

Annual Report to Shareholders  
**1996**





# company profile



Imperial Oil Limited is one of Canada's largest corporations and has been a leading member of the country's petroleum industry for more than a century. The company's mission is to create value for its shareholders through the development and sale of hydrocarbon energy and related products.

Imperial is the country's largest producer of crude oil and a major producer of natural gas. It is also the largest refiner and marketer of petroleum products – sold primarily under the Esso brand – with a coast-to-coast supply network. As well, the company is a major producer of petrochemicals.



## Past

The drilling rig on the cover of this report depicts a proud moment in Imperial's past. The discovery, 50 years ago, of Leduc #1, the Alberta oil well that launched the modern Canadian petroleum industry. In 1946, the year before the discovery, Canada imported 90 percent of its oil needs. By 1954, in the wave of exploration success triggered by Leduc, net imports had fallen to less than 50 percent. Today Canada is a net exporter of oil.

## Present

The tiger on the cover symbolizes Imperial's present strength as the industry leader in petroleum reserves and production, the largest supplier of petroleum products and a major petrochemical producer.

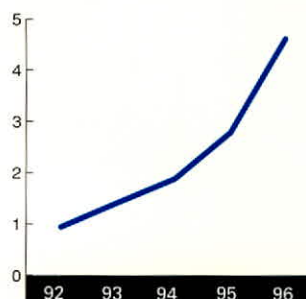
## Future

The company's future is underpinned by a unique position in the oil sands of western Canada. A special report on Imperial's plans for developing this vast resource begins on page 17.



### Earnings per share

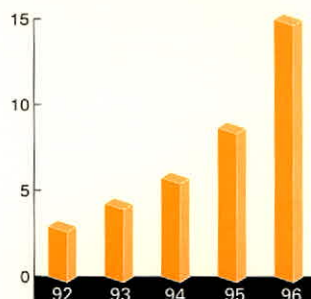
(dollars)



Earnings per share rose for the fifth consecutive year to \$4.47, up 67 percent from 1995.

### Return on average shareholders' equity

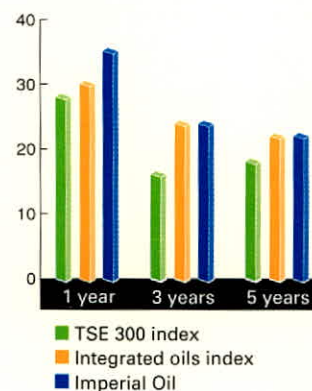
(percent)



Return on shareholders' equity increased to nearly 15 percent from about nine percent the previous year.

### Shareholder returns

(percent per year, calculated on original investment)  
Assumes dividends are reinvested



Imperial's total return from share-price appreciation and dividends exceeded 34 percent in 1996, raising total returns over the past five years to 22 percent a year.

## highlights

- Earnings reach a record \$786 million
- Per-share earnings up 67%
- Shareholder returns exceed 34%

#### Financial highlights <sup>(1)</sup>

	1996	1995	1994
Net earnings (millions of dollars)	<b>786</b>	514	359
Cash flow from earnings <sup>(2)</sup>	<b>1 440</b>	1 296	1 067
Capital and exploration expenditures	<b>564</b>	570	540
Return on average capital employed (percent)	<b>12.4</b>	7.7	5.3

#### Per-share information (dollars)

Net earnings	<b>4.47</b>	2.67	1.85
Cash flow from earnings	<b>8.19</b>	6.73	5.50
Dividends	<b>2.05</b>	1.90	4.80

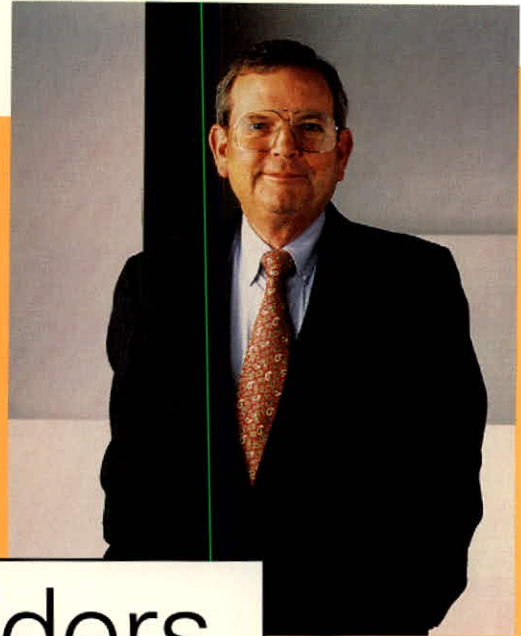
(1) Financial percentages and ratios in this and other tables throughout the annual report are defined on page 37.

(2) Cash flow from earnings is defined on page 33.



**R.B. (Bob) Peterson**

Chairman, president and chief executive officer



# letter to shareholders



**I would characterize 1996 as another year of significant progress and accomplishment for Imperial and its shareholders.**

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Earnings improved for the fifth consecutive year to a record \$786 million or \$4.47 a share. These financial results reflect solid operating performance and improved market conditions in some areas of our business, as well as the favorable impact of substantial income-tax refunds, offset in part by foreign-exchange losses related to the redemption of long-term debt. Excluding the latter two items, earnings per share were up six percent.

Natural-resources earnings increased as higher prices more than offset lower production volumes. Chemicals earnings declined, reflecting weaker market conditions. Despite higher sales volumes, petroleum-products earnings were also down as a result of lower industry margins.

Total return to shareholders for the year exceeded 34 percent as a result of share-price appreciation and an increase in the regular dividend to its current annualized rate of \$2.20 a share. During the year, the company purchased 30 million of its shares, returning almost \$1.8 billion to shareholders.

Imperial further strengthened its financial position in 1996. Long-term debt was reduced by \$350 million (U.S.). In line with the company's restructured capital base, return on average capital employed for 1996 was 12.4 percent, the highest reported level since 1980. Return on shareholder equity improved to 14.9 percent, also the best result since 1980.

The most significant event affecting our business over the last year was the continued strength of international crude oil prices, which were up 20 percent from 1995. These prices reflect the underlying strength of world demand for petroleum products, coupled with continued low inventories of crude oil and products.

Market prices for natural gas were also stronger in 1996. However, gas production capability in western Canada continued to



exceed export-pipeline capacity, resulting in strong competition that caused Canadian gas to trade at a discount from U.S. prices.

Demand for petroleum products was up more than three percent last year, reflecting continued strength in Canadian exports. However, product margins were much weaker than in 1995, as intense competition made it impossible to recover higher raw-material costs from the marketplace.

On an integrated basis, the benefits of higher crude oil prices to Imperial's natural-resources business more than offset the negative impact on petroleum-products operations.

Our near-term business plans assume continued modest growth in the Canadian economy, plentiful supply, intense competition and volatile markets for the various commodities we produce and sell. It has been our view for some time that, as a company, we cannot rely on higher resource prices for improved results. The nature of our business requires that we stay focused on improving those aspects of our operations that we can control.

The goal for each business unit is to achieve a double-digit return on capital employed, to provide a basis for building shareholder value over the long term.

Our business plans and programs will continue to be guided by four strategic priorities – to achieve execution excellence by the most capable people, to grow profitable sales volumes, to achieve and maintain a first-quartile cost structure and to improve the productivity of

our asset mix through selective investment and timely divestment.

The first of these priorities, execution excellence by the most capable people, is critical to success in every aspect of our business. In this respect we have adopted a disciplined approach to make Imperial an operationally excellent company. This means providing our customers with the lowest total-cost offer in our industry, with consistently high-quality and competitively priced products and flawless, error-free delivery, service and support systems.

In 1996, we made progress in implementing business process reengineering throughout the company, by streamlining core business processes that impact on customers, suppliers, and internal information and reporting systems. We also continued to implement employee training and development programs to ensure that every person in the company is fully capable of executing the fundamentals of his or her job, both today and in the future.

Our second priority is to grow profitable sales volumes. In natural resources, the major focus is on our heavy-oil operations at Cold Lake. By year-end 1996, Cold Lake net production was exceeding 100,000 barrels a day, compared with an average of about 73,000 barrels a day for the year, reflecting the completion of phases 9 and 10 in the fall. We are preparing an application to develop three more phases, which we expect will increase production by an additional 30,000 barrels a day at the turn of the century.



In petroleum products, our strategy is to increase profitability by shifting our mix of sales towards market segments that provide higher value. In 1996, higher-margin Esso-branded products accounted for 76 percent of total domestic sales, up from 72 percent in 1995. In chemicals, we plan volume growth in all product lines, supported by low-cost manufacturing capacity additions that should give us a competitive edge over new, grass-roots investments.

Our third priority, achieving and maintaining a first-quartile cost structure, is increasingly important. We have made excellent progress in most parts of the business. Indeed, some business units have moved beyond first-quartile cost-structure targets to achieve best-in-class cost performance against external benchmarks. However, more needs to be done to meet the cost challenges that remain in our conventional oil and gas operations, in retail automotive marketing and in refining.

Our fourth priority is to improve the productivity of our asset mix through selective investments in opportunities that promise high returns and through timely divestment or closing of noncore or under-performing operations and facilities.

Capital expenditures in 1996 totaled \$564 million, of which \$352 million was invested in natural-resources operations. Our plan for 1997 is to spend about \$650 million.

In 1996, we continued to divest marginal producing properties, and close or debrand service stations. Total proceeds from asset sales were \$177 million.

Looking to the longer term, Imperial remains a financially sound company, capable of continuing to provide excellent value for its shareholders. We have a substantial base of oil and gas reserves, and we are an increasingly efficient and effective competitor in our industry. Our considerable strengths are supported by the dedication, skills and commitment of our employees, who have proven that they can rise to the challenges of a tough and competitive industry.

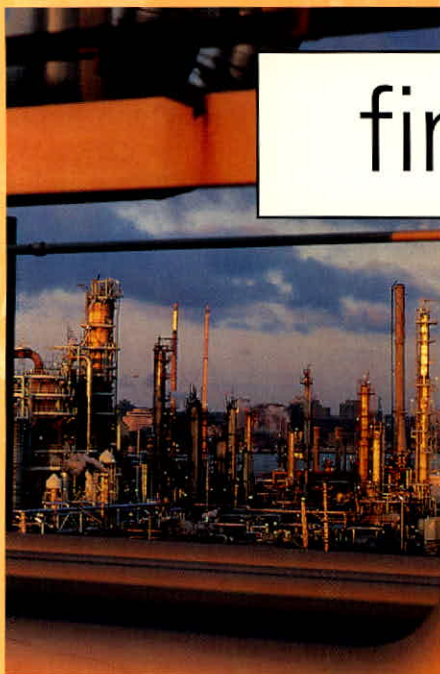
Finally, it's worth noting that this February marked the 50<sup>th</sup> anniversary of Imperial's historic 1947 discovery of crude oil at Leduc, Alberta. This landmark discovery effectively created the modern Canadian oil industry and changed the course of Canadian economic history. I am proud, and I hope all our shareholders share that pride, that 50 years later Imperial is still a strong company and a significant contributor to Canada's economic prosperity.



February 20, 1997



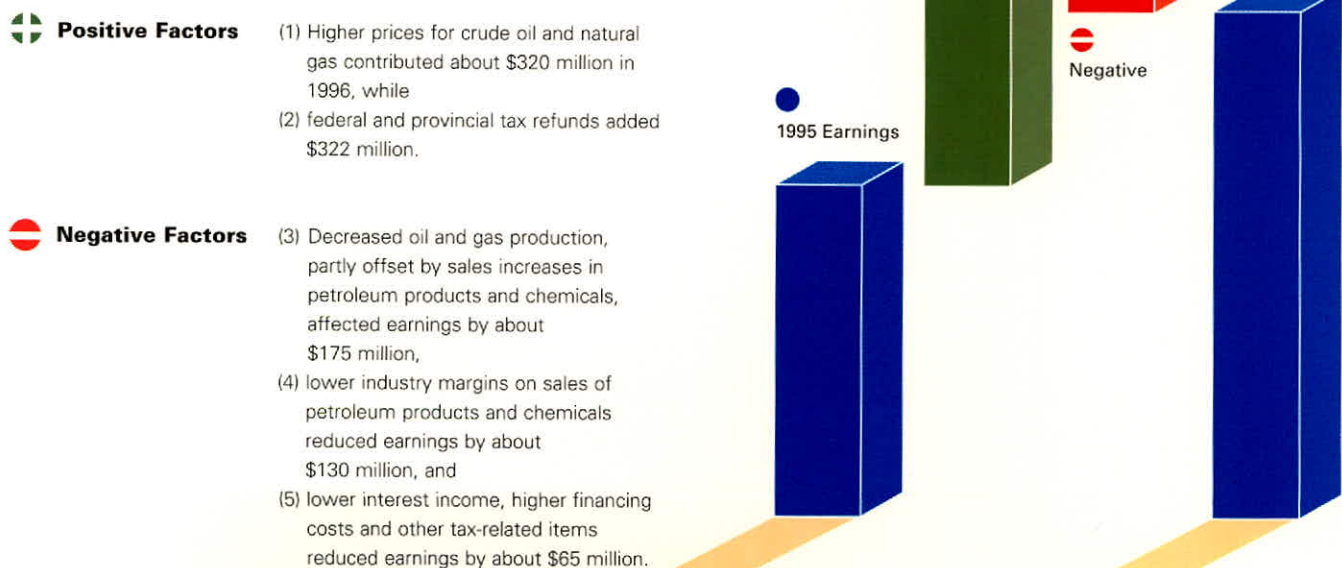
# financial and operating overview



- 30 million shares bought back for \$1.8 billion
- Debt reduced by \$350 million (U.S.)

## Factors affecting Imperial's 1996 earnings.

- 1995 earnings were \$514 million.



- 1996 earnings were \$786 million.





**Earnings were \$4.47 a share in 1996, up 67 percent from \$2.67 a share in 1995 (1994 – \$1.85). Total net earnings were \$786 million, an increase of 53 percent from \$514 million last year (1994 – \$359 million). The increase in earnings per share was higher than the increase in total earnings because of share buyback programs during the year.**

Earnings in 1996 included a number of nonoperating items. Resolution of long-standing taxation issues resulted in federal and provincial tax refunds that increased earnings by \$322 million dollars. That was offset in part by an after-tax expense of \$33 million for the redemption of U.S.-dollar-denominated debt. Excluding those items, earnings per share were \$2.83.

While natural-resources earnings increased because of higher prices for oil and gas, those gains were offset by lower industry margins in petroleum products and chemicals. A detailed discussion of segmented operating results begins on page 10.

Primarily because of the tax refunds, corporate and other accounts contributed \$239 million to earnings in 1996, compared

with a charge of \$19 million in 1995 (1994 – a charge of \$72 million).

Cash flow from earnings was \$1,440 million, compared with \$1,296 million in 1995 (1994 – \$1,067 million). The increase was largely the result of tax refunds during the year.

Cash provided from operating activities was \$1,736 million, compared with \$1,642 million in 1995 (1994 – \$783 million). The increase was largely due to higher earnings.

The company initiated several actions aimed at improving shareholder value.

- The largest initiative occurred at mid-year when the company purchased 24 million shares at \$60 a share, returning a total of \$1.4 billion to participating shareholders. The share buyback – one of the largest in Canadian history – was achieved through Canada's first auction tender process and was oversubscribed.
- Imperial also completed its first normal course issuer bid share buyback program, launched in June 1995, which enabled it to repurchase up to five percent of its outstanding shares over a 12-month period. By the end of the 12 months, Imperial had purchased 9,475,629 shares (4.9 percent of the total shares outstanding at the beginning of the program) for \$484 million.

### Earnings sensitivities

millions of dollars after tax

Each \$1 (U.S.)-a-barrel change in crude oil prices	50
Each \$0.10-a-thousand-cubic-feet change in natural gas prices	5
Each one-cent-a-litre difference in sales margins for petroleum products	125
Each one-cent (U.S.)-a-pound change for polyethylene prices	5
Each one-cent decrease (increase) in the value of the Canadian \$ vs the U.S. \$	+(-) 20



### Cash flows before financing and investing in short-term securities

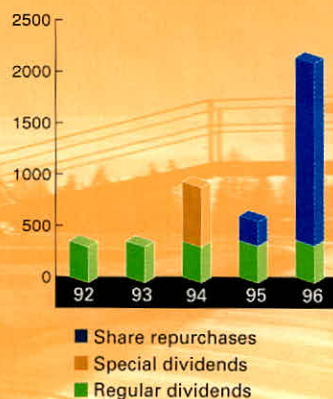
(millions of dollars)



The company's cash flow strengthened further in 1996, continuing to exceed expenditure commitments by a substantial margin.

### Cash payments to shareholders

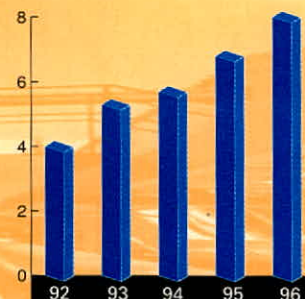
(millions of dollars)



Imperial distributed about \$1.8 billion to shareholders to buy back 15 percent of its shares, and in the fourth quarter increased the quarterly dividend by 10 percent.

### Interest coverage ratio

(earnings basis)



Interest coverage improved as earnings grew and debt was reduced.

- In June 1996, the company renewed its normal course purchase program, which enables it to buy a further 9,222,961 shares during the following 12 months. The program was suspended as required by law when the auction tender was announced, but resumed in late October. By year-end, 1,402,604 shares had been bought under the program at a total cost of \$84 million. At the date of publication of this report, purchases were continuing in 1997.
- During the fourth quarter, Imperial increased its regular quarterly dividend for the second year in a row. The quarterly dividend increased by 10 percent to 55 cents a share, or \$2.20 a share on an annualized basis. That represents a yield of 3.4 percent based on a year-end stock price of \$64.50, compared with an average yield of 2.4 percent for The Toronto Stock Exchange integrated oils index.

