



A year in which high taxes and recession combined to reduce earnings. A year of increased efficiency in all of Imperial's operations. A year of careful and selective investments for future growth.

Imperial Oil Limited has played a leading role in the Canadian petroleum industry for more than a century; it is the oldest integrated oil company in the country.

All of Imperial's operations in natural resources are managed by Esso Resources Canada Limited, a wholly owned subsidiary located in Calgary. Through Esso Resources, the company has large proved reserves of oil, is the country's largest oil producer, and a significant producer of natural gas. It also has a share of production from Canada's vast reserves of heavy oil through a 25-percent participation by Esso Resources in Syncrude Canada Ltd. The company also continues to operate pilot plants at Cold Lake, Alta.

The company has exploration acreage in the Mackenzie Delta/Beaufort Sea area, the Arctic islands, the Atlantic, and the western provinces. In all areas but the Atlantic, the company has found oil and gas, and all of these areas have significant potential.

The company produces coal and base metals and explores for these and other minerals.

Esso Petroleum Canada, a division of Imperial Oil, manages Imperial's operations in petroleum products. Esso Petroleum runs six refineries and markets petroleum products through Canada's most extensive network of retail, wholesale, and industrial outlets. The division is the largest single supplier of petroleum products to the Canadian market and has the greatest market share.

Imperial's chemical division, Esso Chemical Canada, is among the leading chemical companies in Canada. It manufactures and distributes a wide variety of petrochemicals, fertilizers, and building materials.

Imperial is an affiliate of Exxon Corporation, which owns 69.6 percent of Imperial's shares.

The company was incorporated under the Canada Joint Stock Companies Act, 1877, on Sept. 8, 1880. Its head office is at 111 St. Clair Avenue West, Toronto, Canada, M5W 1K3. Telephone (416) 968-4111.

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Volumes are reported in metric units. One cubic metre (m<sup>3</sup>) is equal to approximately 6.3 barrels or 35.3 cubic feet.

The terms company, Imperial Oil, and Imperial as used in this report refer not only to Imperial Oil Limited but collectively to all of its subsidiary companies or divisions or to any one or more of them, according to the contexts in which the terms appear.



Earnings from natural resources recover partially despite high taxes. Earnings in petroleum products decline. Chemicals report a loss. Our investment and efficiency programs prepare us for growth and profitability. The company remains financially strong.

1982 financial highlights and trends

**Financial highlights**

1980 1981 1982

**Earnings**

millions of dollars

from operations	601	465	<b>289</b>
including unusual items	682	465	<b>267</b>

**Earnings including unusual items as a percentage of**

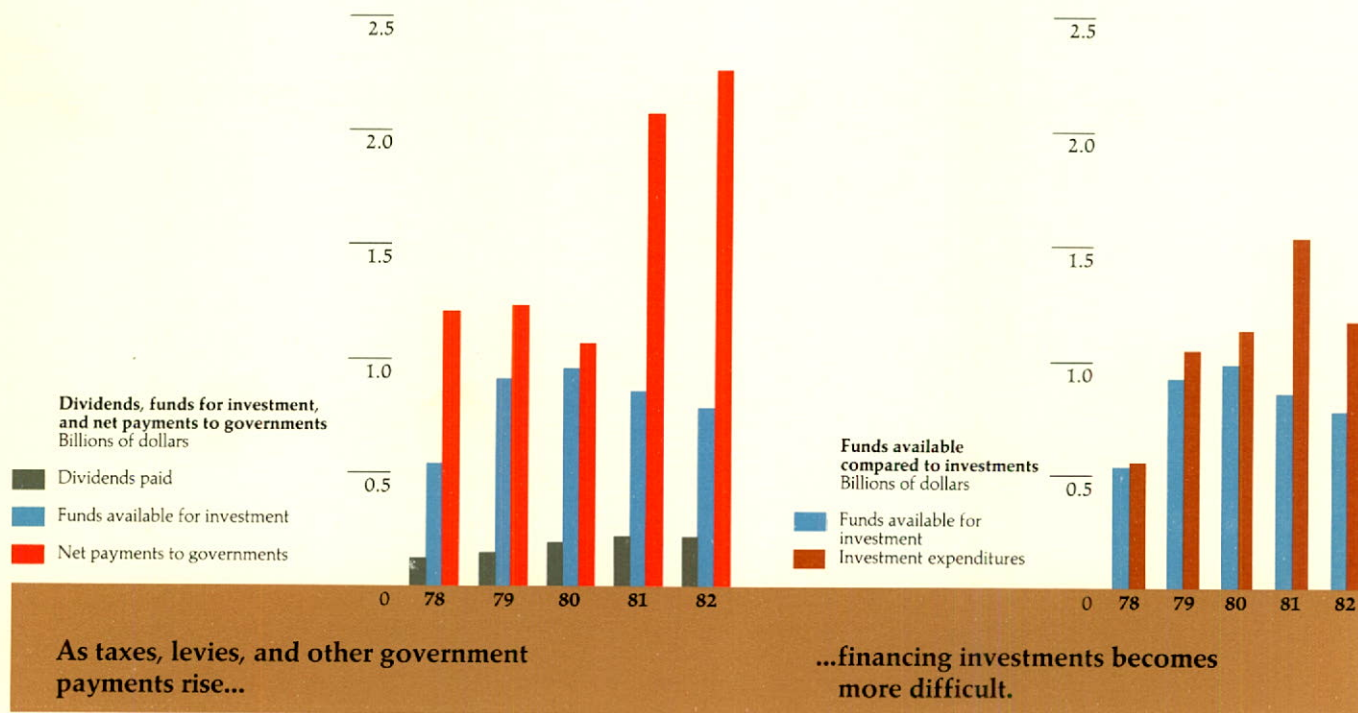
percentages

average capital employed	15.7	8.8	<b>5.1</b>
average shareholders' equity	21.9	11.9	<b>6.6</b>

**Per-share information**

dollars

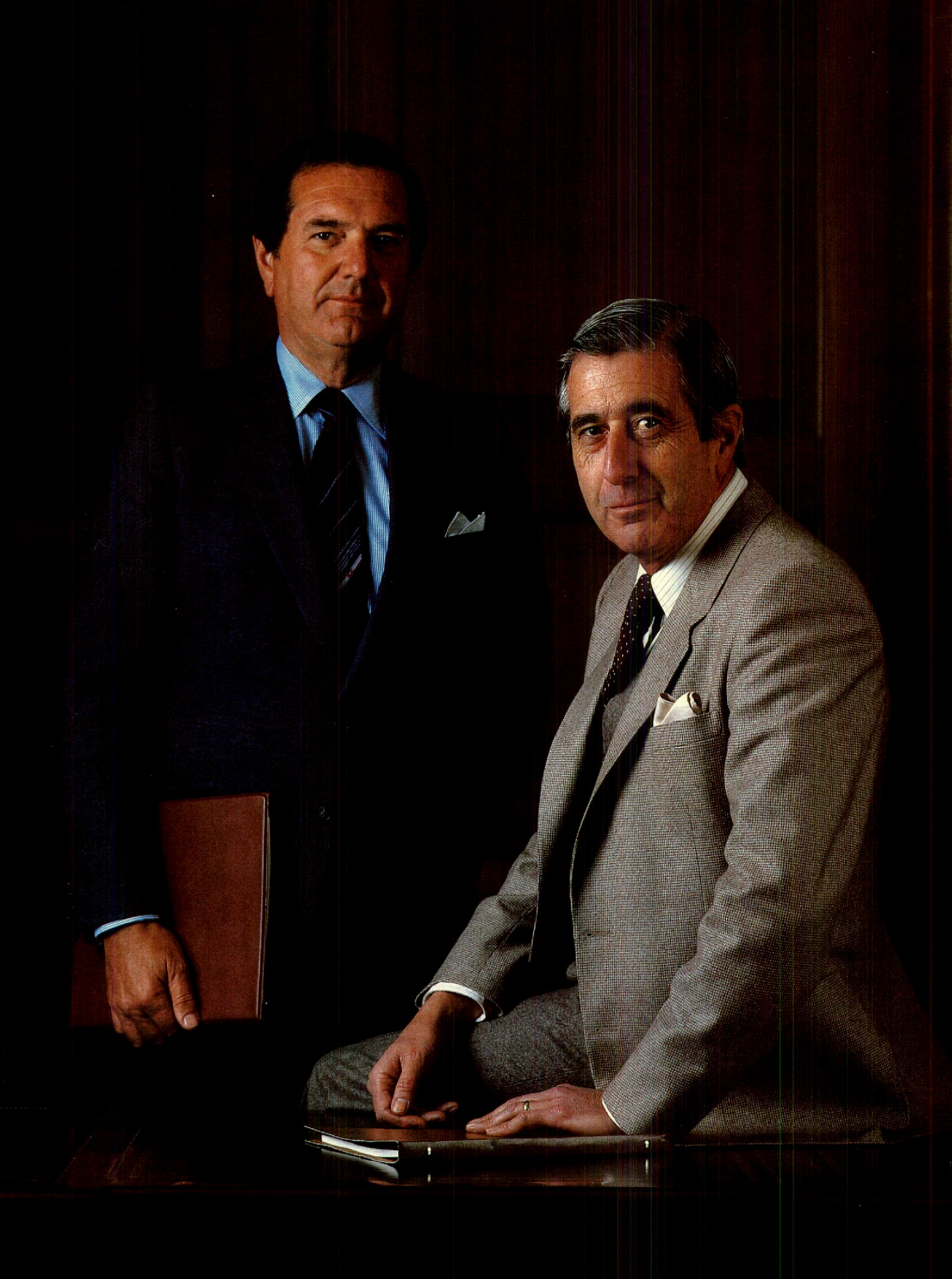
Earnings			
from operations	4.15	2.96	<b>1.84</b>
including unusual items	4.71	2.96	<b>1.70</b>
Dividends	1.40	1.40	<b>1.40</b>





**Although 1982 earnings were disappointing, it was a year of substantial achievement. The company acted quickly to protect shareholders' current and future interests.**

**Executive messages**





## **Productivity, flexibility, and financial prudence are the keys to Imperial's future success**

Not only was 1982 the worst year for the Canadian economy in several decades, but it was also notable as a year in which the future of virtually every element that affects a company's performance remained shrouded in uncertainty.

In such circumstances, it seems to me, two of the most important questions that Imperial Oil shareholders could ask of their management at this time are: "What actions did you take to protect my investment during the year?" and "What are your plans for protecting and maximizing my future interests?"

In 1982, the company implemented policies directed at both of these concerns. Underlying these policies was a clear recognition by Imperial's management that maintaining the strength of the company in an exceptionally difficult environment could not be achieved by relatively minor adjustments but would require extraordinary actions. At the same time, we proceeded to ensure that the company's long-term opportunities were not compromised in the interests of short-term gains.

Our actions centred on two areas. The first was to increase immediate and near-term profits by significantly raising the company's already high level of efficiency and reducing operating costs. Our second area of action necessitated trimming and reordering our program of capital expenditures. Investment plans that were deemed appropriate when formulated in the expansionary economic climate of a couple of years ago are neither affordable nor prudent in this time of sharply reduced earnings and diminished cash flows.

As a result of the success of the measures we have already taken, our company today is in good shape. We are sufficiently lean to operate efficiently in the present environment while maintaining the capability of being able to respond rapidly to any upturn. We recognize, however, that remaining responsive to changes in the business environment is an ongoing need, requiring constant vigilance. We cannot afford to relax our efforts.

So far as the future is concerned, our planning recognizes the extreme degree of uncertainty that currently prevails. Such critical factors as the timing and pace of economic recovery, the impact of future international oil prices on our own domestic oil and gas prices, and what regulatory changes may occur in the Canadian oil industry, remain major question marks at this time.

