



Third Quarter 2021

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

For the nine months ended September 30, 2021

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2021	2020	2021	2020
Revenues and other income				
Revenues (a)	10,214	5,937	25,213	16,267
Investment and other income (note 3)	19	18	65	88
Total revenues and other income	10,233	5,955	25,278	16,355
Expenses				
Exploration	2	2	6	6
Purchases of crude oil and products (b)	6,298	3,634	15,052	9,975
Production and manufacturing (c) (note 11)	1,525	1,246	4,579	4,098
Selling and general (c)	180	150	569	499
Federal excise tax and fuel charge	535	470	1,404	1,290
Depreciation and depletion (note 11)	488	409	1,432	1,295
Non-service pension and postretirement benefit	11	31	32	91
Financing (d) (note 5)	5	10	32	46
Total expenses	9,044	5,952	23,106	17,300
Income (loss) before income taxes	1,189	3	2,172	(945)
Income taxes	281	-	506	(234)
Net income (loss)	908	3	1,666	(711)
Per share information (Canadian dollars)				
Net income (loss) per common share - basic (note 9)	1.30	-	2.32	(0.97)
Net income (loss) per common share - diluted (note 9)	1.29	-	2.31	(0.97)
(a) Amounts from related parties included in revenues.	2,731	1,216	5,644	3,699
(b) Amounts to related parties included in purchases of crude oil and products.	828	627	2,009	1,762
(c) Amounts to related parties included in production and manufacturing, and selling and general expenses.	95	107	317	428
(d) Amounts to related parties included in financing, (note 5).	4	12	25	50

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

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2021	2020	2021	2020
Net income (loss)	908	3	1,666	(711)
Other comprehensive income (loss), net of income taxes				
Postretirement benefits liability adjustment (excluding amortization)	-	-	54	(114)
Amortization of postretirement benefits liability adjustment included in net periodic benefit costs	33	34	99	102
Total other comprehensive income (loss)	33	34	153	(12)
Comprehensive income (loss)	941	37	1,819	(723)

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 2021	As at Dec 31 2020
Assets		
Current assets		
Cash	1,875	771
Accounts receivable - net (a)	3,871	1,919
Inventories of crude oil and products	1,405	1,161
Materials, supplies and prepaid expenses	729	673
Total current assets	7,880	4,524
Investments and long-term receivables (b)	753	781
Property, plant and equipment, less accumulated depreciation and depletion	56,512	55,771
	(25,134)	(23,737)
Property, plant and equipment, net	31,378	32,034
Goodwill (note 11)	166	166
Other assets, including intangibles - net	698	526
Total assets	40,875	38,031
Liabilities		
Current liabilities		
Notes and loans payable (c)	122	227
Accounts payable and accrued liabilities (a) (note 7)	5,558	3,153
Income taxes payable	269	-
Total current liabilities	5,949	3,380
Long-term debt (d) (note 6)	5,060	4,957
Other long-term obligations (note 7)	4,352	4,100
Deferred income tax liabilities	4,305	4,176
Total liabilities	19,666	16,613
Shareholders' equity		
Common shares at stated value (e) (note 9)	1,286	1,357
Earnings reinvested	21,759	22,050
Accumulated other comprehensive income (loss) (note 10)	(1,836)	(1,989)
Total shareholders' equity	21,209	21,418
Total liabilities and shareholders' equity	40,875	38,031

(a) Accounts receivable - net included net amounts receivable from related parties of \$1,064 million (2020 - \$384 million).

(b) Investments and long-term receivables included amounts from related parties of \$299 million (2020 - \$313 million).

(c) Notes and loans payable included amounts to related parties of \$0 million (2020 - \$111 million).

(d) Long-term debt included amounts to related parties of \$4,447 million (2020 - \$4,447 million).

(e) Number of common shares authorized and outstanding were 1,100 million and 696 million, respectively (2020 - 1,100 million and 734 million, respectively).

