Esso Imperial Oil

FIRST QUARTER 2013

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

FOR THE THREE MONTHS ENDED MARCH 31, 2013

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

OPERATING RESULTS

The company's net income for the first quarter of 2013 was $798 million or $0.94 a share on a diluted basis, compared with $1,015 million or $1.19 a share for the same period last year.

Lower first quarter earnings were primarily attributable to the impacts of lower liquids realization, higher refinery maintenance activities, lower volumes and higher maintenance costs at Syncrude and Kearl production readiness expenditures. These factors were partially offset by lower royalty costs due to lower liquids realizations and higher refining margins.

Upstream
Net income in the first quarter was $300 million versus $542 million in the same period of 2012. Earnings decreased primarily due to lower liquids realizations of about $270 million. Other factors that contributed to lower earnings included lower volumes and higher maintenance costs at Syncrude totalling about $75 million and Kearl production readiness expenditures of about $50 million. These factors were partially offset by lower royalty costs of about $160 million due to lower liquids realizations.

Prices for most of the company’s liquids production are based on West Texas Intermediate (WTI) crude oil, a common benchmark for mid-continent North American oil markets. Compared to the corresponding period last year, the average WTI crude oil price in U.S. dollars was lower by $8.67 a barrel, about eight percent, in the first quarter of 2013. Decreases in the company’s average realizations in Canadian dollars on sales of conventional and synthetic crude oils were in line with WTI. The company’s average bitumen realization in Canadian dollars in the first quarter of 2013 decreased 34 percent to $43.63 a barrel. Supply/demand imbalances of heavier crude oils in mid-continent North American markets and industry pipeline apportionment effects widened the price spread between light crude oil and Cold Lake bitumen. The company’s average realization on natural gas sales of $3.50 a thousand cubic feet was higher by about 48 percent in the first quarter of 2013 versus the same period in 2012.

Gross production of Cold Lake bitumen averaged 164 thousand barrels a day and established a new production record in the quarter. Cold Lake production was up seven thousand barrels a day from the same period last year. Volume growth was achieved through higher reliability and strong reservoir performance.

The company's share of Syncrude's gross production in the first quarter was 65 thousand barrels a day, down from 74 thousand barrels in the first quarter of 2012. Higher maintenance activities were the main contributor to the lower production.

Gross production of conventional crude oil averaged 20 thousand barrels a day in the first quarter, versus the 21 thousand barrels in the corresponding period in 2012.

Gross production of natural gas during the first quarter of 2013 was 187 million cubic feet a day, down from 198 million cubic feet in the same period last year. The lower production volume was primarily the result of natural decline of conventional fields and the impact of divested properties partially offset by volume contributions from Celtic and the Horn River pilot.

On February 26, 2013, following the close of the acquisition of Celtic Exploration Ltd. ("Celtic") by ExxonMobil Canada, Imperial Oil completed its acquisition of a 50-percent participating interest in Celtic's assets and liabilities for $1.6 billion. Reference is made to Financial Statement "Note 10: Acquisition" for further details.

On April 27, Imperial achieved a significant milestone with the start-up of the initial development of the Kearl oil sands project.

Downstream
Net income was $478 million in the first quarter, $23 million higher than the first quarter of 2012. Increased earnings were primarily due to the favourable impact of refining margins of about $125 million partially offset by the impact of higher maintenance activities at the Sarnia refinery of about $90 million. Earnings in the first quarter of 2012 included a gain of about $15 million from the sale of assets.

Mid-continent North America industry refining margins continued to be strong in the first quarter of 2013. Stronger industry refining margins were the result of the widened differential between product prices and cost of crude oil processed.

Chemical
Net income was $35 million in the first quarter, unchanged from the same quarter last year.

Corporate and Other
Net income effects from Corporate and Other were negative $15 million in the first quarter, versus the negative $17 million in the same period of 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow generated from operating activities was $597 million in the first quarter, versus $1,047 million in corresponding period in 2012. Lower cash flow was primarily due to lower earnings and working capital effects.