The only realistic response to such uncertainties is to maintain maximum possible flexibility in the use of our financial and other resources. This we intend to do.

In the current climate, our investment strategy is to lay increased emphasis on maintaining an appropriate balance between investments that will provide increased cash flows and profits in the near future and those aimed at long-term growth. While we will continue to maintain a strong investment program, we intend to avoid commitments of a size that could impair the company's financial strength or constrain its flexibility. Keeping our credit rating high by maintaining a steady pattern of growth combined with the most careful financial management is extremely important in the present environment.

Such measures will ensure that when the economic recovery begins, and when current uncertainties are resolved, Imperial will be ready to take full advantage of the resulting opportunities and to contribute to the economic growth that Canada needs for the well-being of its citizens.



Donald K. McIvor,  
Chairman and chief executive officer



## 1982 earnings were disappointing, but foundations were laid for future growth

A year in which Imperial's earnings from operations fell by 38 percent from the already unsatisfactory levels of 1981 can only be regarded as financially disappointing. Nevertheless, I look back on 1982 as both a year of substantial accomplishment for the company and one in which some solid foundations were laid for future growth.

As was to be expected, the severe economic downturn had a marked effect on sales of both petroleum products and chemicals. In the case of petroleum products, demand was also further depressed by continued energy conservation and fuel substitution. The combination of lower sales volumes and spare refinery capacity led to price competition that cut heavily into profit margins.

The effect of the economy on our chemical operations was so severe that this segment of our business suffered its first loss in 10 years.

On the brighter side, a marked increase in earnings from natural resources is a hopeful augury for the future, although these still remain less than satisfactory. In spite of a reduction in Alberta royalty rates and other provincial and federal relief measures, very high levels of taxation continue to prevent an adequate return on our investment in oil and gas production.

Disappointing though 1982 earnings were, the effects of the recession and other influences would have been even more severe had it not been for the firm and successful measures taken to increase operating efficiency, improve productivity, and reduce expenses throughout the company. The cost reductions achieved through this aggressively pursued program, which included a significant reduction in staffing levels largely accomplished through an enhanced pension program, made up 25 percent of 1982 earnings. The efficiency program will continue unabated throughout 1983 and beyond.

The decision by Imperial's management to concentrate on those projects with high potential for near-term earnings was reflected in the thrust of our substantial investment spending of more than a billion dollars in 1982.

A large proportion of the \$400 million we invested in natural resources, for example, was in projects that will lead to a substantial increase in our producible reserves of crude oil. They include the expansion of

our pilot bitumen operations at Cold Lake, development drilling in Alberta, and preparatory work on the expansion of the Norman Wells field. Such projects are essential in light of the declining productivity of existing fields.

Similarly, in petroleum products we continued to invest aggressively in refinery productivity, and marketing and distribution efficiencies. We are convinced that leading the industry in efficiency, producing more high-value products, and responding to consumer needs are the keys to survival and profitability in this sector of our industry.

In chemicals, we made a major investment in 1982 in a new, world-scale, nitrogen-fertilizer complex at Redwater, Alta. This project will be completed in time and under budget early in 1983 and will serve both domestic and foreign markets. As the economy recovers we are looking for good near-term returns from this project and from the other substantial investments we have made in chemicals at our Sarnia, Ont., facilities.

In difficult economic times it is always tempting in the short term to curtail investment spending severely. While the prevailing cash flow and earnings constraints on Imperial have required a significant reduction in our investment plans, we nevertheless feel that it is vital to the company's future growth that we continue to take advantage of affordable investment opportunities.

In this respect, we can look back on 1982 not only as a year in which we took decisive action to mitigate the effects of current problems on the company's operations and earnings, but one in which we accomplished much to prepare for a more prosperous future.

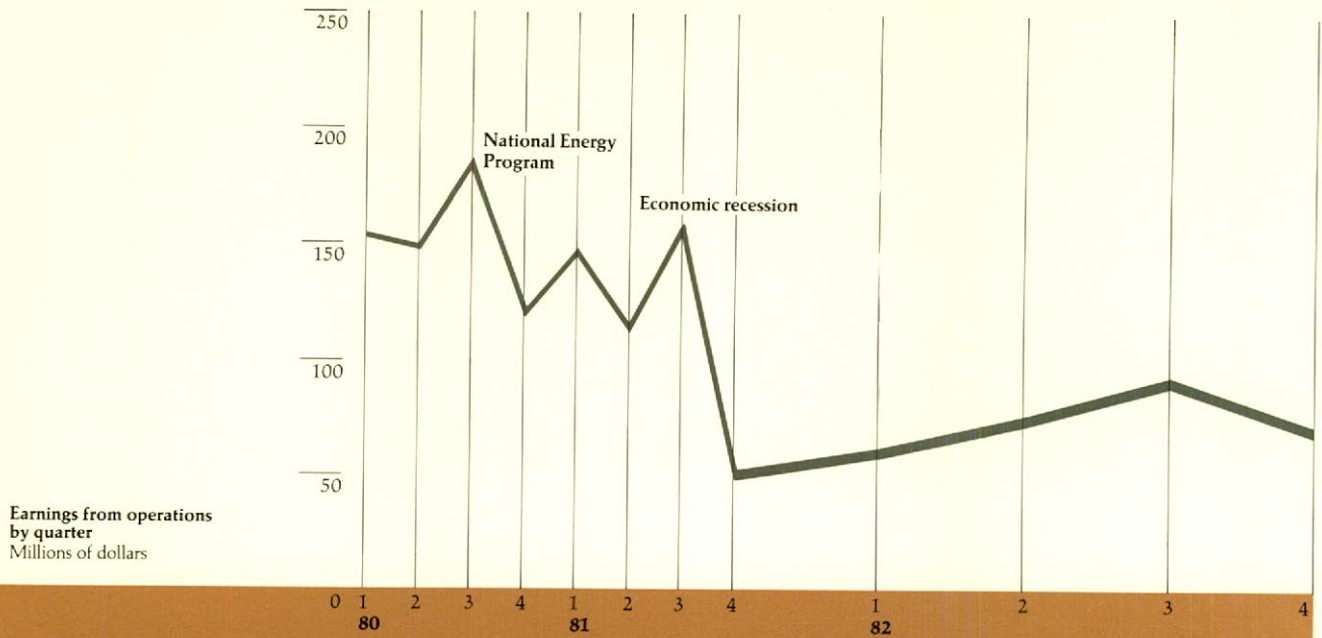


Arden R. Haynes,  
President

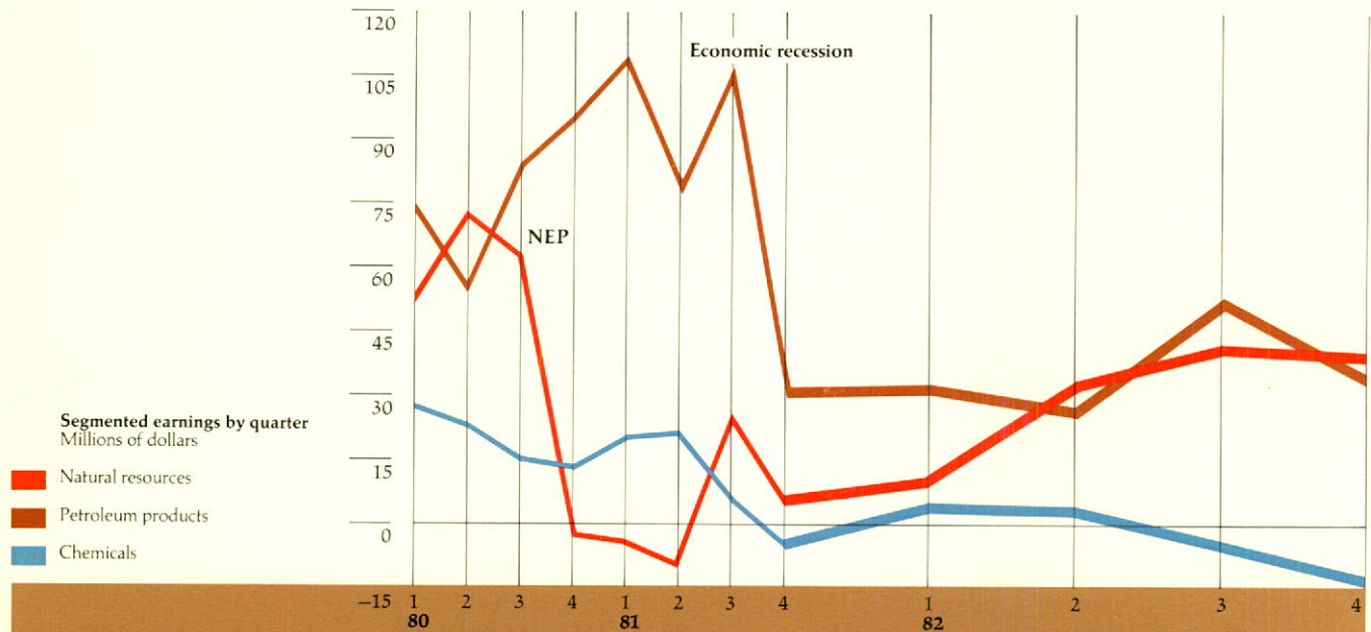


**Imperial is trim, sound,  
and highly capable. Our people  
are dedicated, flexible, and  
innovative. Our operations  
support Canada's well-being.**

**Highlights of operations and results**



Earnings from operations recover slowly from the National Energy Program (NEP) and prolonged recession.



The NEP cut resource earnings; recession and conservation hit petroleum products and chemicals hard.



### Highlights of 1982

- 1982 earnings from operations fall as the recession continues and rates of taxes and levies remain high. Quarterly results show recovery trend.
- Earnings in natural resources show strongest recovery; petroleum products and chemicals hit hard by recession.
- Internal funds generated from operations continue high at \$830 million, although down from 1981's \$839 million.
- Debt at 19.3 percent of equity confirms Imperial's financial strength.
- Results of cost-reduction program make up 25 percent of 1982 earnings; operating working capital held at 1981 level; inventories significantly reduced.
- Petroleum-product sales volumes fall by seven percent; refinery utilization drops to 75 percent of capacity.
- Investment in future growth continues strong in 1982 at \$1134 million.

### Research

#### Successes will lead to growth in earnings

The development of a new lubricating oil, which is expected to improve fuel economy and provide greater protection against engine wear in both gasoline and diesel cars, and devising better ways of finding and producing crude oil, were among the wide variety of successful research projects undertaken by Imperial scientists and engineers in 1982.

At Imperial's Sarnia research centre, the largest of its kind in Canada, and at another facility in Calgary, researchers were at work on projects designed not only to keep the company in the forefront of petroleum technology but to increase production from some of the country's oil and gas fields and to bring better products to customers.

Among other challenges tackled during the year were finding new techniques for preventing and dealing with oil spills, improved methods of building artificial islands for Arctic drilling, various methods of producing more crude oil from existing reservoirs, a way to increase the value of coal as a fuel, ways of increasing refinery efficiencies, and developing new energy-saving fuels and lubricants.

Meeting such high-technology challenges demands appropriate facilities and sophisticated state-of-the-art equipment, and 1982 saw developments in both these areas.

For example, in November an addition to the plastics technology centre was opened at Sarnia to provide Esso Chemical with technology to meet the needs of customers. The centre includes a new polyethylene-film laboratory, an expanded polyvinyl-chloride laboratory, and facilities for testing resin and fabricated products.