### Financial summary

	1996	1995	1994	1993	1992
Financial percentages and ratios <sup>(1)</sup>					
Total debt as a percentage of capital	28.7	28.2	28.9	26.9	28.7
Interest coverage ratios					
Earnings basis	8.0	6.8	5.7	5.3	4.0
Cash-flow basis	14.2	12.1	12.5	12.9	11.2

(1) See page 37 for definitions of these terms.



### Net earnings by segment

millions of dollars	1996	1995	1994	1993	1992
Natural resources	333	233	167	92	151
Petroleum products	146	186	212	238	94
Chemicals	68	114	52	35	14
Corporate and other	239	(19)	(72)	(86)	(64)
Net earnings	786	514	359	279	195

### Employees

	1996	1995	1994	1993	1992
Number of full-time employees at December 31	7 483	7 821	8 252	9 470	10 152
Total payroll and benefits (millions of dollars) <sup>(1)</sup>	770	751	779	875	918
Payroll and benefits per employee (thousands of dollars) <sup>(2)</sup>	80	77	76	73	74

(1) This includes both the company's payroll and benefit costs, as well as its share of the Syncrude joint-venture payroll and benefit costs. It excludes work-force-reduction costs.

(2) These are calculated by dividing the total payroll and benefits for full-time company employees by the monthly average number of full-time company employees.

Exxon Corporation is participating in the share purchase programs to maintain its ownership interest in Imperial at 69.6 percent.

As a result of the various share buyback programs, the number of company shares outstanding has fallen to 158.9 million at the end of 1996 from 193.8 million at the end of 1994, a reduction of 18 percent.

In addition to reducing its outstanding equity, Imperial has also been reducing its debt. The company repaid \$350 million in U.S.-dollar-denominated debt in 1996, at a total cost of \$476 million in Canadian funds. At year-end, debt represented about 29 percent of the company's total capital structure, compared

with 28 percent in 1995 (1994 – 29 percent).

This conservative financial position is appropriate given the inherent risks and volatile market conditions that characterize the petroleum industry.

As a result of the share buybacks and debt repayments, the company's balance of cash and short-term securities was reduced to \$582 million at the end of 1996 from \$1,842 million at the end of 1995 (1994 – \$1,268 million). The lower cash balance reduced interest and investment income by \$33 million.

Debt-related interest costs decreased in 1996 to \$133 million, from \$160 million in 1995 (1994 – \$139 million) as a result of the reduced

debt and lower interest rates. The average interest on the company's debt was 6.8 percent in 1996, compared with 7.0 percent in 1995 (1994 – 5.9 percent).

Total financing costs increased because of higher foreign-exchange expenses on the redemption of long-term debt.

Imperial's ability to meet its interest obligations improved in 1996. On an earnings basis, interest coverage increased to 8.0 times, compared with 6.8 times in 1995 (1994 – 5.7 times). On a cash flow basis, interest coverage was 14.2 times, compared with 12.1 times in 1995 (1994 – 12.5 times).

The company's current financial position provides considerable flexibility to take advantage of business opportunities that may arise.

The company does not use derivative markets to speculate on the future direction of currency or commodity prices and does not sell forward any part of its natural-resources production. Interest and currency swaps are used within limits to manage the interest rate or currency exposure of the corporation's debt.

Capital and exploration expenditures declined slightly to \$564 million in 1996 from \$570 million in 1995 (1994 – \$540 million). The funds were used mainly for the development of phases 9 and 10 at Cold Lake, improving the service-station network, improving refinery efficiency and reliability, and increasing production capacity at its Sarnia, Ont., polyethylene and polyvinyl-chloride plants.

Capital and exploration expenditures are expected to increase to about \$650 million in 1997. That amount will be financed entirely from

internally generated funds. Further information on the planned expenditures is contained in the reports on the three operating segments.

Expenditures on research and development included \$46 million spent in Canada in 1996, compared with \$58 million in 1995 (1994 – \$61 million). Those funds were used mainly for developing improved heavy-oil recovery methods and improved lubricant products. In 1996, 12 original patents were awarded.

The number of full-time employees declined to 7,483 at year-end 1996, compared with 7,821 in 1995 (1994 – 8,252), as the company continued to focus on achieving efficient staffing levels throughout its operations.

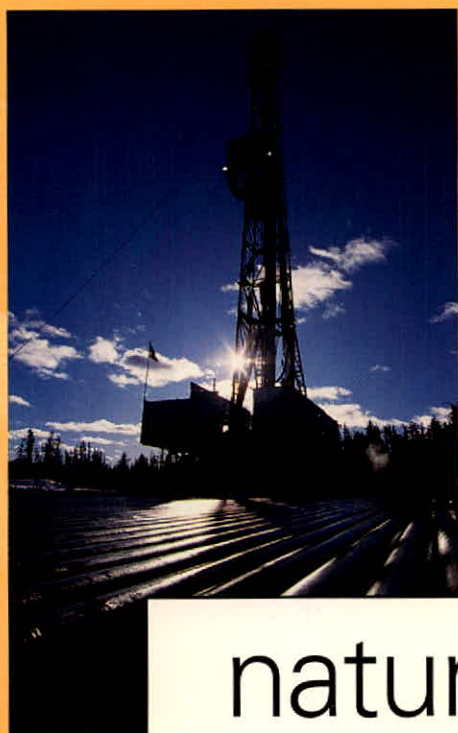
Imperial hired 188 new employees during the year, 95 of them as part of the company's ongoing program of recruiting new graduates – an essential program of providing for renewal of the company's professional and managerial employee base.

In addition, the company has in place a system that enables employees to identify their development needs and requires preparation of individualized training plans to ensure that proper skill levels are attained.

The company continues to support the communities in which it operates. The Imperial Oil Charitable Foundation contributed \$6.3 million in 1996 to more than 650 organizations across Canada.

Imperial's charitable efforts are aimed at enhancing the quality of Canadian life by supporting education, community health and social services, culture and sport. The company focuses on community-based activities and programs serving Canadian children and youth.





- Earnings increased by \$100 million
- Cold Lake production exceeded 100,000 barrels a day by year-end

# natural resources

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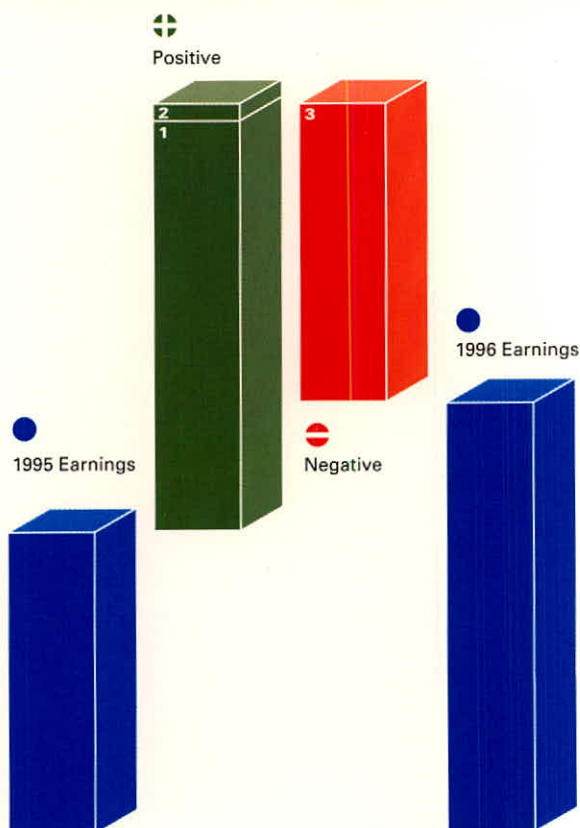
## Factors affecting earnings from natural resources

- 1995 earnings were \$233 million.

- ⊕ **Positive Factors**
  - (1) Higher prices for crude oil and natural gas contributed about \$320 million to earnings, while
  - (2) lower expenses contributed about \$10 million.

- ⊖ **Negative Factors**
  - (3) Decreased production of oil and gas affected earnings by about \$230 million.

- 1996 earnings were \$333 million.





**Earnings from natural resources were \$333 million, up from \$233 million in 1995 (1994 – \$167 million). The main reason for the improvement in earnings was higher prices for crude oil and natural gas, partly offset by lower production volumes.**

Return on average capital employed increased to 9.7 percent in 1996 from 6.3 percent in 1995 (1994 – 4.1 percent).

There were no unusual items in 1996 or 1995 (1994 – a charge of \$31 million).

Resource revenues increased to \$2.5 billion from \$2.3 billion in 1995 (1994 – \$2.2 billion). Higher prices were only partly offset by lower production of conventional crude oil, bitumen (very heavy oil) and natural gas.

### **World oil prices improved**

World oil prices improved significantly in 1996 as global demand for petroleum products increased, particularly in the rapidly growing markets of the Asia-Pacific region. Contributing

to the higher prices were leaner inventory positions held by the industry worldwide, continuing uncertainties about Iraq's contribution to international oil supply and comparatively colder weather at both the beginning and end of the year.

The average price of Brent crude oil, the most actively traded North Sea crude and a common benchmark for world oil prices, was \$20.60 (U.S.) a barrel in 1996, compared with \$17.00 in 1995 (1994 – \$15.80). At year-end, the price of Brent had reached \$24.30.

The company's realizations on sales of conventional light Canadian crude oil increased, in line with the improvement in international markets, to \$26.71 (Canadian) a barrel in 1996 from \$21.72 in 1995 (1994 – \$19.46).

The prices of heavier grades of crude oil, including blended bitumen from Cold Lake, also increased, but by a smaller amount than prices of conventional oil. This was partly a reflection of increases in the supply of Canadian heavy oil, which now constitutes about a third of total domestic production. Average realizations on the company's production of Cold Lake blend increased by 23 percent.

### **Financial statistics**

millions of dollars	1996	1995	1994	1993	1992
Earnings	<b>333</b>	233	167	92	151
Revenues	<b>2 501</b>	2 268	2 220	2 158	2 335
Capital and exploration expenditures					
Exploration	<b>73</b>	86	84	69	53
Production	<b>109</b>	80	138	221	162
Heavy oil	<b>170</b>	164	49	63	28
Total capital and exploration expenditures	<b>352</b>	330	271	353	243
Capital employed at December 31	<b>3 403</b>	3 548	3 900	4 240	4 554
Return on average capital employed (percent)	<b>9.7</b>	6.3	4.1	2.1	3.0



### Natural gas prices increased

Canadian natural gas prices improved in 1996. The average Alberta reference price for natural gas was about \$1.50 a thousand cubic feet (mcf) in 1996, compared with \$1.33 an mcf in 1995 (1994 – \$1.84 an mcf). The cold winter of 1995-1996 across North America significantly increased the demand for gas, which resulted in higher prices.

However, gas production capacity in Canada continues to exceed available export-pipeline capacity. This resulted in intense competition for sales within Alberta, which has caused Canadian gas to trade domestically at a substantially greater discount from U.S. prices than can be accounted for by transportation costs.

Part of Imperial's natural gas is sold directly to major U.S. customers and realizations on those sales often reflected stronger U.S. markets. As a result, Imperial's average realizations on natural

gas sales were substantially higher than the industry average, increasing to \$1.99 an mcf in 1996, compared with \$1.46 an mcf in 1995 (1994 – \$1.97 an mcf).

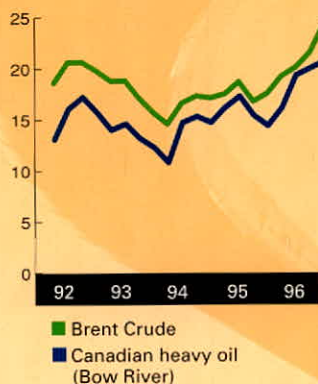
### Crude oil production declined

Imperial's net production of crude oil and natural gas liquids (NGLs) was 211,000 barrels a day, down from 242,000 barrels in 1995 (1994 – 251,000), reflecting declines both at Cold Lake and in conventional operations.

Net bitumen production at Cold Lake decreased to 73,000 barrels a day from 90,000 barrels in 1995 (1994 – 83,000). The reduction resulted partly from higher royalties to the Province of Alberta, and partly from operating limitations and delayed response times for production to increase in older wells at the end of the steaming cycle. As well, there were capacity apportionments on the main pipeline for transporting heavy crude oil.

#### Crude oil prices

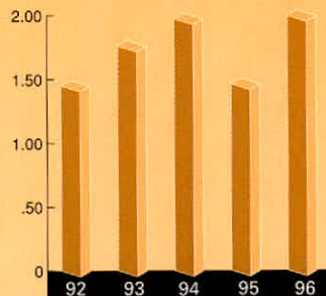
(U.S. dollars a barrel)



Oil prices rose by about 20 percent on average during the year.

#### Natural gas average realizations

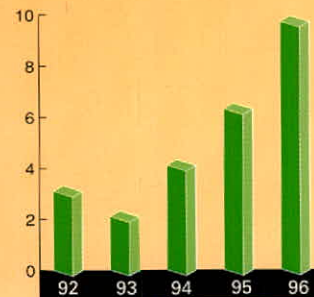
(dollars a thousand cubic feet)



Natural gas realizations increased by 36 percent, as cold weather during the winter of 1995-1996 increased North American demand.

#### Natural resources – return on average capital employed

(percent)



Higher earnings caused return on capital employed in natural resources to increase to nearly 10 percent from 6.3 percent in 1995.

Those effects were partly offset by the start-up of phases 9 and 10 of the project, which contributed to significant production growth at Cold Lake in the fourth quarter. By year-end, net bitumen production at Cold Lake had reached 102,000 barrels a day.

The higher royalty on Cold Lake production took effect in early 1996 under the terms of a long-standing agreement between the company and the Province of Alberta. Under those terms, the change was triggered when cumulative revenues from the commercial project exceeded cumulative capital and operating costs (costs included a return

allowance of 10 percent). The royalty rate increased from five percent of gross production to 30 percent of net revenues after deducting operating costs and capital expenditures. With this change the effective royalty at Cold Lake will vary with business conditions. In 1996, the effective royalty on gross production was 14 percent, compared with five percent the previous year.

Net conventional oil production declined to 75,000 barrels a day from 82,000 barrels in 1995 (1994 – 93,000), mainly because of natural reservoir decline and the sale of producing properties. That trend is expected to continue

#### Average realizations and prices

dollars	1996	1995	1994	1993	1992
Conventional crude oil realizations (a barrel)	<b>26.71</b>	21.72	19.46	19.58	21.31
Natural gas realizations (a thousand cubic feet)	<b>1.99</b>	1.46	1.97	1.76	1.45
Par crude oil price at Edmonton (a barrel)	<b>29.40</b>	24.29	22.30	21.90	23.77
Heavy crude oil price at Hardisty (Bow River, a barrel)	<b>25.08</b>	20.82	18.18	17.14	18.64

#### Crude oil and NGLs — production and sales <sup>(1,2)</sup>

	1996		1995		1994		1993		1992	
thousands of barrels a day	gross	net	gross	net	gross	net	gross	net	gross	net
Conventional crude oil	<b>95</b>	<b>75</b>	105	82	115	93	120	96	135	106
Cold Lake	<b>85</b>	<b>73</b>	94	90	88	83	86	82	83	79
Syncrude	<b>50</b>	<b>41</b>	51	44	48	46	46	44	45	45
Total crude oil production	<b>230</b>	<b>189</b>	250	216	251	222	252	222	263	230
NGLs available for sale	<b>26</b>	<b>22</b>	30	26	32	29	31	31	39	38
Total crude oil and NGL production	<b>256</b>	<b>211</b>	280	242	283	251	283	253	302	268
Cold Lake sales, including diluent <sup>(3)</sup>		<b>115</b>		128		121		118		110

#### Natural gas — production and sales <sup>(1,2)</sup>

millions of cubic feet a day										
Production <sup>(4)</sup>	<b>474</b>	<b>388</b>	522	426	542	445	621	509	539	463
Production available for sale <sup>(5)</sup>	<b>280</b>	<b>194</b>	377	281	385	286	441	328	401	325
Sales	<b>344</b>		440		474		522		542	

(1) Volumes a day are calculated by dividing total volumes for the year by the number of days in the year.

(2) Gross production is the company's share of production (excluding purchases) before deducting the shares of mineral owners or governments or both. Net production excludes those shares.

(3) Includes natural gas condensate added to the Cold Lake bitumen to facilitate transportation to market by pipeline.

(4) Production of natural gas includes amounts used for internal consumption with the exception of amounts reinjected.

(5) Production available for sale excludes amounts used for internal consumption and amounts reinjected.



as the company focuses on development of its oil-sands interests to replace conventional production.

Syncrude, in which Imperial has a 25-percent interest, had slightly lower production in 1996. Gross production was 201,000 barrels a day, down from 202,000 barrels in 1995 (1994 – 191,000). Imperial's share of net production decreased to 41,000 barrels a day from 44,000 barrels in 1995 (1994 – 46,000).

Net production of natural gas declined to 388 million cubic feet a day in 1996 from 426 million cubic feet in 1995 (1994 – 445 million). Natural reservoir decline and divestments of gas-producing properties were the principal reasons. Production from the Bonnie Glen gas cap has added 100 million cubic feet a day to net production since its start-up in November.

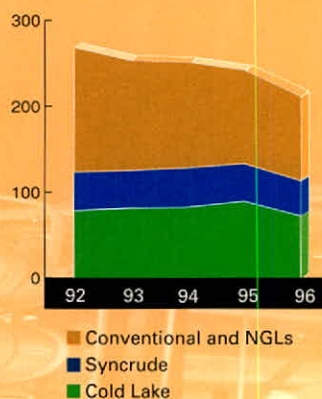
Net production available for sale declined further to 194 million cubic feet a day from 281 million cubic feet in 1995 (1994 – 286 million) because of increased internal gas requirements for generating the steam needed for bitumen production at Cold Lake.

Total operating expenses were about the same as the previous year. Higher expenses at Cold Lake were mainly offset by lower depletion and depreciation charges. Higher Cold Lake expenses were related to the start-up of phases 9 and 10, other changes to facilities and operating procedures, and engineering studies for future expansion.