Investing activities used net cash of $2,935 million in the first quarter, compared with $1,064 million in the same period of 2012. $1,602 million (excluding $6 million cash acquired) was expended to complete the acquisition of a 50-percent participating interest in Celtic's assets and liabilities. Additions to property, plant and equipment were $1,345 million in the first quarter, compared with $1,145 million during the same quarter 2012. Expenditures during the quarter were primarily directed towards the advancement of Kearl expansion project. Other investments included advancing the Nabiye expansion project at Cold Lake and sustaining capital for Syncrude mining and tailing projects.

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

Cash from financing activities was $2,179 million in the first quarter, compared with cash used in financing activities of $140 million in the first quarter of 2012. In the first quarter, the company increased its long-term debt level by $1,595 million by drawing on an existing facility and issued additional commercial paper which increased short-term debt by $687 million. The majority of the increased debt was used to finance the acquisition. Dividends paid in the first quarter of 2013 were $102 million, $9 million higher than the corresponding period in 2012. In the first quarter, the company increased the amount of its existing stand-by long-term bank credit facility from $300 million to $500 million with the maturity date unchanged. The company has not drawn on the facility. Also in the first quarter, to further support the commercial paper program, the company entered into an unsecured committed bank credit facility in the amount of $250 million that matures in March 2014. The company has not drawn on this facility.

The above factors led to a decrease in the company's balance of cash to $323 million at March 31, 2013, from $482 million at the end of 2012.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Information about market risks for the three months ended March 31, 2013 does not differ materially from that discussed on page 23 in the company's Annual Report on Form 10-K for the year ended December 31, 2012 except for the following:

Earnings sensitivity (a) millions of dollars after tax		
Nine dollars (U.S.) a barrel change in crude oil prices	+ (-)	330
Ten cents decrease (increase) in the value of the Canadian dollar versus the U.S. dollar	+ (-)	570

The sensitivity of net income to changes in crude oil prices decreased from year-end 2012 by about $12 million (after tax) a year for each one U.S. dollar change. The decrease was primarily a result of the impact of higher royalty costs for Syncrude and Cold Lake bitumen production due to higher prices for Syncrude and Cold Lake bitumen at the end of the first quarter of 2013.

The sensitivity of net income to changes in the Canadian dollar versus the U.S. dollar increased from year-end 2012 by about $8 million (after tax) a year for each one-cent change, primarily due to the increase in crude oil commodity prices.

CONSOLIDATED STATEMENT OF INCOME
(U.S. GAAP, unaudited)

millions of Canadian dollars	Three Months to March 31 **2013**	2012
REVENUES AND OTHER INCOME		
Operating revenues (a) (b)	**7,999**	7,494
Investment and other income (note 3)	**15**	39
TOTAL REVENUES AND OTHER INCOME	**8,014**	7,533
EXPENSES		
Exploration	**23**	28
Purchases of crude oil and products (c)	**4,975**	4,386
Production and manufacturing (d)	**1,181**	977
Selling and general	**254**	284
Federal excise tax (a)	**326**	316
Depreciation and depletion	**185**	190
TOTAL EXPENSES	**6,944**	6,181
INCOME BEFORE INCOME TAXES	**1,070**	1,352
INCOME TAXES	**272**	337
NET INCOME	**798**	1,015
PER SHARE INFORMATION (Canadian dollars)		
Net income per common share - basic (note 8)	**0.94**	1.20
Net income per common share - diluted (note 8)	**0.94**	1.19
Dividends per common share	**0.12**	0.12
(a) Federal excise tax included in operating revenues	**326**	316
(b) Amounts from related parties included in operating revenues	**861**	707
(c) Amounts to related parties included in purchases of crude oil and products	**1,243**	533
(d) Amounts to related parties included in production and manufacturing expenses	**86**	34

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(U.S. GAAP, unaudited)

millions of Canadian dollars	Three Months to March 31 **2013**	2012
Net income	**798**	1,015
Other comprehensive income, net of income taxes		
Post-retirement benefit liability adjustment (excluding amortization)	**(102)**	(117)
Amortization of post-retirement benefit liability adjustment included in net periodic benefit costs	**51**	48
Total other comprehensive income/(loss)	**(51)**	(69)
Comprehensive income	**747**	946

