

**FORM 10-Q**  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended March 31, 2018**

**OR**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from --- to ---

Commission file number 0-12014

**IMPERIAL OIL LIMITED**

(Exact name of registrant as specified in its charter)

**CANADA**

(State or other jurisdiction  
of incorporation or organization)

**98-0017682**

(I.R.S. Employer  
Identification No.)

**505 Quarry Park Boulevard S.E.**  
**Calgary, Alberta, Canada**

(Address of principal executive offices)

**T2C 5N1**

(Postal Code)

Registrant's telephone number, including area code: 1-800-567-3776

The registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 91 days.

YES  NO

The registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

The registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act of 1934).

Large accelerated filer   
Non-accelerated filer   
Accelerated filer

Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act of 1934).

YES  NO

**The number of common shares outstanding, as of March 31, 2018 was 824,036,825.**

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In this report all dollar amounts are expressed in Canadian dollars unless otherwise stated. This report should be read in conjunction with the company's annual report on Form 10-K for the year ended December 31, 2017. Note that numbers may not add due to rounding.

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.

In this report, unless the context otherwise indicates, reference to "the company" or "Imperial" includes Imperial Oil Limited and its subsidiaries.

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial statements**

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

millions of Canadian dollars	Three Months to March 31	
	<b>2018</b>	2017
<b>Revenues and other income</b>		
Revenues (a)	<b>7,900</b>	6,958
Investment and other income (note 5)	<b>34</b>	198
<b>Total revenues and other income</b>	<b>7,934</b>	7,156
<b>Expenses</b>		
Exploration	<b>8</b>	22
Purchases of crude oil and products (b)	<b>4,780</b>	4,333
Production and manufacturing (c)	<b>1,431</b>	1,345
Selling and general (c)	<b>194</b>	203
Federal excise tax	<b>397</b>	394
Depreciation and depletion	<b>377</b>	392
Non-service pension and postretirement benefit (d)	<b>27</b>	33
Financing (note 7)	<b>23</b>	14
<b>Total expenses</b>	<b>7,237</b>	6,736
<b>Income (loss) before income taxes</b>	<b>697</b>	420
<b>Income taxes</b>	<b>181</b>	87
<b>Net income (loss)</b>	<b>516</b>	333
<b>Per share information</b> (Canadian dollars)		
Net income (loss) per common share - basic (note 10)	<b>0.62</b>	0.39
Net income (loss) per common share - diluted (note 10)	<b>0.62</b>	0.39
Dividends per common share	<b>0.16</b>	0.15
(a) Amounts from related parties included in revenues.	<b>1,373</b>	1,037
(b) Amounts to related parties included in purchases of crude oil and products.	<b>892</b>	609
(c) Amounts to related parties included in production and manufacturing, and selling and general expenses.	<b>141</b>	141
(d) Prior year amounts have been reclassified. See note 2 for additional details.		

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

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

	Three Months to March 31	
millions of Canadian dollars	2018	2017
<b>Net income (loss)</b>	<b>516</b>	333
Other comprehensive income (loss), net of income taxes		
Postretirement benefits liability adjustment (excluding amortization)	<b>(19)</b>	41
Amortization of postretirement benefits liability adjustment included in net periodic benefit costs	<b>34</b>	36
<b>Total other comprehensive income (loss)</b>	<b>15</b>	77
<b>Comprehensive income (loss)</b>	<b>531</b>	410

