



# Quarterly report 1

FOR THE THREE MONTHS ENDED MARCH 31, 2008

## Imperial Oil announces first-quarter financial and operating results

**Calgary, May 1, 2008** – Imperial Oil today announced net income for the first quarter of 2008 of \$681 million or \$0.75 a share, compared with \$774 million or \$0.81 a share for the same period last year.

Earnings in the first quarter were lower than the same quarter of 2007 as higher Upstream earnings were more than offset by lower Downstream earnings. In the Upstream, higher crude oil and natural gas commodity prices were partially offset by the negative impacts of lower conventional volumes from expected reservoir decline, lower Syncrude volumes, higher royalties and a stronger Canadian dollar. Earnings in the Upstream were also negatively impacted by lower gains from asset divestments. The negative impacts of lower overall industry refining margins, unplanned shutdown at the Strathcona refinery and a stronger Canadian dollar contributed to lower Downstream earnings.

Operating revenues were \$7,231 million in the first quarter, compared with \$5,767 million in the corresponding period last year. Capital and exploration expenditures were \$300 million in the first quarter, compared with \$216 million during the same quarter of 2007. During the quarter, the company repurchased about 11 million shares for \$590 million. At March 31, the company's balance of cash and marketable securities was \$590 million, compared with \$1,208 million at the end of 2007.

“Despite a number of challenges faced during the quarter, Imperial remains in an enviable position as we continued to add to our inventory of high-quality development opportunities,” said Bruce March, Imperial’s chief executive officer. “The combination of financial strength, technology advantage, proven business model and superior mix of skills and assets set the stage for continued growth in shareholder value,” March added.

Imperial Oil is one of Canada’s largest corporations and a leading member of the country’s petroleum industry. It is one of the country’s largest producers of crude oil and natural gas, is the largest petroleum refiner, and has a leading market share in petroleum products sold through a coast-to-coast supply network that includes about 1,900 service stations.

## **Highlights/Items of interest**

### **Exploration parcel acquired**

In recent land sales, Imperial, together with ExxonMobil Canada, acquired exploration rights in the natural gas prone Horn River area of northeastern British Columbia. Since September 2007, the companies have acquired total licence holdings of about 115,000 acres. The licences, in which the company and ExxonMobil Canada each have a 50-percent interest, are located about 70 kilometres northeast of Fort Nelson, British Columbia.

### **Kearl oil sands project - regulatory update**

In March, the Federal court ordered the joint federal and provincial review panel that had previously granted approval for the company's proposed Kearl oil sands project to provide rationale for the greenhouse gas emissions aspect of its conclusions. Following this, the Federal Department of Fisheries notified the company that a permit it had issued earlier this year for the project had been nullified. The company is working to resolve this matter and is continuing to advance the project including further progress in engineering work consistent with the terms of the other permits and approvals that have been granted.

### **Imperial sells Rainbow Pipeline in northern Alberta**

In April, the company and co-owners entered into an agreement to sell Rainbow Pipe Line Co. Ltd., in which the company has a one-third equity interest, for about \$540 million in total, subject to closing adjustments including the sale of the crude oil line-fill currently estimated at an additional \$120 million. The transaction is expected to close in the second quarter of 2008 subject to closing conditions and regulatory approvals.

## IMPERIAL OIL LIMITED

### FINANCIAL HIGHLIGHTS (unaudited)

	Three months to March 31	
	2008	2007
Net income (U.S. GAAP, millions of dollars)		
Upstream	650	563
Downstream	30	198
Chemical	24	28
Corporate and other	(23)	(15)
Net income (U.S. GAAP)	681	774
Cash flow from operating activities	298	275
Capital and exploration expenditures	300	216
Per-share information (dollars)		
Net income - basic	0.76	0.82
Net income - diluted	0.75	0.81
Dividends	0.09	0.08
Share prices - close at March 31		
Toronto Stock Exchange (Canadian dollars)	53.80	42.80
American Stock Exchange (U.S. dollars)	52.26	37.12

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

#### OPERATING RESULTS

The company's net income for the first quarter of 2008 was \$681 million or \$0.75 a share on a diluted basis, compared with \$774 million or \$0.81 a share for the same period last year.