Measures to reduce the costs of conventional oil and gas production continue to be a high priority.

Imperial continued to reduce its holdings of marginal producing properties during the year. In 1996, the company divested its interests in 50 properties, representing 7 million barrels of

**Crude oil and NGLs – net production by source**  
(thousands of barrels a day)



Total output of crude oil and NGLs declined by about 13 percent.

net proved oil reserves and 65 billion cubic feet of gas reserves. Net cash proceeds were \$152 million, compared with \$102 million in 1995 (1994 – \$115 million).

### Capital spending increased

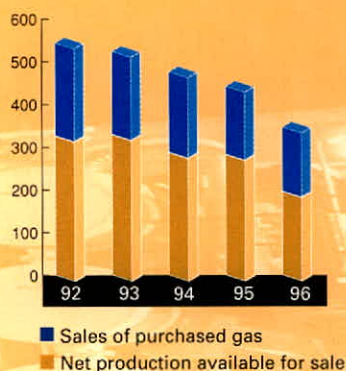
Capital and exploration expenditures in 1996 totaled \$352 million, up from \$330 million in 1995 (1994 – \$271 million).

Expenditures totaled \$119 million at Cold Lake, where funds were used for the development of phases 9 and 10, maintenance of productivity in earlier phases, and drilling to define the resource base for future expansion. A total of 269 wells were drilled at Cold Lake during 1996.

Imperial's share of investments at Syncrude was \$51 million in 1996. The Syncrude investment program included the start of construction of the new North mine and expansion of upgrader capacity. Further information on those developments is

### Natural gas sales

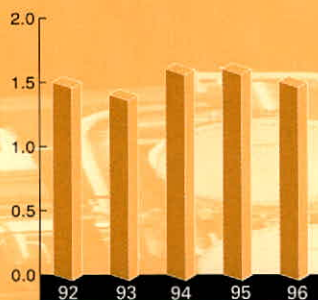
(millions of cubic feet a day)



Sales of natural gas declined because of lower production and increased internal use for steam generation at Cold Lake.

### Crude oil and NGLs – net proved reserves

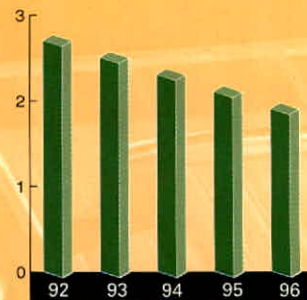
(billions of barrels)



Proved reserves of crude oil and NGLs fell slightly as production exceeded reserve additions.

### Natural gas – net proved reserves

(trillions of cubic feet)



Revisions to existing reserves and asset sales caused proved reserves of natural gas to decline by more than 11 percent.

contained in a special feature on the oil sands that begins on page 17.

Included in total capital spending were exploration expenditures of \$73 million, compared with \$86 million in 1995 (1994 – \$84 million).

Imperial's exploration strategy has been focused on finding large reserves of natural gas that can be brought to market quickly and at low cost. During 1996, the company investigated five major exploration plays, four of which were unsuccessful. The fifth was a gas discovery in the Alberta Foothills containing about 100 billion cubic feet.

Given the disappointing results of this strategy over a period of several years, the company has adopted a lower-risk strategy of searching for smaller deposits of natural gas near established production areas.

Planned capital and exploration expenditures for 1997 are about \$400 million.

At Cold Lake, about \$160 million will be spent on additional production wells for phases 1 to 10, on drilling evaluation wells to delineate potential areas for future development and on other smaller projects to enhance existing operations.

At Syncrude, about \$80 million will be spent for expansion of the new mine and increased upgrading capacity. In February 1997, the Syncrude owners agreed with the Province of Alberta on an amendment to their existing revenue-sharing agreement, which will apply from January 1, 1997, until the generic oil-sands regime takes effect in 2004. Among other things, this amendment provides for lower royalties on certain new production and for an immediate royalty credit on capital expenditures.

Planned expenditures for exploration and development drilling, as well as capacity additions in conventional oil and gas operations, are expected to exceed \$150 million.



Also included in the 1997 expenditure plan is the company's share of the preliminary engineering work on the Sable Offshore Energy Project in Nova Scotia, a \$2-billion venture that would develop one of North America's largest known untapped deposits of natural gas. Imperial has an approximate 10-percent interest in the project. Mobil Oil Canada, the project's co-operator along with Shell Canada, estimates that recoverable reserves are about three trillion cubic feet of gas.

The project entails building conventional offshore production platforms in water depths of up to 80 metres, a system of gathering lines, a 225-kilometre pipeline to shore and onshore processing facilities. A separate consortium is expected to build the pipeline to ship the gas to markets in Canada and the northeastern United States. When completed, the project will produce about 440 million cubic feet a day of gas and 10,000 barrels a day of NGLs over a 20-year period.

### Cold Lake expansion planned

The company has filed an application for the development of an additional three phases at Cold Lake. Assuming timely regulatory approval, production could begin by about 2000, increasing bitumen production by an estimated

30,000 barrels a day and adding 250 million barrels to Imperial's proved oil reserves.

Included in the current plans for this project is a 220-megawatt electrical co-generation plant that would supply all of the electricity needs of the Cold Lake operation, as well as generating electrical power for sale to the Alberta power pool.

Net proved reserves of crude oil and NGLs declined this year as production exceeded reserve additions. Net proved reserves declined by 47 million barrels to 1,526 million barrels from 1,573 million barrels at the end of 1995 (1994 – 1,616 million).

About 43 percent of natural gas production was replaced through discoveries and extensions to existing reserves. Including the impact of revisions to existing reserves and asset sales, natural gas reserves declined to 1.87 trillion cubic feet at the end of 1996, from 2.12 trillion cubic feet at the end of 1995 (1994 – 2.3 trillion).

At year-end, Imperial's total net reserves of crude oil and natural gas, on an oil-equivalent basis, were equal to 1.8 billion barrels, the largest in the Canadian petroleum industry.

### Proved reserves of crude oil and natural gas <sup>(1)</sup>

Year ended	Crude oil and NGLs millions of barrels						Natural gas billions of cubic feet			
	Conventional		Cold Lake		Syncrude		Total		gross	net
	gross	net	gross	net	gross	net	gross	net		
1992	629	502	829	719	408	327	1 866	1 548	3 236	2 651
1993	555	444	798	691	392	314	1 745	1 449	3 053	2 505
1994	519	416	868	752	529	448	1 916	1 616	2 737	2 302
1995	442	362	898	779	511	432	1 851	1 573	2 487	2 118
<b>1996</b>	<b>400</b>	<b>331</b>	<b>867</b>	<b>752</b>	<b>492</b>	<b>443</b>	<b>1 759</b>	<b>1 526</b>	<b>2 186</b>	<b>1 872</b>

(1) Gross reserves are the company's share of reserves before deducting the shares of mineral owners or governments or both. Net reserves exclude these shares.



**The promise of the Alberta oil sands is significant.**

**According to the National Task Force on Oil Sands**

**Strategies, the estimated total bitumen in place in the**

**oil sands is 1,700 billion barrels – equivalent to more than**

**1½ times the world's proved oil reserves. Of that amount,**

**only a small percentage is judged to be economically**

**recoverable with today's technology. Advances in technology**

**will increase recovery, and some authorities believe that**

**about 300 billion barrels could ultimately be recoverable.**

Imperial Oil

Alberta

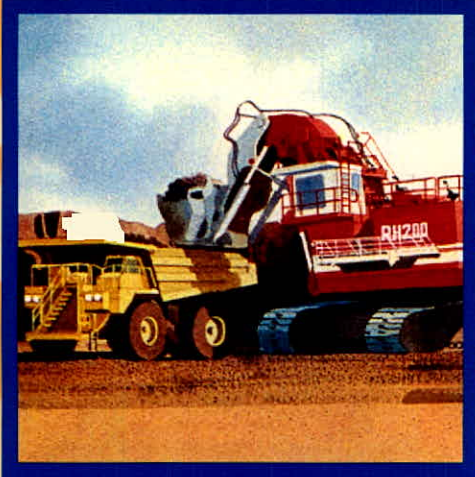
and  
Canada's

# Oil Sands

By comparison, western Canada's total recoverable reserves of conventional crude oil are estimated to be about 20 billion barrels, of which about 16 billion have already been produced.

Bitumen development is an important part of Imperial's business. The Cold Lake oil-sands operation – along with the company's 25-percent interest in the Syncrude oil-sands mining operation – accounts for more than half of the company's daily production of hydrocarbon liquids. Imperial has been, and will remain, a major player in the development of Alberta's oil sands.





#### Step two

The trucks deposit the oil sand in a crusher, where big lumps of oil sand and rock are broken into smaller pieces.



#### Step one

Huge trucks and shovels remove the surface material and mine the oil sand.



#### Step three

The material is then mixed with water and passed through a screen to prepare it for shipment by slurry pipeline.

## new syncrude recovery process

# special report

### Syncrude

Located near Fort McMurray, Alta., Syncrude Canada is the single largest source of crude oil in Canada – accounting for about 12 percent of the country's total daily production.

Syncrude is a joint venture owned by a number of companies. Imperial is the largest participant, holding a 25-percent interest. The facility is operated on behalf of the owners by Syncrude Canada Ltd.

The oil-sands deposits on the Syncrude leases cover an area of nearly 350 square kilometres. The deposits are about 60 metres thick and lie near enough to the surface to be mined and transported as oil sand to a central extraction plant. The extraction plant separates the bitumen from the sand using steam, hot water and caustic

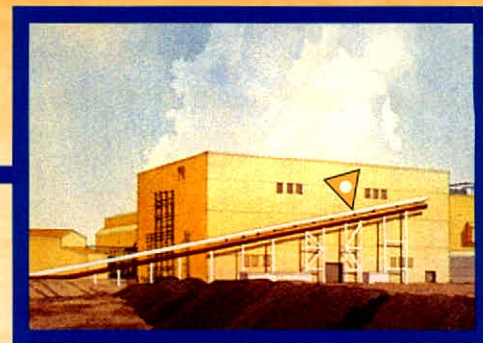
soda. The bitumen is then upgraded into light, sweet synthetic crude oil using thermal hydro-cracking and hydrogen-addition processes.

The Syncrude mine and plant was officially opened in 1978. Built at an initial capital cost of \$2.3 billion, the project had an original capacity of 109,000 barrels a day. The plant has since undergone a number of expansions and operating performance has steadily improved. Today, total investment in Syncrude is \$4.4 billion. Unit operating costs have been reduced from more than \$30 a barrel in 1978 to \$14 a barrel today. Daily gross production averaged 201,000 barrels a day – more than 70 million barrels a year – in 1996. In total, Syncrude has produced more than 750 million barrels of synthetic crude oil.



#### Step four

The slurry pipeline (shown here in brown) can transport the oil-sand mixture economically over considerable distances, thus increasing the range of deposits that can be tapped.



#### Step five

During its travel to the extraction plant, the oil-sand mixture is conditioned by the water in the slurry pipeline, making the bitumen much easier to extract than using the previous technology of transportation by conveyor.

### Cold Lake

Cold Lake, which is 100 percent owned and operated by Imperial, is the company's largest upstream asset and Canada's second-largest source of crude oil production. The company's leases at Cold Lake cover about 780 square kilometres of oil sands. The oil-bearing sands, which are buried more than 400 metres below the surface, are not amenable to the surface mining techniques used to recover bitumen in the shallower sections of the Athabasca oil-sands deposits. Production is achieved through wells drilled from the surface.

The production process used at Cold Lake is called cyclic steam-stimulation (CSS). Steam from a central plant is carried through insulated pipelines and injected at high pressure down the wellbore into the oil-sand formation to heat the bitumen, reducing its viscosity and allowing it to flow. The heated bitumen is pumped to the surface, processed at a central plant and blended with lighter hydrocarbon liquids so that it can be shipped by pipeline.

Extensive laboratory and field research projects during the last 30 years have developed and refined CSS technology for application at Cold Lake. A phased commercial production project started in 1985. Phased development has allowed production to come on-stream to match market conditions and demand. At present, the company is operating phases 1 through 10, and is advancing development work on phases 11 through 13.

The recent completion of phases 9 and 10, as well as development work to sustain productivity and increase recovery in phases 1 through 8, is expected to result in average production in excess of 100,000 barrels of bitumen a day in 1997.

Ongoing research and technology development have been key contributors to Cold Lake's success by reducing unit costs and increasing bitumen recovery. Since start-up of the commercial project in 1985, the unit cost of bitumen production has been reduced by more than one-third. At the same time, recovery rates



have been improved from initial estimates of about 17 percent of the total bitumen in place to about 25 percent today. In addition, a number of alternative recovery processes are being studied to further improve profitability. Since acquiring its Cold Lake leases in the late 1950s, Imperial has spent more than \$250 million on research and technology development and field pilot work in advance of commercial development.

### Future Development

Bitumen production will become increasingly important to Imperial. The oil sands account for more than half of Imperial's liquids production



today, and the company intends to offset the decline in conventional liquids production through increased nonconventional production. Long-term outlooks suggest that the company could double its oil-sands production by 2005.

The company is progressing with work on phases 11 through 13 of Cold Lake for start-up by about 2000. This \$450-million development would add proved reserves of 250 million barrels and increase bitumen production by an estimated 30,000 barrels a day.

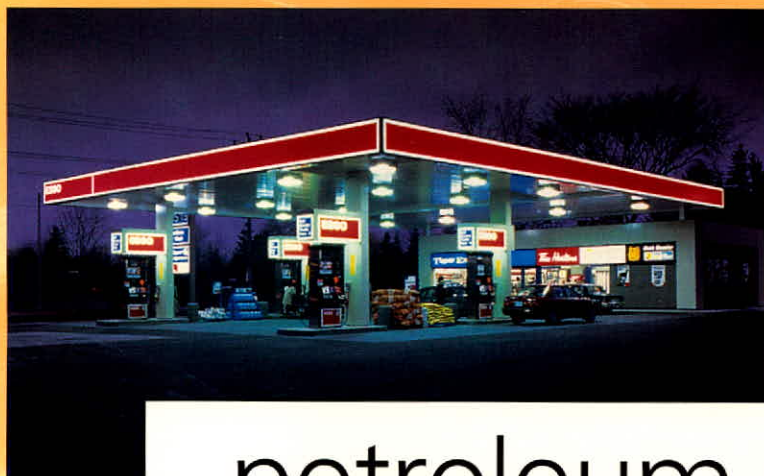


At Cold Lake, steam from a central plant is injected under pressure into the heavy oil reservoirs, heating the bitumen so it will flow.

At Syncrude, work is currently under way to increase production from its base plant through development of a new North mine by 1998. Expenditures related to development of the North mine are expected to be about \$350 million for mine development and \$125 million for new upgrading processes and equipment. Development of the North mine will replace production from the existing East mine over time, increasing annual production to 81 million barrels.

Focused investment in scientific and technological development over the past several decades has created a profitable, well-developed oil-sands industry in Alberta and a strong foundation for the future. Production of bitumen and upgraded synthetic crude oil from the oil sands has doubled in the last 10 years and today accounts for about one-quarter of Canada's daily crude oil production. Outlooks suggest this pace of growth will continue through the next quarter-century, given favorable market conditions.

Imperial's strong reserve base and technological expertise ensure the company is uniquely positioned to continue as a leader in the future development of this significant resource.



# petroleum products

- Earnings fell by \$40 million
- Sales of Esso-branded products increased for the fifth consecutive year

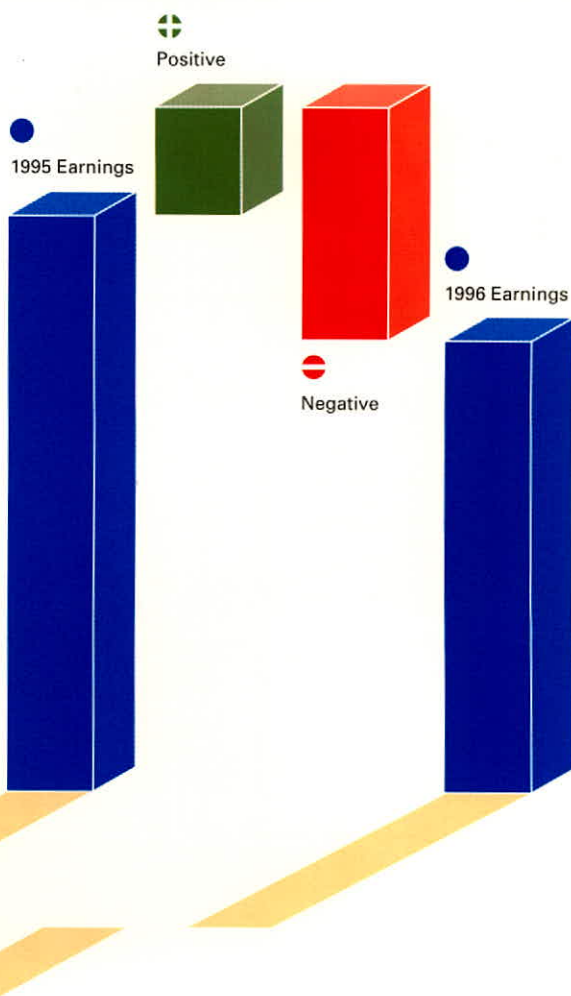
## Factors affecting earnings from petroleum products

- 1995 earnings were \$186 million.

⊕ **Positive Factors** Higher sales volumes contributed about \$35 million to earnings.

⊖ **Negative Factors** Lower industry margins affected earnings by \$75 million.

- 1996 earnings were \$146 million.







**Earnings from petroleum products were \$146 million in 1996, down from \$186 million in 1995 (1994 – \$212 million). While sales of higher-value Esso-branded products increased, earnings declined because of much lower industry margins. Return on average capital employed declined to 6.4 percent from 7.8 percent in 1995.**

Revenues were \$8.8 billion, an increase of 11 percent from \$7.9 billion the previous year (1994 – \$7.5 billion), reflecting higher product prices and increased sales volumes. The increase in revenues, however, was more than offset by higher costs for purchases of crude oil and products, which rose by 20 percent.

