

IMPERIAL OIL LTD
Form 10-Q
May 03, 2017
Table of Contents

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)

OF THE SECURITIES EXCHANGE ACT OF 1934

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

Commission file number 0-12014

IMPERIAL OIL LIMITED

(Exact name of registrant as specified in its charter)

CANADA

(State or other jurisdiction
of incorporation or organization)

98-0017682

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

505 Quarry Park Boulevard S.E.

Calgary, Alberta, Canada

(Address of principal executive offices)

T2C 5N1

(Postal Code)

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

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

YES NO

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

YES NO

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

Large accelerated filer

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 March 31, 2017 was 847,599,011.

Table of Contents**IMPERIAL OIL LIMITED****Table of contents**

| | Page |
|------------------------------------------------------------------------------------------------------|-------------|
| <u>PART I. FINANCIAL INFORMATION</u> | 3 |
| Item 1. <u>Financial statements</u> | 3 |
| <u>Consolidated statement of income</u> | 3 |
| <u>Consolidated statement of comprehensive income</u> | 4 |
| <u>Consolidated balance sheet</u> | 5 |
| <u>Consolidated statement of cash flows</u> | 6 |
| <u>Notes to the consolidated financial statements</u> | 7 |
| Item 2. <u>Management's discussion and analysis of financial condition and results of operations</u> | 12 |
| Item 3. <u>Quantitative and qualitative disclosures about market risk</u> | 14 |
| Item 4. <u>Controls and procedures</u> | 14 |
| <u>PART II. OTHER INFORMATION</u> | 15 |
| Item 2. <u>Unregistered sales of equity securities and use of proceeds</u> | 15 |
| Item 6. <u>Exhibits</u> | 15 |
| <u>SIGNATURES</u> | 16 |

In this report all dollar amounts are expressed in Canadian dollars unless otherwise stated. Note that numbers may not add due to rounding. This report should be read in conjunction with the company's annual report on Form 10-K for the year ended December 31, 2016.

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.

Table of Contents

IMPERIAL OIL LIMITED

PART I. FINANCIAL INFORMATION

Item 1. Financial statements

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

| millions of Canadian dollars | Three Months to March 31 | |
|-------------------------------------------------------|-----------------------------|--------------|
| | 2017 | 2016 |
| Revenues and other income | | |
| Operating revenues (a) | 6,958 | 5,174 |
| Investment and other income (note 3) | 198 | 48 |
| Total revenues and other income | 7,156 | 5,222 |
| Expenses | | |
| Exploration | 22 | 17 |
| Purchases of crude oil and products (b) | 4,333 | 2,986 |
| Production and manufacturing (c) | 1,375 | 1,271 |
| Selling and general (c) | 206 | 270 |
| Federal excise tax | 394 | 388 |
| Depreciation and depletion | 392 | 424 |
| Financing costs (note 5) | 14 | 15 |
| Total expenses | 6,736 | 5,371 |
| Income (loss) before income taxes | 420 | (149) |
| Income taxes | 87 | (48) |
| Net income (loss) | 333 | (101) |
| Per-share information (Canadian dollars) | | |
| Net income (loss) per common share - basic (note 8) | 0.39 | (0.12) |
| Net income (loss) per common share - diluted (note 8) | 0.39 | (0.12) |

| | | |
|-----------------------------------------------------------------------------------------------------------|--------------|------|
| Dividends per common share | 0.15 | 0.14 |
| (a) Amounts from related parties included in operating revenues. | 1,037 | 563 |
| (b) Amounts to related parties included in purchases of crude oil and products. | 609 | 631 |
| (c) Amounts to related parties included in production and manufacturing and selling and general expenses. | 141 | 104 |

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

Table of Contents

IMPERIAL OIL LIMITED

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

| millions of Canadian dollars | Three Months to March 31 | |
|------------------------------------------------------------------------------------------------------|-----------------------------|-------|
| | 2017 | 2016 |
| Net income (loss) | 333 | (101) |
| Other comprehensive income (loss), net of income taxes | | |
| Post-retirement benefits liability adjustment (excluding amortization) | 41 | 100 |
| Amortization of post-retirement benefits liability adjustment included in net periodic benefit costs | 36 | 41 |
| Total other comprehensive income (loss) | 77 | 141 |
| Comprehensive income (loss) | 410 | 40 |

