

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

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Revenues and other income				
Operating revenues (a)	6,985	6,225	13,943	11,399
Investment and other income (note 3)	48	23	246	71
Total revenues and other income	7,033	6,248	14,189	11,470
Expenses				
Exploration	-	42	22	59
Purchases of crude oil and products (b)	4,642	4,041	8,975	7,027
Production and manufacturing (c)	1,525	1,310	2,900	2,581
Selling and general (c)	201	267	407	537
Federal excise tax	421	415	815	803
Depreciation and depletion	352	407	744	831
Financing costs (note 5)	17	18	31	33
Total expenses	7,158	6,500	13,894	11,871
Income (loss) before income taxes	(125)	(252)	295	(401)
Income taxes	(48)	(71)	39	(119)
Net income (loss)	(77)	(181)	256	(282)
Per-share information (Canadian dollars)				
Net income (loss) per common share - basic (note 8)	(0.09)	(0.21)	0.30	(0.33)
Net income (loss) per common share - diluted (note 8)	(0.09)	(0.21)	0.30	(0.33)
Dividends per common share	0.16	0.15	0.31	0.29
(a) Amounts from related parties included in operating revenues.	1,008	446	2,045	1,009
(b) Amounts to related parties included in purchases of crude oil and products.	706	286	1,315	917
(c) Amounts to related parties included in production and manufacturing, and selling and general expenses.	147	157	288	261

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	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Net income (loss)	(77)	(181)	256	(282)
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	33	72	74
Total other comprehensive income (loss)	36	33	113	174
Comprehensive income (loss)	(41)	(148)	369	(108)

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 June 30 2017	As at Dec 31 2016
Assets		
Current assets		
Cash	623	391
Accounts receivable, less estimated doubtful accounts (a)	1,599	2,023
Inventories of crude oil and products	1,044	949
Materials, supplies and prepaid expenses	490	468
Total current assets	3,756	3,831
Investments and long-term receivables	907	1,030
Property, plant and equipment, less accumulated depreciation and depletion	53,734	53,515
Property, plant and equipment, net	(17,888)	(17,182)
Goodwill	35,846	36,333
Other assets, including intangibles, net	186	186
Total assets	41,105	41,654
Liabilities		
Current liabilities		
Notes and loans payable (b)	203	202
Accounts payable and accrued liabilities (a) (note 7)	2,962	3,193
Income taxes payable	40	488
Total current liabilities	3,205	3,883
Long-term debt (c) (note 6)	5,019	5,032
Other long-term obligations (d) (note 7)	3,678	3,656
Deferred income tax liabilities	4,203	4,062
Total liabilities	16,105	16,633
Shareholders' equity		
Common shares at stated value (e) (note 8)	1,560	1,566
Earnings reinvested (note 9)	25,224	25,352
Accumulated other comprehensive income (loss) (note 10)	(1,784)	(1,897)
Total shareholders' equity	25,000	25,021
Total liabilities and shareholders' equity	41,105	41,654

(a) Accounts receivable, less estimated doubtful accounts included net amounts receivable from related parties of \$126 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 \$82 million (2016 - \$104 million).

(e) Number of common shares authorized and outstanding were 1,100 million and 844 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 August 1, 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	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Operating activities				
Net income (loss)	(77)	(181)	256	(282)
Adjustments for non-cash items:				
Depreciation and depletion	352	407	744	831
(Gain) loss on asset sales (note 3)	(31)	(13)	(213)	(43)
Deferred income taxes and other	(37)	(98)	163	(180)
Changes in operating assets and liabilities:				
Accounts receivable	146	(338)	424	(396)
Inventories, materials, supplies and prepaid expenses	(45)	151	(117)	119
Income taxes payable	16	22	(448)	13
Accounts payable and accrued liabilities	(30)	371	(240)	182
All other items - net (a)	198	122	277	248
Cash flows from (used in) operating activities	492	443	846	492
Investing activities				
Additions to property, plant and equipment	(320)	(313)	(442)	(704)
Proceeds from asset sales (note 3)	39	17	222	50
Additional investments	-	(1)	-	(1)
Cash flows from (used in) investing activities	(281)	(297)	(220)	(655)
Financing activities				
Short-term debt - net	-	20	-	(88)
Long-term debt - additions (note 6)	-	-	-	495
Reduction in capitalized lease obligations	(6)	(8)	(13)	(15)
Dividends paid	(127)	(118)	(254)	(237)
Common shares purchased (note 8)	(127)	-	(127)	-
Cash flows from (used in) financing activities	(260)	(106)	(394)	155
Increase (decrease) in cash	(49)	40	232	(8)
Cash at beginning of period	672	155	391	203
Cash at end of period (b)	623	195	623	195
(a) Included contribution to registered pension plans.	(58)	(45)	(98)	(76)