Earnings in the first quarter were lower than the same quarter of 2007 as higher Upstream earnings were more than offset by lower Downstream earnings. In the Upstream, higher crude oil and natural gas commodity prices were partially offset by the negative impacts of lower conventional volumes from expected reservoir decline, lower Syncrude volumes, higher royalties and a stronger Canadian dollar. Earnings in the Upstream were also negatively impacted by lower gains from asset divestments. The negative impacts of lower overall industry refining margins, unplanned shutdown at the Strathcona refinery and a stronger Canadian dollar contributed to lower Downstream earnings.

#### **Upstream**

Net income from Upstream in the first quarter was \$650 million, \$87 million higher than the same period in 2007. Increased earnings were primarily due to higher crude oil and natural gas commodity prices totaling about \$600 million. Improved realizations were partially offset by the negative impacts of lower conventional upstream volumes from expected reservoir decline of about \$120 million, lower Syncrude volumes of about \$60 million, higher royalties of about \$100 million and a stronger Canadian dollar of about \$110 million. Earnings were also negatively impacted by lower gains from asset divestments of about \$90 million and higher production and exploration expenses of about \$50 million.

## IMPERIAL OIL LIMITED

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

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In U.S. dollars, both Brent crude oil prices and average Cold Lake heavy oil realizations were higher by about 70 percent and 85 percent, respectively, in the first quarter compared with the same quarter last year. However, the effect of a stronger Canadian dollar dampened improvements in the company's average realizations for conventional crude oil to 50 percent and for Cold Lake heavy oil to about 55 percent in the first quarter of 2008.

The company's average realizations for natural gas averaged \$8.00 a thousand cubic feet in the first quarter, up from \$7.75 in the same quarter last year.

Total gross production of crude oil and NGLs in the first quarter was 260 thousand barrels a day, versus 266 thousand barrels in the first quarter of 2007.

Gross production of Cold Lake heavy oil averaged 154 thousand barrels a day during the first quarter, versus 144 thousand barrels in the same quarter last year. Higher production in 2008 was due to the cyclic nature of production at Cold Lake and increased volumes from the ongoing development drilling program.

The company's share of Syncrude's gross production was 67 thousand barrels a day in the first quarter compared with 74 thousand barrels during the same period a year ago. Production was temporarily reduced during the quarter as a result of unplanned shutdowns of several operating units, the recovery of which was aggravated by extremely cold temperatures. These operating units returned to normal production during the quarter.

In the first quarter, gross production of conventional crude oil averaged 27 thousand barrels a day, down from 30 thousand barrels a day in the same period last year primarily due to natural reservoir decline in the Western Canadian Basin.

Gross production of NGLs available for sale was 12 thousand barrels a day in the first quarter, down from 18 thousand barrels in the same quarter last year, mainly due to the decline, as expected, in production from the gas cap at Wizard Lake.

Gross production of natural gas during the first quarter of 2008 decreased to 325 million cubic feet a day from 525 million cubic feet in the same period last year. The lower production volume was primarily due to decline, as expected, in production from the gas cap at Wizard Lake, which is largely complete.

In March, the Federal court ordered the joint federal and provincial review panel that had previously granted approval for the company's proposed Kearl oil sands project to provide rationale for the greenhouse gas emissions aspect of its conclusions. The judgment did not direct the company to undertake or refrain from taking any particular course of action nor did it direct the project approval be altered in any way. Following this, the Federal Department of Fisheries notified the company that a permit it had issued earlier this year for the project had been nullified. The company is working to resolve this matter and is continuing to advance the project including further progress in engineering work consistent with the terms of the other permits and approvals that have been granted.

## IMPERIAL OIL LIMITED

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

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In recent land sales, Imperial, together with ExxonMobil Canada, acquired exploration rights in the natural gas prone Horn River area of northeastern British Columbia. Since September 2007, the companies have acquired total licence holdings of about 115,000 acres. The licences, in which the company and ExxonMobil Canada each have a 50-percent interest, are located about 70 kilometres northeast of Fort Nelson, British Columbia.