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

Table of Contents**IMPERIAL OIL LIMITED****Consolidated balance sheet (U.S. GAAP, unaudited)**

| millions of Canadian dollars | As at Mar 31 2017 | As at Dec 31 2016 |
|-------------------------------------------------------------------------------|----------------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash | 672 | 391 |
| Accounts receivable, less estimated doubtful accounts (a) | 1,745 | 2,023 |
| Inventories of crude oil and products | 1,032 | 949 |
| Materials, supplies and prepaid expenses | 457 | 468 |
| Total current assets | 3,906 | 3,831 |
| Investments and long-term receivables | 1,014 | 1,030 |
| Property, plant and equipment, less accumulated depreciation and depletion | 53,620 (17,557) | 53,515 (17,182) |
| Property, plant and equipment, net | 36,063 | 36,333 |
| Goodwill | 186 | 186 |
| Other assets, including intangibles, net | 241 | 274 |
| Total assets | 41,410 | 41,654 |
| Liabilities | | |
| Current liabilities | | |
| Notes and loans payable (b) | 202 | 202 |
| Accounts payable and accrued liabilities (a) (note 7) | 2,983 | 3,193 |
| Income taxes payable | 24 | 488 |
| Total current liabilities | 3,209 | 3,883 |
| Long-term debt (c) (note 6) | 5,026 | 5,032 |
| Other long-term obligations (d) (note 7) | 3,620 | 3,656 |
| Deferred income tax liabilities | 4,251 | 4,062 |
| Total liabilities | 16,106 | 16,633 |
| Shareholders equity | | |

| | | |
|--------------------------------------------------------|----------------|---------|
| Common shares at stated value (e) | 1,566 | 1,566 |
| Earnings reinvested | 25,558 | 25,352 |
| Accumulated other comprehensive income (loss) (note 9) | (1,820) | (1,897) |
| Total shareholders equity | 25,304 | 25,021 |
| Total liabilities and shareholders equity | 41,410 | 41,654 |

- (a) Accounts receivable, less estimated doubtful accounts included net amounts receivable from related parties of \$318 million (2016 - \$172 million).
- (b) Notes and loans payable included amounts to related parties of \$75 million (2016 - \$75 million).
- (c) Long-term debt included amounts to related parties of \$4,447 million (2016 - \$4,447 million).
- (d) Other long-term obligations included amounts to related parties of \$93 million (2016 - \$104 million).
- (e) Number of common shares authorized and outstanding were 1,100 million and 848 million, respectively (2016 - 1,100 million and 848 million, respectively).

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

Table of Contents**IMPERIAL OIL LIMITED****Consolidated statement of cash flows (U.S. GAAP, unaudited)**

| Inflow (outflow) millions of Canadian dollars | Three Months to March 31 | |
|-------------------------------------------------------|-----------------------------|--------------|
| | 2017 | 2016 |
| Operating activities | | |
| Net income (loss) | 333 | (101) |
| Adjustments for non-cash items: | | |
| Depreciation and depletion | 392 | 424 |
| (Gain) loss on asset sales (note 3) | (182) | (30) |
| Deferred income taxes and other | 200 | (82) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 278 | (58) |
| Inventories, materials, supplies and prepaid expenses | (72) | (32) |
| Income taxes payable | (464) | (9) |
| Accounts payable and accrued liabilities | (210) | (189) |
| All other items - net (a) | 79 | 126 |
| Cash flows from (used in) operating activities | 354 | 49 |
| Investing activities | | |
| Additions to property, plant and equipment | (122) | (391) |
| Proceeds from asset sales (note 3) | 183 | 33 |
| Cash flows from (used in) investing activities | 61 | (358) |
| Financing activities | | |
| Short-term debt - net | - | (108) |
| Long-term debt - additions (note 6) | - | 495 |
| Reduction in capitalized lease obligations | (7) | (7) |
| Dividends paid | (127) | (119) |
| Cash flows from (used in) financing activities | (134) | 261 |
| Increase (decrease) in cash | 281 | (48) |
| Cash at beginning of period | 391 | 203 |

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------|
| Cash at end of period (b) | 672 | 155 |
| (a) Included contribution to registered pension plans. | (40) | (31) |
| (b) Cash is composed of cash in bank and cash equivalents at cost. Cash equivalents are all highly liquid securities with maturity of three months or less when purchased. | | |

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

Table of Contents

IMPERIAL OIL LIMITED

Notes to 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 (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 2016 annual report on Form 10-K. In the opinion of the company, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. Prior data has been reclassified in certain cases to conform to the current presentation basis.