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

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

	As at Mar 31 <b>2018</b>	As at Dec 31 2017
millions of Canadian dollars		
<b>Assets</b>		
Current assets		
Cash	1,425	1,195
Accounts receivable, less estimated doubtful accounts (a)	2,285	2,712
Inventories of crude oil and products	1,262	1,075
Materials, supplies and prepaid expenses	455	425
Total current assets	5,427	5,407
Investments and long-term receivables (b)	850	865
Property, plant and equipment, less accumulated depreciation and depletion	53,031	52,778
Property, plant and equipment, net	(18,679)	(18,305)
Goodwill	34,352	34,473
Other assets, including intangibles, net (note 9)	186	186
<b>Total assets</b>	<b>41,580</b>	<b>41,601</b>
<b>Liabilities</b>		
Current liabilities		
Notes and loans payable (c)	202	202
Accounts payable and accrued liabilities (a) (note 9)	3,461	3,877
Income taxes payable	73	57
Total current liabilities	3,736	4,136
Long-term debt (d) (note 8)	4,999	5,005
Other long-term obligations (e) (note 9)	3,851	3,780
Deferred income tax liabilities	4,410	4,245
<b>Total liabilities</b>	<b>16,996</b>	<b>17,166</b>
<b>Shareholders' equity</b>		
Common shares at stated value (f) (note 10)	1,523	1,536
Earnings reinvested (note 11)	24,861	24,714
Accumulated other comprehensive income (loss) (note 12)	(1,800)	(1,815)
<b>Total shareholders' equity</b>	<b>24,584</b>	<b>24,435</b>
<b>Total liabilities and shareholders' equity</b>	<b>41,580</b>	<b>41,601</b>

(a) Accounts receivable, less estimated doubtful accounts included net amounts receivable from related parties of \$354 million (2017 - \$509 million).

(b) Investments and long-term receivables included amounts from related parties of \$25 million (2017 - \$19 million).

(c) Notes and loans payable included amounts to related parties of \$75 million (2017 - \$75 million).

(d) Long-term debt included amounts to related parties of \$4,447 million (2017 - \$4,447 million).

(e) Other long-term obligations included amounts to related parties of \$49 million (2017 - \$60 million).

(f) Number of common shares authorized and outstanding were 1,100 million and 824 million, respectively (2017 - 1,100 million and 831 million, respectively).

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	Three Months to March 31	
	2018	2017
<b>Operating activities</b>		
Net income (loss)	516	333
Adjustments for non-cash items:		
Depreciation and depletion	377	392
(Gain) loss on asset sales (note 5)	(10)	(182)
Deferred income taxes and other	185	200
Changes in operating assets and liabilities:		
Accounts receivable	427	278
Inventories, materials, supplies and prepaid expenses	(217)	(72)
Income taxes payable	16	(464)
Accounts payable and accrued liabilities	(415)	(210)
All other items - net (a) (b)	106	79
<b>Cash flows from (used in) operating activities</b>	<b>985</b>	<b>354</b>
<b>Investing activities</b>		
Additions to property, plant and equipment (b)	(371)	(122)
Proceeds from asset sales (note 5)	12	183
Loans to equity company	(6)	-
<b>Cash flows from (used in) investing activities</b>	<b>(365)</b>	<b>61</b>
<b>Financing activities</b>		
Reduction in capitalized lease obligations (note 8)	(6)	(7)
Dividends paid	(134)	(127)
Common shares purchased (note 10)	(250)	-
<b>Cash flows from (used in) financing activities</b>	<b>(390)</b>	<b>(134)</b>
<b>Increase (decrease) in cash</b>	<b>230</b>	<b>281</b>
<b>Cash at beginning of period</b>	<b>1,195</b>	<b>391</b>
<b>Cash at end of period (c)</b>	<b>1,425</b>	<b>672</b>
(a) Included contribution to registered pension plans.	(44)	(40)

(b) The impact of carbon emission programs are included in additions to property, plant and equipment, and all other items, net.

(c) 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.

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 2017 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. Prior year's data has been reclassified in certain cases to conform to the current presentation basis.

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

The results for the three months ended March 31, 2018, 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, 2018, Imperial adopted the Financial Accounting Standards Board's standard, *Revenue from Contracts with Customers*, as amended. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry and transaction specific requirements, and expands disclosure requirements. The standard was adopted using the modified retrospective method, under which prior year results are not restated, but supplemental information is provided for any material impacts of the standard on 2018 results. The adoption of the standard did not have a material impact on any of the lines reported in the company's consolidated financial statements. The cumulative effect of adoption of the new standard was de minimis. The company did not elect any practical expedients that require disclosure. See note 4 for additional details.