#### **Downstream**

Net income from Downstream was \$30 million in the first quarter of 2008, compared with \$198 million in the same period a year ago. Lower earnings were primarily driven by lower overall industry refining margins of about \$145 million and the negative impact of a stronger Canadian dollar of about \$20 million. As well, conversion units at the Strathcona refinery were shutdown for part of the quarter which temporarily reduced the availability of refined products in Western Canada. The Strathcona refinery returned to normal operation in early April. The impact on first quarter earnings was largely offset by the absence of operational events last year.

In April, the company and co-owners entered into an agreement to sell Rainbow Pipe Line Co. Ltd., in which the company has a one-third equity interest, for about \$540 million in total, subject to closing adjustments including the sale of the crude-oil line fill currently estimated at an additional \$120 million. The transaction is expected to close in the second quarter of 2008 subject to closing conditions and regulatory approvals.

#### **Chemical**

Net income from Chemical was \$24 million in the first quarter, compared with \$28 million in the same quarter last year. Lower earnings were primarily due to lower margins for intermediate and other chemical products partially offset by higher margins for polyethylene products.

#### **Corporate and other**

Net income from Corporate and other was negative \$23 million in the first quarter, compared with negative \$15 million in the same period of 2007. Unfavourable earnings effects were primarily due to higher share-based compensation charges.

### **LIQUIDITY AND CAPITAL RESOURCES**

Cash flow from operating activities was \$298 million during the first quarter of 2008, an increase of \$23 million from the same period last year. The favourable impact of the timing of income tax payments and the net effects of higher commodity prices on receivable and payable balances were essentially offset by higher seasonal inventory builds.

Capital and exploration expenditures were \$300 million in the first quarter, compared with \$216 million during the same quarter of 2007. For the Upstream segment, capital and exploration expenditures included ongoing development drilling at Cold Lake to maintain and expand production capacity, advancing the Kearl oil sands project, investments in facilities improvement at Syncrude and drilling at conventional fields in Western Canada. The Downstream segment's capital expenditures were mainly on projects to improve operating efficiency.

## IMPERIAL OIL LIMITED

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

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During the first quarter of 2008, the company repurchased about 11 million shares for \$590 million. Under the current share repurchase program, which began on June 25, 2007, the company has purchased about 36 million shares.

Cash dividends of \$82 million were paid in the first quarter of 2008 compared with dividends of \$76 million in the first quarter of 2007. Per-share dividends declared in the first quarter was \$0.09, up from \$0.08 in 2007.

The above factors led to a decrease in the company's balance of cash and marketable securities to \$590 million at March 31, 2008, from \$1,208 million at the end of 2007.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Information about market risks for the three months ended March 31, 2008 does not differ materially from that discussed on page 33 in the company's annual report to shareholders for the year ended December 31, 2007, except for the following:

Earnings sensitivity (a) millions of dollars after tax	
Ten cents decrease (increase) in the value of the Canadian dollar versus the U.S. dollar	+ (-) 560

The sensitivity of net income to changes in the Canadian dollar versus the U.S. dollar increased from 2007 year-end by about \$16 million (after tax) for each one-cent difference. This was primarily due to the narrowing price spread between light crude oil and Cold Lake heavy oil.

(a) The amount quoted to illustrate the impact of the sensitivity represents a change of about 10 percent in the value of the commodity at the end of the first quarter 2008. The sensitivity calculation shows the impact on annual net income that results from a change in one factor, after tax and royalties and holding all other factors constant. While the sensitivity is applicable under current conditions, it may not apply proportionately to larger fluctuations.

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This report may contain forward-looking information. Actual results could differ materially due to market conditions, changes in law or government 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.

