

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2017	2016	2017	2016
<b>Revenues and other income</b>				
Operating revenues (a)	7,134	6,568	21,077	17,967
Investment and other income (note 3)	24	874	270	945
<b>Total revenues and other income</b>	<b>7,158</b>	<b>7,442</b>	<b>21,347</b>	<b>18,912</b>
<b>Expenses</b>				
Exploration	7	16	29	75
Purchases of crude oil and products (b)	4,251	3,857	13,226	10,884
Production and manufacturing (c)	1,338	1,261	4,238	3,842
Selling and general (c)	219	275	626	812
Federal excise tax	438	434	1,253	1,237
Depreciation and depletion	391	398	1,135	1,229
Financing costs (note 5)	18	19	49	52
<b>Total expenses</b>	<b>6,662</b>	<b>6,260</b>	<b>20,556</b>	<b>18,131</b>
<b>Income (loss) before income taxes</b>	<b>496</b>	<b>1,182</b>	<b>791</b>	<b>781</b>
<b>Income taxes</b>	<b>125</b>	<b>179</b>	<b>164</b>	<b>60</b>
<b>Net income (loss)</b>	<b>371</b>	<b>1,003</b>	<b>627</b>	<b>721</b>
<b>Per-share information</b> (Canadian dollars)				
Net income (loss) per common share - basic (note 8)	0.44	1.18	0.74	0.85
Net income (loss) per common share - diluted (note 8)	0.44	1.18	0.74	0.85
Dividends per common share	0.16	0.15	0.47	0.44
(a) Amounts from related parties included in operating revenues.	756	448	2,801	1,457
(b) Amounts to related parties included in purchases of crude oil and products.	604	623	1,919	1,540
(c) Amounts to related parties included in production and manufacturing, and selling and general expenses.	127	133	415	394

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

**IMPERIAL OIL LIMITED**

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	<b>2017</b>	2016	<b>2017</b>	2016
<b>Net income (loss)</b>	<b>371</b>	1,003	<b>627</b>	721
Other comprehensive income (loss), net of income taxes				
Post-retirement benefits liability adjustment (excluding amortization)	-	-	<b>41</b>	100
Amortization of post-retirement benefits liability adjustment included in net periodic benefit costs	<b>34</b>	34	<b>106</b>	108
<b>Total other comprehensive income (loss)</b>	<b>34</b>	34	<b>147</b>	208
<b>Comprehensive income (loss)</b>	<b>405</b>	1,037	<b>774</b>	929

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

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

millions of Canadian dollars	As at Sept 30 <b>2017</b>	As at Dec 31 2016
<b>Assets</b>		
Current assets		
Cash	833	391
Accounts receivable, less estimated doubtful accounts (a)	1,896	2,023
Inventories of crude oil and products	989	949
Materials, supplies and prepaid expenses	441	468
<b>Total current assets</b>	<b>4,159</b>	3,831
Investments and long-term receivables	931	1,030
Property, plant and equipment, less accumulated depreciation and depletion	<b>53,844</b>	53,515
	<b>(18,248)</b>	(17,182)
Property, plant and equipment, net	<b>35,596</b>	36,333
Goodwill	186	186
Other assets, including intangibles, net	498	274
<b>Total assets</b>	<b>41,370</b>	41,654
<b>Liabilities</b>		
Current liabilities		
Notes and loans payable (b)	202	202
Accounts payable and accrued liabilities (a) (note 7)	3,041	3,193
Income taxes payable	59	488
<b>Total current liabilities</b>	<b>3,302</b>	3,883
Long-term debt (c) (note 6)	5,013	5,032
Other long-term obligations (d) (note 7)	3,698	3,656
Deferred income tax liabilities	4,336	4,062
<b>Total liabilities</b>	<b>16,349</b>	16,633
<b>Shareholders' equity</b>		
Common shares at stated value (e) (note 8)	1,547	1,566
Earnings reinvested (note 9)	25,224	25,352
Accumulated other comprehensive income (loss) (note 10)	(1,750)	(1,897)
<b>Total shareholders' equity</b>	<b>25,021</b>	25,021
<b>Total liabilities and shareholders' equity</b>	<b>41,370</b>	41,654

(a) Accounts receivable, less estimated doubtful accounts included net amounts receivable from related parties of \$87 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 \$71 million (2016 - \$104 million).

