also included an after tax charge of \$264 million associated with the conversion of the Dartmouth refinery to a terminal. These factors were partially offset by higher liquids realizations of about \$210 million, improved refinery operations and lower refinery maintenance activities totalling about \$115 million and lower royalty costs of about \$110 million due to higher cost recovery for capital investments.

Upstream net income for the first nine months of 2013 was \$1,301 million versus \$1,400 million in 2012. Earnings decreased primarily due to higher Kearn costs of about \$175 million as third quarter production contribution was more than offset by year-to-date start-up and operating costs, lower volumes and higher maintenance costs at Syncrude totalling about \$150 million, and lower bitumen production and higher maintenance costs at Cold Lake totalling about \$85 million. These factors were partially offset by higher liquids realizations of about \$210 million and lower royalty costs of about \$110 million due to higher cost recovery for capital investments.

## IMPERIAL OIL LIMITED

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

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The price differential between Brent crude oil, the benchmark for Atlantic basin markets, and West Texas Intermediate (WTI), a common benchmark for mid-continent North American oil markets, narrowed to \$10.20 per barrel in U.S. dollars in the first nine months of 2013, compared to \$15.91 per barrel in the corresponding period last year. As discounts for WTI crude oil decreased, the company's average realizations in Canadian dollars on sales of conventional and synthetic crude oils increased about eight and 11 percent, respectively. The company's average bitumen realizations in Canadian dollars in the first nine months of 2013 also increased by about five percent to \$63.86 per barrel. The company's average realizations on natural gas sales of \$3.21 per thousand cubic feet in the first three quarters of 2013 were higher by \$1.09 per thousand cubic feet versus the same period in 2012.

Gross production of Cold Lake bitumen was 152,000 barrels per day, compared with 154,000 barrels in the same period of 2012. Lower volumes were primarily due to the cyclic nature of steaming and associated production at Cold Lake.

During the first nine months of the year, the company's share of gross production from Syncrude averaged 63,000 barrels per day, down from 70,000 barrels in 2012. Planned maintenance activities in the third quarter of 2013 were the main contributor to the lower volumes.

The company's share of gross production of Kearl initial development was 9,000 barrels per day on a 2013 year-to-date basis.

Gross production of conventional crude oil averaged 21,000 barrels per day in the first nine months of the year, versus 20,000 barrels in the corresponding period in 2012.

Gross production of natural gas during the first nine months of 2013 was 201 million cubic feet per day, up from 194 million cubic feet in the same period in 2012. The higher production volumes reflected the contributions from the Celtic acquisition and the Horn River pilot, which more than offset normal field decline.

Downstream net income was \$427 million, versus \$1,223 million over the same period in 2012. Earnings were negatively impacted by significantly lower industry refining margins of about \$720 million resulting from the narrowing pricing differential between Brent and WTI crude oils. Earnings in the first nine months of 2013 also included an after tax charge of \$264 million associated with the conversion of the Dartmouth refinery to a fuels terminal. These factors were partially offset by the favourable impacts of about \$115 million associated with improved refinery operations and lower refinery maintenance activities.

Chemical net income was \$116 million, versus \$121 million in 2012.

For the first nine months of 2013, net income effects from Corporate and Other were negative \$72 million, versus negative \$54 million last year primarily due to changes in share based compensation charges.

## IMPERIAL OIL LIMITED

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

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#### **LIQUIDITY AND CAPITAL RESOURCES**

Cash flow generated from operating activities was \$298 million in the third quarter, versus \$669 million in the corresponding period in 2012. Lower cash flow was primarily attributable to lower earnings. Third quarter 2013 cash flow was lower than earnings primarily due to the timing of income tax payments.

Investing activities used net cash of \$1,804 million in the third quarter, compared with \$1,318 million in the same period of 2012. Additions to property, plant and equipment were \$1,810 million in the third quarter, compared with \$1,388 million during the same quarter 2012. Expenditures during the quarter were primarily directed towards the advancement of Kearl expansion and Nabiye projects. The Kearl expansion is expected to bring on additional gross production of 110,000 barrels of bitumen per day, before royalties, of which the company's share would be about 78,000 barrels. Start-up is expected by late 2015. The Nabiye expansion at Cold Lake is expected to bring on additional production of 40,000 barrels of bitumen per day, before royalties. Start-up is expected by late 2014.

