

**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 September 30, 2020**

**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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
None		None

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 90 days.

YES  NO

The registrant has submitted electronically every Interactive Data File required to be submitted 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 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  Smaller reporting company   
Non-accelerated filer  Emerging growth company   
Accelerated filer

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 September 30, 2020 was 734,076,755.**

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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, 2019. 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	Third Quarter		Nine Months to September 30	
	2020	2019	2020	2019
<b>Revenues and other income</b>				
Revenues (a)	5,937	8,687	16,267	25,880
Investment and other income (note 4)	18	49	88	99
<b>Total revenues and other income</b>	<b>5,955</b>	<b>8,736</b>	<b>16,355</b>	<b>25,979</b>
<b>Expenses</b>				
Exploration	2	4	6	42
Purchases of crude oil and products (b)	3,634	5,399	9,975	15,956
Production and manufacturing (c) (note 13)	1,246	1,601	4,098	4,911
Selling and general (c)	150	217	499	666
Federal excise tax and fuel charge	470	486	1,290	1,343
Depreciation and depletion (note 13)	409	419	1,295	1,201
Non-service pension and postretirement benefit	31	36	91	108
Financing (d) (note 7)	10	20	46	71
<b>Total expenses</b>	<b>5,952</b>	<b>8,182</b>	<b>17,300</b>	<b>24,298</b>
<b>Income (loss) before income taxes</b>	<b>3</b>	<b>554</b>	<b>(945)</b>	<b>1,681</b>
<b>Income taxes</b>	<b>-</b>	<b>130</b>	<b>(234)</b>	<b>(248)</b>
<b>Net income (loss)</b>	<b>3</b>	<b>424</b>	<b>(711)</b>	<b>1,929</b>
<b>Per share information</b> (Canadian dollars)				
Net income (loss) per common share - basic (note 11)	-	0.56	(0.97)	2.51
Net income (loss) per common share - diluted (note 11)	-	0.56	(0.97)	2.51
(a) Amounts from related parties included in revenues.	1,216	2,313	3,699	6,269
(b) Amounts to related parties included in purchases of crude oil and products.	627	717	1,762	2,353
(c) Amounts to related parties included in production and manufacturing, and selling and general expenses.	107	157	428	479
(d) Amounts to related parties included in financing, (note 7).	12	23	50	75

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>2020</b>	2019	<b>2020</b>	2019
<b>Net income (loss)</b>	<b>3</b>	424	<b>(711)</b>	1,929
Other comprehensive income (loss), net of income taxes				
Postretirement benefits liability adjustment (excluding amortization)	-	-	<b>(114)</b>	18
Amortization of postretirement benefits liability adjustment included in net periodic benefit costs	<b>34</b>	28	<b>102</b>	83
<b>Total other comprehensive income (loss)</b>	<b>34</b>	28	<b>(12)</b>	101
<b>Comprehensive income (loss)</b>	<b>37</b>	452	<b>(723)</b>	2,030

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>2020</b>	As at Dec 31 2019
<b>Assets</b>		
Current assets		
Cash	817	1,718
Accounts receivable, less estimated doubtful accounts (a) (note 5)	1,732	2,699
Inventories of crude oil and products	1,088	1,296
Materials, supplies and prepaid expenses	764	616
Total current assets	4,401	6,329
Investments and long-term receivables (b) (note 5)	771	891
Property, plant and equipment,	55,463	54,868
less accumulated depreciation and depletion	(21,881)	(20,665)
Property, plant and equipment, net	33,582	34,203
Goodwill (note 13)	166	186
Other assets, including intangibles, net	462	578
<b>Total assets</b>	<b>39,382</b>	<b>42,187</b>
<b>Liabilities</b>		
Current liabilities		
Notes and loans payable (c)	227	229
Accounts payable and accrued liabilities (a) (note 9)	3,229	4,260
Income taxes payable	-	106
Total current liabilities	3,456	4,595
Long-term debt (d) (note 8)	4,962	4,961
Other long-term obligations (note 9)	3,713	3,637
Deferred income tax liabilities	4,459	4,718
<b>Total liabilities</b>	<b>16,590</b>	<b>17,911</b>
<b>Shareholders' equity</b>		
Common shares at stated value (e) (note 11)	1,357	1,375
Earnings reinvested	23,358	24,812
Accumulated other comprehensive income (loss) (note 12)	(1,923)	(1,911)
<b>Total shareholders' equity</b>	<b>22,792</b>	<b>24,276</b>
<b>Total liabilities and shareholders' equity</b>	<b>39,382</b>	<b>42,187</b>

(a) Accounts receivable, less estimated doubtful accounts included net amounts receivable from related parties of \$240 million (2019 - \$1,007 million).

(b) Investments and long-term receivables included amounts from related parties of \$313 million (2019 - \$296 million).

(c) Notes and loans payable included amounts to related parties of \$111 million (2019 - \$111 million).

(d) Long-term debt included amounts to related parties of \$4,447 million (2019 - \$4,447 million).

(e) Number of common shares authorized and outstanding were 1,100 million and 734 million, respectively (2019 - 1,100 million and 744 million, respectively).