Also under construction at Sarnia in 1982 was a centre for process and automotive research that is unique in Canada. This new \$40-million facility is seen as an essential tool in maintaining Imperial's leadership in fuels and lubricants and in developing future processes and techniques. It will allow a full range of vehicles, from small passenger cars to large tandem trucks, to be tested at full loads under a wide selection of environmental conditions, including temperatures as low as  $-40^{\circ}\text{C}$ . The centre will be completed in 1983.

As a result of research agreements with Exxon, Imperial enjoys access to a pool of petroleum and related technology that is probably the largest of its kind in the world, an arrangement that benefits Canada as well as the company. In return for the technology that Exxon makes available to this company, Imperial technology is available to Exxon, and Imperial shares the cost of research of mutual interest with other Exxon affiliates.

As part of shared research programs, Imperial has a world mandate to do all of Exxon's research on the processing of lubricants and polyvinyl-chloride development, as well as a large part of Exxon's research on heavy-oil recovery. This enables the company to maintain a much larger research and development effort in Canada in these areas than could be justified by Imperial's operations alone.

Imperial leads the Canadian petroleum industry in research. In 1982, the company spent a total of \$70 million on research and development in Canada, which considerably exceeded the amount the federal government's R & D guidelines for industry would suggest. This investment will pay off by increasing the company's long-term earnings, particularly from innovations that identify ways to increase reserves and improve productivity in oil and gas, to reduce operating costs in natural resources, petroleum products, and chemicals, and to respond more effectively to the needs of customers.



## **Other corporate information**

### **Employee efficiency and productivity increase 1982 earnings**

A source of very considerable satisfaction to Imperial management during 1982 was the success of efforts by employees throughout the organization to achieve gains in productivity and efficiency. These made a major contribution to the company's operating results.

Staff reductions were necessary and they were accomplished largely through an innovative program of voluntary early retirement accompanied by enhanced pension benefits, leaves of absence, and, in a few cases, a move by employees from full-time to part-time work. Two-thirds of employees eligible for early retirement took advantage of it. The total number of employees decreased by more than 800 during 1982.

### **Programs identify potential managers and assist in career development**

The career development of Imperial employees, the main source of our future managers and executives, continued to receive strong attention during 1982. More than 2000 employees participated in various corporate training programs, with around 500 of these taking management training. Through work assignments with Exxon Corporation, Imperial employees obtain first-hand experience in international petroleum operations; at the end of the year, 155 Imperial employees were on such foreign assignments.

### **New safety record set**

The safety record of Imperial employees is excellent. The disabling-injury rate in 1982 was 0.6 per 2 000 000 man-hours, a 25-percent improvement over the previous year. In October, Imperial's Dartmouth refinery achieved a company record when it marked four years of operations without a single disabling injury.

### **Imperial assists Canadian suppliers**

Ninety percent of the goods and services Imperial buys were supplied by Canadian companies, in accordance with Imperial's long-standing policy of encouraging the development of Canadian industry. It also encourages and works with Canadian companies to develop products Imperial needs that are not available domestically and to find additional markets for these products. A noteworthy development in this area in 1982 was the establishment of a group to maximize northern participation in the company's Arctic operations. Potential suppliers and participants are regularly kept informed of business and employment opportunities offered by company projects in the North. Imperial has also been successful in getting other affiliates of Exxon to use Canadian suppliers on their projects.

### **Energy conservation cuts costs**

Energy conservation continues to be a high priority in all Imperial operations. Since 1972, the company has spent \$168 million on conservation projects. In 1982, 30 percent less energy was required than in 1972 for similar operations.

### **Environmental spending increases**

Imperial spent \$134 million in 1982 on a variety of projects to protect the environment. Representative projects undertaken in this area during the year were the reduction of noise and emission levels designed into the expansion of the Strathcona refinery at Edmonton and the very high standards of environmental protection that are being provided by the nitrogen-fertilizer plant currently under construction at Redwater, Alta.

### **Support for social programs continues**

Imperial's support of a variety of social programs was maintained during 1982. The company contributed \$8 million to education, sports, cultural, charitable, and community activities and to projects aimed at a better understanding of energy issues.



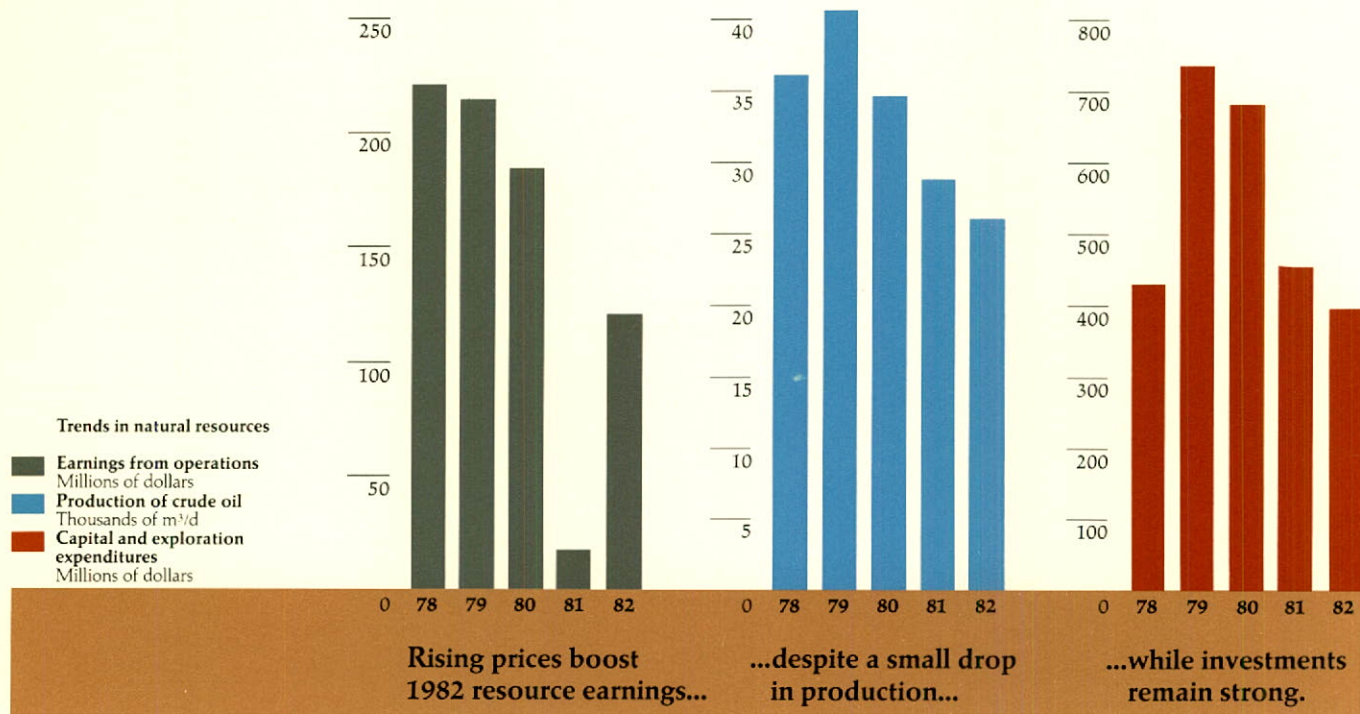
**Returns from selected investments and efficient operations are increasing earnings from natural resources. We expect this trend to continue.**

R. B. Peterson,  
President,  
Esso Resources Canada Limited

**Natural resources**

## Financial statistics

	1980	1981	1982
	millions of dollars		
Earnings	184	16	<b>120</b>
Revenues	1201	1255	<b>1426</b>
Capital and exploration expenditures			
Oil and gas			
Capital	226	133	<b>248</b>
Exploration	387	190	<b>93</b>
Minerals	69	132	<b>58</b>
Capital employed	2083	2046	<b>2174</b>
Return on average capital employed (percent)	9.6	0.8	<b>5.7</b>





**Operating statistics\*****Production (gross)**1980    1981    **1982****Crude oil  
and natural-gas liquids**thousands of m<sup>3</sup>/d

Conventional	30.6	24.2	<b>20.8</b>
Syncrude	3.2	3.2	<b>3.4</b>
Cold Lake pilot	0.9	1.4	<b>1.8</b>
Total	34.7	28.8	<b>26.0</b>

**Natural gas**millions of m<sup>3</sup>/d

Gross production	8.2	7.7	<b>7.3</b>
Gross sales (1)	8.9	8.5	<b>7.9</b>

(1) Sales to outside customers include purchases of natural gas for resale.

\*Detailed operating statistics are on pages 40 to 42.

### **Operating earnings from resources climb to \$120 million**

For Imperial's operations in natural resources, 1982 was a year of mixed fortunes. Overall, earnings for the year amounted to \$120 million, which was considerably better than 1981 earnings of \$16 million (1980—\$184 million) although the return on capital employed remains unsatisfactory.

This encouraging improvement resulted from a combination of factors: increases in the prices for oil and gas, a welcome reduction in Alberta royalty rates plus

other provincial and federal tax relief measures, and major gains in operating efficiency. This last factor alone accounted for almost 15 percent of 1982 earnings. The full impact of these measures will be felt in 1983.

Unfortunately, there were a number of negative factors. Taxes and levies continued to be high—the company paid \$175 million on the Petroleum and Gas Revenue Tax and the Incremental Oil Revenue Tax (1981—\$91 million), both part of the National Energy Program of 1980. In addition to this burden, crude production from mature fields in western Canada declined and the depressed economy weakened domestic demand for crude oil. These factors, together with curtailed exports of natural gas, combined to hold 1982 earnings from natural resources to a level that is still disappointingly low.

But while 1982 was far from being a banner year for resources in financial terms, it was, nevertheless, a year of progress in a number of areas, particularly in projects designed to increase the company's current and future crude-oil production.

Total capital and exploration expenditures were \$399 million in 1982, compared to \$455 million in 1981 and \$682 million in 1980. Capital expenditures on facilities to increase or maintain production of conventional oil and gas were \$206 million (1981—\$90 million). The company spent \$93 million exploring for oil and gas in 1982 (1981—\$190 million).

### **Earnings rise from heavy-oil operations**

Gross production of bitumen from the heavy-oil pilot plants at Cold Lake, Alta., increased by 29 percent over 1981 levels. Most of the increased output found a ready market through exports to the United States. Further production increases from these plants are planned for 1983. Subject to the availability of markets and favorable economics, additional future expansion is contemplated.



The Syncrude heavy-oil plant at Fort McMurray, Alta., in which Esso Resources has a 25-percent interest, contributed \$36 million to 1982 earnings, the same as in 1981. The year saw the continuation of a program to increase Syncrude's reliability. Sustained production at levels close to the plant's rated capacity is a priority and is expected to result in increased production at lower unit cost in 1983. The first phase of a longer-range "debottlenecking" program to boost Syncrude's current productive capacity by 10 percent is under way.

#### **Norman Wells project on schedule and within budget**

Excellent progress was achieved during the year in gearing up for a major project—an eight-fold expansion of crude-oil production from the Norman Wells field in the Northwest Territories at an estimated cost of about \$700 million, which is about \$100 million lower than earlier estimates. One of Imperial's earliest oil discoveries (in 1920), Norman Wells currently produces about 500 m<sup>3</sup>/d. The recovery of substantial additional reserves underlying the Mackenzie River will allow production to be increased to as much as 4400 m<sup>3</sup>/d. This project, which will come on stream in 1985, is on schedule. The expanded production will be transported to southern markets through a small-diameter pipeline to be built by Interprovincial Pipe Line (N.W.) Limited.