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

Approved by the directors November 3, 2021

/s/ Bradley W. Corson

Chairman, president and
chief executive officer

/s/ Daniel E. Lyons

Senior vice-president,
finance and administration, and controller

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2021	2020	2021	2020
Common shares at stated value (note 9)				
At beginning of period	1,302	1,357	1,357	1,375
Share purchases at stated value	(16)	-	(71)	(18)
At end of period	1,286	1,357	1,286	1,357
Earnings reinvested				
At beginning of period	21,336	23,516	22,050	24,812
Net income (loss) for the period	908	3	1,666	(711)
Share purchases in excess of stated value	(297)	-	(1,413)	(256)
Dividends declared	(188)	(161)	(544)	(485)
Cumulative effect of accounting change	-	-	-	(2)
At end of period	21,759	23,358	21,759	23,358
Accumulated other comprehensive income (loss) (note 10)				
At beginning of period	(1,869)	(1,957)	(1,989)	(1,911)
Other comprehensive income (loss)	33	34	153	(12)
At end of period	(1,836)	(1,923)	(1,836)	(1,923)
Shareholders' equity at end of period	21,209	22,792	21,209	22,792

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	
	2021	2020	2021	2020
Operating activities				
Net income (loss)	908	3	1,666	(711)
Adjustments for non-cash items:				
Depreciation and depletion	488	409	1,432	1,275
Impairment of intangible assets (note 11)	-	-	-	20
(Gain) loss on asset sales (note 3)	(12)	(11)	(39)	(28)
Deferred income taxes and other	(120)	(11)	16	(210)
Changes in operating assets and liabilities:				
Accounts receivable	(708)	134	(1,952)	967
Inventories, materials, supplies and prepaid expenses	(199)	142	(300)	60
Income taxes payable	227	-	269	(106)
Accounts payable and accrued liabilities	1,123	66	2,362	(1,008)
All other items - net (b)	240	143	390	223
Cash flows from (used in) operating activities	1,947	875	3,844	482
Investing activities				
Additions to property, plant and equipment	(276)	(142)	(684)	(657)
Proceeds from asset sales (note 3)	15	19	57	68
Loans to equity companies - net	2	(2)	14	(16)
Cash flows from (used in) investing activities	(259)	(125)	(613)	(605)
Financing activities				
Short-term debt - net	(75)	-	(111)	-
Reduction in finance lease obligations (note 6)	(6)	(4)	(14)	(16)
Dividends paid	(195)	(162)	(518)	(488)
Common shares purchased (note 9)	(313)	-	(1,484)	(274)
Cash flows from (used in) financing activities	(589)	(166)	(2,127)	(778)
Increase (decrease) in cash	1,099	584	1,104	(901)
Cash at beginning of period	776	233	771	1,718
Cash at end of period (a)	1,875	817	1,875	817
(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.	(43)	(59)	(113)	(159)
Income taxes (paid) refunded.	32	107	60	(45)
Interest (paid), net of capitalization.	(5)	(10)	(32)	(46)

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 2020 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, 2021, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

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2. Business segments

Third Quarter millions of Canadian dollars	Upstream		Downstream		Chemical	
	2021	2020	2021	2020	2021	2020
Revenues and other income						
Revenues (a)	1,015	1,651	8,813	4,061	386	225
Intersegment sales (b)	3,137	658	366	321	91	43
Investment and other income (note 3)	-	(6)	18	24	-	-
	4,152	2,303	9,197	4,406	477	268
Expenses						
Exploration	2	2	-	-	-	-
Purchases of crude oil and products (b)	1,902	1,176	7,745	3,322	244	157
Production and manufacturing (note 11)	1,120	863	356	335	49	48
Selling and general	-	-	141	140	21	23
Federal excise tax and fuel charge	-	-	535	470	-	-
Depreciation and depletion (note 11)	439	361	39	37	4	5
Non-service pension and postretirement benefit	-	-	-	-	-	-
Financing (note 5)	-	-	-	-	-	-
Total expenses	3,463	2,402	8,816	4,304	318	233
Income (loss) before income taxes	689	(99)	381	102	159	35
Income taxes	165	(25)	88	25	38	8
Net income (loss) (b)	524	(74)	293	77	121	27
Cash flows from (used in) operating activities (b)	2,508	526	(733)	333	157	32
Capital and exploration expenditures (c)	151	78	120	50	2	4