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

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

millions of Canadian dollars	Third Quarter		Nine Months to September	
	2020	2019	2020	2019
<b>Common shares at stated value</b> (note 11)				
At beginning of period	1,357	1,410	1,375	1,446
Share purchases at stated value	-	(19)	(18)	(55)
At end of period	1,357	1,391	1,357	1,391
<b>Earnings reinvested</b>				
At beginning of period	23,516	25,056	24,812	24,560
Net income (loss) for the period	3	424	(711)	1,929
Share purchases in excess of stated value	-	(324)	(256)	(1,017)
Dividends declared	(161)	(166)	(485)	(482)
Cumulative effect of accounting change (note 5)	-	-	(2)	-
At end of period	23,358	24,990	23,358	24,990
<b>Accumulated other comprehensive income (loss)</b> (note 12)				
At beginning of period	(1,957)	(1,444)	(1,911)	(1,517)
Other comprehensive income (loss)	34	28	(12)	101
At end of period	(1,923)	(1,416)	(1,923)	(1,416)
<b>Shareholders' equity at end of period</b>	<b>22,792</b>	<b>24,965</b>	<b>22,792</b>	<b>24,965</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	
	2020	2019	2020	2019
<b>Operating activities</b>				
Net income (loss)	3	424	(711)	1,929
Adjustments for non-cash items:				
Depreciation and depletion	409	419	1,275	1,201
Impairment of intangible assets (note 13)	-	-	20	-
(Gain) loss on asset sales (note 4)	(11)	(28)	(28)	(34)
Deferred income taxes and other	(11)	116	(210)	(359)
Changes in operating assets and liabilities:				
Accounts receivable	134	250	967	(355)
Inventories, materials, supplies and prepaid expenses	142	264	60	243
Income taxes payable	-	8	(106)	(29)
Accounts payable and accrued liabilities	66	(82)	(1,008)	646
All other items - net (b)	143	5	223	163
<b>Cash flows from (used in) operating activities</b>	<b>875</b>	<b>1,376</b>	<b>482</b>	<b>3,405</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(142)	(417)	(657)	(1,242)
Proceeds from asset sales (note 4)	19	30	68	66
Loans to equity companies - net	(2)	(26)	(16)	(129)
<b>Cash flows from (used in) investing activities</b>	<b>(125)</b>	<b>(413)</b>	<b>(605)</b>	<b>(1,305)</b>
<b>Financing activities</b>				
Reduction in finance lease obligations (note 8)	(4)	(7)	(16)	(20)
Dividends paid	(162)	(169)	(488)	(465)
Common shares purchased (note 11)	-	(343)	(274)	(1,072)
<b>Cash flows from (used in) financing activities</b>	<b>(166)</b>	<b>(519)</b>	<b>(778)</b>	<b>(1,557)</b>
<b>Increase (decrease) in cash</b>	<b>584</b>	<b>444</b>	<b>(901)</b>	<b>543</b>
<b>Cash at beginning of period</b>	<b>233</b>	<b>1,087</b>	<b>1,718</b>	<b>988</b>
<b>Cash at end of period (a)</b>	<b>817</b>	<b>1,531</b>	<b>817</b>	<b>1,531</b>
(a) 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.				
(b) Included contributions to registered pension plans.	(59)	(57)	(159)	(155)
Income taxes (paid) refunded.	107	35	(45)	84
Interest (paid), net of capitalization.*	(10)	(20)	(46)	(71)

\*Note: restated 2019

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 2019 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, 2020, 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, 2020, Imperial adopted 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 standard did not have a material impact on the company's financial statements.



### 3. Business segments

Third Quarter millions of Canadian dollars	Upstream		Downstream		Chemical	
	2020	2019	2020	2019	2020	2019
<b>Revenues and other income</b>						
Revenues (a)	1,651	2,185	4,061	6,266	225	236
Intersegment sales	658	913	321	314	43	61
Investment and other income (note 4)	(6)	7	24	32	-	1
	<b>2,303</b>	<b>3,105</b>	<b>4,406</b>	<b>6,612</b>	<b>268</b>	<b>298</b>
<b>Expenses</b>						
Exploration	2	4	-	-	-	-
Purchases of crude oil and products	1,176	1,376	3,322	5,142	157	167
Production and manufacturing (note 13)	863	1,087	335	460	48	54
Selling and general	-	-	140	191	23	23
Federal excise tax and fuel charge	-	-	470	486	-	-
Depreciation and depletion (note 13)	361	364	37	45	5	4
Non-service pension and postretirement benefit	-	-	-	-	-	-
Financing (note 7)	-	-	-	-	-	-
<b>Total expenses</b>	<b>2,402</b>	<b>2,831</b>	<b>4,304</b>	<b>6,324</b>	<b>233</b>	<b>248</b>
<b>Income (loss) before income taxes</b>	<b>(99)</b>	<b>274</b>	<b>102</b>	<b>288</b>	<b>35</b>	<b>50</b>
<b>Income taxes</b>	<b>(25)</b>	<b>65</b>	<b>25</b>	<b>67</b>	<b>8</b>	<b>12</b>
<b>Net income (loss)</b>	<b>(74)</b>	<b>209</b>	<b>77</b>	<b>221</b>	<b>27</b>	<b>38</b>
<b>Cash flows from (used in) operating activities</b>	<b>526</b>	<b>392</b>	<b>333</b>	<b>900</b>	<b>32</b>	<b>75</b>
<b>Capital and exploration expenditures (b)</b>	<b>78</b>	<b>302</b>	<b>50</b>	<b>124</b>	<b>4</b>	<b>4</b>

Third Quarter millions of Canadian dollars	Corporate and other		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019
<b>Revenues and other income</b>						
Revenues (a)	-	-	-	-	5,937	8,687
Intersegment sales	-	-	(1,022)	(1,288)	-	-
Investment and other income (note 4)	-	9	-	-	18	49
	-	9	(1,022)	(1,288)	<b>5,955</b>	<b>8,736</b>
<b>Expenses</b>						
Exploration	-	-	-	-	2	4
Purchases of crude oil and products	-	-	(1,021)	(1,286)	3,634	5,399
Production and manufacturing (note 13)	-	-	-	-	1,246	1,601
Selling and general	(12)	5	(1)	(2)	150	217
Federal excise tax and fuel charge	-	-	-	-	470	486
Depreciation and depletion (note 13)	6	6	-	-	409	419
Non-service pension and postretirement benefit	31	36	-	-	31	36
Financing (note 7)	10	20	-	-	10	20
<b>Total expenses</b>	<b>35</b>	<b>67</b>	<b>(1,022)</b>	<b>(1,288)</b>	<b>5,952</b>	<b>8,182</b>
<b>Income (loss) before income taxes</b>	<b>(35)</b>	<b>(58)</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>554</b>
<b>Income taxes</b>	<b>(8)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>
<b>Net income (loss)</b>	<b>(27)</b>	<b>(44)</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>424</b>
<b>Cash flows from (used in) operating activities</b>	<b>(16)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>875</b>	<b>1,376</b>
<b>Capital and exploration expenditures (b)</b>	<b>9</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>141</b>	<b>442</b>