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**CONSOLIDATED STATEMENT OF INCOME**

(U.S. GAAP, unaudited)

	Three months to March 31	
millions of Canadian dollars	<b>2008</b>	2007
<b>REVENUES AND OTHER INCOME</b>		
Operating revenues (a)(b)	<b>7,231</b>	5,767
Investment and other income (4)	<b>32</b>	167
<b>TOTAL REVENUES AND OTHER INCOME</b>	<b>7,263</b>	5,934
<b>EXPENSES</b>		
Exploration	<b>40</b>	28
Purchases of crude oil and products (c)	<b>4,496</b>	3,153
Production and manufacturing (5)(d)	<b>977</b>	846
Selling and general (5)	<b>295</b>	286
Federal excise tax (a)	<b>312</b>	305
Depreciation and depletion	<b>181</b>	189
Financing costs (6)(e)	<b>(3)</b>	12
<b>TOTAL EXPENSES</b>	<b>6,298</b>	4,819
<b>INCOME BEFORE INCOME TAXES</b>	<b>965</b>	1,115
<b>INCOME TAXES</b>	<b>284</b>	341
<b>NET INCOME (3)</b>	<b>681</b>	774
NET INCOME PER COMMON SHARE - BASIC (dollars) (8)	<b>0.76</b>	0.82
NET INCOME PER COMMON SHARE - DILUTED (dollars) (8)	<b>0.75</b>	0.81
DIVIDENDS PER COMMON SHARE (dollars) (8)	<b>0.09</b>	0.08
(a) Federal excise tax included in operating revenues	312	305
(b) Amounts from related parties included in operating revenues	591	439
(c) Amounts to related parties included in purchases of crude oil and products	1,259	654
(d) Amounts to related parties included in production and manufacturing expenses	47	43
(e) Amounts to related parties included in financing costs	-	9

The notes to the financial statements are an integral part of these financial statements.

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>		
(U.S. GAAP, unaudited)	Three months	
inflow/(outflow)	to March 31	
millions of Canadian dollars	<b>2008</b>	2007
<b>OPERATING ACTIVITIES</b>		
Net income	<b>681</b>	774
Adjustment for non-cash items:		
Depreciation and depletion	<b>181</b>	189
(Gain)/loss on asset sales (4)	<b>(11)</b>	(131)
Deferred income taxes and other	<b>(65)</b>	94
Changes in operating assets and liabilities:		
Accounts receivable	<b>(398)</b>	(116)
Inventories and prepaids	<b>(572)</b>	(269)
Income taxes payable	<b>(11)</b>	(409)
Accounts payable	<b>584</b>	270
All other items - net (a)	<b>(91)</b>	(127)
<b>CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>298</b>	275
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment and intangibles	<b>(260)</b>	(188)
Proceeds from asset sales	<b>13</b>	169
<b>CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(247)</b>	(19)
<b>FINANCING ACTIVITIES</b>		
Reduction in capitalized lease obligations	<b>(1)</b>	(1)
Issuance of common shares under stock option plan	<b>4</b>	2
Common shares purchased (8)	<b>(590)</b>	(569)
Dividends paid	<b>(82)</b>	(76)
<b>CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(669)</b>	(644)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(618)</b>	(388)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,208</b>	2,158
<b>CASH AT END OF PERIOD</b>	<b>590</b>	1,770
(a) Includes contribution to registered pension plans	<b>(147)</b>	(147)

The notes to the financial statements are an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEET**

(U.S. GAAP, unaudited)

	As at Mar.31 <b>2008</b>	As at Dec.31 2007
millions of Canadian dollars		
<b>ASSETS</b>		
Current assets		
Cash	590	1,208
Accounts receivable, less estimated doubtful accounts	2,530	2,132
Inventories of crude oil and products	1,089	566
Materials, supplies and prepaid expenses	177	128
Deferred income tax assets	745	660
Total current assets	<u>5,131</u>	4,694
Long-term receivables, investments and other long-term assets	769	766
Property, plant and equipment, less accumulated depreciation and depletion	23,160	22,962
Property, plant and equipment, net	<u>12,521</u>	12,401
Goodwill	204	204
Other intangible assets, net	62	62
<b>TOTAL ASSETS</b>	<u><b>16,805</b></u>	16,287
<b>LIABILITIES</b>		
Current liabilities		
Short-term debt	105	105
Accounts payable and accrued liabilities (7)(a)	3,918	3,335
Income taxes payable	1,487	1,498
Current portion of capitalized lease obligations	3	3
Total current liabilities	<u>5,513</u>	4,941
Capitalized lease obligations	37	38
Other long-term obligations (7)	1,801	1,914
Deferred income tax liabilities	1,499	1,471
<b>TOTAL LIABILITIES</b>	<u><b>8,850</b></u>	8,364
<b>SHAREHOLDERS' EQUITY</b>		
Common shares at stated value (8)(b)	1,584	1,600
Earnings reinvested (9)	7,100	7,071
Accumulated other comprehensive income (10)	(729)	(748)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>7,955</b></u>	7,923
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>16,805</b></u>	16,287

(a) Accounts payable and accrued liabilities include amounts to related parties of \$300 million (2007 - \$260 million).