Effective January 1, 2018, Imperial adopted the Financial Accounting Standards Board's standard update, Compensation – Retirement Benefits (Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The update requires separate presentation of the service cost component from other components of net benefit costs. The other components are reported in a new line on the company's consolidated statement of income, "Non-service pension and postretirement benefit". Imperial elected to use the practical expedient to use the amounts disclosed in the pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements, as it is impracticable to determine the amounts capitalized in those periods. Beginning in 2018, the other components of net benefit costs are included in the Corporate and other expenses. The "Non-service pension and postretirement benefit" line reflects the non-service costs, which primarily includes interest costs, expected return on plan assets, and amortization of actuarial gains and losses, that were previously included in "Production and manufacturing" and "Selling and general" expenses. Additionally, only the service cost component of net benefit costs is eligible for capitalization in situations where it is otherwise appropriate to capitalize employee costs in connection with the construction or production of an asset.

The impact of the retrospective presentation change on Imperial's consolidated statement of income for the period ended March 31, 2018, is shown below.

millions of Canadian dollars	Three Months to March 31, 2017		
	As reported	Change	As adjusted
Production and manufacturing	1,375	(30)	1,345
Selling and general	206	(3)	203
Non-service pension and postretirement benefit	-	33	33

Effective January 1, 2018, Imperial adopted the Financial Accounting Standards Board's standard update, Financial Instruments - Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard requires investments in equity securities other than consolidated subsidiaries and equity method investments to be measured at fair value, with changes in the fair value recognized through net income. The company elected a modified approach for equity securities that do not have a readily determinable fair value. This modified approach measures investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. There was no cumulative effect related to the adoption of this standard. The carrying value of equity securities without readily determinable fair values as at March 31, 2018 were not significant to Imperial.

The standard also expanded disclosures related to financial statements. The company's only notable financial instrument is long-term debt (\$4,447 million, excluding capitalized lease obligations), where the difference between fair value and carrying value was de minimis. The fair value of long-term debt was primarily a level 2 measurement.

### 3. Business segments

Three Months to March 31 millions of Canadian dollars	Upstream		Downstream		Chemical	
	2018	2017	2018	2017	2018	2017
<b>Revenues and other income</b>						
Revenues (a)	1,989	1,711	5,607	4,974	304	273
Intersegment sales	657	618	362	309	73	67
Investment and other income (note 5)	1	5	22	191	-	1
	<b>2,647</b>	<b>2,334</b>	<b>5,991</b>	<b>5,474</b>	<b>377</b>	<b>341</b>
<b>Expenses</b>						
Exploration	8	22	-	-	-	-
Purchases of crude oil and products	1,374	1,116	4,294	4,009	202	201
Production and manufacturing (b)	1,012	973	368	349	51	53
Selling and general (b)	-	3	173	188	21	22
Federal excise tax	-	-	397	394	-	-
Depreciation and depletion	318	336	51	48	3	3
Non-service pension and postretirement benefit (b)	-	-	-	-	-	-
Financing (note 7)	-	4	-	-	-	-
<b>Total expenses</b>	<b>2,712</b>	<b>2,454</b>	<b>5,283</b>	<b>4,988</b>	<b>277</b>	<b>279</b>
<b>Income (loss) before income taxes</b>	<b>(65)</b>	<b>(120)</b>	<b>708</b>	<b>486</b>	<b>100</b>	<b>62</b>
<b>Income taxes</b>	<b>(21)</b>	<b>(34)</b>	<b>187</b>	<b>106</b>	<b>27</b>	<b>17</b>
<b>Net income (loss)</b>	<b>(44)</b>	<b>(86)</b>	<b>521</b>	<b>380</b>	<b>73</b>	<b>45</b>
<b>Cash flows from (used in) operating activities</b>	<b>337</b>	<b>308</b>	<b>590</b>	<b>56</b>	<b>83</b>	<b>(23)</b>
<b>Capital and exploration expenditures (c)</b>	<b>206</b>	<b>103</b>	<b>57</b>	<b>34</b>	<b>4</b>	<b>4</b>
<b>Total assets as at March 31</b>	<b>34,463</b>	<b>35,898</b>	<b>5,034</b>	<b>4,251</b>	<b>417</b>	<b>391</b>