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

The results for the three months ended March 31, 2017, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

Table of Contents**IMPERIAL OIL LIMITED****2. Business segments**

| Three Months to March 31 millions of Canadian dollars | Upstream | | Downstream | | Chemical | |
|----------------------------------------------------------|---------------|---------------|--------------|--------------|-------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues and other income | | | | | | |
| Operating revenues (a) | 1,711 | 980 | 4,974 | 3,940 | 273 | 254 |
| Intersegment sales | 618 | 479 | 309 | 225 | 67 | 44 |
| Investment and other income (note 3) | 5 | 19 | 191 | 29 | 1 | - |
| | 2,334 | 1,478 | 5,474 | 4,194 | 341 | 298 |
| Expenses | | | | | | |
| Exploration | 22 | 17 | - | - | - | - |
| Purchases of crude oil and products | 1,116 | 818 | 4,009 | 2,757 | 201 | 159 |
| Production and manufacturing | 973 | 909 | 349 | 315 | 53 | 47 |
| Selling and general | 3 | 1 | 188 | 238 | 22 | 22 |
| Federal excise tax | - | - | 394 | 388 | - | - |
| Depreciation and depletion | 336 | 357 | 48 | 61 | 3 | 2 |
| Financing costs (note 5) | 4 | (3) | - | - | - | - |
| Total expenses | 2,454 | 2,099 | 4,988 | 3,759 | 279 | 230 |
| Income (loss) before income taxes | (120) | (621) | 486 | 435 | 62 | 68 |
| Income taxes | (34) | (173) | 106 | 115 | 17 | 19 |
| Net income (loss) | (86) | (448) | 380 | 320 | 45 | 49 |
| Cash flows from (used in) operating activities | 308 | (482) | 56 | 469 | (23) | 60 |
| Capital and exploration expenditures (b) | 103 | 346 | 34 | 43 | 4 | 6 |
| Total assets as at March 31 | 35,898 | 37,086 | 4,251 | 5,368 | 391 | 394 |

| Three Months to March 31 millions of Canadian dollars | Corporate and Other | | Eliminations | | Consolidated | |
|----------------------------------------------------------|---------------------|------|--------------|-------|--------------|-------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues and other income | | | | | | |
| Operating revenues (a) | - | - | - | - | 6,958 | 5,174 |
| Intersegment sales | - | - | (994) | (748) | - | - |

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| | | | | | | |
|-------------------------------------------------------|--------------|-------------|--------------|--------------|---------------|---------------|
| Investment and other income (note 3) | 1 | - | - | - | 198 | 48 |
| | 1 | - | (994) | (748) | 7,156 | 5,222 |
| Expenses | | | | | | |
| Exploration | - | - | - | - | 22 | 17 |
| Purchases of crude oil and products | - | - | (993) | (748) | 4,333 | 2,986 |
| Production and manufacturing | - | - | - | - | 1,375 | 1,271 |
| Selling and general | (6) | 9 | (1) | - | 206 | 270 |
| Federal excise tax | - | - | - | - | 394 | 388 |
| Depreciation and depletion | 5 | 4 | - | - | 392 | 424 |
| Financing costs (note 5) | 10 | 18 | - | - | 14 | 15 |
| Total expenses | 9 | 31 | (994) | (748) | 6,736 | 5,371 |
| Income (loss) before income taxes | (8) | (31) | - | - | 420 | (149) |
| Income taxes | (2) | (9) | - | - | 87 | (48) |
| Net income (loss) | (6) | (22) | - | - | 333 | (101) |
| Cash flows from (used in) operating activities | 13 | 2 | - | - | 354 | 49 |
| Capital and exploration expenditures (b) | 12 | 13 | - | - | 153 | 408 |
| Total assets as at March 31 | 1,128 | 643 | (258) | (306) | 41,410 | 43,185 |

(a) Included export sales to the United States of \$899 million (2016 - \$797 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 capital leases, additional investments and acquisitions.