## IMPERIAL OIL LIMITED

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- (a) Included export sales to the United States of \$1,227 million (2019 - \$1,807 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 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	
	2020	2019	2020	2019	2020	2019
<b>Revenues and other income</b>						
Revenues (a)	4,211	7,012	11,444	18,115	612	753
Intersegment sales	1,642	2,977	1,013	1,249	114	181
Investment and other income (note 4)	4	11	66	61	1	1
	<b>5,857</b>	<b>10,000</b>	<b>12,523</b>	<b>19,425</b>	<b>727</b>	<b>935</b>
<b>Expenses</b>						
Exploration	6	42	-	-	-	-
Purchases of crude oil and products	3,338	4,764	8,987	15,062	416	531
Production and manufacturing (note 13)	2,855	3,414	1,086	1,315	157	182
Selling and general	-	-	456	571	69	67
Federal excise tax and fuel charge	-	-	1,290	1,343	-	-
Depreciation and depletion (note 13)	1,141	1,036	123	137	13	11
Non-service pension and postretirement benefit	-	-	-	-	-	-
Financing (note 7)	-	-	-	-	-	-
<b>Total expenses</b>	<b>7,340</b>	<b>9,256</b>	<b>11,942</b>	<b>18,428</b>	<b>655</b>	<b>791</b>
<b>Income (loss) before income taxes</b>	<b>(1,483)</b>	<b>744</b>	<b>581</b>	<b>997</b>	<b>72</b>	<b>144</b>
<b>Income tax expense (benefit)</b>	<b>(357)</b>	<b>(508)</b>	<b>134</b>	<b>261</b>	<b>17</b>	<b>34</b>
<b>Net income (loss)</b>	<b>(1,126)</b>	<b>1,252</b>	<b>447</b>	<b>736</b>	<b>55</b>	<b>110</b>
<b>Cash flows from (used in) operating activities</b>	<b>22</b>	<b>1,257</b>	<b>443</b>	<b>2,055</b>	<b>75</b>	<b>175</b>
<b>Capital and exploration expenditures (b)</b>	<b>454</b>	<b>975</b>	<b>177</b>	<b>364</b>	<b>15</b>	<b>27</b>
<b>Total assets as at September 30</b> (note 13)	<b>32,941</b>	<b>35,066</b>	<b>4,590</b>	<b>4,433</b>	<b>417</b>	<b>423</b>

Nine Months to September 30 millions of Canadian dollars	Corporate and other		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019
<b>Revenues and other income</b>						
Revenues (a)	-	-	-	-	16,267	25,880
Intersegment sales	-	-	(2,769)	(4,407)	-	-
Investment and other income (note 4)	17	26	-	-	88	99
	<b>17</b>	<b>26</b>	<b>(2,769)</b>	<b>(4,407)</b>	<b>16,355</b>	<b>25,979</b>
<b>Expenses</b>						
Exploration	-	-	-	-	6	42
Purchases of crude oil and products	-	-	(2,766)	(4,401)	9,975	15,956
Production and manufacturing (note 13)	-	-	-	-	4,098	4,911
Selling and general	(23)	34	(3)	(6)	499	666
Federal excise tax and fuel charge	-	-	-	-	1,290	1,343
Depreciation and depletion (note 13)	18	17	-	-	1,295	1,201
Non-service pension and postretirement benefit	91	108	-	-	91	108
Financing (note 7)	46	71	-	-	46	71
<b>Total expenses</b>	<b>132</b>	<b>230</b>	<b>(2,769)</b>	<b>(4,407)</b>	<b>17,300</b>	<b>24,298</b>
<b>Income (loss) before income taxes</b>	<b>(115)</b>	<b>(204)</b>	<b>-</b>	<b>-</b>	<b>(945)</b>	<b>1,681</b>
<b>Income tax expense (benefit)</b>	<b>(28)</b>	<b>(35)</b>	<b>-</b>	<b>-</b>	<b>(234)</b>	<b>(248)</b>
<b>Net income (loss)</b>	<b>(87)</b>	<b>(169)</b>	<b>-</b>	<b>-</b>	<b>(711)</b>	<b>1,929</b>
<b>Cash flows from (used in) operating activities</b>	<b>(58)</b>	<b>(82)</b>	<b>-</b>	<b>-</b>	<b>482</b>	<b>3,405</b>
<b>Capital and exploration expenditures (b)</b>	<b>33</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>679</b>	<b>1,400</b>
<b>Total assets as at September 30</b> (note 13)	<b>1,679</b>	<b>2,298</b>	<b>(245)</b>	<b>(313)</b>	<b>39,382</b>	<b>41,907</b>

## IMPERIAL OIL LIMITED

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- (a) Included export sales to the United States of \$3,339 million (2019 - \$5,623 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 and equipment, additions to finance leases, additional investments and acquisitions. CAPEX excludes the purchase of carbon emission credits.

## 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	
	2020	2019	2020	2019
Proceeds from asset sales	19	30	68	66
Book value of asset sales	8	2	40	32
Gain (loss) on asset sales, before tax	11	28	28	34
Gain (loss) on asset sales, after tax	10	25	25	31

## 5. Allowance for current expected credit loss (CECL)

Effective January 1, 2020, the company adopted 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 reasonable and supportable forecasts. The standard requires this expected loss methodology for trade receivables, certain other financial assets and off-balance-sheet credit exposures. The cumulative effect adjustment related to the adoption of this standard reduced "Earnings reinvested" in Shareholders' equity by \$2 million.

The company is exposed to credit losses primarily through sales of petroleum products, crude oil, natural gas liquids and natural gas, as well as loans to equity companies and joint venture receivables. A counterparty's ability to pay is assessed through a credit review process that considers payment terms, the counterparty's established credit rating or the company's assessment of the counterparty's credit worthiness, contract terms, and other risks. The company can require prepayment or collateral to mitigate certain credit risks.

The company groups financial assets into portfolios that share similar risk characteristics for purposes of determining the allowance for credit losses. Each reporting period, the company assesses whether a significant change in credit loss or risk has occurred. Among the quantitative and qualitative factors considered are historical financial data, current conditions, industry and country risk, current credit ratings and the quality of third-party guarantees secured from the counterparty. Financial assets are written off in whole, or in part, when practical recovery efforts have been exhausted and no reasonable expectation of recovery exists. Subsequent recoveries of amounts previously written off are recognized in earnings. The company manages receivable portfolios using past due balances as a key credit quality indicator.

The company recognizes a credit allowance for off-balance-sheet credit exposures as a liability on the balance sheet, separate from the allowance for credit losses related to recognized financial assets. These exposures could include unfunded loans to equity companies and financial guarantees that cannot be cancelled unilaterally by the company.

In 2020, the COVID-19 pandemic spread rapidly through most areas of the world resulting in economic uncertainty, global financial market volatility, and negative effects in the credit markets. The company has considered these effects, along with the significantly lower balances of trade receivables at the end of the quarter, in its estimate of credit losses and concluded no material adjustment to credit allowances in the quarter was required. At September 30, 2020, the company's evaluation of financial assets under *Financial Instruments – Credit Losses (Topic 326)*, as amended included \$1,400 million of accounts receivable, net of allowances of \$4 million, and investments and long-term receivables of \$327 million. The company has determined that, at this time, no credit allowance is required for investments and long-term receivables, and for off-balance-sheet credit exposures.