Three Months to March 31 millions of Canadian dollars	Corporate and Other		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017
<b>Revenues and other income</b>						
Revenues (a)	-	-	-	-	7,900	6,958
Intersegment sales	-	-	(1,092)	(994)	-	-
Investment and other income (note 5)	11	1	-	-	34	198
	<b>11</b>	<b>1</b>	<b>(1,092)</b>	<b>(994)</b>	<b>7,934</b>	<b>7,156</b>
<b>Expenses</b>						
Exploration	-	-	-	-	8	22
Purchases of crude oil and products	-	-	(1,090)	(993)	4,780	4,333
Production and manufacturing (b)	-	-	-	-	1,431	1,375
Selling and general (b)	2	(6)	(2)	(1)	194	206
Federal excise tax	-	-	-	-	397	394
Depreciation and depletion	5	5	-	-	377	392
Non-service pension and postretirement benefit (b)	27	-	-	-	27	-
Financing (note 7)	23	10	-	-	23	14
<b>Total expenses</b>	<b>57</b>	<b>9</b>	<b>(1,092)</b>	<b>(994)</b>	<b>7,237</b>	<b>6,736</b>
<b>Income (loss) before income taxes</b>	<b>(46)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>697</b>	<b>420</b>
<b>Income taxes</b>	<b>(12)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>87</b>
<b>Net income (loss)</b>	<b>(34)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>516</b>	<b>333</b>
<b>Cash flows from (used in) operating activities</b>	<b>(25)</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>985</b>	<b>354</b>
<b>Capital and exploration expenditures (c)</b>	<b>7</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>274</b>	<b>153</b>
<b>Total assets as at March 31</b>	<b>1,934</b>	<b>1,128</b>	<b>(268)</b>	<b>(258)</b>	<b>41,580</b>	<b>41,410</b>

## IMPERIAL OIL LIMITED

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- (a) Included export sales to the United States of \$1,207 million (2017 - \$899 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.
- (b) As part of the implementation of Accounting Standard Update, Compensation – Retirement Benefits (Topic 715), beginning January 1, 2018, Corporate and other includes all non-service pension and postretirement benefit expense. Prior to 2018, the majority of these costs were allocated to the operating segments. See note 2 for additional details.
- (c) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant and equipment, additions to capital leases, additional investments and acquisitions. CAPEX excludes the purchase of carbon emission credits.

## 4. Accounting policy for revenue recognition

Imperial generally sells crude oil, natural gas and petroleum and chemical products under short-term agreements at prevailing market prices. In some cases, products may be sold under long-term agreements, with periodic price adjustments to reflect market conditions.

Revenue is recognized at the amount the company expects to receive when the customer has taken control, which is typically when title transfers and the customer has assumed the risks and rewards of ownership. The prices of certain sales are based on price indexes that are sometimes not available until the next period. In such cases, estimated realizations are accrued when the sale is recognized, and are finalized when final information is available. Such adjustments to revenue from performance obligations satisfied in previous periods are not significant. Payment for revenue transactions is typically due within 30 days. Future volume delivery obligations that are unsatisfied at the end of the period are expected to be fulfilled through ordinary production or purchases. These performance obligations are based on market prices at the time of the transaction and are fully constrained due to market price volatility.

“Revenues” and “Accounts receivable, less estimated doubtful accounts” primarily arise from contracts with customers. Long-term receivables are primarily from non-customers. Contract assets are mainly from marketing assistance programs and are not significant. Contract liabilities are mainly customer prepayments, loyalty programs and accruals of expected volume discounts, and are not significant.