Cash from financing activities was \$1,040 million in the third quarter, compared with \$122 million in the third quarter of 2012. In the third quarter, the company increased its long-term debt level by \$819 million by drawing on an existing facility and issued additional commercial paper which increased short-term debt by \$325 million. Subsequent to the third quarter of 2013, the company increased its total debt outstanding by \$123 million by drawing on existing facilities. The increased debt was used to finance normal operations and major projects

The above factors led to a decrease in the company's cash balance to \$76 million at September 30, 2013, from \$482 million at the end of 2012.

In the first quarter of 2013, the company increased the amount of its existing stand-by long term bank credit facility from \$300 million to \$500 million. In the third quarter of 2013, the company extended the maturity date of this facility to August 2015. The company has not drawn on the facility.

In the first quarter of 2013, to further support the commercial paper program, the company entered into an unsecured committed bank credit facility in the amount of \$250 million that matures in March 2014. In the second quarter, the amount of this facility increased to \$500 million. The company has not drawn on the facility.

#### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Information about market risks for the nine months ended September 30, 2013 does not differ materially from that discussed on page 23 in the company's Annual Report on Form 10-K for the year ended December 31, 2012 and Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013.

IMPERIAL OIL LIMITED

**CONSOLIDATED STATEMENT OF INCOME**

(U.S. GAAP, unaudited)

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2013	2012	2013	2012
<b>REVENUES AND OTHER INCOME</b>				
Operating revenues (a) (b)	8,577	8,319	24,470	23,265
Investment and other income (note 3)	17	17	96	119
<b>TOTAL REVENUES AND OTHER INCOME</b>	<b>8,594</b>	<b>8,336</b>	<b>24,566</b>	<b>23,384</b>
<b>EXPENSES</b>				
Exploration	30	21	74	67
Purchases of crude oil and products (c)	5,484	5,026	15,460	14,057
Production and manufacturing (d)	1,325	1,074	3,974	3,298
Selling and general	291	291	797	822
Federal excise tax (a)	385	355	1,041	1,011
Depreciation and depletion	223	183	860	551
Financing costs (note 5)	(1)	(1)	1	(1)
<b>TOTAL EXPENSES</b>	<b>7,737</b>	<b>6,949</b>	<b>22,207</b>	<b>19,805</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>857</b>	<b>1,387</b>	<b>2,359</b>	<b>3,579</b>
<b>INCOME TAXES</b>	<b>210</b>	<b>347</b>	<b>587</b>	<b>889</b>
<b>NET INCOME</b>	<b>647</b>	<b>1,040</b>	<b>1,772</b>	<b>2,690</b>
<b>PER SHARE INFORMATION (Canadian dollars)</b>				
Net income per common share - basic (note 8)	0.76	1.22	2.09	3.17
Net income per common share - diluted (note 8)	0.76	1.22	2.08	3.16
Dividends per common share	0.12	0.12	0.36	0.36
(a) Federal excise tax included in operating revenues	385	355	1,041	1,011
(b) Amounts from related parties included in operating revenues	711	613	1,936	2,258
(c) Amounts to related parties included in purchases of crude oil and products	1,018	914	3,544	2,469
(d) Amounts to related parties included in production and manufacturing expenses	85	57	255	162

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	
	2013	2012	2013	2012
Net income	647	1,040	1,772	2,690
Other comprehensive income, net of income taxes				
Post-retirement benefit liability adjustment (excluding amortization)	-	-	(102)	(117)
Amortization of post-retirement benefit liability adjustment included in net periodic benefit costs	52	50	154	149
Total other comprehensive income/(loss)	52	50	52	32
Comprehensive income	699	1,090	1,824	2,722

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

IMPERIAL OIL LIMITED

**CONSOLIDATED BALANCE SHEET**

(U.S. GAAP, unaudited)