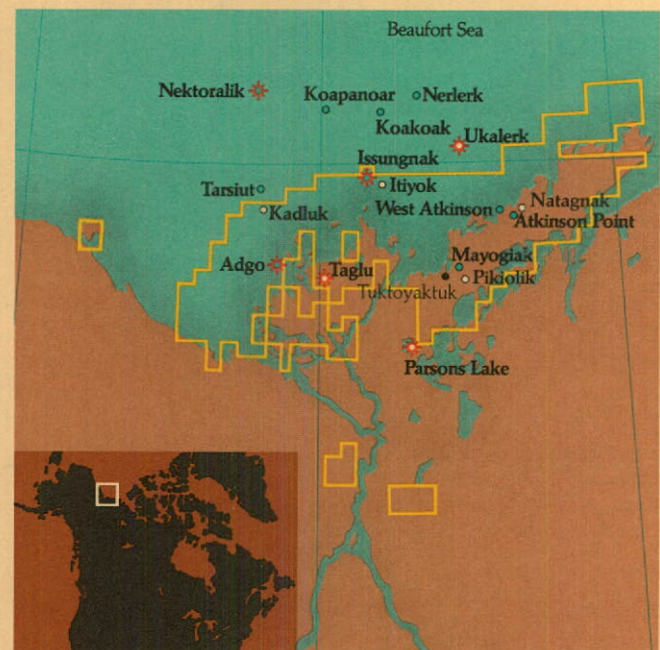
In 1982, the company drilled 27 additional wells on land and islands at Norman Wells and began preparations for the construction of artificial drilling islands in

the Mackenzie River. By the end of 1982, \$168 million had been spent on the Norman Wells expansion, \$38 million of it through northern business firms.

#### **Arctic exploration proceeds as Beaufort agreement signed**

Another significant development of 1982 was the company's successful negotiation of the first exploration agreements with the federal government under the Canada Oil and Gas Act. Imperial farmed out more than two million hectares of land in the Beaufort Sea/Mackenzie Delta area of the western Arctic to a group of Canadian companies headed by Home Oil Limited. With Home Oil as the operator and Imperial as the contracting agent, the group will drill a minimum of 13 wells over a five-year period. Imperial's share of expenditures in this project will range between 10 and 20 percent, and the share of production will range from 35 to 45 percent.

The first well drilled by the farmout group found oil at West Atkinson, 50 km northeast of Tuktoyaktuk.



**Beaufort Sea/  
Mackenzie Delta**

- Company-interest holdings
- ★ Gas
- Oil
- ★● Oil and gas
- Drilling location



Later in the year, a second offshore well was started at Itiyok, 10 km southeast of the oil find made at Issungnak in 1980. The program's first onshore well at Natagnak, 65 km northeast of Tuktoyaktuk, was dry. Another onshore well is planned at Pikiolik, 20 km southeast of Imperial's 1971 oil find at Mayogiak.

### New drilling structure arrives in Beaufort area

A submersible drilling caisson delivered to the Beaufort in September will greatly enhance the company's Arctic drilling capabilities. A ring-shaped steel structure, the caisson can be towed to a drilling location, mounted on a sand base, and filled with sand to serve as a drilling platform. On completion of the test well, the caisson is refloated and towed to a new site. Use of the caisson, which was developed by Imperial, will accelerate the construction of offshore drilling structures in the Beaufort Sea and reduce their cost significantly. It will also permit wells to be drilled in deeper water than is possible using conventional island-

building techniques. The first well using the caisson will be drilled in 1983 at Kadluk, 20 km southeast of the Tarsiut find of 1980.

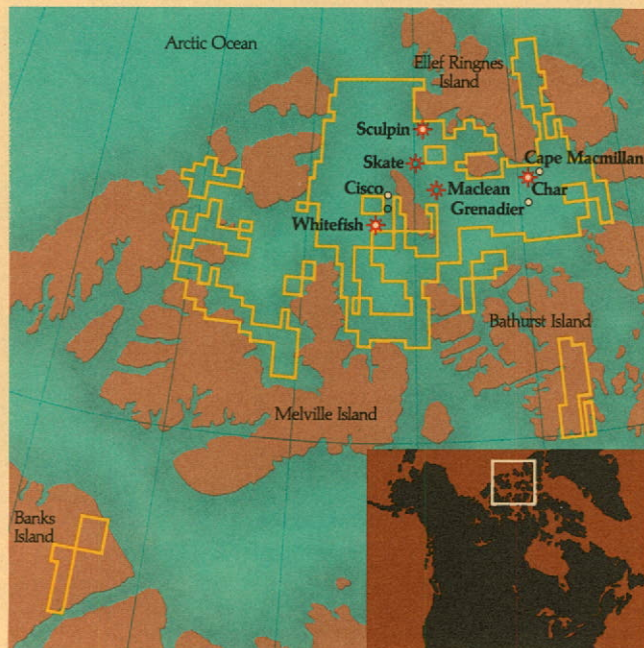
### Continuing interest in Arctic islands and Atlantic offshore

In the Arctic islands, as a member of the Arctic Islands Exploration Group, the company participated in the drilling of four wells in 1982. One—Sculpin—found gas, another was a successful oil delineation well at Cisco, where oil and gas were found in 1981, and two were dry.

The company remains optimistic about the hydrocarbon prospects of the Atlantic offshore and negotiations with governments for exploration agreements continued in 1982.

### Exploration continues in western Canada

The company spent \$48 million exploring in the western provinces in 1982. It participated in 36 conventional oil and gas exploration wells of which 27 were successful.



Arctic islands

- Yellow outline: Company-interest holdings
- Red star: Gas
- Green circle: Oil
- Red star with dot: Oil and gas
- White circle: Drilling location



Atlantic coast offshore

- Yellow outline: Company-interest holdings
- White outline: Holdings of others
- Red star: Gas
- Green circle: Oil
- Red star with dot: Oil and gas



### **Enhanced oil recovery and new gas production under study**

The extent and pace of future investment in oil and gas development must, of necessity, depend on a number of factors. These include the company's financial capabilities, potential markets, future pricing, and the attractiveness of the likely return when compared to other opportunities. Within such constraints, however, the company has identified a number of future projects.

For example, recent actions by Alberta to improve the economics of enhanced oil recovery have encouraged the company to re-examine earlier plans for increasing production from its Judy Creek field. Engineering studies are under way to determine the feasibility of the project.

Similarly, while reserves of recoverable oil at the Leduc field south of Edmonton are virtually depleted after more than 30 years of production, a considerable quantity of recoverable natural gas remains. Studies are being conducted on ways to produce and market this gas.

### **Increased coal production considered while prices cloud the outlook for copper**

The company produced more than a million tonnes of thermal coal in 1982 from its Byron Creek Collieries in southeastern British Columbia. The company is considering ways of expanding production from this mine. Over the longer term, the development of a number of thermal coal properties in Alberta and British Columbia and of sub-bituminous coal near Judy Creek, Alta., holds promise.

A combination of low copper prices and planned predevelopment costs contributed to a loss being sustained from operations at the Granduc copper mine near Stewart, B.C. The continued low world prices for copper reduced the mine's economic reserves and the company wrote down the book value of the mine by \$40 million after income taxes of \$26 million as an unusual item charged to earnings.



**Demand for products fell sharply in 1982 and our earnings followed. However, we held our share of the market, our operations are efficient and productive, and our investments will meet consumer needs and pay off as the economy recovers.**

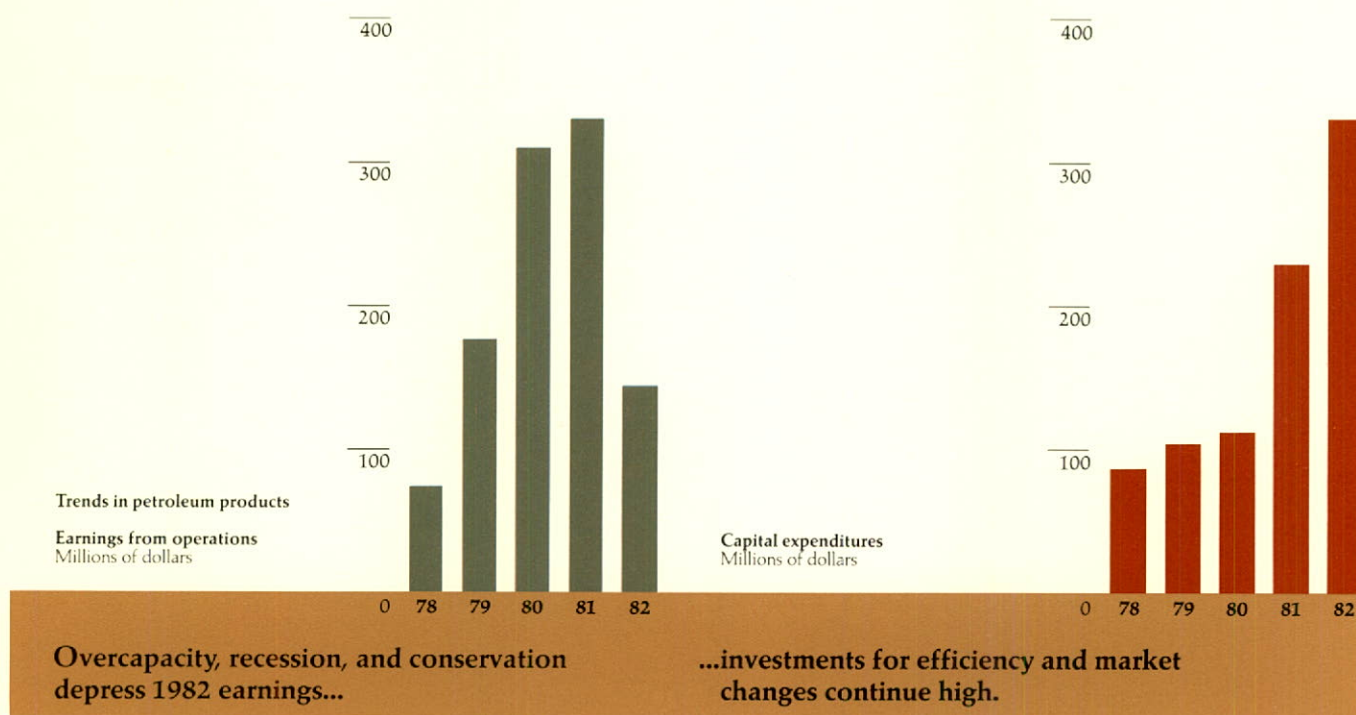
G. H. Thomson,  
President,  
Esso Petroleum Canada

**Petroleum products**



# Financial statistics

	1980	1981	1982
	millions of dollars		
Earnings	310	330	146
Revenues	5058	6647	7166
Capital expenditures	111	229	332
Capital employed	1786	2452	2519
Return on average capital employed (percent)	18.8	15.6	5.9





Operating statistics*	1980	1981	1982
	thousands of m <sup>3</sup> /d		
Sales of petroleum products	71.4	69.0	<b>64.4</b>
Refining			
Crude oil processed	71.1	68.3	<b>58.2</b>
Capacity utilization at Dec. 31 (percent)	93	89	<b>75</b>

\*Detailed operating statistics are on page 41.

### Earnings from petroleum products follow recession down

A sharp reduction in demand for petroleum products throughout Canada in 1982 had its inevitable effect on the refining and marketing side of the oil industry. Not only were sales volumes affected, but the resulting excess in refinery capacity led to severe market competition, in which cost increases could not be recovered by raising prices.

These factors, combined with a drop of \$82 million in inventory profits, were responsible for 1982 earnings in petroleum products falling to \$146 million from the previous year's level of \$330 million (1980—\$310 million), and reducing the return on capital employed in this segment of Imperial's operations in 1982 to an unsatisfactory 5.9 percent. The earnings decline would have been steeper had it not been for an aggressive program to increase efficiency, which accounted for more than 15 percent of 1982 earnings.