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 Mar 31 **2013**	As at Dec 31 2012
ASSETS		
Current assets		
Cash	**323**	482
Accounts receivable, less estimated doubtful accounts	**2,232**	1,976
Inventories of crude oil and products	**1,099**	827
Materials, supplies and prepaid expenses	**333**	280
Deferred income tax assets	**553**	527
Total current assets	**4,540**	4,092
Long-term receivables, investments and other long-term assets	**1,177**	1,090
Property, plant and equipment,	**42,126**	38,765
less accumulated depreciation and depletion	**(15,002)**	(14,843)
Property, plant and equipment, net	**27,124**	23,922
Goodwill	**224**	204
Other intangible assets, net	**54**	56
TOTAL ASSETS	**33,119**	29,364
LIABILITIES		
Current liabilities		
Notes and loans payable	**1,160**	472
Accounts payable and accrued liabilities (a) (note 7)	**4,706**	4,249
Income taxes payable	**1,017**	1,184
Total current liabilities	**6,883**	5,905
Long-term debt (b) (note 6)	**2,768**	1,175
Other long-term obligations (note 7)	**4,104**	3,983
Deferred income tax liabilities	**2,341**	1,924
TOTAL LIABILITIES	**16,096**	12,987
SHAREHOLDERS' EQUITY		
Common shares at stated value (c)	**1,566**	1,566
Earnings reinvested	**17,963**	17,266
Accumulated other comprehensive income (note 9)	**(2,506)**	(2,455)
TOTAL SHAREHOLDERS' EQUITY	**17,023**	16,377
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**33,119**	29,364

(a) Accounts payable and accrued liabilities included amounts receivable from related parties of $48 million (2012 - amounts receivable of $9 million).

(b) Long-term debt included amounts to related parties of $2,635 million (2012 - $1,040 million).

(c) Number of common shares authorized and outstanding were 1,100 million and 848 million, respectively (2012 - 1,100 million and 848 million, respectively).

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

Approved by the directors May 1, 2013

/s/ R.M. Kruger

Chairman, president and
chief executive officer

/s/ P.J. Masschelin

Senior vice-president,
finance and administration, and controller

CONSOLIDATED STATEMENT OF CASH FLOWS

(U.S. GAAP, unaudited) inflow/(outflow) millions of Canadian dollars	Three Months to March 31 **2013**	 2012
OPERATING ACTIVITIES		
Net income	**798**	1,015
Adjustment for non-cash items:		
Depreciation and depletion	**185**	190
(Gain)/loss on asset sales (note 3)	**(4)**	(29)
Deferred income taxes and other	**29**	48
Changes in operating assets and liabilities:		
Accounts receivable	**(222)**	140
Inventories, materials, supplies and prepaid expenses	**(320)**	(431)
Income taxes payable	**(167)**	59
Accounts payable and accrued liabilities	**395**	71
All other items - net (a)	**(97)**	(16)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**597**	1,047
INVESTING ACTIVITIES		
Additions to property, plant and equipment and intangibles	**(1,345)**	(1,145)
Acquisition (note 10)	**(1,602)**	-
Proceeds from asset sales	**8**	78
Repayment of loan from equity company	**4**	3
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(2,935)**	(1,064)
FINANCING ACTIVITIES		
Short-term debt - net	**687**	-
Long-term debt issued	**1,595**	-
Reduction in capitalized lease obligations	**(1)**	(1)
Issuance of common shares under stock option plan	**-**	22
Common shares purchased	**-**	(68)
Dividends paid	**(102)**	(93)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**2,179**	(140)
INCREASE (DECREASE) IN CASH	**(159)**	(157)
CASH AT BEGINNING OF PERIOD	**482**	1,202
CASH AT END OF PERIOD	**323**	1,045
(a) Included contribution to registered pension plans	**(120)**	(97)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of financial statement preparation

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual consolidated financial statements filed with the U.S. Securities and Exchange Commission in the company's 2012 Annual Report on Form 10-K. In the opinion of the company, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The company's exploration and production activities are accounted for under the "successful efforts" method.