### **Sales volumes up**

Canadian consumption of petroleum products, excluding chemical feedstocks, increased by about 3.5 percent in 1996. The company's total sales volumes were 74.4 million litres a day, up about three percent from 72.4 million litres the previous year (1994 – 74.5 million).

The company's strategy is to increase sales of higher-margin Esso-branded products to domestic customers. In 1996, Esso-branded sales increased for the fifth consecutive year, reaching 76 percent of total domestic sales.

Also currently targeted are those U.S. wholesale markets that provide more attractive

returns than domestic alternatives because of their proximity to the company's Ontario and Atlantic refineries. Sales to U.S. wholesale markets increased by 32 percent in 1996.

Total company sales of gasoline increased to 31.5 million litres a day from 30.8 million litres in 1995 (1994 – 31.2 million). Sales through Esso service stations, which represent about 60 percent of the total, declined slightly as the company continued to revamp its service station network.

Sales of distillate products – a category that includes heating oil, diesel and jet fuels – increased by five percent to 25.5 million litres a day from 24.2 million litres a day in 1995 (1994 – 24.8 million).

Sales of heating oil were up because of very cold weather early and late in the year. Strong demand from the resources and trucking industries caused sales of diesel fuel to increase by five percent.

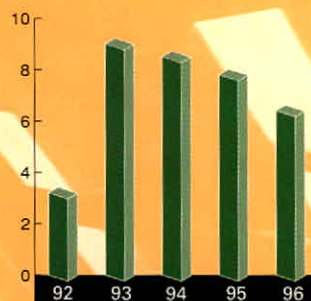
The company continued to improve service and convenience to the trucking industry through the expansion of its "cardlock" facilities that allow commercial customers to obtain products 24 hours a day.

Sales of aviation fuel were up, as the company increased its share of this expanding market. Much of the growth was in the commercial aviation sector, where volumes increased by about 21 percent. However, an important competitive strength is the company's network of 10 Avitat sales outlets and 115 other aviation sites across Canada that serve the private airplane market. An independent survey of general aviation pilots rated Imperial's Toronto Avitat centre as the best operation of its type in Canada and included four Esso-branded sites in its top five operations.

Asphalt sales increased by 13 percent. In 1996, the company started up its new \$14-million asphalt plant at the Nanticoke refinery, enabling it to compete more effectively in the central Canadian market. The Nanticoke asphalt terminal is fully automated and is the only 24-hour-a-day asphalt facility in central or eastern Canada.

The company's research laboratory in Sarnia, which has the mandate for all Exxon lubrication-product research in North America, introduced about 200 new or reformulated products in 1996. New product introductions and increased presence in U.S. markets contributed to a six-percent increase in sales of lubricants and specialty products.

#### **Petroleum products – return on average capital employed** (percent)



Return on average capital employed declined to 6.4 percent from 7.8 percent in 1995.

### **Intense competition eroded margins**

Even though the prices of petroleum products were generally higher in 1996, the cost of crude oil used to manufacture products increased even more rapidly. As a result, Imperial's margins on product sales fell by an average of about one-half a cent a litre, reflecting a very competitive industry. That margin erosion, applied to 27 billion litres of total product sales, negatively affected earnings by \$75 million in 1996.

Fluctuations in retail gasoline prices caused by the combination of increasing raw-material costs, which placed upward pressure on prices, and intense price wars, which placed downward pressure, created a volatile retail market that gave rise to a number of government inquiries.

Inquiries by the federal government and the provinces of British Columbia, New Brunswick and Nova Scotia investigated instances of increased prices.

In Quebec, the government responded to complaints that low prices, stemming from price

wars in the summer of 1996, were forcing independent stations out of business. The province has since introduced legislation forming a new energy agency that will regulate margins for gasoline wholesalers and retailers.

Imperial believes that the interests of consumers are best served by open, competitive markets that are able to respond freely to changing conditions.

Operating expenses were essentially unchanged from the previous year. Unit costs fell by three percent because of higher sales volumes.

### **Productivity continued to improve**

The company continued its program of improving the productivity of its refining and marketing operations. For example, 1996 was the first full year that Imperial supplied products to the British Columbia market from its Strathcona refinery near Edmonton, following the closure of its Ioco refinery near Vancouver. In 1996, the



company closed its small refinery at Norman Wells, N.W.T., and began supplying markets in northern Canada from the Strathcona refinery as well. The result of those closures, combined with higher sales volumes, was that the company's overall refinery utilization rate increased to 88 percent from 82 percent in 1995 (1994 – 80 percent).

### Average throughput increased

Average throughput per company-owned service station increased to 3.8 million litres a year, up from 3.5 million litres in 1995. It was the fifth consecutive year of productivity increases. During 1996, the company closed about 170 retail sites, 65 of which were company-owned. That brought total closures since 1992 to about 960, of which 410 were company-owned.

Capital expenditures were \$171 million in 1996, down from \$209 million in 1995 (1994 – \$226 million).

More than \$70 million was spent on the company-owned retail network to build six new sites, completely rebuild 17 and upgrade another 72. An important element of the company's retail strategy is to extend Tiger Express stores to a growing number of prime locations. Tiger Express outlets offer a variety of convenience store items such as brand-name snacks and beverages, along with nationally recognized fast-food outlets and automated banking machines.

By year-end, the company had opened more than 240 Tiger Express locations. Those stores, when combined with other convenience-store formats operated at Esso sites, brought the total number to 780, making up the largest convenience-store network in the country.

During the year, the company opened its 100th touchless car wash, bringing the total number of car-washing facilities to more than 600, also the largest number in Canada.

The Esso retail network was the overall winner in the first annual service-station awards cosponsored by *Octane* magazine and the International Service Station Merchandising Association. The company won first-place awards in five categories – including on-site advertising and overall convenience-store look – and honorable mention in four categories – including exterior product displays and overall service-station look.

During 1996, IPL Energy Inc. proceeded with plans to reverse its Sarnia-Montreal pipeline. Imperial supports this initiative. Reversal of the Sarnia-Montreal pipeline would enable Imperial's two refineries in Ontario to gain access to imported crude oil as feedstock, which is expected to improve their competitiveness.

To ensure that product quality and service is managed consistently, the petroleum products division obtained an additional seven registrations under the ISO 9000 quality assurance system, bringing total registrations to 28.

Capital expenditures in 1997 are planned to be about \$200 million. The focus will be on investments to continue improving the network of retail outlets and for refining equipment to produce lower-emission fuels.

	1996	1995	1994	1993	1992
<b>Financial statistics</b> (millions of dollars)					
Earnings	<b>146</b>	186	212	238	94
Revenues	<b>8 799</b>	7 896	7 452	7 338	7 633
Capital expenditures					
Marketing	<b>107</b>	116	93	82	52
Refining and distribution	<b>64</b>	93	133	71	59
Total capital expenditures	<b>171</b>	209	226	153	111
Capital employed at December 31	<b>2 332</b>	2 286	2 507	2 492	2 815
Return on average capital employed (percent)	<b>6.4</b>	7.8	8.5	9.0	3.2

**Sales volumes** (millions of litres a day) <sup>(1,2)</sup>

Gasolines	<b>31.5</b>	30.8	31.2	31.4	30.9
Heating, diesel and jet fuels	<b>25.5</b>	24.2	24.8	23.6	25.0
Heavy fuel oils	<b>5.7</b>	6.3	6.4	6.2	7.2
Liquefied petroleum gas, lube oils and other products	<b>11.7</b>	11.1	12.1	12.6	10.1
Total petroleum products	<b>74.4</b>	72.4	74.5	73.8	73.2
Total domestic sales of petroleum products (percent)	<b>92.9</b>	94.2	94.1	94.7	91.5

**Refinery utilization** (millions of litres a day) <sup>(2)</sup>

Total refinery throughput <sup>(3)</sup>	<b>68.9</b>	67.3	68.2	65.9	63.4
Refinery capacity at December 31	<b>77.8</b>	78.4	85.4	85.4	85.4
Utilization of total refinery capacity (percent)	<b>88</b>	82	80	77	74

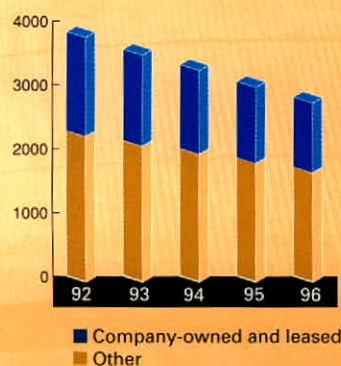
(1) Excludes sales made under purchase and sale agreements with other companies (see page 36, revenues).

(2) Volumes a day are calculated by dividing total volumes for the year by the number of days in the year.

(3) Crude oil and feedstocks sent directly to atmospheric distillation units.

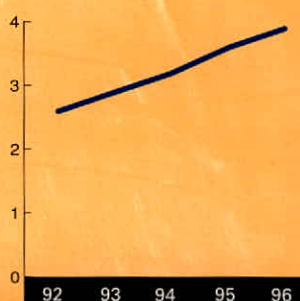
One thousand litres is approximately 6.3 barrels.

**Esso service stations**  
(average number)



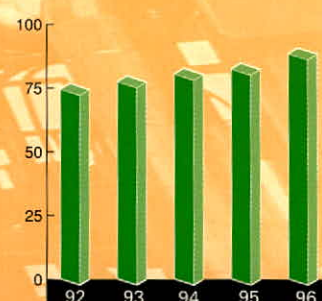
The Esso network has seen the closure of about 960 service stations since 1992.

**Service-station throughput – company-owned and leased stations**  
(millions of litres per site)



The productivity of company-owned stations increased for the fifth consecutive year.

**Utilization of total refinery capacity**  
(percent)



Recent closures of the company's two smallest refineries and higher sales helped increase refinery utilization to 88 percent in 1996.





- Earnings declined from record high in 1995
- Return on capital 35%

# chemicals

26

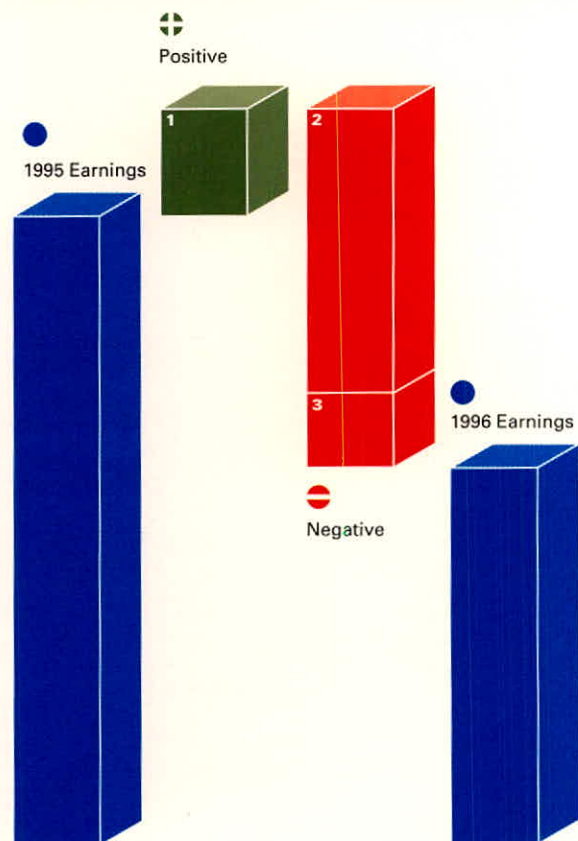
## Factors affecting earnings from chemicals

- 1995 earnings were \$114 million.

- ⊕ **Positive Factors** (1) Higher sales volumes contributed about \$20 million to earnings.

- ⊖ **Negative Factors** (2) Lower margins on sales of petrochemicals reduced earnings by about \$55 million, and  
(3) higher operating expenses affected earnings by about \$10 million.

- 1996 earnings were \$68 million.





**Chemical earnings were \$68 million in 1996, down from a record \$114 million in 1995 (1994 – \$52 million).**

The main reason for the decline was lower margins on sales of polyethylene and polyvinyl chloride.

Return on average capital employed was 35.1 percent, compared with 57.1 percent in 1995 (1994 – 13.6 percent).

**Total revenues fell**

Total chemical revenues declined to \$875 million from \$887 million in 1995 (1994 – \$817 million). The principal factor behind this decrease was lower prices for major petrochemicals.

Average industry polyethylene prices were about \$1,180 a tonne in 1996, down from \$1,292 a tonne during 1995 (1994 – \$978).

After a significant decline in 1995, prices rose to more than \$1,400 a tonne in September before falling back slightly at the end of the year.

Prices for other petrochemicals were mixed. Prices for aromatics (used in the manufacture of styrene and industrial solvents) were lower but prices for solvents and polyvinyl chloride were higher.

**Product margins decreased**

Margins for the company's major petrochemical products were lower because of various combinations of lower selling prices and higher raw-material costs.

Sales of petrochemicals increased to 3.2 thousand tonnes a day from 3.1 thousand tonnes in 1995 (1994 – 2.9 thousand), largely because of continuing expansions of facilities that produce polyethylene and polyvinyl chloride.

Total operating costs were up slightly as a result of increased sales volumes.

	1996	1995	1994	1993	1992
<b>Financial statistics</b> (millions of dollars)					
Earnings	<b>68</b>	114	52	35	14
Revenues	<b>875</b>	887	817	971	886
Capital expenditures	<b>20</b>	13	24	24	31
Capital employed at December 31	<b>210</b>	178	221	546	563
Return on average capital employed (percent)	<b>35.1</b>	57.1	13.6	6.3	2.5
<b>Sales volumes</b> (thousands of tonnes a day)					
Polymer and basic chemicals	<b>2.1</b>	2.0	1.8	1.9	1.9
Intermediates, Paramins and other	<b>1.1</b>	1.1	1.1	1.0	0.9
Total petrochemicals	<b>3.2</b>	3.1	2.9	2.9	2.8

One tonne is approximately 1.1 short tons or 0.98 long tons.





Independent benchmarking recently reconfirmed that Imperial's Sarnia integrated polyethylene facility is again among the very best in North America.

Capital expenditures in 1996 were \$20 million, up from \$13 million in 1995 (1994 – \$24 million). The funds were used

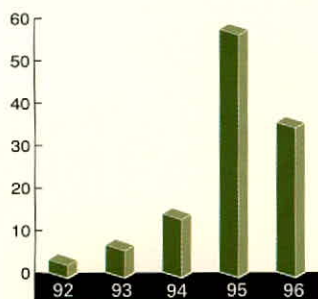
primarily to increase the capacity of existing operations, principally at the polyethylene and polyvinyl-chloride (PVC) plants. In November, the company began production from an \$8-million expansion of its PVC plant. This increased production capacity by more than 10 percent, to 167 thousand tonnes a year from 150 thousand tonnes.

### Polyethylene plant expanding

Planned expenditures in 1997 are about \$30 million, which will be used to complete an expansion of the polyethylene plant that was begun in 1996.

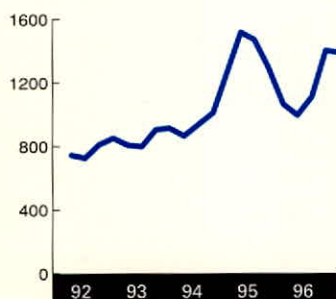
The chemical segment received two additional registrations under the ISO 9000 quality assurance system in 1996 – for its polyethylene and PVC business lines – thus completing all planned registrations.

**Chemicals – return on average capital employed**  
(percent)



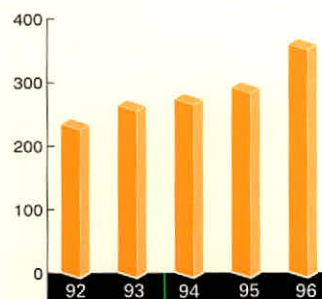
The return on capital employed in chemicals, although down from 1995, was the highest among operating segments at 35 percent.

**Polyethylene – average industry prices**  
(Canadian dollars a tonne)



While polyethylene prices recovered during much of 1996, average prices for the year were lower than in 1995.

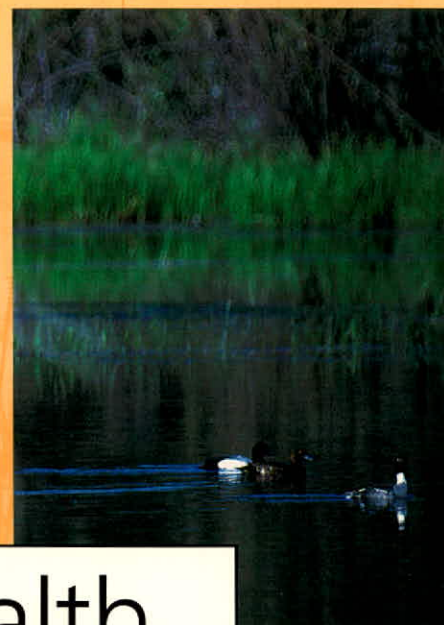
**Polyethylene sales volumes**  
(thousands of tonnes)



Low-cost capacity additions have resulted in steadily growing production from the highly efficient Sarnia polyethylene plant.



**Imperial remains committed to protecting the health and safety of its employees, contractors, customers and the public, and to environmental responsibility in its business and operating activities.**



# environment, health and safety

Among other policies and programs, the company's operations integrity management framework provides a structured and disciplined approach to operating company facilities safely and reliably. In 1996, the company made capital expenditures of \$51 million on environmental and safety-related projects.

The company's safety performance, among the best in Canadian industry, remained constant in 1996. The rate of safety-related incidents involving employees has declined steadily for several years. Among significant accomplishments, the Nanticoke refinery and Sarnia chemical plant each achieved more than four years without a lost-time incident. Contractor safety performance deteriorated in 1996 after several years of improvement. Steps are being taken to reverse this trend.

In 1996, environmental compliance incidents (incidents in which substance releases from company facilities temporarily exceeded government guidelines) continued to decrease.