Table of Contents

IMPERIAL OIL LIMITED

3. Investment and other income

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

| millions of Canadian dollars | Three Months to March 31 | |
|--------------------------------------------|-----------------------------|------|
| | 2017 | 2016 |
| Proceeds from asset sales | 183 | 33 |
| Book value of assets sold | 1 | 3 |
| Gain (loss) on asset sales, before tax (a) | 182 | 30 |
| Gain (loss) on asset sales, after tax (a) | 158 | 24 |

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

4. Employee retirement benefits

The components of net benefit cost were as follows:

| millions of Canadian dollars | Three Months to March 31 | |
|----------------------------------------|-----------------------------|------|
| | 2017 | 2016 |
| Pension benefits: | | |
| Current service cost | 55 | 51 |
| Interest cost | 79 | 79 |
| Expected return on plan assets | (101) | (99) |
| Amortization of prior service cost | 3 | 2 |
| Amortization of actuarial loss (gain) | 44 | 41 |
| Net periodic benefit cost | 80 | 74 |
| Other post-retirement benefits: | | |
| Current service cost | 4 | 4 |
| Interest cost | 6 | 7 |
| Amortization of actuarial loss (gain) | 2 | 3 |

| | | |
|---------------------------|-----------|----|
| Net periodic benefit cost | 12 | 14 |
|---------------------------|-----------|----|

5. Financing costs and additional notes and loans payable information

| millions of Canadian dollars | Three Months to March 31 | |
|------------------------------|-----------------------------|------|
| | 2017 | 2016 |
| Debt-related interest | 22 | 31 |
| Capitalized interest | (12) | (13) |
| Net interest expense | 10 | 18 |
| Other interest | 4 | (3) |
| Total financing costs | 14 | 15 |

Table of Contents**IMPERIAL OIL LIMITED****6. Long-term debt**

| | As at Mar 31 2017 | As at Dec 31 2016 |
|------------------------------|--------------------------------|-------------------------|
| millions of Canadian dollars | | |
| Long-term debt | 4,447 | 4,447 |
| Capital leases | 579 | 585 |
| Total long-term debt | 5,026 | 5,032 |

7. Other long-term obligations

| | As at Mar 31 2017 | As at Dec 31 2016 |
|----------------------------------------------------------------------|--------------------------------|-------------------------|
| millions of Canadian dollars | | |
| Employee retirement benefits (a) | 1,516 | 1,645 |
| Asset retirement obligations and other environmental liabilities (b) | 1,564 | 1,544 |
| Share-based incentive compensation liabilities | 126 | 139 |
| Other obligations | 414 | 328 |
| Total other long-term obligations | 3,620 | 3,656 |

(a) Total recorded employee retirement benefits obligations also included \$58 million in current liabilities (2016 - \$58 million).

(b) Total asset retirement obligations and other environmental liabilities also included \$108 million in current liabilities (2016 - \$108 million).

8. Net income (loss) per-share

| Three Months to March 31 | |
|-----------------------------|------|
| 2017 | 2016 |

Net income (loss) per common share - basic

| | | |
|---------------------------------------------------------------------------|--------------|--------|
| Net income (loss) (millions of Canadian dollars) | 333 | (101) |
| Weighted average number of common shares outstanding (millions of shares) | 847.6 | 847.6 |
| Net income (loss) per common share (dollars) | 0.39 | (0.12) |

Net income (loss) per common share - diluted

| | | |
|----------------------------------------------------------------------------------------------|--------------|--------|
| Net income (loss) (millions of Canadian dollars) | 333 | (101) |
| Weighted average number of common shares outstanding (millions of shares) | 847.6 | 847.6 |
| Effect of employee share-based awards (millions of shares) | 2.7 | 2.8 |
| Weighted average number of common shares outstanding, assuming dilution (millions of shares) | 850.3 | 850.4 |
| Net income (loss) per common share (dollars) | 0.39 | (0.12) |

Table of Contents

IMPERIAL OIL LIMITED

9. Other comprehensive income (loss) information**Changes in accumulated other comprehensive income (loss):**

| millions of Canadian dollars | 2017 | 2016 |
|--------------------------------------------------------------------------------------------------|---------|---------|
| Balance at January 1 | (1,897) | (1,828) |
| Post-retirement benefits liability adjustment: | | |
| Current period change excluding amounts reclassified from accumulated other comprehensive income | 41 | 100 |
| Amounts reclassified from accumulated other comprehensive income | 36 | 41 |
| Balance at March 31 | (1,820) | (1,687) |