(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 six months ended June 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

Second Quarter millions of Canadian dollars	Upstream		Downstream		Chemical	
	2017	2016	2017	2016	2017	2016
Revenues and other income						
Operating revenues (a)	1,787	1,403	4,909	4,559	289	263
Intersegment sales	289	328	242	211	62	54
Investment and other income (note 3)	5	2	42	20	(2)	-
	2,081	1,733	5,193	4,790	349	317
Expenses						
Exploration	-	42	-	-	-	-
Purchases of crude oil and products	1,026	905	4,014	3,555	193	171
Production and manufacturing	1,051	838	426	421	48	51
Selling and general	(7)	(3)	185	253	19	19
Federal excise tax	-	-	421	415	-	-
Depreciation and depletion	298	350	47	51	3	2
Financing costs (note 5)	-	(1)	-	-	-	-
Total expenses	2,368	2,131	5,093	4,695	263	243
Income (loss) before income taxes	(287)	(398)	100	95	86	74
Income taxes	(86)	(108)	22	24	22	19
Net income (loss)	(201)	(290)	78	71	64	55
Cash flows from (used in) operating activities	117	82	302	295	100	72
Capital and exploration expenditures (b)	91	250	39	64	3	8

Second Quarter millions of Canadian dollars	Corporate and Other		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016
Revenues and other income						
Operating revenues (a)	-	-	-	-	6,985	6,225
Intersegment sales	-	-	(593)	(593)	-	-
Investment and other income (note 3)	3	1	-	-	48	23
	3	1	(593)	(593)	7,033	6,248
Expenses						
Exploration	-	-	-	-	-	42
Purchases of crude oil and products	-	-	(591)	(590)	4,642	4,041
Production and manufacturing	-	-	-	-	1,525	1,310
Selling and general	6	1	(2)	(3)	201	267
Federal excise tax	-	-	-	-	421	415
Depreciation and depletion	4	4	-	-	352	407
Financing costs (note 5)	17	19	-	-	17	18
Total expenses	27	24	(593)	(593)	7,158	6,500
Income (loss) before income taxes	(24)	(23)	-	-	(125)	(252)
Income taxes	(6)	(6)	-	-	(48)	(71)
Net income (loss)	(18)	(17)	-	-	(77)	(181)
Cash flows from (used in) operating activities	(27)	(6)	-	-	492	443
Capital and exploration expenditures (b)	10	13	-	-	143	335

(a) Included export sales to the United States of \$1,045 million (2016 - \$966 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.

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Six Months to June 30 millions of Canadian dollars	Upstream		Downstream		Chemical	
	2017	2016	2017	2016	2017	2016
Revenues and other income						
Operating revenues (a)	3,498	2,383	9,883	8,499	562	517
Intersegment sales	907	807	551	436	129	98
Investment and other income (note 3)	10	21	233	49	(1)	-
	4,415	3,211	10,667	8,984	690	615
Expenses						
Exploration	22	59	-	-	-	-
Purchases of crude oil and products	2,142	1,723	8,023	6,312	394	330
Production and manufacturing	2,024	1,747	775	736	101	98
Selling and general	(4)	(2)	373	491	41	41
Federal excise tax	-	-	815	803	-	-
Depreciation and depletion	634	707	95	112	6	4
Financing costs (note 5)	4	(4)	-	-	-	-
Total expenses	4,822	4,230	10,081	8,454	542	473
Income (loss) before income taxes	(407)	(1,019)	586	530	148	142
Income taxes	(120)	(281)	128	139	39	38
Net income (loss)	(287)	(738)	458	391	109	104
Cash flows from (used in) operating activities	425	(400)	358	764	77	132
Capital and exploration expenditures (b)	194	596	73	107	7	14
Total assets as at June 30	35,527	37,166	4,334	5,239	384	393

Six Months to June 30 millions of Canadian dollars	Corporate and Other		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016
Revenues and other income						
Operating revenues (a)	-	-	-	-	13,943	11,399
Intersegment sales	-	-	(1,587)	(1,341)	-	-
Investment and other income (note 3)	4	1	-	-	246	71
	4	1	(1,587)	(1,341)	14,189	11,470
Expenses						
Exploration	-	-	-	-	22	59
Purchases of crude oil and products	-	-	(1,584)	(1,338)	8,975	7,027
Production and manufacturing	-	-	-	-	2,900	2,581
Selling and general	-	10	(3)	(3)	407	537
Federal excise tax	-	-	-	-	815	803
Depreciation and depletion	9	8	-	-	744	831
Financing costs (note 5)	27	37	-	-	31	33
Total expenses	36	55	(1,587)	(1,341)	13,894	11,871
Income (loss) before income taxes	(32)	(54)	-	-	295	(401)
Income taxes	(8)	(15)	-	-	39	(119)
Net income (loss)	(24)	(39)	-	-	256	(282)
Cash flows from (used in) operating activities	(14)	(4)	-	-	846	492
Capital and exploration expenditures (b)	22	26	-	-	296	743
Total assets as at June 30	1,071	662	(211)	(216)	41,105	43,244