Third Quarter millions of Canadian dollars	Corporate and other		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020
Revenues and other income						
Revenues (a)	-	-	-	-	10,214	5,937
Intersegment sales (b)	-	-	(3,594)	(1,022)	-	-
Investment and other income (note 3)	1	-	-	-	19	18
	1	-	(3,594)	(1,022)	10,233	5,955
Expenses						
Exploration	-	-	-	-	2	2
Purchases of crude oil and products (b)	-	-	(3,593)	(1,021)	6,298	3,634
Production and manufacturing (note 11)	-	-	-	-	1,525	1,246
Selling and general	19	(12)	(1)	(1)	180	150
Federal excise tax and fuel charge	-	-	-	-	535	470
Depreciation and depletion (note 11)	6	6	-	-	488	409
Non-service pension and postretirement benefit	11	31	-	-	11	31
Financing (note 5)	5	10	-	-	5	10
Total expenses	41	35	(3,594)	(1,022)	9,044	5,952
Income (loss) before income taxes	(40)	(35)	-	-	1,189	3
Income taxes	(10)	(8)	-	-	281	-
Net income (loss) (b)	(30)	(27)	-	-	908	3
Cash flows from (used in) operating activities (b)	15	(16)	-	-	1,947	875
Capital and exploration expenditures (c)	4	9	-	-	277	141

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- (a) Included export sales to the United States of \$1,803 million (2020 - \$1,227 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.
- (b) In the third quarter of 2021, the Downstream segment acquired a portion of Upstream crude inventory for \$444 million. There was no earnings impact and the effects of this transaction have been eliminated for consolidation purposes.
- (c) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant and equipment, additions to finance leases, additional investments and acquisitions. CAPEX excludes the purchase of carbon emission credits.

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Nine Months to September 30 millions of Canadian dollars	Upstream		Downstream		Chemical	
	2021	2020	2021	2020	2021	2020
Revenues and other income						
Revenues (a)	5,773	4,211	18,355	11,444	1,085	612
Intersegment sales (b)	5,800	1,642	1,927	1,013	223	114
Investment and other income (note 3)	6	4	51	66	1	1
	11,579	5,857	20,333	12,523	1,309	727
Expenses						
Exploration	6	6	-	-	-	-
Purchases of crude oil and products (b)	5,780	3,338	16,525	8,987	693	416
Production and manufacturing (note 11)	3,395	2,855	1,039	1,086	145	157
Selling and general	-	-	416	456	68	69
Federal excise tax and fuel charge	-	-	1,404	1,290	-	-
Depreciation and depletion (note 11)	1,283	1,141	117	123	13	13
Non-service pension and postretirement benefit	-	-	-	-	-	-
Financing (note 5)	1	-	-	-	-	-
Total expenses	10,465	7,340	19,501	11,942	919	655
Income (loss) before income taxes	1,114	(1,483)	832	581	390	72
Income tax expense (benefit)	264	(357)	187	134	93	17
Net income (loss) (b)	850	(1,126)	645	447	297	55
Cash flows from (used in) operating activities (b)	3,634	22	(135)	443	330	75
Capital and exploration expenditures (c)	366	454	308	177	6	15
Total assets as at September 30 (b) (note 11)	29,540	32,941	8,239	4,590	488	417

Nine Months to September 30 millions of Canadian dollars	Corporate and other		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020
Revenues and other income						
Revenues (a)	-	-	-	-	25,213	16,267
Intersegment sales (b)	-	-	(7,950)	(2,769)	-	-
Investment and other income (note 3)	7	17	-	-	65	88
	7	17	(7,950)	(2,769)	25,278	16,355
Expenses						
Exploration	-	-	-	-	6	6
Purchases of crude oil and products (b)	-	-	(7,946)	(2,766)	15,052	9,975
Production and manufacturing (note 11)	-	-	-	-	4,579	4,098
Selling and general	89	(23)	(4)	(3)	569	499
Federal excise tax and fuel charge	-	-	-	-	1,404	1,290
Depreciation and depletion (note 11)	19	18	-	-	1,432	1,295
Non-service pension and postretirement benefit	32	91	-	-	32	91
Financing (note 5)	31	46	-	-	32	46
Total expenses	171	132	(7,950)	(2,769)	23,106	17,300
Income (loss) before income taxes	(164)	(115)	-	-	2,172	(945)
Income tax expense (benefit)	(38)	(28)	-	-	506	(234)
Net income (loss) (b)	(126)	(87)	-	-	1,666	(711)
Cash flows from (used in) operating activities (b)	15	(58)	-	-	3,844	482
Capital and exploration expenditures (c)	19	33	-	-	699	679
Total assets as at September 30 (b) (note 11)	2,778	1,679	(170)	(245)	40,875	39,382

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- (a) Included export sales to the United States of \$4,916 million (2020 - \$3,339 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.
- (b) In the third quarter of 2021, the Downstream segment acquired a portion of Upstream crude inventory for \$444 million. There was no earnings impact and the effects of this transaction have been eliminated for consolidation purposes.
- (c) Capital and exploration expenditures (CAPEX) include exploration expenses, additions to property, plant and equipment, additions to finance leases, additional investments and acquisitions. CAPEX excludes the purchase of carbon emission credits.