The results for the three months ended March 31, 2013, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

2. Business Segments

Three Months to March 31 millions of dollars	Upstream 2013	Upstream 2012	Downstream 2013	Downstream 2012	Chemical 2013	Chemical 2012
REVENUES AND OTHER INCOME						
Operating revenues (a)	**1,223**	1,395	**6,454**	5,755	**322**	344
Intersegment sales	**929**	1,094	**776**	794	**58**	82
Investment and other income	**2**	3	**12**	33	**-**	-
	2,154	2,492	**7,242**	6,582	**380**	426
EXPENSES						
Exploration	**23**	28	**-**	-	**-**	-
Purchases of crude oil and products	**857**	1,021	**5,620**	5,021	**260**	314
Production and manufacturing	**747**	591	**382**	341	**53**	45
Selling and general	**1**	2	**218**	241	**17**	17
Federal excise tax	**-**	-	**326**	316	**-**	-
Depreciation and depletion	**128**	129	**52**	56	**3**	3
TOTAL EXPENSES	**1,756**	1,771	**6,598**	5,975	**333**	379
INCOME BEFORE INCOME TAXES	**398**	721	**644**	607	**47**	47
INCOME TAXES	**98**	179	**166**	152	**12**	12
NET INCOME	**300**	542	**478**	455	**35**	35
Cash flows from (used in) operating activities	**(124)**	887	**636**	187	**63**	(53)
CAPEX (b)	**2,938**	1,145	**27**	23	**1**	1
Total assets as at March 31	**25,986**	18,022	**6,588**	6,988	**380**	443

Three Months to March 31 millions of dollars	Corporate and Other 2013	Corporate and Other 2012	Eliminations 2013	Eliminations 2012	Consolidated 2013	Consolidated 2012
REVENUES AND OTHER INCOME						
Operating revenues (a)	**-**	-	**-**	-	**7,999**	7,494
Intersegment sales	**-**	-	**(1,763)**	(1,970)	**-**	-
Investment and other income	**1**	3	**-**	-	**15**	39
	1	3	**(1,763)**	(1,970)	**8,014**	7,533
EXPENSES						
Exploration	**-**	-	**-**	-	**23**	28
Purchases of crude oil and products	**-**	-	**(1,762)**	(1,970)	**4,975**	4,386
Production and manufacturing	**-**	-	**(1)**	-	**1,181**	977
Selling and general	**18**	24	**-**	-	**254**	284
Federal excise tax	**-**	-	**-**	-	**326**	316
Depreciation and depletion	**2**	2	**-**	-	**185**	190
TOTAL EXPENSES	**20**	26	**(1,763)**	(1,970)	**6,944**	6,181
INCOME BEFORE INCOME TAXES	**(19)**	(23)	**-**	-	**1,070**	1,352
INCOME TAXES	**(4)**	(6)	**-**	-	**272**	337
NET INCOME	**(15)**	(17)	**-**	-	**798**	1,015
Cash flows from (used in) operating activities	**22**	26	**-**	-	**597**	1,047
CAPEX (b)	**10**	4	**-**	-	**2,976**	1,173
Total assets as at March 31	**508**	1,266	**(343)**	(208)	**33,119**	26,511

(a) Includes export sales to the United States of $1,385 million (2012- $905 million). Export sales to the United States were recorded in all operating segments, with the largest effects in the Upstream segment.

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

3. Investment and other income

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

millions of dollars	Three Months to March 31 2013	2012
Proceeds from asset sales	**8**	78
Book value of assets sold	**4**	49
Gain/(loss) on asset sales, before tax	**4**	29
Gain/(loss) on asset sales, after tax	**3**	24

4. Employee retirement benefits

The components of net benefit cost were as follows:

millions of dollars	Three Months to March 31 2013	2012
Pension benefits:		
Current service cost	**45**	39
Interest cost	**70**	72
Expected return on plan assets	**(82)**	(72)
Amortization of prior service cost	**6**	5
Amortization of actuarial loss	**60**	57
Net benefit cost	**99**	101
Other post-retirement benefits:		
Current service cost	**3**	2
Interest cost	**5**	5
Amortization of actuarial loss	**3**	2
Net benefit cost	**11**	9

5. Financing costs

millions of dollars	Three Months to March 31 2013	2012
Debt related interest	**10**	4
Capitalized interest	**(10)**	(4)
Total financing costs	**-**	-

6. Long-term debt

millions of dollars	As at Mar 31 2013	As at Dec 31 2012
Long-term debt	**2,635**	1,040
Capital leases	**133**	135
Total long-term debt	**2,768**	1,175

In the first quarter of 2013, the company increased the amount of its existing stand-by long-term bank credit facility from $300 million to $500 million with the maturity date unchanged. The company has not drawn on the facility. Also in the first quarter, to further support the commercial paper program, the company entered into an unsecured committed bank credit facility in the amount of $250 million that matures in March 2014. The company has not drawn on this facility.