(b) Number of common shares outstanding was 892 million (2007 - 903 million).

The notes to the financial statements are an integral part of these financial statements.

Approved by the directors May 1, 2008



Chairman, president and  
chief executive officer



Senior vice-president,  
finance and administration, and treasurer

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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**1. Basis of financial statement presentation**

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. In the opinion of the management, the information furnished herein reflects all known accruals and adjustments necessary for a fair presentation of the financial position of the company as at March 31, 2008, and December 31, 2007, and the results of operations and changes in cash flows for the three months ending March 31, 2008 and 2007. All such adjustments are of a normal recurring nature. The company's exploration and production activities are accounted for under the "successful efforts" method. Certain reclassifications to the prior year have been made to conform to the 2008 presentation.

The results for the three months ending March 31, 2008, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

**2. Accounting changes****Uncertainty in income taxes**

As of January 1, 2007, the company adopted the Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes". The cumulative adjustment for the accounting change reported in the first quarter of 2007 was an after-tax gain of \$14 million.

**Fair value measurements**

Effective January 1, 2008, the company adopted the Financial Accounting Standards Board's (FASB) Statement No. 157 (SFAS 157), "Fair Value Measurements" for financial assets and liabilities that are measured at fair value and nonfinancial assets and liabilities that are remeasured at fair value on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value when an entity is required to use a fair value measure for recognition or disclosure purposes and expands the disclosures about fair value measurements. The initial application of SFAS 157 has no impact on the company's financial statements.

On January 1, 2009, the company will adopt SFAS 157 for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. The application of SFAS 157 to the company's nonfinancial assets and liabilities will mostly be limited to the recognition and measurement of nonmonetary exchange transactions, asset retirement obligations and asset impairments. The company does not expect the adoption to have a material impact on the company's financial statements.

**3. Business segments**

Three months to March 31 millions of dollars	Upstream		Downstream		Chemical	
	2008	2007	2008	2007	2008	2007
<b>REVENUES AND OTHER INCOME</b>						
External sales (a)	1,449	1,139	5,429	4,318	353	310
Intersegment sales	1,292	918	779	506	101	82
Investment and other income	4	135	14	10	1	-
	<b>2,745</b>	<b>2,192</b>	<b>6,222</b>	<b>4,834</b>	<b>455</b>	<b>392</b>
<b>EXPENSES</b>						
Exploration (b)	40	28	-	-	-	-
Purchases of crude oil and products	1,085	718	5,234	3,657	349	284
Production and manufacturing	581	509	346	291	50	46
Selling and general	2	2	233	233	18	18
Federal excise tax	-	-	312	305	-	-
Depreciation and depletion	117	124	59	61	3	3
Financing costs	-	2	(4)	-	-	-
<b>TOTAL EXPENSES</b>	<b>1,825</b>	<b>1,383</b>	<b>6,180</b>	<b>4,547</b>	<b>420</b>	<b>351</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>920</b>	<b>809</b>	<b>42</b>	<b>287</b>	<b>35</b>	<b>41</b>
<b>INCOME TAXES</b>	<b>270</b>	<b>246</b>	<b>12</b>	<b>89</b>	<b>11</b>	<b>13</b>
<b>NET INCOME</b>	<b>650</b>	<b>563</b>	<b>30</b>	<b>198</b>	<b>24</b>	<b>28</b>
<b>Export sales to the United States</b>	<b>736</b>	<b>475</b>	<b>225</b>	<b>222</b>	<b>221</b>	<b>179</b>
<b>Cash flows from (used in) operating activities</b>	<b>487</b>	<b>267</b>	<b>(174)</b>	<b>(19)</b>	<b>(8)</b>	<b>(52)</b>
<b>CAPEX (b)</b>	<b>264</b>	<b>171</b>	<b>32</b>	<b>35</b>	<b>2</b>	<b>3</b>
<b>Total assets as at March 31</b>	<b>8,555</b>	<b>7,971</b>	<b>7,539</b>	<b>6,737</b>	<b>516</b>	<b>495</b>
<b>Capital employed as at March 31</b>	<b>4,806</b>	<b>4,319</b>	<b>3,475</b>	<b>3,564</b>	<b>248</b>	<b>319</b>