(e) Number of common shares authorized and outstanding were 1,100 million and 838 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.

Approved by the directors October 31, 2017

*/s/ Richard M. Kruger*

Chairman, president and  
chief executive officer

*/s/ Beverley A. Babcock*

Senior vice-president,  
finance and administration, and controller

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

Inflow (outflow) millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2017	2016	2017	2016
<b>Operating activities</b>				
Net income (loss)	371	1,003	627	721
Adjustments for non-cash items:				
Depreciation and depletion	391	398	1,135	1,229
(Gain) loss on asset sales (note 3)	(6)	(909)	(219)	(952)
Deferred income taxes and other	131	215	294	35
Changes in operating assets and liabilities:				
Accounts receivable	(297)	275	127	(121)
Inventories, materials, supplies and prepaid expenses	104	(7)	(13)	112
Income taxes payable	19	(13)	(429)	-
Accounts payable and accrued liabilities	81	(241)	(159)	(59)
All other items - net (a)	43	51	320	299
<b>Cash flows from (used in) operating activities</b>	<b>837</b>	<b>772</b>	<b>1,683</b>	<b>1,264</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(241)	(189)	(683)	(893)
Proceeds from asset sales (note 3)	8	1,194	230	1,244
Additional investments	(1)	-	(1)	(1)
<b>Cash flows from (used in) investing activities</b>	<b>(234)</b>	<b>1,005</b>	<b>(454)</b>	<b>350</b>
<b>Financing activities</b>				
Short-term debt - net	-	(1,591)	-	(1,679)
Long-term debt - additions (note 6)	-	-	-	495
Reduction in capitalized lease obligations (note 6)	(7)	(6)	(20)	(21)
Dividends paid	(136)	(127)	(390)	(364)
Common shares purchased (note 8)	(250)	-	(377)	-
<b>Cash flows from (used in) financing activities</b>	<b>(393)</b>	<b>(1,724)</b>	<b>(787)</b>	<b>(1,569)</b>
<b>Increase (decrease) in cash</b>	<b>210</b>	<b>53</b>	<b>442</b>	<b>45</b>
<b>Cash at beginning of period</b>	<b>623</b>	<b>195</b>	<b>391</b>	<b>203</b>
<b>Cash at end of period (b)</b>	<b>833</b>	<b>248</b>	<b>833</b>	<b>248</b>
(a) Included contribution to registered pension plans.	(78)	(44)	(176)	(120)
(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.

## 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 nine months ended September 30, 2017, 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

Third Quarter millions of Canadian dollars	Upstream		Downstream		Chemical	
	2017	2016	2017	2016	2017	2016
<b>Revenues and other income</b>						
Operating revenues (a)	1,668	1,316	5,204	4,971	262	281
Intersegment sales	587	709	241	253	62	58
Investment and other income (note 3)	7	1	15	870	-	1
	<b>2,262</b>	<b>2,026</b>	<b>5,460</b>	<b>6,094</b>	<b>324</b>	<b>340</b>
<b>Expenses</b>						
Exploration	7	16	-	-	-	-
Purchases of crude oil and products	947	861	4,014	3,827	179	188
Production and manufacturing	893	887	394	323	51	51
Selling and general	5	(1)	167	238	19	22
Federal excise tax	-	-	438	434	-	-
Depreciation and depletion	330	346	53	46	3	2
Financing costs (note 5)	1	(2)	-	-	-	-
<b>Total expenses</b>	<b>2,183</b>	<b>2,107</b>	<b>5,066</b>	<b>4,868</b>	<b>252</b>	<b>263</b>
<b>Income (loss) before income taxes</b>	<b>79</b>	<b>(81)</b>	<b>394</b>	<b>1,226</b>	<b>72</b>	<b>77</b>
<b>Income taxes</b>	<b>17</b>	<b>(55)</b>	<b>102</b>	<b>224</b>	<b>20</b>	<b>21</b>
<b>Net income (loss)</b>	<b>62</b>	<b>(26)</b>	<b>292</b>	<b>1,002</b>	<b>52</b>	<b>56</b>
<b>Cash flows from (used in) operating activities</b>	<b>479</b>	<b>432</b>	<b>268</b>	<b>264</b>	<b>99</b>	<b>73</b>
<b>Capital and exploration expenditures (b)</b>	<b>92</b>	<b>149</b>	<b>55</b>	<b>38</b>	<b>5</b>	<b>7</b>