	As at Sept. 30 <b>2013</b>	As at Dec 31 2012
millions of Canadian dollars		
<b>ASSETS</b>		
Current assets		
Cash	76	482
Accounts receivable, less estimated doubtful accounts	2,176	1,976
Inventories of crude oil and products	1,176	827
Materials, supplies and prepaid expenses	387	280
Deferred income tax assets	625	527
Total current assets	<b>4,440</b>	4,092
Long-term receivables, investments and other long-term assets	1,325	1,090
Property, plant and equipment, less accumulated depreciation and depletion	45,647 <b>(15,611)</b>	38,765 <b>(14,843)</b>
Property, plant and equipment, net	<b>30,036</b>	23,922
Goodwill	224	204
Other intangible assets, net	56	56
<b>TOTAL ASSETS</b>	<b>36,081</b>	29,364
<b>LIABILITIES</b>		
Current liabilities		
Notes and loans payable	1,831	472
Accounts payable and accrued liabilities (a) (note 7)	4,593	4,249
Income taxes payable	577	1,184
Total current liabilities	<b>7,001</b>	5,905
Long-term debt (b) (note 6)	4,383	1,175
Other long-term obligations (note 7)	4,095	3,983
Deferred income tax liabilities	2,706	1,924
<b>TOTAL LIABILITIES</b>	<b>18,185</b>	12,987
<b>SHAREHOLDERS' EQUITY</b>		
Common shares at stated value (c)	1,566	1,566
Earnings reinvested	18,733	17,266
Accumulated other comprehensive income (note 9)	(2,403)	(2,455)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>17,896</b>	16,377
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>36,081</b>	29,364

- (a) Accounts payable and accrued liabilities included amounts receivable from related parties of \$38 million (2012 - amounts receivable of \$9 million).
- (b) Long-term debt included amounts to related parties of \$4,253 million (2012 - \$1,040 million).
- (c) Number of common shares authorized and outstanding were 1,100 million and 848 million, respectively (2012 - 1,100 million and 848 million, respectively).

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

Approved by the directors November 4, 2013

/s/ R.M. Kruger

Chairman, president and  
chief executive officer

/s/ P.J. Masschelin

Senior vice-president,  
finance and administration, and controller



IMPERIAL OIL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(U.S. GAAP, unaudited)

inflow/(outflow)

millions of Canadian dollars

Third Quarter

2013

2012

Nine Months

to September 30

2013

2012

**OPERATING ACTIVITIES**

Net income	647	1,040	1,772	2,690
Adjustment for non-cash items:				
Depreciation and depletion	223	183	860	551
(Gain)/loss on asset sales (note 3)	(5)	(2)	(60)	(86)
Deferred income taxes and other	106	72	276	289
Changes in operating assets and liabilities:				
Accounts receivable	51	(220)	(166)	(81)
Inventories, materials, supplies and prepaid expenses	46	(293)	(451)	(487)
Income taxes payable	(485)	(231)	(607)	(143)
Accounts payable and accrued liabilities	(226)	229	282	455
All other items - net (a)	(59)	(109)	(273)	(155)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>298</b>	<b>669</b>	<b>1,633</b>	<b>3,033</b>

**INVESTING ACTIVITIES**

Additions to property, plant and equipment and intangibles	(1,810)	(1,388)	(4,771)	(3,823)
Acquisition (note 10)	-	-	(1,602)	-
Proceeds from asset sales	6	70	68	209
Repayment of loan from equity company	-	-	4	8
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(1,804)</b>	<b>(1,318)</b>	<b>(6,301)</b>	<b>(3,606)</b>

**FINANCING ACTIVITIES**

Short-term debt - net	325	75	1,359	75
Long-term debt issued	819	150	3,213	150
Reduction in capitalized lease obligations	(2)	(1)	(5)	(3)
Issuance of common shares under stock option plan	-	-	-	43
Common shares purchased	-	-	-	(128)
Dividends paid	(102)	(102)	(305)	(297)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>1,040</b>	<b>122</b>	<b>4,262</b>	<b>(160)</b>

**INCREASE (DECREASE) IN CASH**

(466) (527)

(406) (733)

**CASH AT BEGINNING OF PERIOD**

542 996

482 1,202

**CASH AT END OF PERIOD**

76 469

76 469

(a) Included contribution to registered pension plans

(163) (171)

(461) (415)