## **NPRI emissions lowered**

Ongoing emissions of substances on which the company reports to the federal government under the National Pollutant Release Inventory (NPRI) were also lowered. The company's most recent NPRI report, covering 1995, showed a seven-percent reduction of estimated emissions compared with the previous year's report, primarily as a result of an extensive leak-detection and repair program at company facilities.

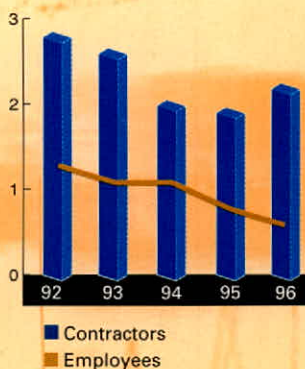
There was an increase in potentially hazardous operating incidents in 1996. This matter is being actively addressed through a rigorous incident investigation procedure and more stringent application of preventive measures.

Significant progress was also made in the cost-effective cleanup of decommissioned service stations, refineries, and oil and gas wells. Among other accomplishments, improved technologies were applied to the biological remediation of contaminated soils as an alternative to removal of the soil for disposal at third-party locations.



### Employee and contractor safety performance

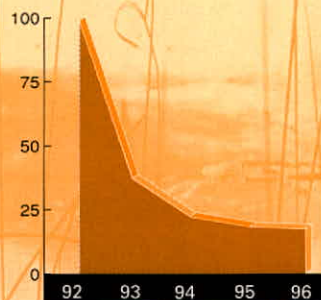
(total recordable incidents per 200,000 hours worked)



Imperial's overall safety performance, among the best in Canadian industry, remained constant in 1996.

### Environmental compliance incidents

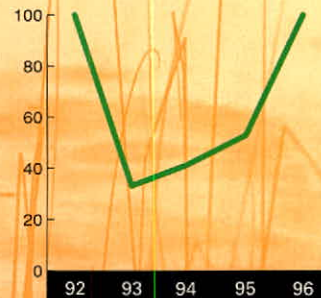
(index: 1992=100)



Incidents in which substance releases temporarily exceeded government guidelines were again reduced in 1996.

### Operating incidents

(index: 1992=100)



The company has responded to an increase in potentially hazardous incidents by instituting rigorous investigation procedures and more stringent preventive measures.

Both on its own and through membership in industry associations, Imperial works actively with governments to find practical, cost-effective and risk-based solutions to Canadian air-quality concerns related to its products, facilities and operations. In recent years, the Canadian petroleum industry has progressively reduced the volatility of gasolines sold during summer in Canada's more smog-prone regions, installed systems to recover evaporative emissions at distribution facilities, undertaken to reduce the benzene content of gasoline and introduced low-sulphur diesel fuel to meet the requirements of a new generation of diesel engines.

The company continues to support Canada's Climate Change Voluntary Challenge and Registry Program, which is part of Canada's National Action Plan to stabilize greenhouse-gas emissions at 1990 levels by 2000.

Imperial is active in the debate concerning what international commitments, if any, Canada might make with respect to reducing greenhouse-gas emissions after 2000 by limiting or restricting fossil-fuel consumption. Independent studies show that Canada, with its energy-intensive, export-oriented economy, would be more economically disadvantaged than most other industrialized countries by participating in binding international actions to arbitrarily reduce fossil-fuel consumption. In Imperial's view, such actions are inappropriate given the continuing widespread uncertainty regarding the impact of human activity on potential global climate change.

## management report

The accompanying consolidated financial statements and all information in this annual report are the responsibility of management. The financial statements have been prepared by management in accordance with generally accepted Canadian accounting principles and include certain estimates that reflect management's best judgments. Financial information contained throughout this annual report is consistent with these financial statements.

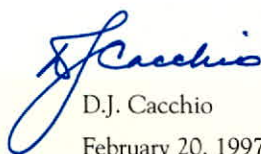
Management has developed and maintains a system of internal control that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the company's operating and financial results, and that the company's assets are safeguarded. The company's internal audit unit reviews and evaluates the adequacy of and compliance with the company's internal controls. As well, it is the policy of the company to maintain the highest standard of ethics in all its activities.

Imperial's board of directors has approved the information contained in the financial statements. The board fulfills its responsibility regarding the financial statements mainly through its audit committee, details of which are provided on page 53.

Price Waterhouse, an independent firm of chartered accountants, was appointed by a vote of shareholders at the company's last annual meeting to examine the consolidated financial statements and provide an independent professional opinion.



R.B. Peterson



D.J. Cacchio  
February 20, 1997

## auditors' report

### To the Shareholders of Imperial Oil Limited

We have audited the consolidated statements of earnings and of cash flows of Imperial Oil Limited for each of the three years in the period ended December 31, 1996, and the consolidated balance sheets as at December 31, 1996, and 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the company for each of the three years in the period ended December 31, 1996, and its financial position as at December 31, 1996, and 1995, in accordance with generally accepted accounting principles in Canada.



Chartered Accountants  
1 First Canadian Place  
Toronto, Ontario  
February 20, 1997



# consolidated statement of earnings

millions of dollars

For the years ended December 31

	1996	1995	1994	1993	1992
<b>Revenues</b>					
Operating revenues	10 383	9 432	8 907	8 757	8 939
Interest and investment income	126	159	100	108	175
<b>Total revenues</b>	<b>10 509</b>	<b>9 591</b>	<b>9 007</b>	<b>8 865</b>	<b>9 114</b>
<b>Expenses</b>					
Exploration	45	75	46	52	70
Purchases of crude oil and products	4 743	3 853	3 538	3 325	3 465
Operating	2 699	2 666	2 746	2 801	2 982
Federal excise tax	1 143	1 120	1 019	986	983
Depreciation and depletion	711	746	786	861	894
Financing costs (12)	235	208	172	177	166
<b>Total expenses</b>	<b>9 576</b>	<b>8 668</b>	<b>8 307</b>	<b>8 202</b>	<b>8 560</b>
<b>Unusual items (2)</b>	<b>—</b>	<b>—</b>	<b>(47)</b>	<b>(95)</b>	<b>(101)</b>
<b>Earnings before income taxes</b>	<b>933</b>	<b>923</b>	<b>653</b>	<b>568</b>	<b>453</b>
<b>Income tax on earnings (6)</b>	<b>469</b>	<b>409</b>	<b>294</b>	<b>289</b>	<b>258</b>
<b>Income tax refunds (6)</b>	<b>(322)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total income tax expense</b>	<b>147</b>	<b>409</b>	<b>294</b>	<b>289</b>	<b>258</b>
<b>Net earnings</b>	<b>786</b>	<b>514</b>	<b>359</b>	<b>279</b>	<b>195</b>
<b>Per-share information (dollars)</b>					
Net earnings	4.47	2.67	1.85	1.44	1.01
Dividends	2.05	1.90	4.80	1.80	1.80

The summary of significant accounting policies, the glossary of terms and the notes, found on pages 35 through 46, are part of these consolidated financial statements.

Certain figures for prior years have been reclassified in the financial statements to conform with the current year's presentation. There is no effect on earnings.

# consolidated statement of cash flows

millions of dollars

inflow(outflow)

For the years ended December 31

	1996	1995	1994	1993	1992
<b>Operating activities</b>					
Net earnings	786	514	359	279	195
Exploration expenses <sup>(a)</sup>	45	75	46	52	70
Depreciation and depletion	711	746	786	861	894
Loss from asset sales and writedowns <sup>(2)</sup>	—	—	—	55	101
Deferred income taxes and other	(102)	(39)	(124)	(81)	(112)
<b>Cash flow from earnings <sup>(b)</sup></b>	<b>1 440</b>	<b>1 296</b>	<b>1 067</b>	<b>1 166</b>	<b>1 148</b>
Accounts receivable	(124)	39	(119)	111	30
Inventories and prepaids	(16)	9	(44)	77	174
Current liabilities	449	345	(77)	38	(62)
Other	(13)	(47)	(44)	46	146
Change in operating assets and liabilities <sup>(c)</sup>	296	346	(284)	272	288
<b>Cash from operating activities</b>	<b>1 736</b>	<b>1 642</b>	<b>783</b>	<b>1 438</b>	<b>1 436</b>
<b>Investing activities</b>					
Capital and exploration expenditures <sup>(a)</sup>	(564)	(570)	(540)	(538)	(467)
Proceeds from asset sales <sup>(c)</sup>	177	135	559	122	245
Marketable securities – net	357	481	14	(117)	(750)
Promissory notes of Exxon Corporation subsidiary – net <sup>(14)</sup>	1 191	(1 191)	—	—	—
<b>Cash from (used in) investing activities</b>	<b>1 161</b>	<b>(1 145)</b>	<b>33</b>	<b>(533)</b>	<b>(972)</b>
<b>Cash flow before financing activities</b>	<b>2 897</b>	<b>497</b>	<b>816</b>	<b>905</b>	<b>464</b>
<b>Financing activities</b>					
Long-term debt and capital lease	—	1	—	—	—
Repayment of long-term debt	(476)	(40)	(82)	(216)	(78)
Short-term debt – net	—	—	—	—	(58)
Common shares purchased <sup>(9)</sup>	(1 772)	(236)	—	—	—
Dividends paid	(361)	(358)	(930)	(349)	(349)
<b>Cash used in financing activities</b>	<b>(2 609)</b>	<b>(633)</b>	<b>(1 012)</b>	<b>(565)</b>	<b>(485)</b>
<b>Increase (decrease) in cash</b>	<b>288</b>	<b>(136)</b>	<b>(196)</b>	<b>340</b>	<b>(21)</b>
<b>Cash at beginning of year</b>	<b>273</b>	<b>409</b>	<b>605</b>	<b>265</b>	<b>286</b>
<b>Cash at end of year <sup>(d)</sup></b>	<b>561</b>	<b>273</b>	<b>409</b>	<b>605</b>	<b>265</b>

(a) Exploration expenses, deducted in arriving at net earnings, are reclassified and included in investing activities in the consolidated statement of cash flows.

(b) Includes dividends received from equity investments of \$10 million (1995 – \$14 million; 1994 – \$11 million).

(c) In 1994, proceeds from receivables and inventory that were sold with the fertilizer business were classified as proceeds from asset sales.

(d) Total cash and short-term securities at December 31, 1996, were \$582 million (1995 – \$1,842 million; 1994 – \$1,268 million).



# consolidated balance sheet

millions of dollars

At December 31	1996	1995	1994	1993	1992
<b>Assets</b>					
Current assets					
Cash	561	273	409	605	265
Marketable securities at amortized cost (10)	21	378	859	874	757
Promissory notes of Exxon Corporation subsidiary (14)	—	1 191	—	—	—
Accounts receivable	1 130	1 006	1 045	954	1 065
Inventories of crude oil and products (11)	398	385	384	402	468
Materials, supplies and prepaid expenses	93	90	100	129	140
Total current assets	2 203	3 323	2 797	2 964	2 695
Investments and other long-term assets	225	254	264	152	159
Property, plant and equipment (1)	7 814	8 170	8 538	9 389	9 965
Goodwill	282	305	329	356	373
<b>Total assets</b>	<b>10 524</b>	<b>12 052</b>	<b>11 928</b>	<b>12 861</b>	<b>13 192</b>
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities (14)	1 594	1 508	1 297	1 222	1 373
Income taxes payable	781	418	284	436	247
Total current liabilities	2 375	1 926	1 581	1 658	1 620
Long-term debt (3)	1 544	1 971	1 977	2 030	2 222
Other long-term obligations (4)	1 057	1 097	1 148	1 149	1 137
Commitments and contingent liabilities (8)					
<b>Total liabilities</b>	<b>4 976</b>	<b>4 994</b>	<b>4 706</b>	<b>4 837</b>	<b>4 979</b>
<b>Deferred income taxes</b>	<b>981</b>	<b>1 150</b>	<b>1 227</b>	<b>1 458</b>	<b>1 577</b>
<b>Shareholders' equity</b>					
Common shares at stated value (9)	2 441	2 903	2 977	2 977	2 977
Net earnings retained and used in the business					
At beginning of year	3 005	3 018	3 589	3 659	3 813
Net earnings for the year	786	514	359	279	195
Share purchases (9)	(1 311)	(162)	—	—	—
Dividends	(354)	(365)	(930)	(349)	(349)
At end of year	2 126	3 005	3 018	3 589	3 659
<b>Total shareholders' equity</b>	<b>4 567</b>	<b>5 908</b>	<b>5 995</b>	<b>6 566</b>	<b>6 636</b>
<b>Total liabilities, deferred income taxes and shareholders' equity</b>	<b>10 524</b>	<b>12 052</b>	<b>11 928</b>	<b>12 861</b>	<b>13 192</b>

Approved by the directors



Chairman, president, and  
chief executive officer



Senior vice-president,  
finance and administration

# summary of significant accounting policies

## Principles of consolidation

The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiaries. Intercompany accounts and transactions are eliminated. Significant subsidiaries included in the consolidated financial statements are:

- Imperial Oil Resources Limited
- Imperial Oil Resources N.W.T. Limited
- Imperial Oil Resources Ventures Limited
- McColl-Frontenac Petroleum Inc.

A significant portion of the company's activities in natural resources is conducted jointly with other companies. The accounts reflect the company's proportionate interest in such activities, including its 25-percent interest in the Syncrude joint venture.

## Inventories

Inventories are recorded at the lower of cost or net realizable value. The cost of crude oil and products is determined primarily using the LIFO (last-in, first-out) method. Costs include purchase costs and other applicable operating expenses. Selling and general administrative expenses are excluded.

## Investments

The principal investments in companies other than subsidiaries are accounted for using the equity method. These represent interests in nonpublicly traded crude oil pipeline companies. They are recorded at the original cost of the investment plus Imperial's share of earnings since the investment was made, less dividends received. Imperial's share of the after-tax earnings of these companies is included in "interest and investment income" in the consolidated statement of earnings. Other investments are recorded at cost. Dividends from other investments are recorded as income.

## Property, plant and equipment

Property, plant and equipment are recorded at cost.

The company follows the successful-efforts method of accounting for its exploration and development activities. Under this method, costs of exploration acreage are capitalized and amortized over the period of exploration or until a discovery is made. Costs of exploration wells are capitalized until their success can be determined. If the well is successful, the costs remain capitalized; otherwise they are expensed. Capitalized exploration costs are reevaluated annually. All other exploration costs are expensed as incurred. Development costs, including the cost of natural gas and natural gas liquids used as injectants in enhanced (tertiary) oil-recovery projects, are capitalized.

Maintenance and repair costs are expensed as incurred. Improvements that increase or prolong the service life or capacity of an asset are capitalized.

Investment tax credits and other similar grants are treated as a reduction of the capitalized cost of the asset to which they apply.

Depreciation and depletion (the allocation of the cost of assets to expense over the period of their useful lives) are calculated using the unit-of-production method for producing properties. Depreciation of other plant and equipment is calculated using the straight-line method, based on the estimated service life of the asset. In general, refineries are depreciated over 25 years; other major assets, including chemical plants and service stations, are depreciated over 20 years.

Gains or losses on assets sold or otherwise disposed of are included in "depreciation and depletion" in the consolidated statement of earnings.

## Goodwill

Goodwill is charged to earnings on a straight-line basis over the period of expected continuing value, to a maximum of 20 years. The amortization of goodwill is included in depreciation and depletion expense. The evaluation for impairment of goodwill is based on a comparison of the carrying values of goodwill and associated operating assets with the estimated undiscounted net cash flows from those operating assets.



### Site-restoration costs

Provision for site-restoration costs (net of any expected recoveries) is made if they can be reasonably determined. This provision is based on engineering estimates of costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, industry practices, current technology and the possible use of the site. For natural-resources assets, accruals are made over the useful life of the asset using the unit-of-production method. For other assets, a provision is made at the time management approves the sale or closure of a facility.

### Foreign-currency translation

Monetary assets and liabilities receivable or payable in foreign currencies have been translated at the rates of exchange prevailing on December 31. Unrealized exchange gains and losses arising from the translation of long-term debt are deferred and amortized over the remaining term of the debt.

### Financial instruments

Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair value of a financial asset is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts.

The fair values of cash, marketable securities, accounts receivable and current liabilities approximate recorded amounts because of the short period to receipt or payment of cash. The fair value of the company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same duration to maturity. The fair values of other financial instruments held by the company are estimated primarily by discounting future cash flows using current rates for similar financial instruments under similar credit risk and maturity conditions.

### Revenues

Certain purchases and sales of crude oil and products are undertaken to improve the company's operating efficiency. Some of the company's crude oil production is sold and other types of crude oil are purchased to optimize refining operations. Product purchase and sale agreements with other companies help Imperial meet its supply requirements while reducing transportation and other costs. Such sales and purchases are offset in the consolidated statement of earnings.

### Consumer taxes and Crown royalties

Taxes levied on the consumer and collected by the company are excluded from the consolidated statement of earnings. These are primarily provincial taxes on motor fuels and the federal goods and services tax. Crown royalties are also excluded.

### Interest costs

Interest costs are expensed as incurred and included as financing costs in the statement of earnings.

### Accounting principles

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. *Form 10-K*, filed with the United States Securities and Exchange Commission, includes a description of the differences between the generally accepted accounting principles in Canada and those accepted in the United States as they apply to the company.

## glossary of terms

**Capital employed** is short-term and long-term debt and shareholders' equity. Average capital employed is the average of the beginning and end-of-year amounts.

**Cash** represents cash in the bank and cash equivalents at cost, plus accrued interest. Cash equivalents are all highly liquid securities with a maturity of three months or less when purchased.

**Debt** represents amounts borrowed from external sources and capital leases. These amounts exclude unamortized foreign-exchange gains or losses on debentures and notes.

**Marketable securities** are securities of the governments of Canada and the provinces, banks and other corporations, with a maturity of longer than three months when purchased.

**Net realizable value** is the estimated selling price of an asset, less the estimated costs of preparing the asset for sale and of selling it.