Third Quarter millions of Canadian dollars	Corporate and Other		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016
<b>Revenues and other income</b>						
Operating revenues (a)	-	-	-	-	7,134	6,568
Intersegment sales	-	-	(890)	(1,020)	-	-
Investment and other income (note 3)	2	2	-	-	24	874
	<b>2</b>	<b>2</b>	<b>(890)</b>	<b>(1,020)</b>	<b>7,158</b>	<b>7,442</b>
<b>Expenses</b>						
Exploration	-	-	-	-	7	16
Purchases of crude oil and products	-	-	(889)	(1,019)	4,251	3,857
Production and manufacturing	-	-	-	-	1,338	1,261
Selling and general	29	17	(1)	(1)	219	275
Federal excise tax	-	-	-	-	438	434
Depreciation and depletion	5	4	-	-	391	398
Financing costs (note 5)	17	21	-	-	18	19
<b>Total expenses</b>	<b>51</b>	<b>42</b>	<b>(890)</b>	<b>(1,020)</b>	<b>6,662</b>	<b>6,260</b>
<b>Income (loss) before income taxes</b>	<b>(49)</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>496</b>	<b>1,182</b>
<b>Income taxes</b>	<b>(14)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>179</b>
<b>Net income (loss)</b>	<b>(35)</b>	<b>(29)</b>	<b>-</b>	<b>-</b>	<b>371</b>	<b>1,003</b>
<b>Cash flows from (used in) operating activities</b>	<b>(9)</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>837</b>	<b>772</b>
<b>Capital and exploration expenditures (b)</b>	<b>7</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>159</b>	<b>205</b>

(a) Included export sales to the United States of \$1,080 million (2016 - \$941 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.

## IMPERIAL OIL LIMITED

Nine Months to September 30 millions of Canadian dollars	Upstream		Downstream		Chemical	
	2017	2016	2017	2016	2017	2016
<b>Revenues and other income</b>						
Operating revenues (a)	5,166	3,699	15,087	13,470	824	798
Intersegment sales	1,494	1,516	792	689	191	156
Investment and other income (note 3)	17	22	248	919	(1)	1
	<b>6,677</b>	<b>5,237</b>	<b>16,127</b>	<b>15,078</b>	<b>1,014</b>	<b>955</b>
<b>Expenses</b>						
Exploration	29	75	-	-	-	-
Purchases of crude oil and products	3,089	2,584	12,037	10,139	573	518
Production and manufacturing	2,917	2,634	1,169	1,059	152	149
Selling and general	1	(3)	540	729	60	63
Federal excise tax	-	-	1,253	1,237	-	-
Depreciation and depletion	964	1,053	148	158	9	6
Financing costs (note 5)	5	(6)	-	-	-	-
<b>Total expenses</b>	<b>7,005</b>	<b>6,337</b>	<b>15,147</b>	<b>13,322</b>	<b>794</b>	<b>736</b>
<b>Income (loss) before income taxes</b>	<b>(328)</b>	<b>(1,100)</b>	<b>980</b>	<b>1,756</b>	<b>220</b>	<b>219</b>
<b>Income taxes</b>	<b>(103)</b>	<b>(336)</b>	<b>230</b>	<b>363</b>	<b>59</b>	<b>59</b>
<b>Net income (loss)</b>	<b>(225)</b>	<b>(764)</b>	<b>750</b>	<b>1,393</b>	<b>161</b>	<b>160</b>
<b>Cash flows from (used in) operating activities</b>	<b>904</b>	<b>32</b>	<b>626</b>	<b>1,028</b>	<b>176</b>	<b>205</b>
<b>Capital and exploration expenditures (b)</b>	<b>286</b>	<b>745</b>	<b>128</b>	<b>145</b>	<b>12</b>	<b>21</b>
<b>Total assets as at September 30</b>	<b>35,387</b>	<b>36,975</b>	<b>4,671</b>	<b>4,403</b>	<b>365</b>	<b>379</b>