Nevertheless, despite the setback in earnings, 1982 was a year in which the company invested heavily in refinery improvements, marketing efficiencies, and customer service to respond to the changes in demand for products and to sharpen its competitive edge. For the year, this investment came to \$332 million, an increase of 45 percent over 1981.

### Market share holds firm while total market declines

The dampening effect on demand of the economic recession was reinforced by such longer-term influences as increased energy conservation and the substitution of natural gas and electricity for heating oil by many Canadians. The overall impact of such factors is illustrated by the fact that, while Imperial was successful in maintaining its market share during 1982—the largest in the industry—its total sales volumes declined by seven percent.

The division also reduced inventories of crude oil and petroleum products by 23 percent, and this reduced operating working capital by \$189 million and held the increase in capital employed to 2.7 percent.

The decline in demand was particularly marked in eastern Canada, where the ensuing surplus of refinery capacity led to announcements by other companies in the industry of closings or capacity reductions. Profit margins on petroleum products are not likely to improve before more closings or capacity reductions have taken place.

In western Canada, the reduction in demand was less severe, but profit margins there were squeezed significantly during the second half of 1982 as competition increased.

### Operating efficiently, responding to customers are the keys to future earnings

While an economic upturn is bound to improve the market for petroleum products, the effect on demand of some other factors will almost certainly be permanent. As a result, market volumes are likely to continue to decline, although at a slower rate as the economy recovers, before leveling off in the late 1980s. The key to profitable operations in such a changed environment lies in efficiency, and the company's future planning is being directed to this end.

Such planning must take into account not only declining volumes but also future changes in demand for various fuels and the implications of these changes for refinery operations. Consequently, the company is modifying its refineries to increase efficiency and to respond to changing consumer needs by producing less leaded gasoline and more of the products in growing demand, including unleaded gasoline, and turbo and diesel fuels.



## Marketing programs

### stress consumer appeal, efficiency

Refinery improvements will enable Imperial to produce a full range of high-quality products tailored to the demands of the future with an efficiency second to none in the industry. But production efficiencies have to be matched by effective marketing and distribution policies and a demonstrated concern for the consumer. Imperial is meeting this challenge. For example, in 1982 the company:

- Opened new product-packaging plants at Edmonton and Sarnia costing a total of about \$30 million. The most efficient facilities of their kind in North America, the plants manufacture, fill, and package resealable plastic containers for most of the Esso line of lubricants. These containers are expected to increase sales and reduce packaging costs.
- Completed a \$1.5-million warehouse at Moncton, N.B., to distribute packaged petroleum products throughout New Brunswick, Nova Scotia, and Prince Edward Island faster and more efficiently.
- Installed a new computerized control system for the Sarnia products pipe line. The system will control more efficiently the movement of 11 different products through the 300-km pipeline from Sarnia to Toronto.
- Continued to implement an improved system to market home-heating oil in Ontario. The system consolidates 180 small centres into 90 larger ones and will replace the trucks currently used by ones with double the capacity. The program will take two years to complete and will cost about \$2 million.
- Began field testing a new type of oil furnace burner that can cut fuel consumption by as much as 20 percent.

### Programs emphasize response to consumer needs

Care for the consumer is receiving renewed emphasis at Imperial Oil.

In 1982 the company conducted research among 7000 Esso customers to determine their level of satisfaction with Esso products and services. An eight-member consumer panel was also established to advise the company on marketing and consumer issues. The results of these initiatives have already been reflected in the company's marketing policies.

In the summer of 1982, Imperial began posting the prices of all three grades of gasoline at company-owned stations. The signs are available to all Esso dealers at cost. During the year, Esso courtesy cruisers began operating in Montreal and Toronto to assist motorists in trouble and to provide reports on road and traffic conditions to local radio stations.

In October, Imperial returned to *Hockey Night in Canada* with a new advertising campaign built around the theme "You make us better." The commercials stress the company's responsiveness to consumer and community needs.

One of the challenges facing Imperial is to be responsive to the marketing opportunities presented by alternative transportation fuels. Marketing compressed natural gas (CNG) is planned for early 1983 in Vancouver and the performance of a commercial fleet powered by CNG will be compared to gasoline-powered vehicles. Processes for the production of fuel-grade alcohols from wood and other low-cost vegetable matter are also under study.

### Significant investments increase refinery efficiency

Virtually all of the company's refineries are undergoing changes to equip them for the future and to maximize their ability to take advantage of local market conditions.

At the Strathcona refinery in Edmonton, a major upgrading program was on schedule and on budget at the end of 1982. This \$330-million project, which will increase the refinery's capacity by 12 percent, is expected to be completed by the third quarter of 1983. It will make this highly efficient refinery even more efficient and allow it to manufacture more higher-value products.

Work continued during 1982 on a \$100-million program to upgrade the refinery at Sarnia, Ont., and to reactivate three units that were shut down in 1975. The program, which will increase efficiency and permit Sarnia to handle a wider variety of feedstocks and produce more diesel fuel and unleaded gasoline, will be completed in 1983.

Modifications to allow lower-quality crude to be processed at the refinery at Dartmouth, N.S., were completed in 1982.

These refinery upgrading programs were achieved at lower-than-estimated cost through more highly efficient use of Imperial employees and outside labor.



**The depressed economy has eroded the earnings of the chemical industry. We pulled out of some investments and concentrated on strategies to reduce costs now and position our operations for future growth.**

J. E. Akitt,  
President,  
Esso Chemical Canada

**Chemicals**

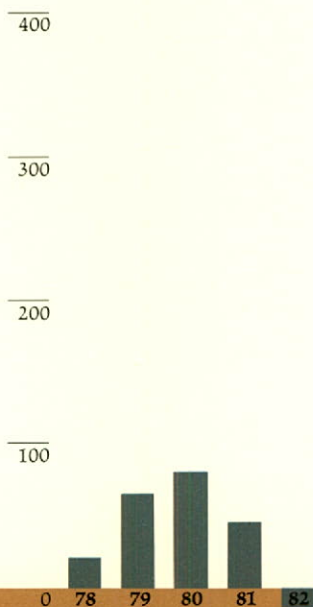


## Financial statistics

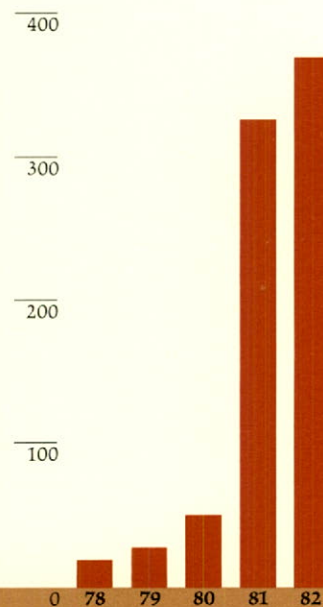
	1980	1981	1982
	millions of dollars		
Earnings (loss)	81	45	(11)
Revenues	850	993	850
Capital expenditures	50	327	370
Capital employed	278	568	1088
Return on average capital employed (percent)	32.7	10.6	(1.3)

## Trends in chemicals

Earnings from operations  
Millions of dollars



Capital expenditures  
Millions of dollars



Despite chemicals' first loss in 10 years...

...confidence is high and existing investments  
prepare for an economic upturn.



<b>Operating statistics*</b>			
<b>Sales</b>	1980	1981	1982
	thousands of tonnes per day		
Petrochemicals	2.9	3.0	<b>2.5</b>
Agricultural chemicals	1.9	2.1	<b>1.8</b>
Building products	1.5	1.3	<b>1.2</b>
Total	6.3	6.4	<b>5.5</b>

\*Detailed operating statistics are on page 41.

### **Sluggish economy means loss in chemical operations**

No part of Imperial's activities was affected more by the economic downturn in 1982 than its chemical operations. The chemical industry is a highly recession-sensitive one and is heavily influenced by international economic conditions.

The consequent sharp decrease in demand for chemical products, plus a marked rise in the cost of raw materials, especially crude oil and natural gas and their derivatives, produced insufficient earnings to offset the expenses associated with major capital projects now under construction. The ensuing loss of \$11 million in 1982, compared to 1981's \$45-million profit (1980-\$81 million), was the first for the chemicals segment in 10 years and would have been greater but for efficiency programs.

Measured against expectations at the beginning of the year, these results were clearly disappointing, but were unavoidable given the effects of the economy. Nevertheless, the company's performance in chemicals during a difficult year ranked as one of the best in the industry.

### **Operations in 1982 trimmed to cut costs**

Aggressive action was taken during the year to reduce operating costs in chemicals. A wide-ranging program of cost efficiency was instituted and petrochemical operations were adjusted to use more of the feedstocks based on natural gas, which cost less than oil-based feedstocks. Production of marketable by-products was also stepped up.

Although both plastics and petrochemical production units ran at below full capacity during the year, these operations, nevertheless, achieved a high level of efficiency. Strict measures were instituted to control the cost of the production of fertilizers.

Sales of petrochemicals, agricultural chemicals, and building materials all encountered sluggish domestic and foreign demand, surplus production capacity, and severe price competition. The slump in the housing and automotive industries had a particularly marked effect on sales of building products and plastics.

### **Long-term strategy aimed at future growth**

Total capital expenditures in 1982 were \$370 million, compared to \$327 million in 1981.

Imperial took decisive action in 1982 to modify its chemical-investment program in the light of the prevailing economic conditions, including a decision to withdraw from the Petalta project, a \$650-million joint project with the Alberta Energy Company. At the same time, the company remains confident of the longer-term prospects for chemicals and during the year maintained planned investments in projects with the potential for high future earnings growth. The challenge is to operate efficiently now, start up new productive capacity successfully, and integrate it into operations.



### **Investments in fertilizers and petrochemicals prepare for a market upturn**

Current investments include a \$400-million plant at Redwater, Alta., to produce nitrogen fertilizers. Work is proceeding on schedule and within budget. The plant will be one of the most efficient in the world and will supply both domestic and export markets.

At Sarnia, Ont., the company is investing \$230 million in two plants that will upgrade into higher-value plastics the primary petrochemicals currently manufactured. One plant will upgrade into linear low-density polyethylene, the ethylene now produced. Low-density polyethylene is used to make such products as grocery bags, food wraps, and wire insulation. The other investment will expand facilities to produce polyvinyl chloride, which is used in vinyl house siding, plastic pipe, vinyl upholstery, etc. The company also has plans to produce a wider range of specialty products for industrial customers.

### **Petrochemicals remain profitable despite rising costs and narrow margins**

Petrochemicals was the division's only profitable segment during the year. Profit margins, however, were reduced as a result of lower demand and because the feedstock price advantage previously enjoyed by Canadian chemical producers declined considerably. There was intense price competition, which particularly affected returns from the production of plastics. Earnings from solvents and aromatics were also lower. However, earnings from sales of specialty products, such as performance additives for fuels and lubricants, were essentially unchanged from the previous year.

### **Lower demand, surplus capacity result in a loss for fertilizers**

High interest rates and a world grain surplus during the year had the effect of sharply reducing demand for agricultural chemicals. The resulting surplus capacity for fertilizer created strong market competition in which prices could not be raised to recover increases in the cost of raw materials. Consequently, the agricultural-chemicals segment operated at a loss.

The market for phosphate fertilizer was particularly depressed, leading the company to delay start-up of a \$50-million expansion to its phosphate-fertilizer plant at Redwater, Alta.

### **Loss in building products as housing starts decline**

Sales of building materials were sharply lower because of a significant decline in housing starts. A surplus of production capacity in all segments of the industry resulted in highly competitive prices leading to a loss for Building Products of Canada Limited, an Imperial subsidiary managed by Esso Chemical.