**Deferred income taxes** are the difference between income taxes deducted in calculating earnings in accordance with generally accepted accounting principles and taxes currently payable under income tax legislation. They result from certain deductions from income being recognized in different periods for tax and accounting purposes. The largest source of deferred income taxes is depreciation and depletion, where deductions are made earlier for tax purposes than for accounting purposes. Deferred income taxes are not a liability under the law.

**Per-share information** is calculated by dividing the respective nominal amounts by the average number of shares outstanding, weighted monthly.

## financial percentage and ratios

	1996	1995	1994	1993	1992
Total debt as a percentage of capital (page 7) <sup>(1)</sup>	<b>28.7</b>	28.2	28.9	26.9	28.7
Interest coverage ratio (page 7)					
– on an earnings basis <sup>(2)</sup>	<b>8.0</b>	6.8	5.7	5.3	4.0
– on a cash flow basis <sup>(3)</sup>	<b>14.2</b>	12.1	12.5	12.9	11.2
Share price to earnings ratio (page 50) <sup>(4)</sup>	<b>14.4</b>	18.5	25.0	31.1	40.2
Share price to cash flow from earnings (page 50) <sup>(5)</sup>	<b>7.9</b>	7.3	8.4	7.4	6.9
Share price to cash from operating activities (page 50) <sup>(6)</sup>	<b>6.5</b>	5.8	11.4	6.0	5.5
Return on average capital employed (page 1) <sup>(7)</sup>	<b>12.4</b>	7.7	5.3	4.1	3.1
Return on average shareholders' equity (page 1) <sup>(8)</sup>	<b>14.9</b>	8.6	5.7	4.2	2.9

(1) Debt (note 3) and guarantees to third parties (note 8(b)), divided by debt, guarantees to third parties and shareholders' equity (page 34).

(2) Net earnings (page 32), debt-related interest expense (note 12) and income taxes (page 32), divided by debt-related interest expense.

(3) Cash flow from earnings (page 33), current income tax expense (note 6) and debt-related interest expense, divided by debt-related interest expense.

(4) Closing share price at December 31 (page 50), divided by net earnings per share (page 32).

(5) Closing share price at December 31, divided by cash flow from earnings per share (page 1).

(6) Closing share price at December 31, divided by cash from operating activities per share.

(7) Net earnings and after-tax interest expense (interest expense at basic corporate tax rate, note 6), divided by average capital employed (note 1).

(8) Net earnings, divided by average shareholders' equity.



# notes to consolidated financial statements

## 1. Business segments

millions of dollars	Natural resources <sup>(a)</sup>			Petroleum products		
	1996	1995	1994	1996	1995	1994
<b>Revenues</b>						
External sales <sup>(c)</sup>	990	904	888	8 575	7 700	7 275
Intersegment sales	1 511	1 364	1 332	224	196	177
<b>Total revenues</b>	<b>2 501</b>	<b>2 268</b>	<b>2 220</b>	<b>8 799</b>	<b>7 896</b>	<b>7 452</b>
<b>Expenses</b>						
Exploration	45	75	46	—	—	—
Purchases of crude oil and products	487	412	426	5 522	4 571	4 205
Operating	826	806	820	1 652	1 623	1 618
Federal excise tax	—	—	—	1 143	1 120	1 019
Depreciation and depletion <sup>(d)</sup>	474	500	515	208	230	217
Financing costs	5	4	—	1	1	1
<b>Total expenses</b>	<b>1 837</b>	<b>1 797</b>	<b>1 807</b>	<b>8 526</b>	<b>7 545</b>	<b>7 060</b>
<b>Unusual items</b> (note 2)	<b>—</b>	<b>—</b>	<b>(47)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Earnings before income taxes</b>	<b>664</b>	<b>471</b>	<b>366</b>	<b>273</b>	<b>351</b>	<b>392</b>
<b>Income taxes</b> (note 6)						
Current	378	350	318	204	178	204
Deferred	(47)	(112)	(119)	(77)	(13)	(24)
<b>Total income tax on earnings</b>	<b>331</b>	<b>238</b>	<b>199</b>	<b>127</b>	<b>165</b>	<b>180</b>
<b>Income tax refunds</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total income tax expense</b>	<b>331</b>	<b>238</b>	<b>199</b>	<b>127</b>	<b>165</b>	<b>180</b>
<b>Net earnings</b>	<b>333</b>	<b>233</b>	<b>167</b>	<b>146</b>	<b>186</b>	<b>212</b>
<b>Cash flow from earnings</b>	<b>805</b>	<b>696</b>	<b>616</b>	<b>276</b>	<b>404</b>	<b>404</b>
<b>Capital and exploration expenditures</b>	<b>352</b>	<b>330</b>	<b>271</b>	<b>171</b>	<b>209</b>	<b>226</b>
<b>Property, plant and equipment</b>						
Cost	9 264	9 378	9 294	4 494	4 414	4 361
Accumulated depreciation and depletion	4 394	4 196	3 775	2 185	2 072	1 988
<b>Net property, plant and equipment</b>	<b>4 870</b>	<b>5 182</b>	<b>5 519</b>	<b>2 309</b>	<b>2 342</b>	<b>2 373</b>
<b>Total assets</b>	<b>5 344</b>	<b>5 543</b>	<b>5 924</b>	<b>4 079</b>	<b>3 923</b>	<b>4 027</b>
<b>Total capital employed</b>	<b>3 403</b>	<b>3 548</b>	<b>3 900</b>	<b>2 332</b>	<b>2 286</b>	<b>2 507</b>

- (a) A significant portion of activities in the natural-resources segment is conducted jointly with other companies. The natural-resources segment includes the company's proportionate share of joint-venture activities as follows:

millions of dollars	1996	1995
Total revenues	1 406	1 295
Total expenses	1 069	1 117
Net earnings, after income taxes	140	39
Total current assets	307	207
Long-term assets	3 239	3 659
Total current liabilities	503	415
Other long-term obligations	164	182
Cash flow from earnings	470	373
Cash from operating activities	460	385
Cash (used in) investing activities	(144)	(134)

- (b) Information is presented as though each segment were a separate business activity. Intersegment sales are made essentially at prevailing market prices. Consolidated amounts exclude intersegment transactions, as follows:

millions of dollars	1996	1995	1994
Purchases of crude oil and products	1 777	1 598	1 548
Operating expenses	22	25	31
Total intersegment sales	1 799	1 623	1 579

Chemicals			Corporate and other			Consolidated <sup>(b)</sup>		
1996	1995	1994	1996	1995	1994	1996	1995	1994
<b>820</b>	834	759	<b>124</b>	153	85	<b>10 509</b>	9 591	9 007
<b>55</b>	53	58	<b>9</b>	10	12	<b>—</b>	<b>—</b>	<b>—</b>
<b>875</b>	887	817	<b>133</b>	163	97	<b>10 509</b>	9 591	9 007
<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>45</b>	75	46
<b>511</b>	466	455	<b>—</b>	2	<b>—</b>	<b>4 743</b>	3 853	3 538
<b>224</b>	211	244	<b>19</b>	46	95	<b>2 699</b>	2 666	2 746
<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1 143</b>	1 120	1 019
<b>29</b>	21	54	<b>—</b>	<b>—</b>	<b>—</b>	<b>711</b>	746	786
<b>—</b>	<b>—</b>	<b>—</b>	<b>229</b>	203	171	<b>235</b>	208	172
<b>764</b>	698	753	<b>248</b>	251	266	<b>9 576</b>	8 668	8 307
<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	(47)
<b>111</b>	189	64	<b>(115)</b>	(88)	(169)	<b>933</b>	923	653
<b>51</b>	77	115	<b>4</b>	(119)	(112)	<b>637</b>	486	525
<b>(8)</b>	(2)	(103)	<b>(36)</b>	50	15	<b>(168)</b>	(77)	(231)
<b>43</b>	75	12	<b>(32)</b>	(69)	(97)	<b>469</b>	409	294
<b>—</b>	<b>—</b>	<b>—</b>	<b>(322)</b>	<b>—</b>	<b>—</b>	<b>(322)</b>	<b>—</b>	<b>—</b>
<b>43</b>	75	12	<b>(354)</b>	(69)	(97)	<b>147</b>	409	294
<b>68</b>	114	52	<b>239</b>	(19)	(72)	<b>786</b>	514	359
<b>89</b>	132	77	<b>270</b>	64	(30)	<b>1 440</b>	1 296	1 067
<b>20</b>	13	24	<b>21</b>	18	19	<b>564</b>	570	540
<b>593</b>	580	579	<b>591</b>	602	575	<b>14 942</b>	14 974	14 809
<b>340</b>	319	300	<b>209</b>	217	208	<b>7 128</b>	6 804	6 271
<b>253</b>	261	279	<b>382</b>	385	367	<b>7 814</b>	8 170	8 538
<b>407</b>	400	416	<b>694</b>	2 186	1 561	<b>10 524</b>	12 052	11 928
<b>210</b>	178	221	<b>191</b>	1 867	1 344	<b>6 136</b>	7 879	7 972

(c) Includes export sales to the United States, as follows:

millions of dollars	1996	1995	1994
Natural resources	<b>297</b>	299	252
Petroleum products	<b>416</b>	238	237
Chemicals	<b>462</b>	446	337
Total export sales	<b>1 175</b>	983	826

(d) Includes \$25 million of goodwill charged to earnings in 1996 (1995 – \$27 million; 1994 – \$27 million). The accumulated amortization of goodwill at December 31, 1996, is \$195 million (1995 – \$166 million; 1994 – \$140 million). Depreciation of corporate segment assets of \$16 million (1995 – \$18 million; 1994 – \$23 million) has been allocated to the operating segments that benefit from those assets.

The company operates its business in Canada, in the following industry segments:

**Natural resources** includes the exploration for and production of crude oil and natural gas.

**Petroleum products** consists of the refining of crude oil into petroleum products and the distribution and marketing of these products.

**Chemicals** consists of the manufacturing and marketing of various hydrocarbon-based chemicals and chemical products, including fertilizers prior to April 1994.

**Corporate and other** includes assets and liabilities that do not specifically relate to business segments – primarily cash, marketable securities, various investments and long-term debt. Net earnings in this category include income and gains from investments and financing costs.



## 2. Unusual items

There were no unusual items in 1996 or 1995. In 1994, there was a \$47-million (\$31 million after tax) charge mainly to cover the cost of work-force reductions of 500 people in the natural-resources division. The charge also included the company's 25-percent share of work-force reductions at Syncrude Canada Limited. The provision remaining at December 31, 1996, of \$14 million is expected to be used in 1997.

In 1993, a \$95-million (\$54 million after tax) charge was made for the writedown of refinery assets and for dismantling, site restoration and employee-related costs resulting from the shutdown of refining operations at Ioco, near Vancouver, in 1995. The provision remaining at December 31, 1996, was \$35 million, and relates to dismantling and site-restoration activities. Dismantling is expected to be completed in 2000.

Unusual items in 1992 include gains or losses on the divestment of assets resulting from the 1989 acquisition of Texaco Canada Inc.

## 3. Long-term debt

Long-term debt		1996	1995	
issued	maturity date	interest rate	millions of dollars	
<b>Sinking-fund debentures</b> <sup>(a)</sup>				
1989	October 15, 2019 (1996 – \$222 million (U.S.); 1995 – \$222 million (U.S.))	8 ¾	<b>304</b>	303
<b>Other debentures and notes</b> <sup>(a)</sup>				
1983	January 3, 1997	5	–	24
1989	December 15, 1999 <sup>(b)</sup>	9 7/8	<b>215</b>	215
1989	September 1, 2004 (1996 – \$650 million (U.S.); 1995 – \$1,000 million (U.S.)) <sup>(c)</sup>	Variable	<b>891</b>	1 364
1991	August 20, 2001 (1996 – \$200 million (U.S.); 1995 – \$200 million (U.S.))	8.3	<b>274</b>	273
<b>Total debentures and notes</b>			<b>1 684</b>	2 179
<b>Capital leases</b>			<b>2</b>	3
<b>Long-term debt (at period-end exchange rates)</b>			<b>1 686</b>	2 182
Foreign-exchange loss on U.S. \$ debt <sup>(d)</sup>			<b>142</b>	211
<b>Total long-term debt</b> <sup>(e)(f)</sup>			<b>1 544</b>	1 971

(a) No principal payments are due on sinking-fund debentures within the next five years; \$215 million of principal payments on other debentures and notes are due in 1999 and \$200 million (U.S.) are due in 2001.

(b) \$150 million of this debenture has both a U.S. dollar currency swap and an interest-rate swap transaction matched with it – see note 5(b). The average effective interest rate on this \$150 million was 7.7 percent in 1996 (1995 – 8.2 percent).

(c) This debt bears interest based primarily on U.S. commercial paper interest rates and may be repaid in part or in full at any time before maturity without premium. The average effective rate for 1996 was 5.5 percent (1995 – 5.9 percent).

(d) The foreign-exchange loss on U.S. dollar debt is being amortized to earnings over the remaining life of the debt.

(e) At December 31, 1996, the company had \$634 million of uncommitted, unused lines of credit available for short-term financing.

(f) The estimated fair value of the long-term debt at December 31, 1996, is \$1,759 million (1995 – \$2,279 million).

#### 4. Other long-term obligations

millions of dollars	1996	1995
Employee retirement benefits (note 7)	542	548
Site restoration <sup>(a)</sup>	424	432
Other obligations	91	117
Total other long-term obligations	1 057	1 097

(a) Total site restoration also includes \$60 million in current liabilities (1995 – \$58 million).

#### 5. Financial derivatives

Derivatives are only used to reduce specific risk exposures of the company and are not held for trading purposes. Derivatives with leveraged features are not used. This policy is implemented as follows:

##### (a) Crude oil and product (energy) derivatives, and foreign-exchange forwards

The impact of price and foreign-exchange fluctuations on purchases and sales may be mitigated by selling and buying energy derivatives (primarily futures contracts) and foreign-exchange forward contracts. These transactions are conducted on recognized commodities exchanges or with banks of the highest credit standing, and are normally settled on a one-to-six-month basis. Gains or losses on these contracts are recognized in earnings as a component of the related physical transaction.

At December 31, 1996, there were no energy derivative contracts outstanding (1995 – \$3 million, to offset fixed-price product sales commitments to customers). No significant energy derivative contracts were transacted in 1996. In 1995, losses of \$17 million were realized on closed energy derivatives to offset gains on physical positions (1994 – \$28 million loss).

At December 31, 1996, there were \$16 million of foreign-exchange forward contracts outstanding to offset exchange fluctuations on purchase commitments denominated in U.S. dollars (1995 – nil). Gains and losses on foreign-exchange forwards were minimal in each year.

##### (b) Interest and currency swap transactions

The company is a party to a currency and an interest-rate swap that are matched to \$150 million of the 9 <sup>7</sup>/<sub>8</sub>-percent (Canadian) debenture, effectively converting this to a \$126 million (U.S.) floating-interest-rate debt (see note 3(b)). At the end of the currency swap the company will receive \$150 million (Canadian) and pay \$126 million (U.S.). In the interim, the currency swap involves the payment in U.S. dollars, and the receipt in Canadian dollars of fixed interest-rate amounts. The interest-rate swap involves interest payments and receipts, both in U.S. dollars.

The U.S. dollar exposure created by the currency swap partially offsets the U.S. dollar-based crude oil component of revenues. The swaps are with counterparties of the highest credit standing.

Settlement of the swaps at December 31, 1996, would have resulted in a loss of \$11 million (Canadian) (1995 – \$16 million). A foreign-exchange loss of \$23 million on the currency swap (1995 – \$22 million) has been deferred and is being amortized as a financing cost over the remaining life of the debenture (see note 12). At December 31, 1996, the unamortized loss was \$11 million (1995 – \$13 million). A \$12-million increase in the market value (1995 – \$6 million increase) of the interest-rate component of the swaps, based on bond yields for instruments with similar terms to maturity, is not recorded in the financial statements because it is the company's intent to hold the swaps until the maturity of the 9 <sup>7</sup>/<sub>8</sub>-percent debenture. In 1996, the effect of the amounts paid and received on the swaps was to reduce interest expense by \$2 million to achieve an average rate of 7.7 percent (1995 – \$1-million reduction to 8.2 percent; 1994 – \$3-million reduction to 6.6 percent).



## 6. Income taxes

millions of dollars	1996	1995	1994
<b>Summary of income tax calculations</b>			
Earnings before income taxes	933	923	653
Deduct earnings from equity investments	25	15	13
Adjusted earnings	908	908	640
Basic corporate tax rate (percent)	44.8	44.7	44.6
Income taxes at basic rate	407	406	286
Increases (decreases) resulting from			
Nondeductible payments to governments	123	94	91
Resource allowance	(129)	(107)	(87)
Manufacturing and processing credit	(36)	(35)	(43)
Nondeductible depreciation and amortization	69	70	70
Other	35	(19)	(23)
Income tax expense on earnings <sup>(a)</sup>	469	409	294
Increases (decreases) in deferred income taxes			
from timing differences			
Depreciation and amortization	(47)	(50)	(152)
Pensions and severance payments	1	26	14
Successful drilling, injectants and land acquisitions	(1)	(40)	(69)
LIFO inventory valuation	(78)	(13)	(24)
Other	(43)	—	—
<b>Deferred income tax expense</b>	<b>(168)</b>	<b>(77)</b>	<b>(231)</b>
<b>Current income tax expense</b>			
<b>before income tax refunds</b>	<b>637</b>	<b>486</b>	<b>525</b>
<b>Income tax refunds <sup>(b)</sup></b>	<b>(322)</b>	<b>—</b>	<b>—</b>
<b>Current income tax expense</b>			
<b>net of income tax refunds</b>	<b>315</b>	<b>486</b>	<b>525</b>

(a) The effective income tax rate on earnings was 51.7 percent in 1996 (1995 – 45.0 percent; 1994 – 45.9 percent). Cash income tax payments, after deducting investment tax credits, were \$699 million in 1996 (1995 – \$351 million; 1994 – \$676 million).