3. 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	
	2021	2020	2021	2020
Proceeds from asset sales	15	19	57	68
Book value of asset sales	3	8	18	40
Gain (loss) on asset sales, before tax	12	11	39	28
Gain (loss) on asset sales, after tax	10	10	34	25

4. Employee retirement benefits

The components of net benefit cost were as follows:

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2021	2020	2021	2020
Pension benefits:				
Current service cost	81	76	243	229
Interest cost	68	77	204	231
Expected return on plan assets	(107)	(97)	(321)	(293)
Amortization of prior service cost	4	4	12	11
Amortization of actuarial loss (gain)	36	38	108	115
Net periodic benefit cost	82	98	246	293
Other postretirement benefits:				
Current service cost	7	6	21	18
Interest cost	6	6	17	18
Amortization of actuarial loss (gain)	4	3	12	9
Net periodic benefit cost	17	15	50	45

5. Financing costs

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2021	2020	2021	2020
Debt-related interest	9	19	50	79
Capitalized interest	(4)	(9)	(19)	(33)
Net interest expense	5	10	31	46
Other interest	-	-	1	-
Total financing	5	10	32	46

During the second quarter of 2021, the company extended the maturity dates of two of its short-term lines of credit, totalling \$750 million, to May 2023 and extended its \$300 million committed short-term line of credit to June 2022. The company has not drawn on any of its \$1,300 million of available credit facilities.

During the third quarter of 2021, the company repaid the \$75 million, non-interest bearing, revolving demand loan originally issued in 2016 under an arrangement with an affiliate company of ExxonMobil.

6. Long-term debt

	As at Sept 30	As at Dec 31
millions of Canadian dollars	2021	2020
Long-term debt	4,447	4,447
Finance leases	613	510
Total long-term debt	5,060	4,957

7. Other long-term obligations

	As at Sept 30	As at Dec 31
millions of Canadian dollars	2021	2020
Employee retirement benefits (a)	2,013	2,105
Asset retirement obligations and other environmental liabilities (b)	1,711	1,676
Share-based incentive compensation liabilities	94	45
Operating lease liability (c)	164	95
Other obligations	370	179
Total other long-term obligations	4,352	4,100

(a) Total recorded employee retirement benefits obligations also included \$58 million in current liabilities (2020 - \$58 million).

(b) Total asset retirement obligations and other environmental liabilities also included \$100 million in current liabilities (2020 - \$100 million).

(c) Total operating lease liability also included \$114 million in current liabilities (2020 - \$97 million). In addition to the total operating lease liability, additional undiscounted commitments for leases not yet commenced totalled \$1 million (2020 - \$27 million).

8. 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, 2021 and December 31, 2020, 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 and for trading purposes. Commodity contracts held for trading purposes are presented in the Consolidated statement of income on a net basis in the line "Revenues". 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.

The net notional long/(short) position of derivative instruments was:

	As at Sept 30 2021	As at Dec 31 2020
(thousands of barrels)		
Crude	(6,410)	(800)
Products	(1,070)	(390)

Realized and unrealized gain or (loss) on derivative instruments recognized in 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	2021	2020	2021	2020
Revenues	(21)	1	(30)	(7)
Purchases of crude oil and products	-	-	(33)	(18)
Total	(21)	1	(63)	(25)

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The estimated fair value of derivative instruments, and the related hierarchy level for the fair value measurement is as follows:

millions of Canadian dollars

At September 30, 2021

	Fair value				Effect of counterparty netting	Effect of collateral netting	Net carrying value
	Level 1	Level 2	Level 3	Total			
Assets							
Derivative assets (a)	8	16	-	24	(14)	-	10
Liabilities							
Derivative liabilities (b)	29	7	-	36	(14)	(21)	1

(a) Included in the Consolidated balance sheet line: "Materials, supplies and prepaid expenses" and "Accounts receivable - net".