Three months to March 31 millions of dollars	Corporate and Other		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007
<b>REVENUES AND OTHER INCOME</b>						
External sales (a)	-	-	-	-	7,231	5,767
Intersegment sales	-	-	(2,172)	(1,506)	-	-
Investment and other income	13	22	-	-	32	167
	<b>13</b>	<b>22</b>	<b>(2,172)</b>	<b>(1,506)</b>	<b>7,263</b>	<b>5,934</b>
<b>EXPENSES</b>						
Exploration (b)	-	-	-	-	40	28
Purchases of crude oil and products	-	-	(2,172)	(1,506)	4,496	3,153
Production and manufacturing	-	-	-	-	977	846
Selling and general	42	33	-	-	295	286
Federal excise tax	-	-	-	-	312	305
Depreciation and depletion	2	1	-	-	181	189
Financing costs	1	10	-	-	(3)	12
<b>TOTAL EXPENSES</b>	<b>45</b>	<b>44</b>	<b>(2,172)</b>	<b>(1,506)</b>	<b>6,298</b>	<b>4,819</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>(32)</b>	<b>(22)</b>	<b>-</b>	<b>-</b>	<b>965</b>	<b>1,115</b>
<b>INCOME TAXES</b>	<b>(9)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>284</b>	<b>341</b>
<b>NET INCOME</b>	<b>(23)</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>681</b>	<b>774</b>
<b>Export sales to the United States</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182</b>	<b>876</b>
<b>Cash flows from (used in) operating activities</b>	<b>(7)</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>298</b>	<b>275</b>
<b>CAPEX (b)</b>	<b>2</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>216</b>
<b>Total assets as at March 31</b>	<b>629</b>	<b>1,777</b>	<b>(434)</b>	<b>(332)</b>	<b>16,805</b>	<b>16,648</b>
<b>Capital employed as at March 31</b>	<b>(377)</b>	<b>832</b>	<b>-</b>	<b>-</b>	<b>8,152</b>	<b>9,034</b>

(a) Includes crude oil sales made by Downstream in order to optimize refining operations.

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

**4. Investment and other income**

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

millions of dollars	Three months to March 31	
	2008	2007
Proceeds from asset sales	13	169
Book value of assets sold	2	38
Gain/(loss) on asset sales, before tax (a)	11	131
Gain/(loss) on asset sales, after tax (a)	9	93

(a) First quarter of 2007 included a gain of \$129 million (\$91 million, after tax) from the sale of a producing property.

**5. Employee retirement benefits**

The components of net benefit cost included in production and manufacturing and selling and general expenses in the consolidated statement of income are as follows:

millions of dollars	Three months to March 31	
	2008	2007
Pension benefits:		
Current service cost	24	25
Interest cost	66	61
Expected return on plan assets	(82)	(82)
Amortization of prior service cost	5	5
Recognized actuarial loss	20	19
Net benefit cost	33	28
Other post-retirement benefits:		
Current service cost	1	1
Interest cost	6	6
Recognized actuarial loss	1	2
Net benefit cost	8	9

**6. Financing costs**

millions of dollars	Three months to March 31	
	2008	2007
Debt related interest	2	16
Capitalized interest	(2)	(7)
Net interest expense	-	9
Other interest	(3)	3
Total financing costs	(3)	12

**7. Other long-term obligations**

	As at Mar.31 <b>2008</b>	As at Dec.31 2007
millions of dollars		
Employee retirement benefits (a)	<b>801</b>	954
Asset retirement obligations and other environmental liabilities (b)	<b>520</b>	522
Share-based incentive compensation liabilities	<b>252</b>	210
Other obligations	<b>228</b>	228
Total other long-term obligations	<b>1,801</b>	1,914

- (a) Total recorded employee retirement benefits obligations also include \$59 million in current liabilities (December 31, 2007 - \$59 million).
- (b) Total asset retirement obligations and other environmental liabilities also include \$74 million in current liabilities (December 31, 2007 - \$74 million).