Nine Months to September 30 millions of Canadian dollars	Corporate and Other		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016
<b>Revenues and other income</b>						
Operating revenues (a)	-	-	-	-	21,077	17,967
Intersegment sales	-	-	(2,477)	(2,361)	-	-
Investment and other income (note 3)	6	3	-	-	270	945
	<b>6</b>	<b>3</b>	<b>(2,477)</b>	<b>(2,361)</b>	<b>21,347</b>	<b>18,912</b>
<b>Expenses</b>						
Exploration	-	-	-	-	29	75
Purchases of crude oil and products	-	-	(2,473)	(2,357)	13,226	10,884
Production and manufacturing	-	-	-	-	4,238	3,842
Selling and general	29	27	(4)	(4)	626	812
Federal excise tax	-	-	-	-	1,253	1,237
Depreciation and depletion	14	12	-	-	1,135	1,229
Financing costs (note 5)	44	58	-	-	49	52
<b>Total expenses</b>	<b>87</b>	<b>97</b>	<b>(2,477)</b>	<b>(2,361)</b>	<b>20,556</b>	<b>18,131</b>
<b>Income (loss) before income taxes</b>	<b>(81)</b>	<b>(94)</b>	<b>-</b>	<b>-</b>	<b>791</b>	<b>781</b>
<b>Income taxes</b>	<b>(22)</b>	<b>(26)</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>60</b>
<b>Net income (loss)</b>	<b>(59)</b>	<b>(68)</b>	<b>-</b>	<b>-</b>	<b>627</b>	<b>721</b>
<b>Cash flows from (used in) operating activities</b>	<b>(23)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>1,683</b>	<b>1,264</b>
<b>Capital and exploration expenditures (b)</b>	<b>29</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>455</b>	<b>948</b>
<b>Total assets as at September 30</b>	<b>1,283</b>	<b>674</b>	<b>(336)</b>	<b>(337)</b>	<b>41,370</b>	<b>42,094</b>

(a) Included export sales to the United States of \$3,024 million (2016 - \$2,704 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.

### 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	
	2017	2016	2017	2016
Proceeds from asset sales	8	1,194	230	1,244
Book value of asset sales	2	285	12	292
Gain (loss) on asset sales, before tax (a) (b)	6	909	219	952
Gain (loss) on asset sales, after tax (a) (b)	5	774	191	808

- (a) The nine months ended September 30, 2017 included a gain of \$174 million (\$151 million after tax) for the sale of a surplus property in Ontario.
- (b) Third quarter and nine months ended September 30, 2016, included gains of \$0.8 billion (\$0.7 billion, after tax) from the sale of company-owned Esso retail sites in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland.

### 4. Employee retirement benefits

The components of net benefit cost were as follows:

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2017	2016	2017	2016
Pension benefits:				
Current service cost	54	50	163	152
Interest cost	77	82	235	240
Expected return on plan assets	(104)	(101)	(306)	(300)
Amortization of prior service cost	2	2	7	7
Amortization of actuarial loss (gain)	43	39	132	121
Net periodic benefit cost	72	72	231	220
Other post-retirement benefits:				
Current service cost	4	4	12	12
Interest cost	6	7	18	20
Amortization of actuarial loss (gain)	2	3	6	10
Net periodic benefit cost	12	14	36	42

### 5. Financing costs and additional notes and loans payable information

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2017	2016	2017	2016
Debt-related interest	24	32	73	95
Capitalized interest	(7)	(11)	(29)	(37)
Net interest expense	17	21	44	58
Other interest	1	(2)	5	(6)
Total financing costs	18	19	49	52

## 6. Long-term debt

	As at Sept 30 <b>2017</b>	As at Dec 31 2016
millions of Canadian dollars		
Long-term debt	<b>4,447</b>	4,447
Capital leases	<b>566</b>	585
Total long-term debt	<b>5,013</b>	5,032

## 7. Other long-term obligations

	As at Sept 30 <b>2017</b>	As at Dec 31 2016
millions of Canadian dollars		
Employee retirement benefits (a)	<b>1,410</b>	1,645
Asset retirement obligations and other environmental liabilities (b)	<b>1,577</b>	1,544
Share-based incentive compensation liabilities	<b>138</b>	139
Other obligations	<b>573</b>	328
Total other long-term obligations	<b>3,698</b>	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. Common shares