(b) Included in the Consolidated balance sheet line: "Accounts payable and accrued liabilities".

millions of Canadian dollars

At December 31, 2020

	Fair value				Effect of counterparty netting	Effect of collateral netting	Net carrying value
	Level 1	Level 2	Level 3	Total			
Assets							
Derivative assets (a)	2	-	-	2	(2)	-	-
Liabilities							
Derivative liabilities (b)	12	-	-	12	(2)	(10)	-

(a) Included in the Consolidated balance sheet line: "Materials, supplies and prepaid expenses" and "Accounts receivable - net".

(b) Included in the Consolidated balance sheet line: "Accounts payable and accrued liabilities".

At September 30, 2021 and December 31, 2020, respectively, the company had \$14 million and \$5 million of collateral under a master netting arrangement not offset against the derivatives on the Consolidated balance sheet in "Accounts receivable - net", primarily related to initial margin requirements.

9. Common shares

thousands of shares	As of Sept 30 2021	As of Dec 31 2020
Authorized	1,100,000	1,100,000
Common shares outstanding	695,611	734,077

The current 12-month normal course issuer bid program came into effect June 29, 2021, under which Imperial will continue its existing share purchase program. The program enables the company to purchase up to a maximum of 35,583,671 common shares (5 percent of the total shares on June 15, 2021) 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, 2019	743,902	1,375
Issued under employee share-based awards	7	-
Purchases at stated value	(9,832)	(18)
Balance as at December 31, 2020	734,077	1,357
Issued under employee share-based awards	-	-
Purchases at stated value	(38,466)	(71)
Balance as at September 30, 2021	695,611	1,286

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	
	2021	2020	2021	2020
Net income (loss) per common share - basic				
Net income (loss) (millions of Canadian dollars)	908	3	1,666	(711)
Weighted average number of common shares outstanding (millions of shares)	700.0	734.1	719.4	735.7
Net income (loss) per common share (dollars)	1.30	-	2.32	(0.97)
Net income (loss) per common share - diluted				
Net income (loss) (millions of Canadian dollars)	908	3	1,666	(711)
Weighted average number of common shares outstanding (millions of shares)	700.0	734.1	719.4	735.7
Effect of employee share-based awards (millions of shares) (a)	1.9	2.2	1.7	-
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	701.9	736.3	721.1	735.7
Net income (loss) per common share (dollars)	1.29	-	2.31	(0.97)
Dividends per common share - declared (dollars)	0.27	0.22	0.76	0.66

(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.

10. Other comprehensive income (loss) information

Changes in accumulated other comprehensive income (loss):

millions of Canadian dollars	2021	2020
Balance at January 1	(1,989)	(1,911)
Postretirement benefits liability adjustment:		
Current period change excluding amounts reclassified		
from accumulated other comprehensive income	54	(114)
Amounts reclassified from accumulated other comprehensive income	99	102
Balance at September 30	(1,836)	(1,923)

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2021	2020	2021	2020
Amortization of postretirement benefits liability adjustment				
included in net periodic benefit cost (a)	(44)	(45)	(132)	(135)

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

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2021	2020	2021	2020
Postretirement benefits liability adjustments:				
Postretirement benefits liability adjustment (excluding amortization)	-	-	17	(37)
Amortization of postretirement benefits liability adjustment				
included in net periodic benefit cost	11	11	33	33
Total	11	11	50	(4)

11. Miscellaneous financial information

At March 31, 2021, due to the termination of transportation services agreements related to a third-party pipeline project, the company recognized a liability of \$62 million, previously reported as a contingent liability in Note 10 of Imperial's Form 10-K. In connection with the same project, commitments under "Other long-term purchase agreements" as reported in Imperial's Form 10-K decreased by approximately \$2.9 billion. The majority of these commitments related to years 2026 and beyond.

The company has received subsidies as part of the Government of Canada's COVID-19 Economic Response Plan. It was recognized as a reduction to expense and was included in the Consolidated statement of income, primarily as part of "Production and manufacturing" (2020 – \$120 million before tax, year-to-date).

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.

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

Operating results

In early 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 through most areas of the world resulting in substantial reductions in consumer and business activity and significantly reduced 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.