## 5. Investment and other income

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

millions of Canadian dollars	Three Months to March 31	
	2018	2017
Proceeds from asset sales	12	183
Book value of asset sales	2	1
Gain (loss) on asset sales, before tax (a)	10	182
Gain (loss) on asset sales, after tax (a)	7	158

(a) First quarter 2017 included a gain of \$174 million (\$151 million after tax) from the sale of surplus property in Ontario.

## 6. Employee retirement benefits

The components of net benefit cost were as follows:

millions of Canadian dollars	Three Months to March 31	
	2018	2017
Pension benefits:		
Current service cost	60	55
Interest cost	76	79
Expected return on plan assets	(101)	(101)
Amortization of prior service cost	1	3
Amortization of actuarial loss (gain)	44	44
Net periodic benefit cost	80	80
Other postretirement benefits:		
Current service cost	4	4
Interest cost	5	6
Amortization of actuarial loss (gain)	2	2
Net periodic benefit cost	11	12

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

millions of Canadian dollars	Three Months to March 31	
	2018	2017
Debt-related interest	30	22
Capitalized interest	(7)	(12)
Net interest expense	23	10
Other interest	-	4
<b>Total financing</b>	<b>23</b>	<b>14</b>

## 8. Long-term debt

millions of Canadian dollars	As at Mar 31	As at Dec 31
	2018	2017
Long-term debt	4,447	4,447
Capital leases	552	558
<b>Total long-term debt</b>	<b>4,999</b>	<b>5,005</b>

## 9. Other long-term obligations

millions of Canadian dollars	As at Mar 31	As at Dec 31
	2018	2017
Employee retirement benefits (a)	1,535	1,529
Asset retirement obligations and other environmental liabilities (b)	1,460	1,460
Share-based incentive compensation liabilities	96	99
Other obligations (c)	760	692
<b>Total other long-term obligations</b>	<b>3,851</b>	<b>3,780</b>

- (a) Total recorded employee retirement benefits obligations also included \$56 million in current liabilities (2017 - \$56 million).
- (b) Total asset retirement obligations and other environmental liabilities also included \$101 million in current liabilities (2017 - \$101 million).
- (c) Included carbon emission program obligations. Carbon emission program credits are recorded under other assets, including intangibles, net.

## 10. Common shares

thousands of shares	As of Mar 31 <b>2018</b>	As of Dec 31 2017
Authorized	<b>1,100,000</b>	1,100,000
Common shares outstanding	<b>824,037</b>	831,242

The 12-month normal course issuer bid program that was in place throughout the first quarter of 2018 came into effect in June of 2017. The program enabled the company to purchase up to a maximum of 25,395,927 common shares (3 percent of the total shares on June 13, 2017), which included 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 participated 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.

On April 27, 2018, the company announced an amendment to its normal course issuer bid to increase the number of common shares that it may purchase. Under the amendment, the number of common shares that may be purchased will increase to a maximum of 42,326,545 common shares (5 percent of the total shares on June 13, 2017) during the period June 27, 2017 to June 26, 2018, 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. No other provisions of the normal course issuer bid have changed.

The company's common share activities are summarized below:

	Thousands of shares	Millions of dollars
Balance as at December 31, 2016	847,599	1,566
Issued under employee share-based awards	2	-
Purchases at stated value	(16,359)	(30)
Balance as at December 31, 2017	831,242	1,536
Issued under employee share-based awards	-	-
Purchases at stated value	<b>(7,205)</b>	<b>(13)</b>
<b>Balance as at March 31, 2018</b>	<b>824,037</b>	<b>1,523</b>

The following table provides the calculation of basic and diluted earnings per common share:

	Three Months to March 31	
	<b>2018</b>	2017
<b>Net income (loss) per common share - basic</b>		
Net income (loss) (millions of Canadian dollars)	<b>516</b>	333
Weighted average number of common shares outstanding (millions of shares)	<b>829.0</b>	847.6
Net income (loss) per common share (dollars)	<b>0.62</b>	0.39
<b>Net income (loss) per common share - diluted</b>		
Net income (loss) (millions of Canadian dollars)	<b>516</b>	333
Weighted average number of common shares outstanding (millions of shares)	<b>829.0</b>	847.6
Effect of employee share-based awards (millions of shares)	<b>2.5</b>	2.7
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	<b>831.5</b>	850.3
Net income (loss) per common share (dollars)	<b>0.62</b>	0.39

## 11. Earnings reinvested

millions of Canadian dollars	Three Months to March 31	
	2018	2017
Earnings reinvested at beginning of period	24,714	25,352
Net income (loss) for the period	516	333
Share purchases in excess of stated value	(237)	-
Dividends declared	(132)	(127)
Earnings reinvested at end of period	24,861	25,558

## 12. Other comprehensive income (loss) information

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

millions of Canadian dollars	2018	2017
Balance at January 1	(1,815)	(1,897)
Postretirement benefits liability adjustment:		
Current period change excluding amounts reclassified from accumulated other comprehensive income	(19)	41
Amounts reclassified from accumulated other comprehensive income	34	36
Balance at March 31	(1,800)	(1,820)

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

millions of Canadian dollars	Three Months to March 31	
	2018	2017
Amortization of postretirement benefits liability adjustment included in net periodic benefit cost (a)	(46)	(49)

(a) This accumulated other comprehensive income component is included in the computation of net periodic benefit cost (note 6).

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

millions of Canadian dollars	Three Months to March 31	
	2018	2017
Postretirement benefits liability adjustments:		
Postretirement benefits liability adjustment (excluding amortization)	(7)	16
Amortization of postretirement benefits liability adjustment included in net periodic benefit cost	12	13
Total	5	29

## 13. Recently issued accounting standards

Effective January 1, 2019, Imperial will adopt the Financial Accounting Standards Board's standard, *Leases*, as amended. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. Imperial is gathering and evaluating data, and recently acquired a system to facilitate implementation. The company continues to progress an assessment of the magnitude of the effect on the company's financial statements.

## Item 2. Management's discussion and analysis of financial condition and results of operations

### Operating results

#### First quarter 2018 vs. first quarter 2017

The company's net income for the first quarter of 2018 was \$516 million or \$0.62 per share on a diluted basis, an increase of \$183 million compared to the net income of \$333 million or \$0.39 per share, for the same period last year.

Upstream recorded a net loss in the first quarter of \$44 million compared to a net loss of \$86 million in the same period of 2017. The results reflect the impact of higher Canadian crude oil realizations of about \$90 million, partially offset by unfavourable foreign exchange effects.

West Texas Intermediate (WTI) averaged US\$62.89 per barrel in the first quarter of 2018, up from US\$51.78 per barrel in the same quarter of 2017. Western Canada Select (WCS) averaged US\$38.67 per barrel and US\$37.26 per barrel respectively for the same periods. The WTI / WCS differential widened significantly to 39 percent in the first quarter of 2018, from 28 percent in the same period of 2017.

The Canadian dollar averaged US\$0.79 in the first quarter of 2018, an increase of US\$0.03 from the first quarter of 2017.

Imperial's average Canadian dollar realizations for bitumen and synthetic crudes moved generally in line with the North American benchmarks, adjusted for changes in exchange rates and transportation costs. Bitumen realizations averaged \$35.61 per barrel for the first quarter of 2018, a decrease of \$0.60 per barrel versus the first quarter of 2017. Synthetic crude realizations averaged \$77.26 per barrel, an increase of \$9.47 per barrel for the same period of 2017.

Gross production of Cold Lake bitumen averaged 153,000 barrels per day in the first quarter, compared to 158,000 barrels per day in the same period last year. Lower production was mainly due to a number of small operational constraints.

Gross production of Kearl bitumen averaged 182,000 barrels per day in the first quarter (129,000 barrels Imperial's share) unchanged from the first quarter of 2017.