In February 2013, the company increased its long-term debt by $1,595 million by drawing on an existing facility with an affiliated company of Exxon Mobil Corporation. The majority of the increased debt was used to finance the acquisition of a 50-percent interest in Celtic's assets and liabilities (see note 10 for further details).

7. Other long-term obligations

millions of dollars	As at Mar 31 2013	As at Dec 31 2012
Employee retirement benefits (a)	**2,758**	2,717
Asset retirement obligations and other environmental liabilities (b)	**1,025**	957
Share-based incentive compensation liabilities	**130**	117
Other obligations	**191**	192
Total other long-term obligations	**4,104**	3,983

(a) Total recorded employee retirement benefits obligations also included $52 million in current liabilities (December 31, 2012 - $52 million).

(b) Total asset retirement obligations and other environmental liabilities also included $169 million in current liabilities (December 31, 2012 - $168 million).

8. Net income per share

	Three Months to March 31	
	2013	2012
Net income per common share - basic		
Net income (millions of dollars)	**798**	1,015
Weighted average number of common shares outstanding (millions of shares)	**847.6**	847.8
Net income per common share (dollars)	**0.94**	1.20
Net income per common share - diluted		
Net income (millions of dollars)	**798**	1,015
Weighted average number of common shares outstanding (millions of shares)	**847.6**	847.8
Effect of share-based awards (millions of shares)	**3.0**	4.7
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	**850.6**	852.5
Net income per common share (dollars)	**0.94**	1.19

9. Other comprehensive income information

Changes in accumulated other comprehensive income:

millions of dollars	**2013**	2012
Balance at January 1	**(2,455)**	(2,238)
Post-retirement benefits liability adjustment:		
Current period change excluding amounts reclassified from accumulated other comprehensive income	**(102)**	(117)
Amounts reclassified from accumulated other comprehensive income	**51**	48
Balance at March 31	**(2,506)**	(2,307)

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

	Three Months to March 31	
millions of dollars	**2013**	2012
Amortization of post-retirement benefit liability adjustment included in net periodic benefit cost (a)	**(69)**	(64)

(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:

	Three Months to March 31	
millions of dollars	**2013**	2012
Post-retirement benefits liability adjustments:		
Post-retirement benefits liability adjustment (excluding amortization)	**(35)**	(40)
Amortization of post-retirement benefit liability adjustment included in net periodic benefit cost	**18**	16
	(17)	(24)

10. Acquisition

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

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

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

(a) Property, plant and equipment were measured primarily using an income approach. The fair value measurements of the oil and gas assets were based, in part, on significant inputs not observable in the market and thus represent a Level 3 measurement. The significant inputs included Celtic resources, assumed future production profiles, commodity prices (mainly based on observable market inputs), risk adjusted discount rate of 10 percent, inflation of 2 percent and assumptions on the timing and amount of future development and operating costs. The property, plant and equipment additions were segmented to the Upstream business, with all of the assets in Canada.

(b) Goodwill was the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was recognized in the Upstream reporting unit. Goodwill is not amortized and is not deductible for tax purposes.

(c) Deferred income taxes reflect the future tax consequences on the temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The deferred income taxes recorded as part of the acquisition were:

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

Actual and Pro Forma Impact of the Acquisition:

Revenues for Celtic from the acquisition date included in the company's consolidated financial statement of income for the three months ended March 31, 2013 were $9 million. After-tax earnings for Celtic from the acquisition date through March 31, 2013 were de minimis.

Transaction costs related to the acquisition were expensed as incurred and were de minimis in the three months ended March 31, 2013.

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