Through 2021, demand for petroleum and petrochemical products has continued to recover, with each of the company's sequential quarterly financial results benefiting from stronger prices when compared to the prior quarter. The company continues to closely monitor industry and global economic conditions, including recovery from the COVID-19 pandemic.

Looking beyond the volatility marking recent economic conditions, the company's annual planning process provides an opportunity to re-affirm the fundamentals of supply and demand that underpin our businesses. Consideration is given to a diverse set of risks and other factors that may influence future energy supply and demand trends, including technological advancements, regulation and government policies, climate change, greenhouse gas restrictions, and other general economic conditions. The company views climate change risks as a global issue that requires collaboration among governments, private companies, consumers and other stakeholders to create meaningful solutions. These should meet the world's increasing demand for affordable and reliable energy while creating opportunities to transition to a lower carbon future. The variety of potential transition pathways for society to a lower-carbon future, influenced by assumptions regarding economic growth, technology and governmental policy, indicates a wide range of uncertainty for the types and demand levels of energy.

The board of directors evaluates climate change risk in the context of overall enterprise risk, including other operational, strategic, and financial risks. The company considers the interactions among these factors as it pursues a strategy that is resilient to a wide range of potential pathways for society's energy transition while continuing to grow shareholder value. It takes into account emerging industry and economic conditions and market and government policy uncertainties in developing its strategic plans and longer-term price views as part of its annual business planning process. The company continues to make progress on its greenhouse gas emission reduction plans and efforts to position the company for success in a lower-carbon energy future. It expects to play an important role in providing energy and products that are critical to economic growth while minimizing environmental impacts and supporting society's ambition to achieve a lower-carbon energy future. The company continues to analyze internal and external scenarios of future energy markets to create a deeper understanding of what resiliency requires and which opportunities could emerge, but the assumptions and outcome of any given scenario or set of scenarios come with a high degree of uncertainty.

To the extent the planning process results in any significant changes to the company's current development plans for its portfolio, certain assets could be at risk for impairment. The company will complete any required asset recoverability assessments in connection with the preparation and review of the company's year-end financial statements for inclusion in its 2021 Form 10-K. Until these activities are complete, it is not practicable to reasonably estimate the existence or range of potential future impairments.

Third quarter 2021 vs. third quarter 2020

The company recorded net income of \$908 million or \$1.29 per share on a diluted basis in the third quarter of 2021, up from net income of \$3 million or \$0.00 per share in the same period of 2020.

Upstream recorded net income of \$524 million in the third quarter of 2021, compared to a net loss of \$74 million in the same period of 2020. Improved results reflect higher realizations of about \$730 million and

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higher volumes of about \$350 million. These items were partially offset by higher operating expenses of about \$210 million, higher royalties of about \$190 million and unfavourable foreign exchange impacts of about \$60 million.

West Texas Intermediate (WTI) averaged US\$70.52 per barrel in the third quarter of 2021, up from US\$40.93 per barrel in the same quarter of 2020. Western Canada Select (WCS) averaged US\$57.08 per barrel and US\$31.81 per barrel for the same periods. The WTI / WCS differential averaged approximately US\$13 per barrel for the third quarter of 2021, up from around US\$9 in the same period of 2020.

The Canadian dollar averaged US\$0.79 in the third quarter of 2021, an increase of US\$0.04 from the third quarter of 2020.

Imperial's average Canadian dollar realizations for bitumen increased in the quarter, generally in line with WCS. Bitumen realizations averaged \$60.44 per barrel in the third quarter of 2021, up from \$35.95 per barrel in the third quarter of 2020. The company's average Canadian dollar realizations for synthetic crude increased generally in line with WTI, adjusted for changes in exchange rates and transportation costs. Synthetic crude realizations averaged \$85.94 per barrel in the third quarter of 2021, up from \$50.79 per barrel in the same period of 2020.

Total gross production of Kearl bitumen averaged 274,000 barrels per day in the third quarter (194,000 barrels Imperial's share), up from 189,000 barrels per day (134,000 barrels Imperial's share) in the third quarter of 2020. Higher production was primarily driven by the absence of a prior year third-party pipeline outage, market-demand production balancing, and impacts associated with planned turnaround activities.

Gross production of Cold Lake bitumen averaged 135,000 barrels per day in the third quarter, up from 131,000 barrels per day in the same period of 2020.