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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**1. Basis of financial statement preparation**

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America 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 in the company's 2012 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, 2013, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

IMPERIAL OIL LIMITED

**2. Business Segments**

Third Quarter millions of dollars	Upstream		Downstream		Chemical	
	2013	2012	2013	2012	2013	2012
<b>REVENUES AND OTHER INCOME</b>						
Operating revenues (a)	1,786	1,056	6,469	6,963	322	300
Intersegment sales	1,397	1,012	415	559	96	68
Investment and other income	8	1	9	13	-	1
	<u>3,191</u>	<u>2,069</u>	<u>6,893</u>	<u>7,535</u>	<u>418</u>	<u>369</u>
<b>EXPENSES</b>						
Exploration	30	21	-	-	-	-
Purchases of crude oil and products	1,307	593	5,789	5,818	295	254
Production and manufacturing	880	671	396	357	50	46
Selling and general	1	-	217	233	17	19
Federal excise tax	-	-	385	355	-	-
Depreciation and depletion	168	123	50	56	3	2
Financing costs	-	(1)	(1)	-	-	-
<b>TOTAL EXPENSES</b>	<u>2,386</u>	<u>1,407</u>	<u>6,836</u>	<u>6,819</u>	<u>365</u>	<u>321</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>805</u>	<u>662</u>	<u>57</u>	<u>716</u>	<u>53</u>	<u>48</u>
<b>INCOME TAXES</b>	<u>201</u>	<u>164</u>	<u>11</u>	<u>180</u>	<u>14</u>	<u>11</u>
<b>NET INCOME</b>	<u>604</u>	<u>498</u>	<u>46</u>	<u>536</u>	<u>39</u>	<u>37</u>
<b>Cash flows from (used in) operating activities</b>	<u>601</u>	<u>210</u>	<u>(315)</u>	<u>458</u>	<u>7</u>	<u>44</u>
<b>CAPEX (b)</b>	<u>1,765</u>	<u>1,376</u>	<u>51</u>	<u>27</u>	<u>3</u>	<u>1</u>

Third Quarter millions of dollars	Corporate and Other		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012
<b>REVENUES AND OTHER INCOME</b>						
Operating revenues (a)	-	-	-	-	8,577	8,319
Intersegment sales	-	-	(1,908)	(1,639)	-	-
Investment and other income	-	2	-	-	17	17
	<u>-</u>	<u>2</u>	<u>(1,908)</u>	<u>(1,639)</u>	<u>8,594</u>	<u>8,336</u>
<b>EXPENSES</b>						
Exploration	-	-	-	-	30	21
Purchases of crude oil and products	-	-	(1,907)	(1,639)	5,484	5,026
Production and manufacturing	-	-	(1)	-	1,325	1,074
Selling and general	56	39	-	-	291	291
Federal excise tax	-	-	-	-	385	355
Depreciation and depletion	2	2	-	-	223	183
Financing costs	-	-	-	-	(1)	(1)
<b>TOTAL EXPENSES</b>	<u>58</u>	<u>41</u>	<u>(1,908)</u>	<u>(1,639)</u>	<u>7,737</u>	<u>6,949</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>(58)</u>	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>857</u>	<u>1,387</u>
<b>INCOME TAXES</b>	<u>(16)</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>210</u>	<u>347</u>
<b>NET INCOME</b>	<u>(42)</u>	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>647</u>	<u>1,040</u>
<b>Cash flows from (used in) operating activities</b>	<u>5</u>	<u>(43)</u>	<u>-</u>	<u>-</u>	<u>298</u>	<u>669</u>
<b>CAPEX (b)</b>	<u>21</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>1,840</u>	<u>1,409</u>

(a) Includes export sales to the United States of \$1,380 million (2012 - \$1,177 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.

(b) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant, equipment and intangibles, additions to capital leases and acquisition.