**8. Common shares**

	As at Mar.31 <b>2008</b>	As at Dec.31 2007
thousands of shares		
Authorized	<b>1,100,000</b>	1,100,000
Common shares outstanding	<b>892,487</b>	903,263

From 1995 through 2006, the company purchased shares under twelve 12-month normal course issuer bid share repurchase programs, as well as an auction tender. On June 25, 2007, another 12-month normal course issuer bid program was implemented with an allowable purchase of 46.5 million shares (five percent of the total on June 22, 2007), less any shares purchased by the employee savings plan and company pension fund. The results of these activities are as shown below:

Year	millions of	
	Shares	Dollars
1995 - 2006	795.6	10,453
2007 - First quarter	13.6	569
- Full year	50.5	2,358
<b>2008 - First quarter</b>	<b>11.0</b>	<b>590</b>
Cumulative purchases to date	857.1	13,401

Exxon Mobil Corporation's participation in the above share repurchase maintained its ownership interest in Imperial at 69.6 percent.

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

IMPERIAL OIL LIMITED

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

	Three months to March 31	
	2008	2007
<b>Net income per common share - basic</b>		
Net income (millions of dollars)	681	774
Weighted average number of common shares outstanding (millions of shares)	899.7	948.8
Net income per common share (dollars)	0.76	0.82
<b>Net income per common share - diluted</b>		
Net income (millions of dollars)	681	774
Weighted average number of common shares outstanding (millions of shares)	899.7	948.8
Effect of employee stock-based awards (millions of shares)	6.3	5.5
Weighted average number of common shares outstanding, assuming dilution (millions of shares)	906.0	954.3
Net income per common share (dollars)	0.75	0.81

**9. Earnings reinvested**

millions of dollars	Three months to March 31	
	2008	2007
Earnings reinvested at beginning of period	7,071	6,462
Cumulative effect of accounting change (2)	-	14
Net income for the period	681	774
Share purchases in excess of stated value	(571)	(545)
Dividends	(81)	(75)
Earnings reinvested at end of period	7,100	6,630

**10. Comprehensive income**

millions of dollars	Three months to March 31	
	2008	2007
Net income	681	774
Post-retirement benefit liability adjustment (excluding amortization)	-	(28)
Amortization of post retirement benefit liability adjustment included in net periodic benefit costs	19	17
Other comprehensive income (net of income taxes)	19	(11)
Total comprehensive income	700	763

**OPERATING STATISTICS**

(unaudited)

Three months  
to March 31

**2008**      2007

**GROSS CRUDE OIL AND NGL PRODUCTION**

(thousands of barrels a day)

Cold Lake	<b>154</b>	144
Syncrude	<b>67</b>	74
Conventional	<b>27</b>	30
Total crude oil production	<b>248</b>	248
Natural gas liquids (NGLs) available for sale	<b>12</b>	18
Total crude oil and NGL production	<b>260</b>	266

**NET CRUDE OIL AND NGL PRODUCTION**

(thousands of barrels a day)

Cold Lake	<b>131</b>	123
Syncrude	<b>57</b>	63
Conventional	<b>20</b>	22
Total crude oil production	<b>208</b>	208
Natural gas liquids (NGLs) available for sale	<b>8</b>	14
Total crude oil and NGL production	<b>216</b>	222

**COLD LAKE BLEND SALES** (thousands of barrels a day)

**204**      194

**NGL SALES** (thousands of barrels a day)

**17**      29

**NATURAL GAS** (millions of cubic feet a day)

Production (gross)	<b>325</b>	525
Production (net)	<b>259</b>	456
Sales	<b>294</b>	478