As part of its efficiency program, this subsidiary closed three operations during the year: a vinyl siding plant in Calgary, a fibreboard plant in Wabamun, Alta., and a warehouse in Mississauga, Ont.

### **Chemicals segment well placed to benefit from economic recovery**

Despite current conditions in the Canadian chemical industry, there are good grounds for optimism for the future. Although the price advantage enjoyed by Canadian natural-gas feedstocks has narrowed considerably, it still exists and is likely to continue. This fact, combined with assured supplies, makes Canada attractive as an international supplier of chemical products.

The efficiencies provided by Imperial's world-scale plants put the company in an excellent position to benefit from the increased demand that will accompany an economic recovery.



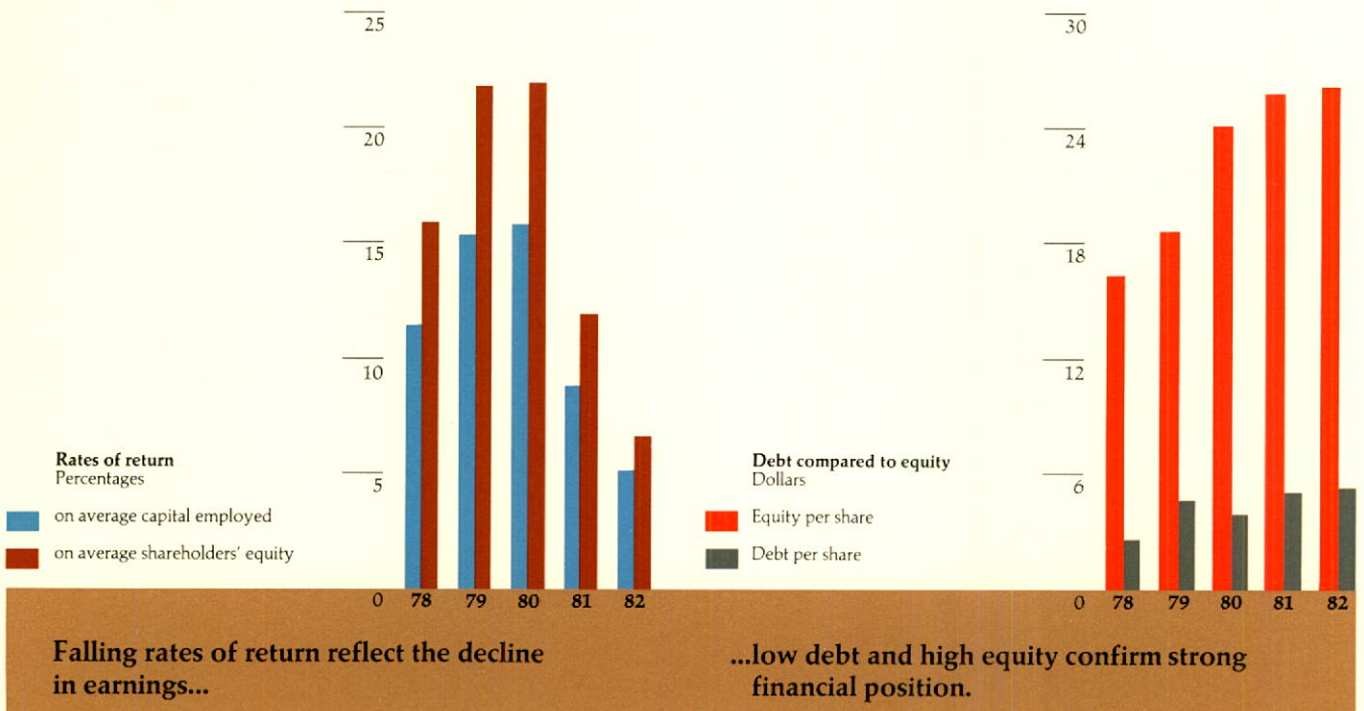
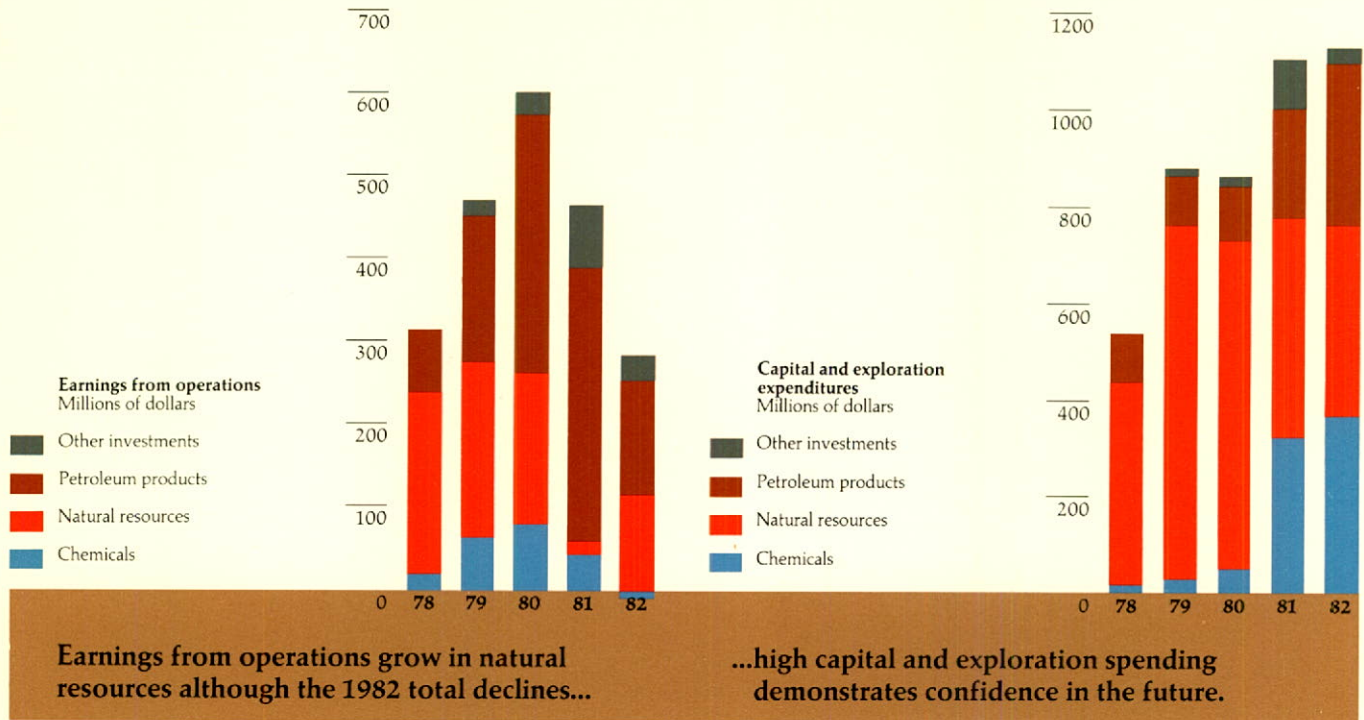
**Imperial's financial position is solid. Our strong cash flow, low debt, and excellent credit give us confidence that we can finance future opportunities for growth.**

W. J. Young,  
Senior vice-president

## Financial contents

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## Summary of significant accounting policies and glossary of terms

### Principles of consolidation

The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiary companies. All intercompany accounts and transactions have been eliminated. A list of subsidiary companies is shown on page 55.

A significant portion of the company's activities in natural resources is conducted jointly with others. The accounts reflect the company's proportionate interest in such activities.

### Inventories

Inventories of crude oil and products are recorded at cost, using the first-in, first-out method, which is less than net realizable value. The recorded cost includes the Petroleum Compensation Charge and Canadian Ownership Special Charge.

Amounts received or claimed under the federal government's compensation programs are deducted from the cost of purchasing crude oil and products.

Materials and supplies are recorded at the lower of cost and net realizable value.

### Investments

The principal investments in companies other than subsidiaries are accounted for using the equity method. Imperial's share of the net assets of these companies is recorded in the consolidated statement of financial position as "Investments." Its share of their earnings after income taxes is included in the consolidated statement of earnings with "Investment income and other operating revenues."

Other investments are recorded at cost and income from them is recorded only as dividends are declared.

The ownership percentages of Imperial's principal investments are shown on page 55. The amount at which all investments are recorded is shown in note 4 on page 32.

### Property, plant, and equipment

Property, plant, and equipment, including related pre-operational costs and design costs of major projects, are recorded at cost and so carried until sold or otherwise disposed of.

The company follows the successful-efforts method of accounting for costs of exploration and development activities. Costs of exploration acreage are capitalized and amortized over the period of exploration or until a discovery is made. Costs of exploratory wells are capitalized until their economic status has been evaluated. Costs of exploratory wells found to be dry during the year or before the issuance of these financial statements are charged against earnings. All other exploration costs are charged against earnings as incurred. All costs of development wells and successful exploration wells are capitalized.

The costs of maintenance and repairs are charged to operating expense. Improvements that increase the service capacity of an asset or prolong its service life beyond that contemplated in the established rates of depreciation are capitalized.

Investment tax credits are reported as a reduction of the capitalized costs of the asset to which they apply.

Depreciation of plant and equipment is calculated using the straight-line method, based on the estimated service life of the asset. Amortization of the costs of capitalized producing wells and leases, of the capitalized costs of the Syncrude project and Cold Lake pilot plants, and of operating mines are calculated using the unit-of-production method.

Gains or losses on assets sold or otherwise disposed of are included 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 tax on exports of crude oil and petroleum products. Crown royalties are also excluded from the consolidated statement of earnings.

### Translation of foreign currencies

Long-term monetary liabilities payable in foreign currencies have been translated at the rates of exchange prevailing on Dec. 31. Exchange gains and losses arising on translation of long-term debt are amortized over the remaining term of the debt.

### Glossary of terms

**Taxes and levies:** Taxes are income taxes, both current and deferred; revenue taxes, which comprise the Petroleum and Gas Revenue Tax and the Incremental Oil Revenue Tax; and commodity, property, and other taxes, which include the special gasoline excise tax and the federal sales tax. Levies are the Petroleum Compensation Charge and the Canadian Ownership Special Charge.

**Earnings from operations** are revenues less expenses, taxes, and levies, and do not include unusual items.

**Funds** are cash, marketable securities, and short-term loans, reduced by outstanding cheques, less cash and short-term notes.

**Internal funds generated from operations** are earnings from operations adjusted for those items that do not involve cash.