IMPERIAL OIL LIMITED

Nine Months to September 30 millions of dollars	Upstream		Downstream		Chemical	
	2013	2012	2013	2012	2013	2012
<b>REVENUES AND OTHER INCOME</b>						
Operating revenues (a)	4,392	3,524	19,120	18,750	958	991
Intersegment sales	3,344	3,054	1,603	1,947	240	219
Investment and other income	55	42	39	68	-	1
	<u>7,791</u>	<u>6,620</u>	<u>20,762</u>	<u>20,765</u>	<u>1,198</u>	<u>1,211</u>
<b>EXPENSES</b>						
Exploration	74	67	-	-	-	-
Purchases of crude oil and products	3,030	2,354	16,788	16,073	826	850
Production and manufacturing (c)	2,508	1,963	1,312	1,197	157	138
Selling and general	4	2	651	696	49	52
Federal excise tax	-	-	1,041	1,011	-	-
Depreciation and depletion (c)	443	371	401	164	9	9
Financing costs	-	(1)	1	-	-	-
<b>TOTAL EXPENSES</b>	<u>6,059</u>	<u>4,756</u>	<u>20,194</u>	<u>19,141</u>	<u>1,041</u>	<u>1,049</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>1,732</u>	<u>1,864</u>	<u>568</u>	<u>1,624</u>	<u>157</u>	<u>162</u>
<b>INCOME TAXES</b>	<u>431</u>	<u>464</u>	<u>141</u>	<u>401</u>	<u>41</u>	<u>41</u>
<b>NET INCOME</b>	<u>1,301</u>	<u>1,400</u>	<u>427</u>	<u>1,223</u>	<u>116</u>	<u>121</u>
<b>Cash flows from (used in) operating activities</b>	<u>1,065</u>	<u>1,696</u>	<u>420</u>	<u>1,236</u>	<u>122</u>	<u>90</u>
<b>CAPEX (b)</b>	<u>6,272</u>	<u>3,793</u>	<u>128</u>	<u>80</u>	<u>6</u>	<u>3</u>
<b>Total assets as at September 30</b>	<u>29,693</u>	<u>20,727</u>	<u>6,159</u>	<u>7,089</u>	<u>374</u>	<u>365</u>

Nine Months to September 30 millions of dollars	Corporate and Other		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012
<b>REVENUES AND OTHER INCOME</b>						
Operating revenues (a)	-	-	-	-	24,470	23,265
Intersegment sales	-	-	(5,187)	(5,220)	-	-
Investment and other income	2	8	-	-	96	119
	<u>2</u>	<u>8</u>	<u>(5,187)</u>	<u>(5,220)</u>	<u>24,566</u>	<u>23,384</u>
<b>EXPENSES</b>						
Exploration	-	-	-	-	74	67
Purchases of crude oil and products	-	-	(5,184)	(5,220)	15,460	14,057
Production and manufacturing (c)	-	-	(3)	-	3,974	3,298
Selling and general	93	72	-	-	797	822
Federal excise tax	-	-	-	-	1,041	1,011
Depreciation and depletion (c)	7	7	-	-	860	551
Financing costs	-	-	-	-	1	(1)
<b>TOTAL EXPENSES</b>	<u>100</u>	<u>79</u>	<u>(5,187)</u>	<u>(5,220)</u>	<u>22,207</u>	<u>19,805</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>(98)</u>	<u>(71)</u>	<u>-</u>	<u>-</u>	<u>2,359</u>	<u>3,579</u>
<b>INCOME TAXES</b>	<u>(26)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>587</u>	<u>889</u>
<b>NET INCOME</b>	<u>(72)</u>	<u>(54)</u>	<u>-</u>	<u>-</u>	<u>1,772</u>	<u>2,690</u>
<b>Cash flows from (used in) operating activities</b>	<u>26</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>1,633</u>	<u>3,033</u>
<b>CAPEX (b)</b>	<u>47</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>6,453</u>	<u>3,890</u>
<b>Total assets as at September 30</b>	<u>364</u>	<u>713</u>	<u>(509)</u>	<u>(423)</u>	<u>36,081</u>	<u>28,471</u>

- (a) Includes export sales to the United States of \$4,071 million (2012 - \$3,215 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.
- (b) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant, equipment and intangibles, additions to capital leases and acquisition.
- (c) A second quarter 2013 charge in the Downstream segment of \$355 million (\$264 million, after-tax) associated with the company's decision to convert the Dartmouth refinery to a terminal included the write-down of refinery plant and equipment not included in the terminal conversion of \$245 million, reported as part of depreciation and depletion expenses, and decommissioning, environmental and employee-related costs of \$110 million, reported as part of production and manufacturing expenses. Amounts incurred at the end of the third quarter 2013 associated with decommissioning, environmental and employee-related costs were de minimis.