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

| millions of Canadian dollars | Three Months to March 31 2017 | 2016 |
|---------------------------------------------------------------------------------------------------------|-------------------------------------|------|
| Amortization of post-retirement benefits liability adjustment included in net periodic benefit cost (a) | (49) | (46) |

(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 | Three Months to March 31 2017 | 2016 |
|------------------------------------------------------------------------|-------------------------------------|------|
| Post-retirement benefits liability adjustments: | | |
| Post-retirement benefits liability adjustment (excluding amortization) | 16 | 37 |
| | 13 | 5 |

Amortization of post-retirement benefits liability adjustment included in net periodic benefit cost

| | | |
|-------|-----------|----|
| Total | 29 | 42 |
|-------|-----------|----|

10. Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2018. The company expects to adopt the standard using the modified retrospective method, under which prior years' results are not restated, but supplemental information on the impact of the new standard is provided for in the 2018 results. Imperial continues to evaluate other areas of the standard. The impact from the standard is not expected to have a material effect on the company's financial statements.

In February 2016, the FASB issued a new standard, *Leases*. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as a lease asset and lease liability. The standard is required to be adopted beginning January 1, 2019. Imperial is evaluating the standard and its effect on the company's financial statements and plans to adopt it in 2019.

In March 2017, the FASB issued an Accounting Standards Update, 2017-07, Compensation - Retirement Benefits (Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The update requires the service cost component of net benefit costs to be reported in the same line in the income statement as other compensation costs and the other components of net benefit costs to be presented separately from the service cost component. Additionally, only the service cost component of net benefit costs will be eligible for capitalization. The update is required to be adopted beginning January 1, 2018. Imperial is evaluating the standard and its effect on the company's financial statements.

Table of Contents

IMPERIAL OIL LIMITED

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

Operating results

First quarter 2017 vs. first quarter 2016

The company's net income for the first quarter of 2017 was \$333 million or \$0.39 per-share on a diluted basis, an increase of \$434 million compared to the net loss of \$101 million or \$(0.12) per-share for the same period last year.

Upstream recorded a net loss in the first quarter of \$86 million, compared to a net loss of \$448 million in the same period of 2016. Earnings in the first quarter of 2017 reflect the impact of higher Canadian crude oil realizations of about \$600 million, partially offset by higher royalties of about \$80 million, lower volumes of about \$70 million and higher operating expenses of about \$50 million primarily due to higher energy costs.

West Texas Intermediate (WTI) averaged US\$51.78 per barrel in the first quarter of 2017, up from US\$33.63 per barrel in the same quarter of 2016. Western Canada Select (WCS) averaged US\$37.26 per barrel and US\$19.30 per barrel respectively for the same periods. The WTI / WCS differential narrowed to 28 percent in the first quarter of 2017, from 43 percent in the same period of 2016.

The Canadian dollar averaged US\$0.76 in the first quarter of 2017, an increase of US\$0.03 from the first quarter of 2016.

Imperial's average Canadian dollar realizations for bitumen and synthetic crudes increased essentially in line with the North American benchmarks, adjusted for changes in exchange rates and transportation costs. Bitumen realizations averaged \$36.21 per barrel for the first quarter of 2017, an increase of \$24.29 per barrel versus the first quarter of 2016. Synthetic crude realizations averaged \$67.79 per barrel, an increase of \$21.47 per barrel for the same period of 2016.

Gross production of Cold Lake bitumen averaged 158,000 barrels per day in the first quarter, compared to 165,000 barrels per day in the same period last year, mainly due to the timing of steam cycles.

Gross production of Kearl bitumen averaged 182,000 barrels per day in the first quarter (129,000 barrels Imperial's share) compared to 194,000 barrels per day (138,000 barrels Imperial's share) during the first quarter of 2016. Lower production was the result of planned and unplanned maintenance activities.

The company's share of gross production from Syncrude averaged 66,000 barrels per day, compared to 80,000 barrels per day in the first quarter of 2016. Syncrude production was reduced by about 14,000 barrels per day mainly due to a fire at the Syncrude Mildred Lake upgrader.

Downstream net income was \$380 million in the first quarter, compared to \$320 million in the same period of 2016. Earnings increased mainly due to a gain of \$151 million from the sale of a surplus property, partially offset by lower

marketing margins of approximately \$60 million.

Refinery throughput averaged 398,000 barrels per day, unchanged from the same period in 2016.