## 6. Employee retirement benefits

The components of net benefit cost were as follows:

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2020	2019	2020	2019
<b>Pension benefits:</b>				
Current service cost	76	57	229	171
Interest cost	77	81	231	243
Expected return on plan assets	(97)	(87)	(293)	(262)
Amortization of prior service cost	4	-	11	-
Amortization of actuarial loss (gain)	38	37	115	112
<b>Net periodic benefit cost</b>	<b>98</b>	<b>88</b>	<b>293</b>	<b>264</b>
<b>Other postretirement benefits:</b>				
Current service cost	6	4	18	12
Interest cost	6	5	18	16
Amortization of actuarial loss (gain)	3	-	9	(1)
<b>Net periodic benefit cost</b>	<b>15</b>	<b>9</b>	<b>45</b>	<b>27</b>

## 7. Financing costs

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2020	2019	2020	2019
Debt-related interest	19	32	79	105
Capitalized interest	(9)	(12)	(33)	(34)
Net interest expense	10	20	46	71
Other interest	-	-	-	-
<b>Total financing</b>	<b>10</b>	<b>20</b>	<b>46</b>	<b>71</b>

During the second quarter of 2020, in addition to existing credit facilities of \$500 million, the company entered into a \$500 million committed short-term line of credit to May 2021, and a \$300 million committed short-term line of credit to June 2021. The company has not drawn on any of its credit facilities.

## 8. Long-term debt

millions of Canadian dollars	As at	As at
	Sept 30 2020	Dec 31 2019
Long-term debt	4,447	4,447
Finance leases	515	514
<b>Total long-term debt</b>	<b>4,962</b>	<b>4,961</b>

## 9. Other long-term obligations

	As at Sept 30 <b>2020</b>	As at Dec 31 2019
millions of Canadian dollars		
Employee retirement benefits (a)	<b>1,965</b>	1,822
Asset retirement obligations and other environmental liabilities (b)	<b>1,388</b>	1,388
Share-based incentive compensation liabilities	<b>33</b>	65
Operating lease liability (c)	<b>95</b>	143
Other obligations	<b>232</b>	219
<b>Total other long-term obligations</b>	<b>3,713</b>	3,637

(a) Total recorded employee retirement benefits obligations also included \$58 million in current liabilities (2019 - \$58 million).

(b) Total asset retirement obligations and other environmental liabilities also included \$124 million in current liabilities (2019 - \$124 million).

(c) Total operating lease liability also included \$95 million in current liabilities (2019 - \$115 million). In addition to the total operating lease liability, additional undiscounted commitments for leases not yet commenced totalled \$27 million (2019 - \$6 million).

## 10. Financial and derivative instruments

### 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, 2020 and December 31, 2019 the fair value of long-term debt (\$4,447 million, excluding finance lease obligations) was primarily a level 2 measurement.

### Derivative instruments

The company's size, strong capital structure and the complementary nature of the Upstream, Downstream and Chemical businesses reduce the company's enterprise-wide risk from changes in commodity prices and currency exchange rates. In addition, the company uses commodity-based contracts, including derivative instruments to manage commodity price risk. The company does not designate derivative instruments as a hedge for hedge accounting purposes.

Credit risk associated with the company's derivative position is mitigated by several factors, including the use of derivative clearing exchanges and the quality of and financial limits placed on derivative counterparties. The company maintains a system of controls that includes the authorization, reporting and monitoring of derivative activity.

At September 30, 2020, the carrying values of derivative instruments on the Consolidated balance sheet were gross assets of \$2 million, gross liabilities of \$3 million and collateral receivable of \$6 million, with the net effects reflected in "Accounts receivable, less estimated doubtful accounts" on the Consolidated balance sheet. At December 31, 2019 the carrying values of derivative instruments on the Consolidated balance sheet were gross assets of \$0 million, gross liabilities of \$2 million and collateral receivable of \$6 million.

At September 30, 2020, the net notional forward long / (short) position of derivative instruments was 200,000 barrels for crude and (780,000) barrels for products. At December 31, 2019, the net notional forward long / (short) position of derivative instruments was (590,000) barrels for crude and 0 barrels for products.

Realized and unrealized gain or (loss) on derivative instruments recognized on the Consolidated statement of income is included in the following lines on a before-tax basis:

	Third Quarter		Nine Months to September 30	
millions of Canadian dollars	<b>2020</b>	2019	<b>2020</b>	2019
Revenues	<b>1</b>	-	<b>(7)</b>	(2)
Purchases of crude oil and products	-	1	<b>(18)</b>	(5)
<b>Total</b>	<b>1</b>	1	<b>(25)</b>	(7)

## 11. Common shares

thousands of shares	As of Sept 30 <b>2020</b>	As of Dec 31 2019
Authorized	<b>1,100,000</b>	1,100,000
Common shares outstanding	<b>734,077</b>	743,902

The current 12-month limited normal course issuer bid program came into effect on June 29, 2020 and is used primarily to eliminate dilution from shares issued in conjunction with Imperial's restricted stock unit plan. The program enables the company to purchase up to a maximum of 50,000 common shares, 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, 2018	782,565	1,446
Issued under employee share-based awards	1	-
Purchases at stated value	(38,664)	(71)
Balance as at December 31, 2019	743,902	1,375
Issued under employee share-based awards	-	-
Purchases at stated value	<b>(9,825)</b>	<b>(18)</b>
<b>Balance as at September 30, 2020</b>	<b>734,077</b>	<b>1,357</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>2020</b>	2019	<b>2020</b>	2019
<b>Net income (loss) per common share - basic</b>				
Net income (loss) (millions of Canadian dollars)	<b>3</b>	424	<b>(711)</b>	1,929
Weighted average number of common shares outstanding (millions of shares)	<b>734.1</b>	757.8	<b>735.7</b>	767.6
Net income (loss) per common share (dollars)	-	0.56	<b>(0.97)</b>	2.51
<b>Net income (loss) per common share - diluted</b>				
Net income (loss) (millions of Canadian dollars)	<b>3</b>	424	<b>(711)</b>	1,929
Weighted average number of common shares outstanding (millions of shares)	<b>734.1</b>	757.8	<b>735.7</b>	767.6
Effect of employee share-based awards (millions of shares) (a)	<b>2.2</b>	2.5	-	2.4
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	<b>736.3</b>	760.3	<b>735.7</b>	770.0
Net income (loss) per common share (dollars)	-	0.56	<b>(0.97)</b>	2.51
<b>Dividends per common share - declared (dollars)</b>	<b>0.22</b>	0.22	<b>0.66</b>	0.63

(a) For Nine Months to September 30, 2020, the Net income (loss) per common share – diluted excludes the effect of 2.1 million employee share-based awards. Share-based awards have the potential to dilute basic earnings per share in the future.