(b) During 1996, settlement was reached with Revenue Canada for an \$843-million federal tax refund, relating to a number of outstanding taxation issues pertaining to the natural-resources business for the period 1974 to 1990. The refund includes interest on which tax of \$223 million is payable. A portion of the refund was recognized in earnings in prior years and \$278 million is included in 1996 earnings.

In addition to the \$278 million recorded in earnings for the federal tax refund, a further \$44 million has been recognized in 1996 for provincial tax refunds and related interest, for a total of \$322 million. The provincial tax refund amounts have not been finalized; this could result in an additional amount being recorded in future earnings.

The operations of the company are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question. The company believes the provision made for income taxes is adequate.

## 7. Employee retirement benefits

Retirement benefits, which cover almost all retired employees and their surviving spouses, include retirement-income and certain health-care and life-insurance benefits. Retirement-income benefits are company paid and are based on years of service and final average earnings. They are met through funded registered retirement plans and through unfunded supplementary benefits that are paid directly to recipients. The company shares in the cost of health-care and life-insurance benefits.

The expense and obligations for both funded and unfunded benefits are determined in accordance with generally accepted accounting principles and actuarial procedures. The process for determining retirement-income expense and related obligations includes making certain long-term assumptions. For 1996 and 1995, the discount rate, return on plan assets and the rate of pay increases were assumed to be 10.0 percent, 10.0 percent and 5.0 percent respectively. For 1994, the assumed rates were 8.5 percent, 8.5 percent and 5.0 percent respectively. The change in assumptions favorably impacted 1995 earnings by \$36 million after tax.

The data below includes the company's share of the Syncrude retirement-income benefits.

#### Annual expense

millions of dollars	1996	1995	1994
Retirement-income expense before			
work-force-reduction provision	24	28	70
Other retirement-benefit expense	24	25	25
	48	53	95
Retirement-income expense portion of			
work-force-reduction provision <sup>(a)</sup>	—	—	9
<b>Total expense</b>	<b>48</b>	<b>53</b>	<b>104</b>

(a) This amount is part of the work-force-reduction provision described in note 2.

#### Obligations at December 31

millions of dollars	1996	1995
Actuarial present value of retirement-income obligations		
Benefits based on service to date and present pay levels		
Registered-plan benefits	1 631	1 596
Supplementary benefits	291	282
Total accumulated benefit obligation	1 922	1 878
Additional benefits related to projected pay increases	234	236
Total projected benefit obligation	2 156	2 114
Funded assets at market value <sup>(a)</sup>	2 243	2 054
Net obligations or (surplus) for retirement-income benefits	(87)	60
Obligation for other retirement benefits	238	221
<b>Net obligations</b>	<b>151</b>	<b>281</b>

The net obligations consist of

Long-term liability (note 4)	542	548
Current liability	30	29
Unrecorded assets – net <sup>(b)</sup>	(421)	(296)
<b>Total</b>	<b>151</b>	<b>281</b>

(a) Assets of the retirement plans are held primarily in equity, fixed-income and money-market securities. Company contributions to the retirement plans are based on independent actuarial valuations and are made in accordance with government regulations. These contributions amounted to \$15 million in 1996 (1995 – \$42 million).

(b) Unrecorded assets are amortized over the expected average remaining service of employees, which is currently 13 years (1995 – 13 years).

Additional information regarding retirement benefits follows:

millions of dollars	Obligations at Dec. 31	Annual expense
As calculated using company's assumptions	2 394	48
Impact of one-percent change in		
Rate of return and discount rate	240	45
Pay increases	95	20



## 8. Commitments and contingent liabilities

At December 31, 1996, the company had commitments for noncancellable operating leases and other long-term agreements that require the following minimum future payments:

millions of dollars	1997	1998	1999	2000	2001	after 2001
Operating leases <sup>(a)(c)</sup>	50	40	33	25	16	63
Other long-term agreements <sup>(b)(c)</sup>	251	238	229	211	166	346

- (a) Total rental expense incurred for operating leases in 1996 was \$111 million (1995 – \$111 million; 1994 – \$115 million).
- (b) Total payments under long-term agreements were \$299 million in 1996 (1995 – \$301 million; 1994 – \$295 million). As part of an agreement with Interprovincial Pipe Line (NW) Ltd. for the construction of a pipeline to the company's Norman Wells oil field, Imperial agreed to minimum pipeline charges to 2010, sufficient to service the debt associated with the pipeline. These amounts are included in the above table. The amount of that debt outstanding at December 31, 1996, was \$125 million.
- (c) Operating lease commitments related to joint-venture activities are not material; payments under other long-term agreements related to joint-venture activities are approximately \$50 million per year.

As a condition of its 1989 acquisition of Texaco Canada, the company committed to the Government of Canada to supply agreed volumes of gasoline to independent marketers in Ontario and Quebec for periods of up to 10 years. The company is in compliance with these commitments.

The company's commitments in connection with financial derivatives are discussed in note 5. Other commitments for operating and capital needs, all arising in the normal course of business, do not materially affect the company's consolidated financial position.

The company provides in its financial statements for site-restoration costs (see accounting policy on page 36). Provision is not made with respect to those manufacturing, distribution and marketing facilities for which estimates of these future costs cannot be reasonably determined. These are primarily currently operated sites. These costs (net of any expected recoveries) are not expected to have a material effect on the company's consolidated financial position.

Various lawsuits are pending against Imperial Oil Limited and its subsidiaries. The actual liability with respect to these lawsuits is not determinable, but management believes, based on the opinion of counsel, that any liability will not materially affect the company's consolidated financial position.

## 9. Common shares

number of shares	1996	1995	1994
Authorized	225 000 000	225 000 000	225 000 000
Issued at December 31	158 963 199	189 010 521	193 841 431

In the third quarter of 1996, the company purchased 24,000,000 of its outstanding shares (13 percent of the total) at a price of \$60 a share for a total cost of \$1,440 million. The purchase included 17,179,812 shares under a proportionate tender option that allowed shareholders to retain the same percentage ownership interest in the company that they held previously. The balance of 6,820,188 shares was purchased under an auction tender that established the purchase price.

On June 19, 1995, the company began purchasing shares under a 12-month normal course share-purchase program. It purchased 9,475,629 shares (4.9 percent of the total outstanding on June 19, 1995) at a cost of \$484 million (4,644,719 shares, costing \$248 million, were purchased in 1996). On June 19, 1996, another 12-month program was implemented under which the company may purchase up to 9,222,961 of its outstanding shares (five percent of the total at that date), less any shares purchased by the employee savings plan and company pension funds (66,415 to December 31, 1996). Purchases under this program reduced the number of issued shares by 1,402,604 shares at a cost of \$84 million.

Exxon Corporation's participation in the above maintained its ownership interest in Imperial at 69.6 percent, unchanged from 1995 and 1994.

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

#### 10. Marketable securities

At December 31, 1996, the company held \$21 million of Government of Canada treasury bills (1995 – \$378 million). These securities were purchased with the intent that they be held to maturity. The average yield on these securities in 1996 was 5.4 percent (1995 – 7.2 percent).

#### 11. Inventories of crude oil and products

In 1996, net earnings included an after-tax gain of \$7 million (1995 – \$4 million gain; 1994 – \$4 million loss) attributable to the effect of changes in LIFO inventories. The replacement cost of inventories was estimated to exceed their LIFO carrying values at December 31, 1996, by \$737 million (1995 – \$496 million).

#### 12. Financing costs

millions of dollars	1996	1995	1994
Debt-related interest	133	160	139
Other interest <sup>(a)</sup>	28	15	4
<b>Total interest expense <sup>(b)</sup></b>	<b>161</b>	<b>175</b>	<b>143</b>
Foreign-exchange expense on long-term debt <sup>(c)</sup>	74	33	29
<b>Total financing costs</b>	<b>235</b>	<b>208</b>	<b>172</b>

(a) Settlement of a prior year claim against the company in 1996 resulted in a \$20-million charge (\$11 million after tax).

(b) Cash interest payments in 1996 were \$164 million (1995 – \$175 million; 1994 – \$138 million).

(c) In 1996, the company redeemed \$350 million (U.S.) of its long-term debt for \$476 million (Canadian), resulting in a \$51 million foreign-exchange expense (\$33 million after tax).

#### 13. Research and development costs

Research and development costs in 1996 were \$73 million (1995 – \$74 million; 1994 – \$73 million) before investment tax credits earned on these expenditures of \$7 million (1995 – \$8 million; 1994 – \$10 million). The net costs are included in expenses, due to the uncertainty of future benefits.



#### 14. Transactions with Exxon Corporation and affiliated companies (Exxon)

In 1995, the company entered into agreements with a wholly owned subsidiary of Exxon Corporation under which the company purchased Canadian-dollar discounted promissory notes at competitive Canadian interest rates. The notes were recorded on an amortized cost basis. In 1996, the notes were repaid in full. Interest earned on the notes in 1996 was \$36 million (1995 – \$54 million).

Revenues and expenses of the company also include the results of transactions with Exxon in the normal course of operations. These were conducted on terms as favorable as they would have been with unrelated parties, and primarily consisted of the purchase and sale of crude oil, petroleum and chemical products, as well as transportation, technical and engineering services. The amounts paid or received have been reflected in the following categories in the statement of earnings:

millions of dollars	1996	1995	1994
Operating revenues	289	300	284
Purchases of crude oil and products	497	353	1 035
Operating expenses	82	58	88

Current amounts due to Exxon at December 31, 1996, with respect to the above transactions were \$105 million (1995 – \$48 million; 1994 – \$47 million).

#### 15. Net payments to governments

millions of dollars	1996	1995	1994
Current income taxes (note 6)	315	486	525
Federal excise tax	1 143	1 120	1 019
Property taxes included in expenses	110	116	115
Payroll and other taxes included in expenses	40	42	41
Goods and services tax (GST)/ Quebec sales tax (QST) collected	1 230	1 098	1 029
GST/QST input tax credits	(907)	(757)	(741)
Other consumer taxes collected for governments	1 538	1 474	1 380
Crown royalties	426	314	240
<b>Total paid or payable to governments</b>	<b>3 895</b>	<b>3 893</b>	<b>3 608</b>
Less investment tax credits and other receipts	8	8	14
<b>Net payments to governments</b>	<b>3 887</b>	<b>3 885</b>	<b>3 594</b>

Net payments to:

Federal government	1 660	1 803	1 638
Provincial governments	2 117	1 966	1 841
Local governments	110	116	115
<b>Net payments to governments</b>	<b>3 887</b>	<b>3 885</b>	<b>3 594</b>

# supplemental oil and gas information

## Supplemental oil and gas information

The information on pages 47 through 49 is provided in accordance with the United States' Statement of Financial Accounting Standards (SFAS) No. 69 "Disclosure about Oil and Gas Producing Activities." Additional information required by SFAS No. 69 is included in Form 10-K.

### Results of operations

	Oil and gas			Syncrude			Total		
millions of dollars	1996	1995	1994	1996	1995	1994	1996	1995	1994
Sales to customers	607	556	523	—	—	—	607	556	523
Intersegment sales	927	865	846	432	383	363	1 359	1 248	1 209
Total sales <sup>(1)</sup>	1 534	1 421	1 369	432	383	363	1 966	1 804	1 732
Production expenses	499	492	538	259	263	264	758	755	802
Exploration expenses	45	75	46	—	—	—	45	75	46
Depreciation and depletion	417	464	473	53	32	39	470	496	512
Income taxes	297	204	174	47	36	24	344	240	198
<b>Results of operations</b>	<b>276</b>	<b>186</b>	<b>138</b>	<b>73</b>	<b>52</b>	<b>36</b>	<b>349</b>	<b>238</b>	<b>174</b>

### Capital and exploration expenditures

	Oil and gas			Syncrude			Total		
millions of dollars	1996	1995	1994	1996	1995	1994	1996	1995	1994
Property costs <sup>(2)</sup>									
Proved	2	8	15	—	—	—	2	8	15
Unproved	4	4	19	—	—	—	4	4	19
Exploration costs	69	82	65	—	—	—	69	82	65
Development costs	225	192	135	51	42	36	276	234	171
<b>Total capital and exploration expenditures</b>	<b>300</b>	<b>286</b>	<b>234</b>	<b>51</b>	<b>42</b>	<b>36</b>	<b>351</b>	<b>328</b>	<b>270</b>

### Property, plant and equipment

	Oil and gas		Syncrude		Total	
millions of dollars	1996	1995	1996	1995	1996	1995
Property costs <sup>(2)</sup>						
Proved	2 590	2 736	12	8	2 602	2 744
Unproved	137	136	4	4	141	140
Producing assets	5 058	5 110	938	964	5 996	6 074
Support facilities	107	120	154	105	261	225
Incomplete construction	134	90	32	7	166	97
Total cost	8 026	8 192	1 140	1 088	9 166	9 280
Accumulated depreciation and depletion	3 960	3 818	399	346	4 359	4 164
<b>Net property, plant and equipment</b>	<b>4 066</b>	<b>4 374</b>	<b>741</b>	<b>742</b>	<b>4 807</b>	<b>5 116</b>

- (1) Sales of crude oil to consolidated affiliates are at market value, using posted field prices. Sales of natural gas liquids to consolidated affiliates are at prices estimated to be obtainable in a competitive, arm's-length transaction. Total sales exclude the sale of natural gas and natural gas liquids purchased for resale.
- (2) "Property costs" are payments for rights to explore for petroleum and natural gas, and for purchased reserves (acquired tangible and intangible assets such as gas plants, production facilities and producing-well costs are included under "Producing assets"). "Proved" represents areas where successful drilling has delineated a field capable of production. "Unproved" represents all other areas.



# supplemental oil and gas information

## Net proved developed and undeveloped reserves <sup>(1)</sup>

	Crude oil and NGLs millions of barrels				Natural gas billions of cubic feet
	Conventional	Cold Lake	Syncrude	Total	
Beginning of year 1994	444	691	314	1 449	2 505
Revisions of previous estimates and improved recovery	14	91	28	133	(1)
Sale of reserves in place	(1)	—	—	(1)	(57)
Discoveries and extensions	3	—	123	126	17
Production	(44)	(30)	(17)	( 91)	(162)
End of year 1994	416	752	448	1 616	2 302
Revisions of previous estimates and improved recovery	(18)	60	—	42	(53)
Sale of reserves in place	(5)	—	—	(5)	(79)
Discoveries and extensions	9	—	—	9	104
Production	(40)	(33)	(16)	(89)	(156)
End of year 1995	362	779	432	1 573	2 118
<b>Revisions of previous estimates and improved recovery</b>	<b>11</b>	<b>—</b>	<b>26</b>	<b>37</b>	<b>(100)</b>
<b>Sale of reserves in place</b>	<b>(7)</b>	<b>—</b>	<b>—</b>	<b>(7)</b>	<b>(65)</b>
<b>Discoveries and extensions</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>61</b>
<b>Production</b>	<b>(36)</b>	<b>(27)</b>	<b>(15)</b>	<b>(78)</b>	<b>(142)</b>
<b>End of year 1996</b>	<b>331</b>	<b>752</b>	<b>443</b>	<b>1 526</b>	<b>1 872</b>

(1) Net reserves are the company's share of reserves after deducting the shares of mineral owners or governments or both.  
All reported reserves are located in Canada.

Reserves of natural gas are calculated at a pressure of 14.73 pounds per square inch at 60 degrees Fahrenheit.

Conventional and Cold Lake crude oil and natural gas reserve estimates are based on geological and engineering data, which have demonstrated with reasonable certainty that these reserves are recoverable in future years from known reservoirs under economic and operating conditions existing at December 31 of the relevant year. Reserves of crude oil at Cold Lake are those estimated to be recoverable from the existing experimental pilot plants and commercial stages 1 through 10. The calculation of reserves of crude oil at Syncrude is based on the company's participating interest in the production permit granted in October 1979 and as amended in January 1985, July 1988 and September 1994 by the Province of Alberta.

Net proved reserves are determined by deducting the estimated future share of mineral owners or governments or both. For conventional

crude oil (excluding enhanced oil-recovery projects), oil from the Cold Lake pilots and natural gas, net proved reserves are based on estimated future royalty rates representative of those existing at December 31 of the year. Actual future royalty rates may vary with production and price. For enhanced oil-recovery projects, Syncrude and stages 1 through 10 of Cold Lake, net proved reserves are based on the company's best estimate of average royalty rates over the life of each project. Actual future royalty rates may vary with production, price and costs.

Reserves data do not include crude oil and natural gas discovered in the Beaufort Sea – Mackenzie Delta, the Arctic Islands and the Sable Island area, or the resources contained in oil sands other than those attributable to Syncrude, the Cold Lake pilot area and stages 1 through 10 of Cold Lake production operations.

In 1996, Imperial's net proved reserves of crude oil and NGLs decreased by 47 million barrels, while the proved reserves of natural gas decreased by 246 billion cubic feet. Production in 1996 totaled 78 million barrels of crude oil and 142 billion cubic feet of natural gas. Revision of previous estimates and improved recovery added 37 million barrels of crude oil and decreased natural gas by 100 billion

cubic feet. Sales of reserves accounted for a decrease of seven million barrels of crude oil and 65 billion cubic feet of natural gas. Discoveries and extensions totaled one million barrels of crude oil and 61 billion cubic feet of natural gas in 1996. Exploration did not provide sufficient additions to reserves to offset the effects of divestments and production.