**Operating working capital** represents working capital less funds.



# Consolidated statement of earnings

For the years	1980	1981	1982
	millions of dollars		
<b>Revenues</b>			
Crude oil (1, 2)	375	475	559
Natural gas	191	193	208
Petroleum products	4702	6202	6681
Chemicals	788	895	794
Investment income and other operating revenues (3, 4)	293	420	376
<b>Total revenues</b>	<b>6349</b>	<b>8185</b>	<b>8618</b>
<b>Expenses</b>			
Exploration	253	221	113
Purchases of crude oil and products (1, 2)	2747	3261	4076
Operating	844	1068	1016
Marketing and administration	580	643	763
Interest (3)	61	66	115
Depreciation and amortization	156	244	219
<b>Total expenses</b>	<b>4641</b>	<b>5503</b>	<b>6302</b>
<b>Earnings before taxes, levies, and unusual items</b>	<b>1708</b>	<b>2682</b>	<b>2316</b>
Taxes and levies (10, 12)	1107	2217	2027
<b>Earnings from operations</b>	<b>601</b>	<b>465</b>	<b>289</b>
Unusual items (2)	81	—	(22)
<b>Earnings including unusual items</b>	<b>682</b>	<b>465</b>	<b>267</b>
	dollars		
<b>Earnings per share (14)</b>			
from operations	4.15	2.96	1.84
including unusual items	4.71	2.96	1.70



## Consolidated statement of changes in financial position

For the years	1980	1981	1982
	millions of dollars		
<b>Internal funds</b>			
Generated from operations (6)	893	839	830
Adjustments for:			
Exploration expense	253	221	113
Proceeds from sale of property, plant, and equipment	30	14	26
Decrease in operating working capital	—	—	9
Internal funds generated	1176	1074	978
Dividends	201	220	220
<b>Net internal funds generated</b>	<b>975</b>	<b>854</b>	<b>758</b>
<b>Investment of funds</b>			
Capital and exploration expenditures	861	1107	1134
Investments and other assets	23	13	24
Increase in operating working capital	256	420	—
<b>Total investment</b>	<b>1140</b>	<b>1540</b>	<b>1158</b>
<b>Excess of investment over net internal funds generated</b>	<b>(165)</b>	<b>(686)</b>	<b>(400)</b>
<b>External financing</b>			
Long-term debt and other obligations, net of repayments	1	331	63
Capital stock	868	8	14
<b>Total external financing</b>	<b>869</b>	<b>339</b>	<b>77</b>
<b>Increase (decrease) in funds</b>	<b>704</b>	<b>(347)</b>	<b>(323)</b>
<b>Increase(decrease) in funds by component</b>			
Cash	(95)	(143)	(11)
Marketable securities	561	(3)	(200)
Short-term loan to Exxon Corporation	200	(200)	—
Outstanding cheques, less cash	—	—	(75)
Short-term notes	38	(1)	(37)
<b>Total increase (decrease) in funds</b>	<b>704</b>	<b>(347)</b>	<b>(323)</b>



## Consolidated statement of financial position

As at December 31	1981	1982	change
	millions of dollars		
<b>Capital employed</b>			
<b>Working capital</b>			
Current assets			
Cash, including short-term deposits	11	—	(11)
Marketable securities at cost, which approximates market value	598	398	(200)
Accounts receivable	851	876	25
Inventories of crude oil and products	1559	1355	(204)
Materials, supplies, and prepaid expenses	136	125	(11)
Total current assets	3155	2754	(401)
Current liabilities			
Outstanding cheques, less cash	—	75	75
Short-term notes	1	38	37
Accounts payable and accrued liabilities	900	861	(39)
Amounts owing to Exxon Corporation and affiliates (5)	43	14	(29)
Taxes and levies payable	189	76	(113)
Total current liabilities	1133	1064	(69)
<b>Total working capital</b>	<b>2022</b>	<b>1690</b>	<b>(332)</b>
Investments and other long-term assets (4)	203	286	83
<b>Property, plant, and equipment</b> at cost, less accumulated depreciation and amortization (18)	3738	4446	708
<b>Total capital employed</b>	<b>5963</b>	<b>6422</b>	<b>459</b>
<b>Sources of capital employed</b>			
Long-term debt and other obligations (5, 7)	946	1028	82
Commitments and contingent liabilities (11)			
Deferred income taxes (13)	975	1291	316
<b>Shareholders' equity</b>			
Capital stock (14, 15)	1176	1190	14
Earnings retained and used in the business			
At beginning of year	2621	2866	245
Earnings for the year	465	267	(198)
Dividends	(220)	(220)	—
At end of year	2866	2913	47
<b>Total shareholders' equity</b>	<b>4042</b>	<b>4103</b>	<b>61</b>
<b>Total from sources of capital employed</b>	<b>5963</b>	<b>6422</b>	<b>459</b>

The summary of accounting policies, glossary of terms, and notes are part of the financial statements.

Approved by the board

Chairman and chief executive officer

President



## Auditors' report

To the Shareholders of Imperial Oil Limited

We have examined the consolidated statements of earnings and changes in financial position of Imperial Oil Limited for each of the three years in the period ended December 31, 1982 and the consolidated statement of financial position as at December 31, 1981 and 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations and changes in financial position of the company for each of the three years in the period ended December 31, 1982 and its financial position as at December 31, 1981 and 1982 in accordance with generally accepted accounting principles consistently applied.

*Pricewaterhouse*

Chartered Accountants  
Toronto-Dominion Centre  
Toronto, Ontario  
February 21, 1983

## Notes to the financial statements

### 1. Crude-oil revenues

In addition to the reported revenues, sales of crude oil also arise from the operations of buying and selling crude oil as a supplement to the company's own production, which is not sufficient to meet its own refining needs. These offsetting purchases and sales have been excluded from both revenues and purchases of crude oil and amount to \$987 million in 1982 (1981-\$742 million; 1980-\$996 million).

### 2. Unusual items

*Alberta Petroleum Marketing Commission—1980.* On April 1, 1980, the Alberta Petroleum Marketing Commission began purchasing, at the wellhead, all crude oil produced from lands leased from the province of Alberta. Since then, the company has been recording net production of crude oil from these leases as sales to the commission and the earnings from the production of crude oil have been recognized at the point of sale at the wellhead rather than after the crude oil has been processed and sold as refined products. As a result of this change, a one-time, non-cash increase in net earnings of \$81 million was recorded in 1980, after income taxes of \$45 million.

*Cold Lake project—1982.* Total earnings in 1982 include \$18 million after income taxes related to an advance of \$40 million for the Cold Lake project, received from the federal government in 1981 through Petro-Canada. The money was advanced to fund continued expenditures on the Cold Lake project pending determination of its future, with the stipulation that the advance and accumulated interest would not be repaid if the project were still suspended on July 1, 1982. The project was still suspended on that date and remains suspended. As a result, the amount advanced, plus accrued interest, less a write-down in the value of the assets of the project, a provision for related shutdown costs, and income taxes of \$14 million was taken into earnings.

No amount for preliminary design and engineering costs relating to the project was included in operating expense in 1982. In prior years, an amount in excess of \$150 million was included in operating expenses, of which \$54 million was in 1981 and \$62 million was in 1980.

Experimental pilot operations and research studies to evaluate a process to recover oil from the underground formations are continuing.

*Granduc mine—1982.* The company re-evaluated the economically recoverable copper reserves at the Granduc mine in British Columbia. As a result, the mine's assets were written down in December, 1982, and an unusual item of \$40 million after income taxes of \$26 million was charged to earnings.



## Notes to the financial statements

### 3. Interest

	1980	1981	1982
	millions of dollars		
<b>Interest income</b>	<b>76</b>	<b>141</b>	<b>99</b>
<b>Interest expense</b>			
Long-term debt	55	56	92
Short-term notes	2	2	12
Capitalized leases	-	7	11
Other	4	1	-
<b>Total interest expense</b>	<b>61</b>	<b>66</b>	<b>115</b>

### 4. Investments and other long-term assets

Investments are primarily in companies engaged in pipeline transportation of crude oil and petroleum products.

<b>Investments</b>	1980	1981	1982
	millions of dollars		
At equity value:			
With quoted market value of			
\$207 million at Dec. 31, 1982;			
\$135 million at Dec. 31, 1981;			
\$143 million at Dec. 31, 1980.	85	90	98
Without quoted market value	20	20	21
At cost	18	1	2
<b>Total investments</b>	<b>123</b>	<b>111</b>	<b>121</b>
Long-term receivables	40	59	108
Other long-term assets	30	33	57
<b>Total investments and other long-term assets</b>	<b>193</b>	<b>203</b>	<b>286</b>
<b>Income from investments</b>			
Earnings after income taxes	21	22	28
Dividends received	18	17	17

### 5. Transactions with Exxon Corporation and affiliated companies

Crude oil, refined petroleum products, and petrochemicals are bought and sold between the company and Exxon Corporation and its affiliates in order to maintain supplies to customers. Technical and engineering services are performed and received and the company hires ocean tank vessels from affiliates of Exxon. The net cost to Imperial for all these transactions with Exxon and its affiliates in the year ended Dec. 31, 1982, was \$8 million (1981-\$518 million; 1980-\$725 million). The terms of these transactions were competitive or as favorable as terms that would be available with an unrelated party. "Other obligations", reported in note 7, includes \$12 million due to an Exxon Corporation affiliate at Dec. 31, 1982 (1981-\$18 million). All liabilities to Exxon Corporation and affiliates arose in the normal course of operations.

Exxon Corporation acquired 18 186 319 shares in 1980 under the company's rights offering; in 1982, Exxon acquired 223 206 shares under the company's Dividend Reinvestment and Share Purchase Plan. Consequently, Exxon's ownership interest in Imperial remains at 69.6 percent. The offering and plan are described in note 14.

### 6. Internal funds generated from operations

	1980	1981	1982
	millions of dollars		
<b>Earnings from operations</b>	<b>601</b>	<b>465</b>	<b>289</b>
Add: Depreciation and amortization	156	244	219
Deferred income taxes	136	130	322
<b>Total internal funds generated from operations</b>	<b>893</b>	<b>839</b>	<b>830</b>



**7. Long-term debt, other obligations, and financing**

<b>Sinking-fund debentures</b>			<b>1981</b>	<b>1982</b>
Year of issue	Maturity date	Rate of interest	millionsofdollars	
1967	Jan. 2, 1987	6 <sup>3</sup> / <sub>4</sub>	20	17
1968	Jan. 2, 1988	7 <sup>3</sup> / <sub>8</sub>	25	21
1969	Aug. 15, 1989	8 <sup>1</sup> / <sub>2</sub>	13	12
1972	Feb. 15, 1992	7 <sup>3</sup> / <sub>4</sub>	32	28
1974	Aug. 15, 1994	10 <sup>5</sup> / <sub>8</sub>	85	78
1975	Feb. 15, 1995	9 <sup>3</sup> / <sub>4</sub>	90	84
1979	Sept. 15, 2009			
	(U.S.\$250 million)	9 <sup>3</sup> / <sub>4</sub>	296	307
1981	Dec. 1, 2011			
	(U.S.\$200 million) (a)	15 <sup>1</sup> / <sub>2</sub>	221	246
<b>Total long-term debt (b)</b>			<b>782</b>	<b>793</b>
Capitalized leases (b, c)			82	105
Other obligations (d)			82	130
<b>Total long-term debt and other obligations</b>			<b>946</b>	<b>1028</b>

(a) U.S.\$186 million of the 15<sup>1</sup>/<sub>2</sub> % sinking-fund debentures due 2011 was delivered on Dec. 16, 1981, and U.S.\$14 million of the debentures was delivered on Feb. 1, 1982.

(b) Payments of principal required during the next five years for

	sinking-fund debentures	capitalized leases
	millions of dollars	
1983	1	5
1984	12	11
1985	19	11
1986	19	9
1987	26	4

(c) Imputed interest on capitalized leases is \$61 million for the next five years and \$198 million over the life of the leases.

(d) Other obligations at Dec. 31, 1982, include \$65 million (1981-\$32 million) related to take-or-pay gas contracts.

Unused lines of credit with major Canadian banks totaled \$411 million as at Dec. 31, 1982 (1981-\$229 million).

**8. Long-term incentive compensation plan**

The company has a plan designed to attract and retain promising employees and reward them for high performance. Payments are not made at the time of the award but are deferred for periods of up to six years depending on the type of award granted. At the discretion of the company, payments may be made in up to 10 annual instalments or in such other manner as the company deems appropriate. The awards are based on the greater of an increase in the price of Class A convertible shares or an increase in the earnings per share of the company.

Estimated costs of the plan are amortized over its life. In 1982, the company charged \$17 million to earnings (1981-\$13 million; 1980-\$9 million) in respect of the plan.

**9. Research and development costs**

Research and development costs in 1982 were \$65 million (1981-\$67 million; 1980-\$46 million). These were charged to expenses.