## 12. Other comprehensive income (loss) information

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

millions of Canadian dollars	2020	2019
Balance at January 1	(1,911)	(1,517)
Postretirement benefits liability adjustment:		
Current period change excluding amounts reclassified		
from accumulated other comprehensive income	(114)	18
Amounts reclassified from accumulated other comprehensive income	102	83
Balance at September 30	(1,923)	(1,416)

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2020	2019	2020	2019
Amortization of postretirement benefits liability adjustment included in net periodic benefit cost (a)	(45)	(37)	(135)	(111)

(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	Third Quarter		Nine Months to September 30	
	2020	2019	2020	2019
Postretirement benefits liability adjustments:				
Postretirement benefits liability adjustment (excluding amortization)	-	-	(37)	7
Amortization of postretirement benefits liability adjustment included in net periodic benefit cost	11	9	33	28
Total	11	9	(4)	35

## 13. Miscellaneous financial information

In the second quarter of 2020, the Government of Canada implemented the Canada Emergency Wage Subsidy (CEWS) as part of its COVID-19 Economic Response Plan. The program's intent is to help sustain employment levels by providing expense relief to companies during the pandemic. The company qualified for these wage subsidies which are recognized throughout the year when received. The relief provided under this program, about \$120 million (before tax) year-to-date, including the company's proportionate share of a joint venture, is recognized as a reduction to expense and is included in the Consolidated statement of income, primarily as part of "Production and manufacturing".

As disclosed in Imperial's 2019 Form 10-K, goodwill is tested for impairment annually or more frequently if events or circumstances indicate it might be impaired. In the first quarter of 2020, with the change in economic conditions and the reduction in the company's market capitalization, the company assessed its goodwill balances for impairment and recognized a non-cash goodwill impairment charge of \$20 million in the company's Upstream segment. The goodwill impairment is reflected in "Depreciation and depletion" on the Consolidated statement of income and "Goodwill" on the Consolidated balance sheet. The remaining balance of goodwill is associated with the Downstream segment.

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

### Current economic conditions

In 2020, the balance of supply and demand for petroleum and petrochemical products experienced two significant disruptive effects. On the demand side, the COVID-19 pandemic spread rapidly across Canada and the world resulting in substantial reductions in consumer and business activity and significantly reduced local and global demand for crude oil, natural gas, and petroleum products. This reduction in demand coincided with announcements of increased production in certain key oil-producing countries which led to increases in inventory levels and sharp declines in prices for crude oil, natural gas, and petroleum products. Throughout the second and third quarters, the effects of COVID-19 continued to have a negative impact on the world's major economies and demand for the company's products, and market conditions continue to reflect considerable uncertainty. In Canada, consumer and business activity has exhibited some degree of recovery, but remains lower when compared to prior periods as a result of the pandemic. Despite actions taken by key oil-producing countries to reduce oversupply in the near-term, and improved credit market conditions providing sufficient liquidity to credit-worthy companies, the unfavourable economic impacts appear increasingly likely to persist to some extent well into 2021.

In late March, the company announced significant reductions in 2020 capital and operating expense spending plans. Capital and exploration expenditures in 2020 are now expected to be about \$900 million, below the company's earlier guidance of \$1.1 billion to \$1.2 billion. In addition, year-to-date production and manufacturing expenses are \$813 million lower than the prior year, enabling the company to already surpass the full-year expense reduction target of \$500 million.

The effect of COVID-19 and the current business environment on supply and demand patterns has negatively impacted Imperial's financial and operating results in the first nine months of 2020. Industry conditions seen thus far in 2020 have led to lower realized prices for the company's products and have resulted in substantially lower earnings and operating cash flow throughout 2020 in comparison to 2019. In response to these conditions, the company operated certain assets at reduced rates in the second and third quarters of 2020. The company advanced and extended planned maintenance and turnaround activities throughout the second and third quarters in an effort to reduce on-site staffing levels and to better balance production with demand. The turnaround activities at Kearn and Syncrude were completed in the third quarter. Refinery utilization rates and petroleum product sales were reduced through the second quarter of 2020, but improved in the third quarter due to improved product demands. There have been signs of economic recovery, however, the length and severity of decreased demand due to COVID-19 and the current business environment are highly uncertain, with the future supply and demand patterns inherently difficult to predict.

The company has reviewed its near-term spending reductions, near-term production impacts and expected near-term price levels to determine whether they put its long-lived assets at risk for impairment. Despite the challenging near-term environment, the company's view of long-term supply and demand fundamentals has not changed significantly. However, the company continues to assess its strategic plans and longer-term price views, taking into account current and developing industry and economic conditions and continued market uncertainty, as part of its annual planning process, targeted for required Board of Directors review in the fourth quarter. Depending on the outcome of the planning process, including, in particular, any significant future changes in the company's strategic plans or longer-term price views, a portion of the company's long-lived assets could be at risk for impairment.

As disclosed in Imperial's 2019 Form 10-K, low crude oil and natural gas prices can impact the company's estimates of proved reserves as reported under U.S. Securities and Exchange Commission (SEC) rules. Imperial's average year-to-date realizations for crude oil have been significantly affected by low prices since the end of the first quarter. Similar to downward revisions of proved bitumen reserves at year-end 2016 that resulted from low prices, if average prices remain near current levels, under the SEC definition of proved reserves, certain quantities that qualified as proved reserves at year-end 2019, primarily proved bitumen reserves at Kearl (totalling approximately 60 percent of the company's 3.5 billion oil-equivalent barrels of net proved reserves), will not qualify as proved reserves at year-end 2020. Proved reserves estimates can be impacted by a number of factors including completion and optimization of development projects, reservoir performance, regulatory approvals, government policies, consumer preferences, changes in the amount and timing of capital investments, royalty framework, and significant changes in long-term oil and gas price levels. The company does not expect the operation of the underlying projects or its outlook for future production volumes to be affected by a possible downward revision of reported proved reserves under the SEC definition.