#### Wells drilled <sup>(1)</sup>

	1996		1995		1994		1993		1992	
	gross	net	gross	net	gross	net	gross	net	gross	net
Exploratory										
Conventional	18	12	28	17	36	16	35	20	10	6
Development										
Conventional	166	89	101	49	327	123	228	90	100	26
Heavy oil	269	269	293	293	15	15	115	115	23	23
Total wells drilled										
Exploratory	18	12	28	17	36	16	35	20	10	6
Development	435	358	394	342	342	138	343	205	123	49
<b>Total wells in progress</b>	<b>5</b>	<b>3</b>	<b>9</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>14</b>	<b>6</b>	<b>8</b>	<b>4</b>

#### Land holdings <sup>(1)</sup>

	1996		1995		1994		1993		1992	
millions of acres	gross	net	gross	net	gross	net	gross	net	gross	net
Western provinces										
Conventional	4.6	2.4	5.3	2.7	5.9	2.9	6.9	3.2	8.2	3.7
Heavy oil	0.9	0.5	1.1	0.5	1.1	0.5	1.0	0.4	1.0	0.4
Northern areas <sup>(2)</sup>	0.9	0.3	0.9	0.3	0.9	0.3	1.0	0.4	1.3	0.5
Atlantic offshore	1.1	0.7	0.9	0.7	0.9	0.7	0.9	0.7	0.9	0.7
<b>Total oil and gas land holdings</b>	<b>7.5</b>	<b>3.9</b>	<b>8.2</b>	<b>4.2</b>	<b>8.8</b>	<b>4.4</b>	<b>9.8</b>	<b>4.7</b>	<b>11.4</b>	<b>5.3</b>

(1) "Gross" includes the interests of others; "net" excludes the interests of others.

(2) Northern areas encompass the Arctic Islands, the Yukon and the Northwest Territories, including the Beaufort Sea – Mackenzie Delta region.



# share ownership, trading and performance

	1996	1995	1994	1993	1992
<b>Share ownership</b>					
Average number outstanding, weighted monthly (thousands)	<b>175 856</b>	192 511	193 841	193 841	193 841
Number of shares outstanding at December 31 (thousands)	<b>158 963</b>	189 011	193 841	193 841	193 841
Shares held in Canada at December 31 (percent)	<b>17.7</b>	18.2	21.2	24.5	26.5
Number of registered shareholders at December 31 <sup>(1)</sup>	<b>19 095</b>	20 181	20 778	21 388	22 010
Number of shareholders registered in Canada	<b>16 627</b>	17 505	18 253	18 805	19 290
<b>Shares traded</b> (thousands)	<b>53 262</b>	52 023	46 869	40 263	32 544
<b>Share prices</b> (dollars)					
High	<b>64.90</b>	53.50	48.75	50.25	48.10
Low	<b>47.90</b>	45.10	40.10	40.10	37.75
Close at December 31	<b>64.50</b>	49.40	46.25	44.75	40.60
<b>Earnings per share</b> (dollars)	<b>4.47</b>	2.67	1.85	1.44	1.01
<b>Price ratios at December 31</b>					
Share price to earnings	<b>14.4</b>	18.5	25.0	31.1	40.2
Share price to cash flow from earnings	<b>7.9</b>	7.3	8.4	7.4	6.9
Share price to cash from operating activities	<b>6.5</b>	5.8	11.4	6.0	5.5
<b>Dividends declared</b> <sup>(2)</sup>					
Total (millions of dollars)	<b>354</b>	365	930	349	349
Per share (dollars)	<b>2.05</b>	1.90	4.80	1.80	1.80

(1) Imperial is an affiliate of Exxon Corporation, which owns 69.6 percent of the company's shares.

(2) The fourth-quarter dividend has been paid on January 1 of the succeeding year.

## Information for security holders outside Canada

Cash dividends paid to shareholders resident in countries with which Canada has an income tax convention are usually subject to Canadian nonresident withholding tax of 15 percent.

The withholding tax is reduced to six percent on dividends paid to a corporation resident in the United States that owns at least 10 percent of the voting shares of Imperial. The six-percent withholding tax rate will be reduced to five percent for 1997 and thereafter.

There is no Canadian tax on gains from selling shares or debt instruments owned by nonresidents not carrying on business in Canada.

## Valuation day prices

For capital-gains purposes, Imperial's common shares were quoted at \$31.50 a share on December 31, 1971, and \$45.875 on February 22, 1994.

# quarterly financial and stock trading data

	1996				1995			
	Mar. 31	three months ended			Mar. 31	three months ended		
		June 30	Sept. 30	Dec. 31		June 30	Sept. 30	Dec. 31
<b>Financial data</b> (millions of dollars)								
Total revenues	2 393	2 603	2 627	2 886	2 260	2 521	2 420	2 390
Total expenses	2 154	2 380	2 424	2 618	2 047	2 246	2 164	2 211
Earnings before income taxes	239	223	203	268	213	275	256	179
Income taxes	(135)	108	104	70	86	119	118	86
<b>Net earnings</b>	<b>374</b>	<b>115</b>	<b>99</b>	<b>198</b>	127	156	138	93
<b>Segmented earnings</b> (millions of dollars)								
Natural resources	65	70	59	139	60	83	55	35
Petroleum products	72	37	26	11	27	52	56	51
Chemicals	14	16	26	12	37	36	26	15
Corporate and other	223	(8)	(12)	36	3	(15)	1	(8)
<b>Net earnings</b>	<b>374</b>	<b>115</b>	<b>99</b>	<b>198</b>	127	156	138	93
<b>Per-share information</b> (dollars)								
Net earnings	1.99	0.62	0.58	1.24	0.66	0.80	0.72	0.49
Cash flow from earnings	2.62	1.48	1.73	2.37	1.66	1.66	1.81	1.60
Dividends (declared quarterly)	0.50	0.50	0.50	0.55	0.45	0.45	0.50	0.50
<b>Share prices</b> (dollars) <sup>(1)</sup>								
Toronto Stock Exchange								
High	54.90	59.90	61.25	64.90	50.75	53.50	51.25	49.90
Low	47.90	53.30	55.15	57.05	45.15	48.00	47.75	46.40
Close	53.60	57.60	57.70	64.50	49.75	51.00	50.00	49.40
American Stock Exchange (\$U.S.)								
High	40 1/4	43 5/8	44 3/4	47 3/8	36 3/8	39	37 3/8	37 1/8
Low	34 7/8	38 7/8	40	42	32	35 1/8	35 1/8	33 3/4
Close	39 1/2	42 1/4	42 1/2	47	35 5/8	37 1/8	37 1/4	36 1/8
<b>Shares traded</b> (thousands) <sup>(2)</sup>	<b>14 397</b>	<b>15 518</b>	<b>11 521</b>	<b>11 826</b>	10 501	12 860	14 115	14 547

(1) Imperial's shares are listed on the Montreal and Toronto stock exchanges, and are admitted to unlisted trading on the American Stock Exchange in New York. The symbol on these exchanges for Imperial's common shares is IMO. Share prices were obtained from stock-exchange records.

(2) The number of shares traded is based on transactions on all the above stock exchanges.



# corporate governance

The following statement addresses the principal matters relating to the company's corporate governance practices as required by The Toronto Stock Exchange and the Montreal Exchange. It has been prepared by the nominations and corporate governance committee of the board of directors and has been approved by the board of directors.

## **Mandate of the board**

The board is responsible for the stewardship of the company. In fulfilling its mandate, the board, among other matters, oversees major corporate plans, including strategic plans, plans for management development and succession, and plans for business development. The board monitors the integrity of internal controls, management information systems and systems to identify the principal risks to the company's businesses, as well as reviewing interim and annual financial and operating results.

## **Composition of the board**

The board of directors is composed of nine directors, five of whom are not employees of the company.

The four employee directors are considered to be related to the company. They are the chairman, president and chief executive officer, and the three senior vice-presidents of the company. The board believes that their extensive knowledge of the company's business is beneficial to the other directors and their participation as directors enhances the effectiveness of the board.

The board believes that all five nonemployee directors are unrelated to the company. Each of them is independent of management and none of them has any interest, business or other relationship that could or could reasonably be perceived to materially interfere with his or her ability to act in the best interests of the company.

The company has a significant shareholder, Exxon Corporation, which holds 69.6 percent of the outstanding voting shares of the company. The board believes that the investment of minority shareholders in the company is fairly reflected on the board.

## **Decisions requiring board approval**

In addition to those matters that must by law be approved by the board, management is required to seek board approval for major transactions. The board of directors has delegated to senior management the authority to enter into various types of transactions, subject to specified limitations. Management is also required to consult with the board before entering into any venture that is outside of the company's existing businesses.

## **Board's expectations of management**

The board expects management to propose and, after board approval, execute the company's strategic direction, long-term plans, goals and targets, and to be accountable for the company's financial and competitive performance. It also expects management to provide the board with timely, complete and accurate information on the business operations of the company, and to provide for the development of senior executives and plan for their succession. As well, it expects the company's resources to be managed in a manner

consistent with enhancing the value of the company, within the law, and with consideration for ethics and corporate social responsibility.

#### **Independent functioning of the board**

The board of directors does not have a chairman separate from the chief executive officer.

The board believes that there are a number of structures and processes in place to facilitate the functioning of the board independently of management. The board has a majority of unrelated directors. The committee chairpersons are unrelated directors. Each committee has a majority of unrelated directors. The agendas of the board and its committees are not set by management alone, but also by the board as a whole and by each committee. A significant number of agenda items are mandatory and recurring. Board meetings are scheduled at least one full year in advance. Any director may call a meeting of the board or a meeting of a committee of which the director is a member. The board typically meets 10 times a year. There is a board-prescribed flow of financial, operating and other corporate information to all directors. Periodically, the unrelated directors hold meetings in the absence of the related directors.

The board has not implemented a system to enable an individual director to engage an outside adviser at the expense of the company; however, the board has concluded that provision of such advice can be dealt with on a case-by-case basis when requested by a director.

#### **Description of the board committees, their mandates and their activities**

The board has four committees: the audit committee, the environment, health and safety committee, the executive resources committee, and the nominations and corporate governance committee.

##### *Audit Committee*

**J.B. (Bruce) Buchanan**, chair

The audit committee, composed of the unrelated directors and Mr. Cacchio, reviews the company's annual and quarterly financial statements, accounting practices, and business and financial controls. The internal audit program and its findings are reviewed with the committee. It also recommends to the directors the external auditors to be appointed by the shareholders at each annual meeting, reviews their audit work plan and approves their fees. The shareholders' auditors attend and participate in all meetings. The committee met seven times in 1996.

##### *Environment, Health and Safety Committee*

**W.A. (Bill) Macdonald**, chair

The environment, health and safety committee, composed of the unrelated directors and Mr. Peterson, reviews policies and programs for corporate environmental, health and safety matters. The committee oversees the company's performance in this area and monitors compliance with regulatory and corporate standards in the company's operations. It also monitors trends, and reviews current and emerging policy in these areas. The committee met three times in 1996.



#### *Executive Resources Committee*

**P. (Pierre) Des Marais II**, chair

The executive resources committee, composed of the unrelated directors and Mr. Peterson, is responsible for decisions on the compensation of senior management above the level of vice-president and for reviewing the executive development system, including specific succession plans for senior management positions. It also reviews corporate policy on compensation. The committee met four times in 1996.

#### *Nominations and Corporate Governance Committee*

**R.J. (Dick) Currie**, chair

The nominations and corporate governance committee, composed of the unrelated directors and Mr. Peterson, recommends to the directors the slate of director candidates to be proposed for election by the shareholders at the annual meeting. It assesses the effectiveness of the board as a whole, of committees of the board and of individual directors, and is responsible for developing the company's approach to corporate governance issues. It also monitors the board's guidelines for the selection and tenure of directors and recommends specific director candidates when vacancies are expected. The committee met six times in 1996.

#### **Procedures in place for recruiting new directors and performance-enhancing measures**

The nominations and corporate governance committee annually considers a list of potential nominees for directorships, assesses all incumbent directors against the criteria for continued board membership and considers their suitability for recommendation for election by the shareholders.

Each board committee is charged with assessing its mandate and its effectiveness, and performs this function at least once a year.

The board regularly visits company operating sites.

#### **Measures for receiving shareholder feedback and dealing with shareholder concerns**

The company has an investor relations group that communicates with and responds to inquiries from institutional investors, individual investors and the financial community.

Imperial annually solicits questions and comments from shareholders by way of comment cards that are mailed to shareholders in connection with the annual meeting. The comments received are reviewed by senior management and those requiring a response are answered individually.

#### *Imperial Oil Charitable Foundation*

**S.D. (Sheelagh) Whittaker**, chair

The board of directors of the Imperial Oil Charitable Foundation, composed of the unrelated directors of the company and Mr. Baldwin, oversees the company's charitable contributions program. Imperial's contributions program is aimed at enhancing the quality of Canadian life through support for education, health, welfare, community services, culture and sport. The directors met six times in 1996.

# directors, officers and senior management

## Directors

### **D.D. (Doug) Baldwin**

Senior vice-president, resources division  
Imperial Oil Limited  
Calgary, Alberta

### **J.B. (Bruce) Buchanan**

Chairman  
Vancouver Foundation  
Vancouver, British Columbia

### **D.J. (Dan) Cacchio**

Senior vice-president, finance and administration  
Imperial Oil Limited  
Toronto, Ontario

### **R.J. (Dick) Currie**

President  
Loblaw Companies Limited  
Toronto, Ontario

### **P. (Pierre) Des Marais II**

President and chief executive officer  
UniMédia Inc.  
Montreal, Quebec

### **B.J. (Brian) Fischer**

Senior vice-president, products and chemicals division  
Imperial Oil Limited  
Toronto, Ontario

### **W.A. (Bill) Macdonald**

President  
W.A. Macdonald Associates Inc.  
Toronto, Ontario

### **R.B. (Bob) Peterson**

Chairman, president and chief executive officer  
Imperial Oil Limited  
Toronto, Ontario

### **S.D. (Sheelagh) Whittaker**

President and chief executive officer  
EDS Canada  
Toronto, Ontario

## Senior Management and Officers

### **R.B. (Bob) Peterson**

Chairman, president and chief executive officer

### **D.D. (Doug) Baldwin**

Senior vice-president, resources division

### **D.J. (Dan) Cacchio**

Senior vice-president, finance and administration

### **B.J. (Brian) Fischer**

Senior vice-president, products and chemicals division

### **J.F. (John) Kyle**

Vice-president and treasurer

### **R.C. (Ron) Walker**

Vice-president and general counsel

### **P.T. (Pat) Mulva**

Comptroller

### **J. (John) Zych**

Corporate secretary



# information for investors

## Head office

Imperial Oil Limited  
111 St. Clair Avenue West  
Toronto, Ontario, Canada M5W 1K3  
Telephone: 416-968-4111

## Transfer agents

*The company's transfer agents are:*

The Trust Company of Bank of Montreal  
105 Saint-Jacques Street, 3rd floor  
Montreal, Quebec H2Y 1L6  
Telephone: 514-877-2584

Harris Trust Company of New York  
77 Water Street  
New York, New York 10005  
Telephone: 212-701-7673

## For more information

### *About your shares*

If you have a question about dividend payments, dividend reinvestment, lost dividend cheques, settling an estate, or transferring or replacing share certificates, you can use Imperial's toll-free service to obtain information 24 hours a day.

In Canada call: 1-800-267-9515

In the United States call: 1-800-388-1518

The Trust Company of Bank of Montreal can also be reached through these lines.

Shareholders who have concerns about the quality of service received from the transfer agent may call the corporate secretary's office at 416-968-4713 or fax 416-968-4095.

Employees with shares in the Imperial Oil savings plan should contact the company's benefits helpline.

### *About the company*

To receive the following documents, you can leave a message with your request at 416-968-5076. The material will be mailed to you within three business days.

- Annual and interim reports
- Form 10-K
- *Information for Investors* (a fact book that describes the company and its operations in detail; it also includes the most current financial information and executive speeches)

For other financial information, write to the investor relations manager at Imperial's head office.

In addition, investors with access to a computer and modem can use Imperial's Investor Instant Information Service (4IS). If you wish to access the computer-based information service, the number is 416-968-8465 (up to 9600 baud modem) (N-8-1) or, if you require assistance, please call the investor communications coordinator at 416-968-8145.

## Internet web site

Imperial is currently developing a site on the World Wide Web section of the Internet that will contain a variety of corporate and investor information. The site is scheduled to be published before the upcoming annual meeting at the Internet address <http://www.imperialoil.ca>.

## The annual meeting

The annual meeting of shareholders will be held on Friday, April 25, 1997, at 11 a.m. local time at: Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, Canada.

The annual meeting record date was March 7, 1997.

## Dividend payments

Imperial has a long record of uninterrupted dividend payments. Anyone who is an owner of shares on the record date is paid the dividend. Record dates normally fall in the last month of each calendar quarter, i.e., March, June, September and December. The dividend payment date is normally the first day of the following month. For the first quarter of 1997, the record date was March 3 and the payment date is April 1.

Shareholders may elect to have their dividends paid in U.S. funds or to have their dividends deposited directly into accounts held at financial institutions in Canada that provide electronic funds-transfer services.

### **To increase your shareholdings**

The dividend-reinvestment and share-purchase plan provides shareholders with two ways to add to their shareholdings at a reduced cost. The plan enables shareholders to reinvest their cash dividends in additional shares at an average market price. Funds directed to the dividend-reinvestment and share-purchase plan are used to buy existing shares on a stock exchange rather than newly issued shares.

Shareholders can also invest between \$50 and \$5,000 each calendar quarter in additional shares at an average market price.

### **Shareholder account matters**

To change your address, transfer shares, eliminate multiple mailings, elect U.S. funds, elect direct deposit of cash dividends, enroll in the dividend-reinvestment and share-purchase plan or make other shareholder account inquiries, please contact The Trust Company of Bank of Montreal. United States resident shareholders may transfer their shares through Harris Trust Company of New York.

### **Version française du rapport**

Pour obtenir la version française du rapport de la Compagnie Pétrolière Impériale Ltée, veuillez écrire à la division des Relations avec les investisseurs, Compagnie Pétrolière Impériale Ltée, 111 St. Clair Avenue West, Toronto, Canada M5W 1K3.

This report contains forward-looking information on future production, project start-ups and future capital spending. Actual results could differ materially due to changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors.



This report is printed on 50-percent recycled paper that includes 20-percent post-consumer waste and has been printed and bound to facilitate recycling.

**Imagine**  A Caring Company

Imperial has been designated a "caring company" by the Imagine campaign.





Imperial Oil

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