The company's share of gross production from Syncrude averaged 65,000 barrels per day, compared to 66,000 barrels per day in the first quarter of 2017.

Downstream net income was \$521 million in the first quarter, up from \$380 million in the first quarter of 2017. Earnings increased mainly due to stronger margins of about \$310 million, partially offset by the absence of the \$151 million gain on the sale of a surplus property in 2017.

Refinery throughput averaged 408,000 barrels per day, up from 398,000 barrels per day in the first quarter of 2017. Capacity utilization increased to 96 percent.

Petroleum product sales were 478,000 barrels per day, compared to 486,000 barrels per day in the first quarter of 2017.

Chemical net income was \$73 million in the first quarter, up from \$45 million in the same quarter of 2017, primarily due to stronger margins.

## IMPERIAL OIL LIMITED

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Corporate and other expenses were \$34 million in the first quarter, compared with \$6 million in the same period of 2017. As part of the implementation of the Financial Accounting Standards Board's update, Compensation – Retirement Benefits (Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, beginning January 1, 2018, Corporate and other includes all non-service pension and postretirement benefit expenses. Prior to 2018, the majority of these costs were allocated to the operating segments.

## Liquidity and capital resources

Cash flow generated from operating activities was \$985 million in the first quarter, an increase of \$631 million from the corresponding period in 2017, reflecting higher earnings and working capital effects.

Investing activities used net cash of \$365 million in the first quarter, compared with \$61 million cash generated from investing activities in the same period in 2017, reflecting higher additions to property, plant and equipment, and lower proceeds from asset sales.

Cash used in financing activities was \$390 million in the first quarter, compared with \$134 million in the first quarter of 2017. Dividends paid in the first quarter of 2018 were \$134 million. The per share dividend paid in the first quarter was \$0.16, up from \$0.15 in the same period of 2017. During the first quarter, the company purchased about 7.2 million shares for approximately \$250 million.

The company's cash balance was \$1,425 million at March 31, 2018, versus \$672 million at the end of first quarter 2017.

On April 27, 2018, the company announced by news release that it had received final approval from the Toronto Stock Exchange for an amendment to its normal course issuer bid to increase the number of common shares that it may purchase. Under the amendment, the number of common shares that may be purchased will increase to a maximum of 42,326,545 common shares during the period June 27, 2017 to June 26, 2018, 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. No other provisions of the normal course issuer bid have changed.

## Recently issued accounting standards

Effective January 1, 2019, Imperial will adopt the Financial Accounting Standards Board's standard, *Leases*, as amended. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as an asset and a lease liability. Imperial is gathering and evaluating data, and recently acquired a system to facilitate implementation. The company continues to progress an assessment of the magnitude of the effect on the company's financial statements.

## Forward-looking statements

Statements in this report regarding future events or conditions are forward-looking statements. Actual future financial and operating results could differ materially due to the impact of market conditions, changes in law or governmental policy, changes in operating conditions and costs, changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors.

### **Item 3. Quantitative and qualitative disclosures about market risk**

Information about market risks for the three months ended March 31, 2018, does not differ materially from that discussed on page 24 of the company's annual report on Form 10-K for the year ended December 31, 2017.

### **Item 4. Controls and procedures**

As indicated in the certifications in Exhibit 31 of this report, the company's principal executive officer and principal financial officer have evaluated the company's disclosure controls and procedures as of March 31, 2018. Based on that evaluation, these officers have concluded that the company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to them in a manner that allows for timely decisions regarding required disclosures and are effective in ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has not been any change in the company's internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal proceedings

On April 5, 2018, Imperial was charged by the Ontario Crown in the Ontario Court of Justice with committing the offence of discharging or causing or permitting the discharge of wastewater with a low pH from Imperial's refinery in Sarnia, Ontario into the St. Clair River, which may impair the quality of the water contrary to section 30(1) of the Ontario Water Resources Act, R.S.O. 1990, c. O.40, as amended, which offence was alleged to have occurred on April 19, 2016. No determination of impact can be made at this time.