In the second quarter of 2020, Canadian federal and provincial governments introduced plans and programs to support business and economic activities in response to the disruptive impacts from the COVID-19 pandemic. The Government of Canada implemented the Canada Emergency Wage Subsidy (CEWS) as part of its COVID-19 Economic Response Plan, and has recently announced its intent to extend the CEWS until June 2021. The company received wage subsidies under this program and, if eligible, intends to continue to apply for these wage subsidies. Additionally, the Government of Alberta announced its Recovery Plan, including a proposed acceleration of the Alberta corporate income tax rate decrease originally legislated in 2019. If enacted, the Alberta corporate income tax rate would be reduced to eight percent beginning July 1, 2020, compared with a previously legislated reduction to eight percent beginning January 1, 2022. The proposed corporate income tax rate change is not expected to have a significant impact on the company's financial statements.

The company has taken steps, in line with federal and provincial guidelines and restrictions, to limit the spread of COVID-19 among employees, contractors and the broader community, while also maintaining operations to ensure reliable supply of products to customers as a provider of essential services. The company maintains robust business continuity plans, which have been activated to minimize the impact of COVID-19 on workforce productivity.

## Operating results

### Third quarter 2020 vs. third quarter 2019

The company recorded net income of \$3 million or \$0.00 per share on a diluted basis in the third quarter of 2020, compared to net income of \$424 million or \$0.56 per share in the same period of 2019.

Upstream recorded a net loss of \$74 million in the third quarter of 2020, compared to net income of \$209 million in the same period of 2019. Results were negatively impacted by lower realizations of about \$490 million and lower volumes of about \$110 million. These items were partially offset by lower royalties of about \$150 million and lower operating expenses of about \$130 million.

West Texas Intermediate (WTI) averaged US\$40.93 per barrel in the third quarter of 2020, down from US\$56.44 per barrel in the same quarter of 2019. Western Canada Select (WCS) averaged US\$31.81 per barrel and US\$44.21 per barrel for the same periods. The WTI / WCS differential averaged approximately US\$9 per barrel for the third quarter of 2020, compared to around US\$12 in the same period of 2019.

The Canadian dollar averaged US\$0.75 in the third quarter of 2020, a decrease of US\$0.01 from the third quarter of 2019.

Imperial's average Canadian dollar realizations for bitumen decreased in the quarter, primarily due to a decrease in WCS. Bitumen realizations averaged \$35.95 per barrel in the third quarter of 2020, compared to \$51.12 per barrel in the third quarter of 2019. The company's average Canadian dollar realizations for synthetic crude decreased generally in line with WTI, adjusted for changes in exchange rates and transportation costs. Synthetic crude realizations averaged \$50.79 per barrel in the third quarter of 2020, compared to \$77.27 per barrel in the same period of 2019.

Total gross production of Kearl bitumen averaged 189,000 barrels per day in the third quarter (134,000 barrels Imperial's share), compared to 224,000 barrels per day (159,000 barrels Imperial's share) in the third quarter of 2019. Lower production was due to the advancement and extension of a planned turnaround at the site and a third-party pipeline outage.

Gross production of Cold Lake bitumen averaged 131,000 barrels per day in the third quarter, compared to 142,000 barrels per day in the same period of 2019. Lower production was mainly due to production timing associated with steam management.

The company's share of gross production from Syncrude averaged 67,000 barrels per day, compared to 69,000 barrels per day in the third quarter of 2019.

Downstream recorded net income of \$77 million in the third quarter of 2020, compared to net income of \$221 million in the same period of 2019. Results were negatively impacted by lower margins of about \$230 million and lower sales volumes of about \$70 million. These items were offset by lower operating expenses of about \$70 million, and improved reliability of about \$50 million, primarily related to the absence of the Sarnia fractionation tower incident which occurred in April 2019.

Refinery throughput averaged 341,000 barrels per day, compared to 363,000 barrels per day in the third quarter of 2019. Capacity utilization was 81 percent, compared to 86 percent in the third quarter of 2019. Reduced throughput was due to lower market demand, partially offset by reduced planned maintenance.

Petroleum product sales were 449,000 barrels per day, compared to 488,000 barrels per day in the third quarter of 2019. Lower petroleum product sales were mainly due to reduced demand from the COVID-19 pandemic.

Chemical net income was \$27 million in the third quarter, compared to \$38 million in the same quarter of 2019.

Corporate and other expenses were \$27 million in the third quarter, compared to \$44 million in the same period of 2019.

## Nine months 2020 vs. nine months 2019

Net loss in the first nine months of 2020 was \$711 million, or \$0.97 per share on a diluted basis, compared to net income of \$1,929 million or \$2.51 per share in the first nine months of 2019. Current year results include a favourable impact of about \$90 million after-tax, associated with the Canada Emergency Wage Subsidy (CEWS), which includes Imperial's proportionate share of a joint venture. Year-to-date 2019 results included a favourable impact of \$662 million associated with the Alberta corporate income tax rate decrease.

Upstream recorded a net loss of \$1,126 million for the first nine months of the year, compared to net income of \$1,252 million in the same period of 2019. Results were negatively impacted by lower realizations of about \$2,330 million, absence of a favourable impact of \$689 million associated with the Alberta corporate income tax rate decrease in 2019, and lower volumes of about \$300 million. These items were partially offset by lower royalties of about \$460 million, lower operating expenses of about \$320 million, favourable foreign exchange impacts of about \$120 million and about \$60 million associated with the CEWS received by the company which includes Imperial's proportionate share of a joint venture.

West Texas Intermediate averaged US\$38.10 per barrel in the first nine months of 2020, down from US\$57.10 per barrel in the same period of 2019. Western Canada Select averaged US\$24.72 per barrel and US\$45.32 per barrel for the same periods. The WTI / WCS differential widened to average approximately US\$13 per barrel in the first nine months of 2020, from around US\$12 per barrel in the same period of 2019.

The Canadian dollar averaged US\$0.74 in the first nine months of 2020, a decrease of US\$0.01 from the same period in 2019.

Imperial's average Canadian dollar realizations for bitumen decreased in the first nine months of 2020 primarily due to a decrease in WCS. Bitumen realizations averaged \$22.24 per barrel, compared to \$52.44 per barrel from the same period in 2019. The company's average Canadian dollar realizations for synthetic crude decreased generally in line with WTI in the first nine months of 2020, adjusted for changes in exchange rates and transportation costs. Synthetic crude realizations averaged \$49.06 per barrel, compared to \$74.59 per barrel from the same period in 2019.