The company's share of gross production from Syncrude averaged 78,000 barrels per day, up from 67,000 barrels per day in the third quarter of 2020. Higher production was primarily driven by the absence of the prior year turnaround.

Downstream recorded net income of \$293 million in the third quarter of 2021, compared to net income of \$77 million in the same period of 2020. Improved results primarily reflect higher margins of about \$280 million.

Refinery throughput averaged 404,000 barrels per day, up from 341,000 barrels per day in the third quarter of 2020. Capacity utilization was 94 percent, up from 81 percent in the third quarter of 2020. Higher throughput was driven by increased demand.

Petroleum product sales were 485,000 barrels per day, up from 449,000 barrels per day in the third quarter of 2020. Improved petroleum product sales were mainly due to increased demand.

Chemical net income was \$121 million in the third quarter, up from \$27 million in the same quarter of 2020, primarily due to higher polyethylene margins.

Corporate and other expenses were \$30 million in the third quarter, up from \$27 million in the same period of 2020.

Nine months 2021 vs. nine months 2020

Net income in the first nine months of 2021 was \$1,666 million, or \$2.31 per share on a diluted basis, compared to a net loss of \$711 million or \$0.97 per share in the first nine months of 2020.

Upstream recorded net income of \$850 million for the first nine months of the year, compared to a net loss of \$1,126 million in 2020. Improved results reflect higher realizations of about \$2,570 million and higher volumes of about \$620 million. These items were partially offset by higher royalties of about \$490 million, higher operating expenses of about \$490 million, and unfavourable foreign exchange impacts of about \$180 million.

West Texas Intermediate averaged US\$65.04 per barrel in the first nine months of 2021, up from US\$38.10 per barrel in 2020. Western Canada Select averaged US\$52.45 per barrel and US\$24.72 per barrel for the same periods. The WTI / WCS differential of approximately US\$13 per barrel in the first nine months of 2021, was generally in line with the same period of 2020.

The Canadian dollar averaged US\$0.80 in the first nine months of 2021, an increase of US\$0.06 from 2020.

Imperial's average Canadian dollar realizations for bitumen increased in the first nine months of 2021, generally in line with WCS. Bitumen realizations averaged \$55.30 per barrel, up from \$22.24 per barrel in the same period of 2020. The company's average Canadian dollar realizations for synthetic crude increased generally in line with WTI, adjusted for changes in exchange rates and transportation costs. Synthetic crude realizations averaged \$77.62 per barrel, up from \$49.06 per barrel in the same period of 2020.

Total gross production of Kearl bitumen averaged 260,000 barrels per day in the first nine months of 2021 (185,000 barrels Imperial's share), up from 202,000 barrels per day (143,000 barrels Imperial's share) in the same period of 2020. Higher production was primarily driven by the absence of prior year production balancing with market demands and the outage of a third-party pipeline.

Gross production of Cold Lake bitumen averaged 139,000 barrels per day in the first nine months of 2021, up from 131,000 barrels per day in the same period of 2020.

During the first nine months of 2021, the company's share of gross production from Syncrude averaged 68,000 barrels per day, up from 63,000 barrels per day in the same period of 2020.

Downstream net income was \$645 million for the first nine months of the year, up from \$447 million in the same period of 2020. Results have improved due to higher margins of about \$330 million, partially offset by unfavourable foreign exchange impacts of about \$120 million.

Refinery throughput averaged 367,000 barrels per day in the first nine months of 2021, up from 334,000 barrels per day in the same period of 2020. Capacity utilization was 86 percent, up from 79 percent in the same period of 2020. Higher throughput was driven by reduced impacts associated with the COVID-19 pandemic, partially offset by a planned turnaround at Strathcona.

Petroleum product sales were 442,000 barrels per day in the first nine months of 2021, up from 423,000 barrels per day in the same period of 2020. Improved petroleum product sales were mainly due to reduced impacts associated with the COVID-19 pandemic.

Chemical net income was \$297 million in the first nine months of 2021, up from \$55 million in the same period of 2020, primarily due to higher polyethylene margins.

Corporate and other expenses were \$126 million in the first nine months of 2021, up from \$87 million in the same period of 2020, mainly due to higher share-based compensation costs.

Liquidity and capital resources

Cash flow generated from operating activities was \$1,947 million in the third quarter, up from \$875 million in the corresponding period in 2020, primarily reflecting higher Upstream realizations and Downstream margins.