(a) Included export sales to the United States of \$1,944 million (2016 - \$1,763 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	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Proceeds from asset sales	39	17	222	50
Book value of assets sold	9	4	10	7
Gain (loss) on asset sales, before tax (a)	31	13	213	43
Gain (loss) on asset sales, after tax (a)	28	10	186	34

(a) The six months ended June 30, 2017 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	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Pension benefits:				
Current service cost	54	51	109	102
Interest cost	79	79	158	158
Expected return on plan assets	(101)	(100)	(202)	(199)
Amortization of prior service cost	2	3	5	5
Amortization of actuarial loss (gain)	45	41	89	82
Net periodic benefit cost	79	74	159	148
Other post-retirement benefits:				
Current service cost	4	4	8	8
Interest cost	6	6	12	13
Amortization of actuarial loss (gain)	2	4	4	7
Net periodic benefit cost	12	14	24	28

The company expects to make contributions in 2017 of about \$281 million to funded registered pension plans, an increase of \$64 million from the year-end 2016 estimate of \$217 million.

5. Financing costs and additional notes and loans payable information

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Debt-related interest	27	32	49	63
Capitalized interest	(10)	(13)	(22)	(26)
Net interest expense	17	19	27	37
Other interest	-	(1)	4	(4)
Total financing costs	17	18	31	33

6. Long-term debt

	As at June 30 2017	As at Dec 31 2016
millions of Canadian dollars		
Long-term debt	4,447	4,447
Capital leases	572	585
Total long-term debt	5,019	5,032

7. Other long-term obligations

	As at June 30 2017	As at Dec 31 2016
millions of Canadian dollars		
Employee retirement benefits (a)	1,468	1,645
Asset retirement obligations and other environmental liabilities (b)	1,588	1,544
Share-based incentive compensation liabilities	124	139
Other obligations	498	328
Total other long-term obligations	3,678	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 June 30 2017	As of Dec 31 2016
thousands of shares		
Authorized	1,100,000	1,100,000
Common shares outstanding	844,313	847,599

From 1995 through June 2017, the company purchased shares under a series of 12-month normal course issuer bid share purchase programs, as well as an auction tender. Exxon Mobil Corporation's participation in these programs, including its participation in concurrent programs outside the normal course issuer bids, maintained its ownership interest in Imperial at approximately 69.6 percent. On June 22, 2017, the company announced another 12-month normal course issuer bid program and will continue its existing 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	906,544	15,708
2016 - Second quarter	-	-
- Full year	1	-
2017 - Second quarter	3,286	127
- Year-to-date	3,286	127
Cumulative purchase to date	909,831	15,835

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

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

	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Net income (loss) per common share - basic				
Net income (loss) (millions of Canadian dollars)	(77)	(181)	256	(282)
Weighted average number of common shares outstanding (millions of shares)	847.0	847.6	847.3	847.6
Net income (loss) per common share (dollars)	(0.09)	(0.21)	0.30	(0.33)
Net income (loss) per common share - diluted				
Net income (loss) (millions of Canadian dollars)	(77)	(181)	256	(282)
Weighted average number of common shares outstanding (millions of shares)	847.0	847.6	847.3	847.6
Effect of employee share-based awards (millions of shares)	2.9	3.0	2.8	2.9
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	849.9	850.6	850.1	850.5
Net income (loss) per common share (dollars)	(0.09)	(0.21)	0.30	(0.33)

9. Earnings reinvested

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Earnings reinvested at beginning of period	25,558	23,467	25,352	23,687
Net income (loss) for the period	(77)	(181)	256	(282)
Share purchases in excess of stated value	(121)	-	(121)	-
Dividends declared	(136)	(127)	(263)	(246)
Earnings reinvested at end of period	25,224	23,160	25,224	23,160

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	72	74
Balance at June 30	(1,784)	(1,654)

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

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2017	2016	2017	2016
Amortization of post-retirement benefits liability adjustment included in net periodic benefit cost (a)	(49)	(48)	(98)	(94)

(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	Second Quarter		Six Months to June 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	15	26	20
Total	13	15	42	57

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 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.