Petroleum product sales were 486,000 barrels per day, up from 469,000 barrels per day in the first quarter of 2016. Sales growth was primarily driven by the company's focus on securing long-term supply agreements.

Chemical net income was \$45 million in the first quarter, compared to \$49 million in the same quarter of 2016.

Net income effects from Corporate and Other were negative \$6 million in the first quarter, compared to negative \$22 million in the same period of 2016.

Table of Contents

IMPERIAL OIL LIMITED

Liquidity and capital resources

Cash flow generated from operating activities was \$354 million in the first quarter, compared with \$49 million in the corresponding period in 2016, reflecting higher earnings.

Investing activities generated net cash of \$61 million in the first quarter, compared with \$358 million used in the same period of 2016, reflecting lower additions to property, plant and equipment and higher proceeds from asset sales.

Cash used in financing activities was \$134 million in the first quarter, compared with cash from financing activities of \$261 million in the first quarter of 2016. Dividends paid in the first quarter of 2017 were \$127 million. The per-share dividend paid in the first quarter was \$0.15, up from \$0.14 in the same period of 2016.

The company's cash balance was \$672 million at March 31, 2017, versus \$155 million at the end of the first quarter of 2016.

The company has entered into additional long-term pipeline transportation agreements to ship crude oil and products. These agreements, which have a total commitment of about \$2 billion, will support the company's plans for long-term growth. The company expects to fulfill these commitments in the normal course of business.

Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard, *Revenue from Contracts with Customers*. The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements and expands disclosure requirements. The standard is required to be adopted beginning January 1, 2018. The company expects to adopt the standard using the modified retrospective method, under which prior years' results are not restated, but supplemental information on the impact of the new standard is provided for in the 2018 results. Imperial continues to evaluate other areas of the standard. The impact from the standard is not expected to have a material effect on the company's financial statements.

In February 2016, the FASB issued a new standard, *Leases*. The standard requires all leases with an initial term greater than one year be recorded on the balance sheet as a lease asset and lease liability. The standard is required to be adopted beginning January 1, 2019. Imperial is evaluating the standard and its effect on the company's financial statements and plans to adopt it in 2019.

In March 2017, the FASB issued an Accounting Standards Update, 2017-07, Compensation—Retirement Benefits (Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The update requires the service cost component of net benefit costs to be reported in the same line in the income statement as other compensation costs and the other components of net benefit costs to be presented separately from the service cost component. Additionally, only the service cost component of net benefit costs will be eligible for capitalization. The update is required to be adopted beginning January 1, 2018. Imperial is evaluating the standard and its effect on the company's financial statements.

Forward-looking statements

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

Table of Contents

IMPERIAL OIL LIMITED

Item 3. Quantitative and qualitative disclosures about market risk

Information about market risks for the three months ended March 31, 2017, does not differ materially from that discussed on page 22 of the company's annual report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and procedures

As indicated in the certifications in Exhibit 31 of this report, the company's principal executive officer and principal financial officer have evaluated the company's disclosure controls and procedures as of March 31, 2017. 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.

Table of Contents

IMPERIAL OIL LIMITED

PART II. OTHER INFORMATION

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 (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) |
|----------------------|-------------------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| January 2017 | - | - | - | 1,000,000 |
| (Jan 1 – Jan 31) | | | | |
| February 2017 | - | - | - | 1,000,000 |
| (Feb 1 – Feb 28) | | | | |
| March 2017 | - | - | - | 1,000,000 |
| (Mar 1 – Mar 31) | | | | |

(a) On June 22, 2016, the company announced by news release that it had received final approval from the Toronto Stock Exchange for a new normal course issuer bid and will continue its share repurchase program. The new program enables the company to repurchase up to a maximum of 1,000,000 common shares during the period June 27, 2016 to June 26, 2017. The program will end when the company has purchased the maximum allowable number of shares, or on June 26, 2017.

The company will continue to evaluate its share repurchase 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.

Table of Contents

IMPERIAL OIL LIMITED

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)

/s/ Beverley A. Babcock

Date: May 2, 2017

(Signature)

Beverley A. Babcock
Senior Vice-President, Finance
and Administration and
Controller
(Principal Accounting Officer)

/s/ Cathryn Walker

Date: May 2, 2017

(Signature)

Cathryn Walker
Assistant Corporate Secretary