Investing activities used net cash of \$259 million in the third quarter, compared with \$125 million used in the same period of 2020. Full-year 2021 capital and exploration expenditures are now expected to be around \$1.1 billion, down from previous guidance of \$1.2 billion.

Cash used in financing activities was \$589 million in the third quarter, compared with \$166 million used in the third quarter of 2020. Dividends paid in the third quarter of 2021 were \$195 million. The per share dividend paid in the third quarter was \$0.27, an increase of \$0.05 from the same period of 2020. During the third quarter, the company, under its share purchase program, purchased about 9.0 million shares for \$313 million, including shares purchased from Exxon Mobil Corporation. In the third quarter of 2020, the company did not purchase any shares under its share purchase program.

The company's cash balance was \$1,875 million at September 30, 2021, versus \$817 million at the end of third quarter 2020.

During the second quarter of 2021, the company extended the maturity dates of two of its short-term lines of credit, totalling \$750 million, to May 2023 and extended its \$300 million committed short-term line of credit to June 2022. The company has not drawn on any of its \$1,300 million of available credit facilities.

Cash flow generated from operating activities was \$3,844 million in the first nine months of 2021, up from \$482 million in the same period of 2020, primarily reflecting higher Upstream realizations and Downstream margins.

Investing activities used net cash of \$613 million in the first nine months of 2021, up from \$605 million used in the same period of 2020. Full-year 2021 capital and exploration expenditures are now expected to be around \$1.1 billion, down from previous guidance of \$1.2 billion.

Cash used in financing activities was \$2,127 million in the first nine months of 2021, up from \$778 million used in the same period of 2020. Dividends paid in the first nine months of 2021 were \$518 million. The per share dividend paid in the first nine months of 2021 was \$0.71, up from \$0.66 in the same period of 2020. During the first nine months of 2021, the company, under its share purchase program, purchased about 38.5 million shares for \$1,484 million, including shares purchased from Exxon Mobil Corporation. In the first nine months of 2020, the company purchased about 9.8 million shares for \$274 million, including shares purchased from Exxon Mobil Corporation.

At March 31, 2021, due to the termination of transportation services agreements related to a third-party pipeline project, the company recognized a liability of \$62 million, previously reported as a contingent liability in Note 10 of Imperial's Form 10-K. In connection with the same project, commitments under "Other long-term purchase agreements" as reported in Imperial's Form 10-K decreased by approximately \$2.9 billion. The majority of these commitments related to years 2026 and beyond.

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; the variety of potential transition pathways for society to a lower-carbon future indicating a wide range of uncertainty for types and demand levels of energy; the company's efforts with respect to climate risk, including the evaluation of climate risk in the context of overall enterprise risk and the ability to pursue a strategy resilient to a wide range of pathways for society's energy transition while growing shareholder value; progress on greenhouse gas emission reduction plans and efforts to position the company for success in a lower-carbon energy future; and the company's role in providing products critical to economic growth, minimizing environmental impacts and supporting society's ambition to achieve a lower-carbon energy future; plans for purchases under the amended share purchase program; and full-year capital and exploration expenditures of \$1.1 billion for 2021.

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; the adoption and impact of new facilities, technologies or products, including on reductions to greenhouse gases; plans to mitigate climate risk and the resilience of company strategy to a range of pathways for society's energy transition; applicable laws and government policies, including restrictions in response to COVID-19 and environmental regulation; 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; 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; availability and allocation of capital; political or regulatory events, including changes in law or government policy such as tax laws, production curtailment and actions in response to COVID-19; environmental regulation, including climate change and greenhouse gas regulation and changes to such regulation; environmental risks inherent in oil and gas exploration and production activities; management effectiveness and disaster response preparedness, including business continuity plans in response to COVID-19; unanticipated technical or operational difficulties; project management and schedules and timely completion of projects; 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; the receipt, in a timely manner, of regulatory and third-party approvals; currency exchange rates; general economic conditions; 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.

Quantitative and qualitative disclosures about market risk

Information about market risks for the nine months ended September 30, 2021, does not differ materially from that discussed on page 32 of the company's annual report on Form 10-K for the year ended December 31, 2020 and on page 24 of the Form 10-Q for the quarter ended June 30, 2021.