Total gross production of Kearl bitumen averaged 202,000 barrels per day in the first nine months of 2020 (143,000 barrels Imperial's share), down from 204,000 barrels per day (145,000 barrels Imperial's share) in the same period of 2019. Lower production was mainly due to the balancing of near-term production with demand through the advancement and extension of planned turnaround activities and a third-party pipeline outage, partially offset by the addition of supplemental crushing facilities in 2020.

Gross production of Cold Lake bitumen averaged 131,000 barrels per day in the first nine months of 2020, compared to 141,000 barrels per day in the same period of 2019. Lower production was mainly due to production timing associated with steam management.

During the first nine months of 2020, the company's share of gross production from Syncrude averaged 63,000 barrels per day, compared to 76,000 barrels per day in the same period of 2019. Lower production was mainly due to the balancing of near term production with demand.

Downstream net income was \$447 million, compared to \$736 million in the same period of 2019. Results were negatively impacted by lower margins of about \$460 million, and lower sales volumes of about \$220 million. These items were offset by improved reliability of \$200 million, primarily due to the absence of the Sarnia fractionation tower incident which occurred in April 2019, lower operating expenses of \$140 million and lower turnaround costs of \$70 million primarily related to reduced turnaround activity in the current year.

Refinery throughput averaged 334,000 barrels per day in the first nine months of 2020, compared to 363,000 barrels per day in the same period of 2019. Capacity utilization was 79 percent, compared to 86 percent in the same period of 2019. Lower throughput was primarily due to reduced demand from the COVID-19 pandemic, partially offset by the absence of impacts from the Sarnia fractionation tower incident which occurred in April 2019.

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Petroleum product sales were 423,000 barrels per day in the first nine months of 2020, compared to 481,000 barrels per day in the same period of 2019. Lower petroleum product sales were mainly due to reduced demand resulting from the COVID-19 pandemic.

Chemical net income was \$55 million in the first nine months of 2020, compared to \$110 million in the same period of 2019. Results were negatively impacted by lower margins of about \$60 million.

Corporate and other expenses were \$87 million in the first nine months of 2020, compared to \$169 million in the same period of 2019, mainly due to lower share-based compensation costs.

## Liquidity and capital resources

Cash flow generated from operating activities was \$875 million in the third quarter, compared with cash flow generated from operating activities of \$1,376 million in the corresponding period in 2019, primarily reflecting lower realizations in the Upstream and lower margins in the Downstream.

Investing activities used net cash of \$125 million in the third quarter, compared with \$413 million used in the same period of 2019, primarily reflecting lower additions to property, plant and equipment.

Cash used in financing activities was \$166 million in the third quarter, compared with \$519 million used in the third quarter of 2019. Dividends paid in the third quarter of 2020 were \$162 million. The per share dividend paid in the third quarter was \$0.22, consistent with \$0.22 in the same period of 2019. The company did not purchase shares during the third quarter. In the third quarter of 2019, the company purchased about 9.8 million shares for \$343 million, including shares purchased from Exxon Mobil Corporation.

The company's cash balance was \$817 million at September 30, 2020, versus \$1,531 million at the end of third quarter 2019.

Cash flow generated from operating activities was \$482 million in the first nine months of 2020, compared with cash flow generated from operating activities of \$3,405 million in the same period of 2019, primarily reflecting lower realizations in the Upstream and unfavourable working capital impacts.

Investing activities used net cash of \$605 million in the first nine months of 2020, compared with \$1,305 million used in the same period of 2019, primarily reflecting lower additions to property, plant and equipment.

Cash used in financing activities was \$778 million in the first nine months of 2020, compared with \$1,557 million used in the same period of 2019. Dividends paid in the first nine months of 2020 were \$488 million. The per share dividend paid in the first nine months of 2020 was \$0.66, up from \$0.60 in the same period of 2019. During the first nine months of 2020, the company, under its share purchase program, purchased about 9.8 million shares for \$274 million. In the first nine months of 2019, the company purchased about 29.6 million shares for \$1,072 million.

During the second quarter of 2020, in addition to existing credit facilities of \$500 million, the company entered into a \$500 million committed short-term line of credit to May 2021, and a \$300 million committed short-term line of credit to June 2021. The company has not drawn on any of its credit facilities.

On June 23, 2020, the company announced by news release that it had received final approval from the Toronto Stock Exchange for a limited normal course issuer bid. The program is used primarily to eliminate dilution from shares issued in conjunction with Imperial's restricted stock unit plan, and enables the company to purchase up to a maximum of 50,000 common shares during the period June 29, 2020 to June 28, 2021. This maximum 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 28, 2021.



## Forward-looking statements

Statements of future events or conditions in this report, including projections, targets, expectations, estimates, and business plans are forward-looking statements. Forward-looking statements can be identified by words such as believe, anticipate, intend, propose, plan, goal, seek, project, predict, target, estimate, expect, strategy, outlook, schedule, future, continue, likely, may, should, will and similar references to future periods. Forward-looking statements in this release include, but are not limited to, references to the use of derivative instruments and effectiveness of risk mitigation; market uncertainty and the extent and length of ongoing effects of the COVID-19 pandemic on economic activity; previously announced expense reduction target and the adjusted expected full year capital expenditures of about \$900 million for 2020; the company's view of long-term supply and demand fundamentals; the impacts of future reductions in long-term price outlooks, including impairment of long-lived assets; the impact of current low oil and natural gas prices on proved reserves under SEC rules, including the possible downward revision of proved bitumen reserves; the intention to continue applying for the Canada Emergency Wage Subsidy; the impact of the Government of Alberta acceleration of corporate income tax rate decrease; and the impact of measures implemented in response to COVID-19.