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**3. Investment and other income**

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

millions of dollars	Third Quarter		Nine Months to September 30	
	2013	2012	2013	2012
Proceeds from asset sales	6	70	68	209
Book value of assets sold	1	68	8	123
Gain/(loss) on asset sales, before tax	5	2	60	86
Gain/(loss) on asset sales, after tax	5	1	46	67

**4. Employee retirement benefits**

The components of net benefit cost were as follows:

millions of dollars	Third Quarter		Nine Months to September 30	
	2013	2012	2013	2012
Pension benefits:				
Current service cost	46	40	136	120
Interest cost	71	72	211	216
Expected return on plan assets	(85)	(72)	(248)	(216)
Amortization of prior service cost	6	6	17	17
Amortization of actuarial loss	61	59	182	177
Net benefit cost	99	105	298	314
Other post-retirement benefits:				
Current service cost	3	2	8	6
Interest cost	5	5	16	16
Amortization of actuarial loss	3	2	8	6
Net benefit cost	11	9	32	28

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**5. Financing costs**

millions of dollars	Third Quarter		Nine Months to September 30	
	2013	2012	2013	2012
Debt related interest	21	5	47	14
Capitalized interest	(21)	(5)	(47)	(14)
Net interest expense	-	-	-	-
Other interest	(1)	(1)	1	(1)
Total financing costs	(1)	(1)	1	(1)

**6. Long-term debt**

millions of dollars	As at	As at
	Sept. 30 2013	Dec 31 2012
Long-term debt	4,253	1,040
Capital leases	130	135
Total long-term debt	4,383	1,175

In the third quarter of 2013, the company increased its long-term debt by \$819 million by drawing on its existing facility with an affiliated company of Exxon Mobil Corporation and increased short-term debt by \$325 million by issuing additional commercial paper.

Subsequent to the third quarter of 2013, the company increased its total debt outstanding by \$123 million by drawing on existing facilities. The increased debt was used to finance normal operations and major projects.

In the first quarter of 2013, the company increased the amount of its existing stand-by long term bank credit facility from \$300 million to \$500 million. In the third quarter of 2013, the company extended the maturity date of this facility to August 2015. The company has not drawn on the facility.

In the first quarter of 2013, to further support the commercial paper program, the company entered into an unsecured committed bank credit facility in the amount of \$250 million that matures in March 2014. In the second quarter, the amount of this facility increased to \$500 million. The company has not drawn on the facility.

**7. Other long-term obligations**

millions of dollars	As at	As at
	Sept. 30 2013	Dec 31 2012
Employee retirement benefits (a)	2,424	2,717
Asset retirement obligations and other environmental liabilities (b)	1,231	957
Share-based incentive compensation liabilities	186	117
Other obligations	254	192
Total other long-term obligations	4,095	3,983

(a) Total recorded employee retirement benefits obligations also included \$52 million in current liabilities (2012 - \$52 million).

(b) Total asset retirement obligations and other environmental liabilities also included \$168 million in current liabilities (2012 - \$168 million).

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**8. Net income per share**

	Third Quarter		Nine Months to September 30	
	2013	2012	2013	2012
<b>Net income per common share - basic</b>				
Net income (millions of dollars)	647	1,040	1,772	2,690
Weighted average number of common shares outstanding (millions of shares)	847.6	847.6	847.6	847.8
Net income per common share (dollars)	0.76	1.22	2.09	3.17

**Net income per common share - diluted**

Net income (millions of dollars)	647	1,040	1,772	2,690
Weighted average number of common shares outstanding (millions of shares)	847.6	847.6	847.6	847.8
Effect of share-based awards (millions of shares)	3.4	3.8	3.2	3.6
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	851.0	851.4	850.8	851.4
Net income per common share (dollars)	0.76	1.22	2.08	3.16