**AVERAGE REALIZATIONS AND PRICES** (Canadian dollars)

Conventional crude oil realizations (a barrel)	<b>93.27</b>	62.25
NGL realizations (a barrel)	<b>58.67</b>	43.68
Natural gas realizations (a thousand cubic feet)	<b>8.00</b>	7.75
Par crude oil price at Edmonton (a barrel)	<b>98.58</b>	67.89
Heavy crude oil at Hardisty (Bow River, a barrel)	<b>77.64</b>	51.34

**TOTAL REFINERY THROUGHPUT** (thousands of barrels a day)

**425**      441

**REFINERY CAPACITY UTILIZATION** (percent)

**85**      88

**PETROLEUM PRODUCTS SALES** (millions of litres a day)

Gasolines	<b>31.1</b>	30.1
Heating, diesel and jet fuels	<b>26.4</b>	28.4
Heavy fuel oils	<b>4.6</b>	3.9
Lube oils and other products	<b>6.0</b>	5.8
Net petroleum products sales	<b>68.1</b>	68.2

**PETROCHEMICAL SALES** (thousands of tonnes a day)

**3.1**      3.0

**SHARE OWNERSHIP, TRADING AND PERFORMANCE**

(unaudited)

Three months  
to March 31  
**2008**      2007

**RETURN ON AVERAGE CAPITAL EMPLOYED (a)**

(rolling 4 quarters, percent)

**36.0**      36.9

**RETURN ON AVERAGE SHAREHOLDERS' EQUITY**

(rolling 4 quarters, percent)

**39.7**      44.3

**INTEREST COVERAGE RATIO - EARNINGS BASIS**

(rolling 4 quarters, times covered)

**89.1**      67.5

**SHARE OWNERSHIP**

Outstanding shares (thousands)

Monthly weighted average

**899,736**      948,751

At March 31

**892,487**      939,564

Number of shareholders

At March 31

**13,172**      13,424

**SHARE PRICES**

Toronto Stock Exchange (Canadian dollars)

High

**58.09**      43.75

Low

**45.80**      37.40

Close at March 31

**53.80**      42.80

American Stock Exchange (U.S. dollars) (b)

High

**58.91**      38.29

Low

**44.30**      31.87

Close at March 31

**52.26**      37.12

(a) Return on capital employed is net income excluding the after-tax cost of financing divided by the average rolling four quarters' capital employed.

(b) Share price presented is based on consolidated U.S. market data.

Dividend and share-purchase information	2008	2008	2008	2009
	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.
<b>Declaration date</b>	May 1	July 31	October 30	January 29
<b>Dividend record date</b>	June 6	September 5	December 5	March 2
<b>Dividend payment date</b>	July 1	October 1	January 1, 2009	April 1
<b>Share purchase cutoff date</b> (cheques for share purchase must be dated and received no later than)	June 16	September 17	December 15	March 18
<b>Investment date</b> (dividend-reinvestment and share-purchase funds are invested by the company on)	July 2	October 2	January 2, 2009	April 2

The declaration of dividends and the dates shown are subject to change by the board of directors.

The company reserves the right to amend, suspend or terminate the dividend-reinvestment and share-purchase plan at any time.

Share-purchase cheques should be made payable to CIBC Mellon Trust Company.

Dividend cheques are normally mailed three to five days prior to payment dates.

Quarterly statements for dividend-reinvestment and share-purchase plan participants are normally mailed two weeks after the investment dates.

### For more information

If you have a question about dividend payments, dividend reinvestment, lost dividend cheques, settling an estate, or transferring or replacing share certificates, you can call our transfer agent at 1-800-387-0825. Employees with shares in the Imperial Oil savings plan should call 1-800-668-2648.

### Information on the Web

Imperial's Web site ([www.imperialoil.ca](http://www.imperialoil.ca)) contains a wide variety of information about the company, including a complete range of investor information:

#### Publications

Current and recent annual and interim reports, news releases, the latest management proxy circular, forms *10K* and *10Q*, and the *Information for Investors* fact book

#### Key dates

Dividend declaration and payment, earnings news releases, annual meeting

#### Other useful information

Share transfer and replacement information, historical share prices and dividends, earnings sensitivities, crude oil posted prices, dividend reinvestment and share purchase plan