Forward-looking statements are based on the company's current expectations, estimates, projections and assumptions at the time the statements are made. Actual future financial and operating results, including expectations and assumptions concerning demand growth and energy source, supply and mix; commodity prices, foreign exchange rates and general market conditions; production rates, growth and mix; project plans, timing, costs, technical evaluations and capacities and the company's ability to effectively execute on these plans and operate its assets; progression of COVID-19 and its impacts on Imperial's ability to operate its assets, including the possible shutdown of facilities due to COVID-19 outbreaks; the company's ability to effectively execute on its business continuity plans and pandemic response activities; the ability of the company to achieve cost savings and adjust maintenance work; the performance of third-party service providers, including diluent supply by pipeline to Kearn; the adoption and impact of new facilities or technologies, including on reductions to greenhouse gas emissions intensity; refinery utilization and product sales; applicable laws and government policies, including production curtailment and restrictions in response to COVID-19; financing sources and capital structure, including the ability to issue long-term debt; and capital and environmental expenditures could differ materially depending on a number of factors. These factors include global, regional or local changes in supply and demand for oil, natural gas, and petroleum and petrochemical products and resulting price, differential and margin impacts, including foreign government action with respect to supply levels and prices and the impact of COVID-19 on demand; general economic conditions; availability and allocation of capital; currency exchange rates; transportation for accessing markets; political or regulatory events, including changes in law or government policy such as tax laws, production curtailment and actions in response to COVID-19; availability and performance of third-party service providers, including in light of restrictions related to COVID-19; management effectiveness and disaster response preparedness, including business continuity plans in response to COVID-19; environmental risks inherent in oil and gas exploration and production activities; environmental regulation, including climate change and greenhouse gas regulation and changes to such regulation; unanticipated technical or operational difficulties; project management and schedules and timely completion of projects; the receipt, in a timely manner, of regulatory and third-party approvals; the results of research programs and new technologies, and ability to bring new technologies to commercial scale on a cost-competitive basis; operational hazards and risks; cybersecurity incidents, including increased reliance on remote working arrangements and activation of business continuity plans due to COVID-19; 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 and subsequent interim reports on Form 10-Q.

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.



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

Information about market risks for the nine months ended September 30, 2020, does not differ materially from that discussed on page 27 of the company's annual report on Form 10-K for the year ended December 31, 2019 and on page 26 of the Form 10-Q for the quarter ended June 30, 2020.

### **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 September 30, 2020. 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 October 20, 2020, Imperial was issued a Notice of Intention to Issue an Environmental Penalty Order by the Ontario Ministry of the Environment, Conservation and Parks under the Ontario Environmental Protection Act, R.S.O. 1990, c. E.19. The Notice of Intention contains 10 alleged contraventions at Imperial's refinery in Sarnia, Ontario for discharging more than 225 kilograms of sulphur dioxide in a 24-hour period from acid combustion equipment between July, 2019 and October, 2019, pursuant to section 5(1) of Ontario Regulation 530/18 Air Pollution – Discharge of Sulphur Dioxide from Petroleum Facilities. The Notice of Intention proposes a total administrative penalty amount of \$977,145, and is subject to possible reductions upon review. Imperial is evaluating the possibility of an appeal of a final environmental penalty order.

### Item 1A. Risk factors

The risk factors that are discussed in Item 1A of the company's annual report on Form 10-K for the year ended December 31, 2019 reference risk factors related to commodity supply and demand, and public health. These risk factors encompass, among other things, production oversupply, as a result of increased production in key producing countries as well as demand reduction due to the COVID-19 pandemic that was characterized as a global pandemic in March, 2020, and have led to volatility in commodity prices.

As a result of COVID-19, governments in many countries have mandated quarantines, closures, stay-at-home orders and travel restrictions that have had a significant impact on demand for the company's products. While these effects are expected to be temporary, a resurgence of cases of COVID-19 leads to a highly uncertain business environment. Although there has been some movement toward pre-pandemic activity levels, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time and continued or new restrictions could continue to impact the demand for products.

Imperial's future business results, including cash flows and financing needs, will be affected by the extent and duration of these conditions and the effectiveness of responsive actions that the company and others take, including our actions to reduce capital and operating expenses and government actions to address the COVID-19 pandemic. The impact of COVID-19 could also have an effect on the financial markets and result in an increase to the cost of capital due to risk. The company's results will also be affected by any resulting negative impacts on national and global economies and markets from a prolonged decrease of economic activity.

The company has had positive COVID-19 cases at its operating sites that have not had a material impact on its operations or business. However, if the company's mitigation and response efforts prove insufficient, large outbreaks of epidemics, pandemics or other health crises such as COVID-19 at operating sites, particularly in remote locations and where work camps are utilized, could impact the company's personnel and its operations. The company could also be impacted by disruption to supply chains, methods of distribution and key third-party service providers, which could impact the ability to produce or sell its products, as well as increasing the costs associated with its operations and decreasing revenues and margins.

The company has initiated numerous emergency response and business continuity plans, and a substantial portion of the company's workforce has implemented remote working arrangements. If the company is not able to effectively operate and manage through these plans and alternative arrangements, the negative impacts could include reduced productivity and increased costs.

The COVID-19 pandemic continues to evolve, with an increase of cases in many areas and the potential for additional public health restrictions. The evolution of the pandemic remains highly uncertain, and it is difficult to predict the ultimate impact of it or the timing of any resolution of the current supply imbalances. We continue to monitor market developments and evaluate the impacts of decreased demand on our production levels, as well as impacts on project development and future production.

## 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>July 2020</b> (July 1 - July 31)	-	-	-	<b>50,000</b>
<b>August 2020</b> (August 1 - August 31)	-	-	-	<b>50,000</b>
<b>September 2020</b> (September 1 - September 30)	-	-	-	<b>50,000</b>

(a) On June 23, 2020, the company announced by news release that it had received final approval from the Toronto Stock Exchange for a limited normal course issuer bid. The program is used primarily to eliminate dilution from shares issued in conjunction with Imperial's restricted stock unit plan, and enables the company to purchase up to a maximum of 50,000 common shares during the period June 29, 2020 to June 28, 2021. This maximum 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 28, 2021.

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 (formatted as Inline XBRL).

(104) Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

## 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: November 4, 2020

*/s/ Daniel E. Lyons*

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

Date: November 4, 2020

*/s/ Cathryn Walker*

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(Signature)  
Cathryn Walker  
Assistant corporate secretary

## Certification

### Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Bradley W. Corson, 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: November 4, 2020

*/s/ Bradley W. Corson*

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Bradley W. Corson  
Chairman, president and  
chief executive officer  
(Principal executive officer)

## Certification

### Pursuant to Securities Exchange Act Rule 13a-14(a)

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: November 4, 2020

*/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, Bradley W. Corson, 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 September 30, 2020 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: November 4, 2020

*/s/ Bradley W. Corson*

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Bradley W. Corson  
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 September 30, 2020 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: November 4, 2020

*/s/ Daniel E. Lyons*

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