### Item 2. Unregistered sales of equity securities and use of proceeds

#### Issuer purchases of equity securities

	Total number of shares purchased	Average price paid per share (Canadian dollars)	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs (a)
<b>January 2018</b> (January 1 - January 31)	-	-	-	<b>12,323,485</b>
<b>February 2018</b> (February 1 - February 28)	<b>3,144,161</b>	<b>34.75</b>	<b>3,144,161</b>	<b>9,179,324</b>
<b>March 2018</b> (March 1 - March 31)	<b>4,061,321</b>	<b>34.65</b>	<b>4,061,321</b>	<b>5,118,003 (b)</b>

- (a) On June 22, 2017, the company announced by news release that it had received final approval from the Toronto Stock Exchange for a new normal course issuer bid and will continue its existing share purchase program. The program enables the company to purchase up to a maximum of 25,395,927 common shares during the period June 27, 2017 to June 26, 2018, 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 program will end should the company purchase the maximum allowable number of shares, or on June 26, 2018.
- (b) In its most recent quarterly earnings release, the company stated that it anticipates maximizing its share purchases in the second quarter of 2018, taking into account the amendment on April 27, 2018, as described below. Purchase plans may be modified at any time without prior notice.

On April 27, 2018, the company announced by news release that it had received final approval from the Toronto Stock Exchange for an amendment to its normal course issuer bid to increase the number of common shares that it may purchase. Under the amendment, the number of common shares that may be purchased will increase to a maximum of 42,326,545 common shares during the period June 27, 2017 to June 26, 2018, 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. No other provisions of the normal course issuer bid have changed.

The company will continue to evaluate its share purchase program in the context of its overall capital activities.

## **Item 6. Exhibits**

(31.1) Certification by the principal executive officer of the company pursuant to Rule 13a-14(a).

(31.2) Certification by the principal financial officer of the company pursuant to Rule 13a-14(a).

(32.1) Certification by the chief executive officer of the company pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350.

(32.2) Certification by the chief financial officer of the company pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350.

(101) Interactive data files.

## SIGNATURES

Pursuant to the requirements of the *Securities Exchange Act* of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Imperial Oil Limited  
(Registrant)

Date: May 2, 2018

*/s/ Daniel E. Lyons*

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(Signature)  
Daniel E. Lyons  
Senior vice-president, finance and  
administration, and controller  
(Principal accounting officer)

Date: May 2, 2018

*/s/ Cathryn Walker*

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(Signature)  
Cathryn Walker  
Assistant corporate secretary

## Certifications

I, Richard M. Kruger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Imperial Oil Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2018

*/s/ Richard M. Kruger*

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Richard M. Kruger  
Chairman, president and  
chief executive officer  
(Principal executive officer)

## Certifications

I, Daniel E. Lyons, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Imperial Oil Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2018

*/s/ Daniel E. Lyons*

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 Daniel E. Lyons  
 Senior vice-president, finance and  
 administration, and controller  
 (Principal financial officer)

## **Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350**

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act* of 2002, the undersigned, Richard M. Kruger, the chief executive officer of Imperial Oil Limited (the "company"), hereby certifies that, to his knowledge:

- (i) The quarterly report on Form 10-Q of the company for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the *Securities Exchange Act* of 1934; and
- (ii) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: May 2, 2018

*/s/ Richard M. Kruger*

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Richard M. Kruger  
Chairman, president and  
chief executive officer  
(Principal executive officer)

## **Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350**

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act* of 2002, the undersigned, Daniel E. Lyons, the chief financial officer of Imperial Oil Limited (the "company"), hereby certifies that, to his knowledge:

- (i) The quarterly report on Form 10-Q of the company for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the *Securities Exchange Act* of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: May 2, 2018

*/s/ Daniel E. Lyons*

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Daniel E. Lyons  
Senior vice-president, finance and  
administration, and controller  
(Chief financial officer)