**9. Other comprehensive income information**

**Changes in accumulated other comprehensive income:**

millions of dollars	2013	2012
Balance at January 1	(2,455)	(2,238)
Post-retirement benefits liability adjustment:		
Current period change excluding amounts reclassified from accumulated other comprehensive income	(102)	(117)
Amounts reclassified from accumulated other comprehensive income	154	149
Balance at September 30	(2,403)	(2,206)

**Amounts reclassified out of accumulated other comprehensive income - before-tax income/(expense):**

	Third Quarter		Nine Months to September 30	
	2013	2012	2013	2012
millions of dollars				
Amortization of post-retirement benefit liability adjustment included in net periodic benefit cost (a)	(70)	(67)	(207)	(200)

(a) This accumulated other comprehensive income component is included in the computation of net periodic benefit cost (note 4).

**Income tax expense/(credit) for components of other comprehensive income:**

	Third Quarter		Nine Months to September 30	
	2013	2012	2013	2012
millions of dollars				
Post-retirement benefits liability adjustments:				
Post-retirement benefits liability adjustment (excluding amortization)	-	-	(35)	(40)
Amortization of post-retirement benefit liability adjustment included in net periodic benefit cost	18	17	53	51
	18	17	18	11

## 10. Acquisition

**Description of the Transaction:** On February 26, 2013, ExxonMobil Canada acquired Celtic Exploration Ltd. ("Celtic"). Immediately following the acquisition, Imperial acquired a 50-percent interest in Celtic's assets and liabilities from ExxonMobil Canada for \$1,608 million, financed by a combination of related party and third party debt (see note 6 for further details). Concurrently, a general partnership was formed to hold and operate the assets of Celtic. The name of the general partnership was changed to XTO Energy Canada ("XTO Canada"). XTO Canada is involved in the exploration for, production of, and transportation and sale of natural gas and crude oil, condensate and natural gas liquids.

**Recording of Assets Acquired and Liabilities Assumed:** Imperial used the acquisition method of accounting to record its pro-rata share of the assets acquired and liabilities assumed. This method requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The following table summarizes the assets acquired and liabilities assumed:

millions of dollars

Cash	6
Accounts receivable	38
Materials, supplies and prepaid expenses	5
Property, plant and equipment (a)	2,045
Goodwill (b)	20
Total assets acquired	<u>2,114</u>
Accounts payable and accrued liabilities	62
Deferred income tax liabilities (c)	377
Other long-term obligations	67
Total liabilities assumed	<u>506</u>
Net assets acquired	<u>1,608</u>

- (a) Property, plant and equipment were measured primarily using an income approach. The fair value measurements of the oil and gas assets were based, in part, on significant inputs not observable in the market and thus represent a Level 3 measurement. The significant inputs included Celtic resources, assumed future production profiles, commodity prices (mainly based on observable market inputs), risk adjusted discount rate of 10 percent, inflation of 2 percent and assumptions on the timing and amount of future development and operating costs. The property, plant and equipment additions were segmented to the Upstream business, with all of the assets in Canada.
- (b) Goodwill was the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was recognized in the Upstream reporting unit. Goodwill is not amortized and is not deductible for tax purposes.
- (c) Deferred income taxes reflect the future tax consequences on the temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The deferred income taxes recorded as part of the acquisition were:

millions of dollars

Property, plant and equipment	414
Total deferred income tax liabilities	<u>414</u>
Asset retirement obligations	(17)
Other	(20)
Total deferred income tax assets	<u>(37)</u>
Net deferred income tax liabilities	<u>377</u>

### Actual and Pro Forma Impact of the Acquisition:

Revenues for XTO Canada from the acquisition date included in the company's consolidated financial statement of income for the nine months ended September 30, 2013 were \$53 million. After-tax earnings for XTO Canada from the acquisition date through September 30, 2013 were de minimis.

Transaction costs related to the acquisition were expensed as incurred and were de minimis in the nine months ended September 30, 2013.

Pro forma revenues, earnings and basic and diluted earnings per share information as if the acquisition had occurred at the beginning of 2013 or the comparable prior reporting period is not presented, since the effect on Imperial's consolidated third quarter 2013 and the nine months ended September 30, 2013 financial results or the comparable prior reporting periods, would not have been material.