	As of Sept 30 <b>2017</b>	As of Dec 31 2016
thousands of shares		
Authorized	<b>1,100,000</b>	1,100,000
Common shares outstanding	<b>837,581</b>	847,599

From 1995 through September 2017, the company had a series of 12-month normal course issuer bid share purchase programs. Cumulatively, 916,563 thousand shares were purchased under these programs. Exxon Mobil Corporation's participation in these programs, including concurrent programs outside the normal course issuer bids, maintained its ownership interest in Imperial at approximately 69.6 percent.

The current 12-month normal course issuer bid program was announced on June 22, 2017, under which Imperial plans to continue its share purchase program. The program enables the company to purchase up to a maximum of 25,395,927 common shares (3 percent of the total shares on June 13, 2017), which 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 results of these activities are as shown below:

year	Purchased shares thousands	Millions of dollars
1995 - 2015	<b>906,544</b>	<b>15,708</b>
2016 - Third quarter	-	-
- Full year	<b>1</b>	-
2017 - Third quarter	<b>6,732</b>	<b>250</b>
- Year-to-date	<b>10,018</b>	<b>377</b>
Cumulative purchase to date	<b>916,563</b>	<b>16,085</b>

## IMPERIAL OIL LIMITED

The excess of the purchase cost over the stated value of shares purchased has been recorded as a distribution of earnings reinvested.

The following table provides the calculation of net income per common share:

	Third Quarter		Nine Months to September 30	
	2017	2016	2017	2016
<b>Net income (loss) per common share - basic</b>				
Net income (loss) (millions of Canadian dollars)	371	1,003	627	721
Weighted average number of common shares outstanding (millions of shares)	841.8	847.6	845.5	847.6
Net income (loss) per common share (dollars)	0.44	1.18	0.74	0.85
<b>Net income (loss) per common share - diluted</b>				
Net income (loss) (millions of Canadian dollars)	371	1,003	627	721
Weighted average number of common shares outstanding (millions of shares)	841.8	847.6	845.5	847.6
Effect of employee share-based awards (millions of shares)	3.1	3.2	2.9	3.0
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	844.9	850.8	848.4	850.6
Net income (loss) per common share (dollars)	0.44	1.18	0.74	0.85

### 9. Earnings reinvested

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2017	2016	2017	2016
Earnings reinvested at beginning of period	25,224	23,160	25,352	23,687
Net income (loss) for the period	371	1,003	627	721
Share purchases in excess of stated value	(237)	-	(358)	-
Dividends declared	(134)	(127)	(397)	(373)
Earnings reinvested at end of period	25,224	24,036	25,224	24,036

## 10. 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	106	108
Balance at September 30	(1,750)	(1,620)

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

millions of Canadian dollars	Third Quarter		Nine Months to September 30	
	2017	2016	2017	2016
Amortization of post-retirement benefits liability adjustment included in net periodic benefit cost (a)	(47)	(44)	(145)	(138)

(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	
	2017	2016	2017	2016
Post-retirement benefits liability adjustments:				
Post-retirement benefits liability adjustment (excluding amortization)	-	-	16	37
Amortization of post-retirement benefits liability adjustment included in net periodic benefit cost	13	10	39	30
Total	13	10	55	67

## 11. 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 will be included in the 2018 results. 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 that the service cost component of net benefit costs be reported in the same line in the income statement as other compensation costs and that the other components of net benefit costs be presented separately from the service cost component. Additionally, only the service cost component of net benefit costs will be eligible for capitalization. Imperial will adopt the update beginning January 1, 2018. As a result of Imperial's adoption of the update, the company expects to add a new line Non-service pension and other postretirement benefit expense to its consolidated statement of income. This line would reflect the other components of net benefit costs as described in the Accounting

## IMPERIAL OIL LIMITED

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Standards Update and would include amounts that were previously included in Production and manufacturing expenses, and Selling and general expenses. As of January 1, 2018, these costs will no longer be considered for capitalization. The impact from this change on the company's net income is not expected to be material. Furthermore, as part of the adoption of the update, the company expects it will include all of these costs in its Corporate and Other expenses.