**10. Reclassification**

The financial statements reflect reclassification of the Petroleum Compensation Charge, the Canadian Ownership Special Charge, the Special Compensation Charge, the commodity, property, and other taxes, and the Petroleum and Gas Revenue Tax. These are now included with income taxes under the title "Taxes and levies." Previously, the Petroleum Compensation Charge, the Canadian Ownership Special Charge, and the Special Compensation Charge were included under the title "Purchases of crude oil and products." The other taxes were disclosed as separate expense items. The reclassifications do not affect earnings for 1980 and 1981.

The format for the consolidated statement of changes in financial position has been modified for 1982. The statements for 1980 and 1981 have been changed accordingly.



## Notes to the financial statements

### 11. Commitments and contingent liabilities

The company has a number of contractual obligations and commitments payable under long-term agreements, all of which arose in the normal course of business. The future liability for these agreements is not significant in relation to the consolidated financial position of the company except for the purchase commitments relating to the expansion project at the Norman Wells oil field in the Northwest Territories. Total estimated cost of the project is \$700 million, of which \$168 million has been incurred to date. Commitments for purchases related to this project total \$125 million in 1983, \$51 million in 1984, and \$13 million in 1985.

A number of lawsuits are pending against the company. In the opinion of counsel, any financial liability that may result from these suits would not have a significant effect on the company's consolidated financial position and results of operations.

### 12. Taxes and levies

	1980	1981	1982
	millions of dollars		
<b>Income taxes (a)</b>			
Current	356	344	62
Deferred	136	130	322
<b>Revenue taxes</b>			
Petroleum and Gas Revenue Tax	-	91	154
Incremental Oil Revenue Tax	-	-	21
<b>Commodity, property, and other taxes</b>			
Federal sales tax	211	311	340
Special gasoline excise tax	127	121	113
Property and other taxes	54	86	101
<b>Levies</b>			
Petroleum Compensation Charge	223	908	765
Canadian Ownership Special Charge	-	113	149
Special Compensation Charge	-	113	-
<b>Total taxes and levies</b>	<b>1107</b>	<b>2217</b>	<b>2027</b>

#### (a) Income taxes

The operations of the company are complex and the related income-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.

Summary of income-tax calculations	1980	1981	1982
	millions of dollars		
<b>Earnings before taxes, levies, and unusual items</b>	<b>1708</b>	<b>2682</b>	<b>2316</b>
Deduct:			
Taxes and levies, other than income taxes	615	1743	1643
Equity companies' earnings	21	22	28
Adjusted earnings	1072	917	645
 Basic corporate tax rate (percent)	50.2	50.3	49.5
Income taxes at basic rate	538	461	319
Add income taxes on:			
Petroleum and Gas Revenue Tax, Incremental Oil Revenue Tax, Crown royalties, and other similar non-deductible payments to governments	185	218	222
	723	679	541
Deduct income taxes on:			
Resource allowance	111	99	104
Depletion allowance	79	52	17
Manufacturing and processing credit	26	26	4
Inventory allowance	11	15	23
Other	4	13	9
<b>Income taxes</b>	<b>492</b>	<b>474</b>	<b>384</b>
Effective income-tax rate (percent)	45.9	51.7	59.5
Increases in deferred income taxes resulting from timing differences:			
Capital cost allowance	76	118	251
Successful drilling	12	69	92
Land-acquisition costs	8	1	(17)
Drilling in progress	35	(61)	-
Other	5	3	(4)
<b>Total increase in deferred income taxes</b>	<b>136</b>	<b>130</b>	<b>322</b>
<b>Current income taxes</b>	<b>356</b>	<b>344</b>	<b>62</b>

This summary does not include income taxes on the unusual items reported in 1980 and 1982.



### 13. Deferred income taxes

The company complies fully with all federal and provincial income-tax legislation and pays the taxes when due.

Deferred income taxes do not represent a liability for income taxes under federal or provincial legislation. They result from differences between the legislated treatment of certain revenues and expenses and conventional accounting treatment of them in calculating income taxes. The company does not expect the deferred income taxes of \$1291 million at Dec. 31, 1982, to decrease in the foreseeable future.

### 14. Capital stock

Number of shares		
<b>Authorized</b> (Class A and B)	160 000 000	
<b>Issued:</b>	Class A	Class B
Dec. 31, 1980	151 957 540	4 974 222
Dec. 31, 1981	151 899 810	5 282 019
Dec. 31, 1982	152 833 456	4 926 982

Each class of shares is voting, convertible into one another on a share-for-share basis, and ranks equally with respect to dividends and in all other respects. Holders of Class B shares receive a stock dividend of Class B convertible shares having a value substantially equivalent to the cash dividend on Class A convertible shares.

During 1982, the company paid stock dividends totalling 294 392 (1981—223 344; 1980—163 845) Class B convertible shares and charged \$7 million (1981—\$7 million; 1980—\$6 million) to dividends.

In October, 1982, the company introduced the Imperial Oil Limited Dividend Reinvestment and Share Purchase Plan. It offers shareholders the opportunity to reinvest their cash dividends in additional Class A convertible shares at five percent less than an average market price. Shareholders may also invest between \$50 and \$5000 per calendar quarter in additional Class A or Class B convertible shares at an average market price, without payment of brokerage or other fees. In 1982, \$7 million was invested in 281 557 shares of capital stock under the terms of the plan.

The company offered to its shareholders in 1980 the right to subscribe for Class A convertible shares of the company at the subscription price of \$33.00 per share in the ratio of one Class A convertible share for each five outstanding Class A or Class B convertible shares. As a result of that offering, 25 988 068 Class A convertible shares were issued with cash proceeds amounting to \$858 million.

Earnings per share are calculated on the monthly weighted average of shares outstanding during the year.

### 15. Stock options

The company has a plan for certain employees under which options for the purchase of Class A or Class B convertible shares of the company are still outstanding. No further options may be granted under this plan. Each option expires not later than 10 years from the date on which it was granted and all options expire on July 15, 1984.

As of Dec. 31, 1982, there were outstanding options to purchase 363 070 shares (Dec. 31, 1981—528 390) at prices ranging from \$25.20 to \$38.14 (Dec. 31, 1981—\$25.20 to \$38.14). Included are 61 810 shares under option to directors and officers (Dec. 31, 1981—116 080). Fair market value per share ranged from \$28.00 to \$42.375 at the dates the options were granted. All options may be exercised currently.

In 1982, options were exercised totaling 2 660 shares for \$67 000 under the terms of the plan (1981—26 723 shares for \$643 000). The fair market value of shares on the dates the options were exercised totaled \$85 000 (1981—\$924 000).

### 16. Employee retirement plans

The company's pension plans cover substantially all employees. The plans, which are subject to certain age and service requirements, generally provide an annual pension of 1.6 percent of the average of employees' earnings in their final three years multiplied by years of service. Costs of the plans are funded primarily by the company. During the year, \$33 million (1981—\$33 million; 1980—\$60 million) was charged to earnings.

Funding of the plans is based on triennial or more frequent actuarial valuations, the most recent of which occurred as at Dec. 31, 1980. As at Dec. 31, 1982, the market value of the pension-fund assets was \$831 million. This amount exceeded the actuarial present value as estimated at Dec. 31, 1982, of the vested and non-vested earned benefits by \$83 million. The actuarial present value of the estimated future benefits earned and to be earned by the employees exceeds the plans' assets by \$182 million. This amount is to be charged to earnings over a period of up to 15 years.

The assumed rate of return used in determining the actuarial present value of plan benefits is six percent.



## Notes to the financial statements

17. Business segments	Natural resources			Petroleum products			Chemicals		
	1980	1981	1982	1980	1981	1982	1980	1981	1982
millions of dollars									
<b>Revenues</b>									
Sales to customers	542	682	800	4886	6380	6865	812	947	807
Intersegment sales (a)	659	573	626	172	267	301	38	46	43
<b>Total revenues</b>	<b>1201</b>	<b>1255</b>	<b>1426</b>	<b>5058</b>	<b>6647</b>	<b>7166</b>	<b>850</b>	<b>993</b>	<b>850</b>
Earnings before taxes, levies, and unusual items	353	264	629	1153	2207	1651	156	89	(15)
Taxes and levies	169	248	509	843	1877	1505	75	44	(4)
<b>Earnings from operations</b>	<b>184</b>	<b>16</b>	<b>120</b>	<b>310</b>	<b>330</b>	<b>146</b>	<b>81</b>	<b>45</b>	<b>(11)</b>
<b>Capital employed</b>									
Segment assets	2268	2357	2519	2502	3222	3304	373	696	1046
Less current liabilities	185	311	345	716	770	785	95	128	(42)
<b>Total capital employed</b>	<b>2083</b>	<b>2046</b>	<b>2174</b>	<b>1786</b>	<b>2452</b>	<b>2519</b>	<b>278</b>	<b>568</b>	<b>1088</b>
Depreciation and amortization	71	150	124	69	71	75	15	18	15
<b>Capital and exploration expenditures</b>	<b>682</b>	<b>455</b>	<b>399</b>	<b>111</b>	<b>229</b>	<b>332</b>	<b>50</b>	<b>327</b>	<b>370</b>

(a) In the consolidated figures reported here, all inter-segment transactions have been eliminated. The company operates its business in the segments described in the "Operating reviews." The information

in the table above is presented as though each segment were a separate business activity. Intersegment sales are made substantially at prevailing market prices.



Other investments			Consolidated		
1980	1981	1982	1980	1981	1982
millions of dollars					
109	176	146	6349	8185	8618
—	—	—	—	—	—
109	176	146	6349	8185	8618
46	122	51	1708	2682	2316
20	48	17	1107	2217	2027
26	74	34	601	465	289
1215	916	649	6244	7096	7486
74	19	8	956	1133	1064
1141	897	641	5288	5963	6422
1	5	5	156	244	219
18	96	33	861	1107	1134

## 18. Property, plant, and equipment

	Cost		Accumulated depreciation and amortization	
	1981	1982	1981	1982
millions of dollars				
Natural resources				
Exploration and production	1821	2036	565	655
Heavy oil	698	730	69	88
Minerals	169	193	32	105
	2688	2959	666	848
Petroleum products	1828	2134	738	796
Chemicals	650	1016	185	196
Other	211	233	50	56
<b>Total property, plant, and equipment</b>	<b>5377</b>	<b>6342</b>	<b>1639</b>	<b>1896</b>

## 19. Supplemental information (unaudited)

Additional information for security holders is provided on pages 44 to 52.

As the company may wish to use capital markets in the United States, this includes information that conforms with the financial reporting practices in that country. A description of the differences between the accounting principles generally accepted in Canada and the United States as they apply to the company appears on page 45.



## Five-year summary

### Financial

Percentages and ratios	1978	1979	1980	1981	1982
<b>Earnings as a percentage of average</b>					
Capital employed	11.4	15.2	15.7	8.8	<b>5.1</b>
Shareholders' equity	15.8	21.8	21.9	11.9	<b>6.6</b>
<b>Debt as a percentage of</b>					
Capital employed	10.5	15.7	10.9	13.1	<b>12.3</b>
Shareholders' equity	15.0	24.1	15.2	19.3	<b>19.3</b>
<b>Interest coverage (1)</b>	20	23	21	16	7
<b>Reinvestment percentage (2)</b>	101.3	115.0	116.9	180.3	<b>152.8</b>
<b>Current ratio (3)</b>	1.6	2.0	3.1	2.8	<b>2.6</b>

#### Consolidated statement of earnings

	millions of dollars				
<b>Revenues</b>					
Crude oil	—	—	375	475	<b>559</b>
Natural gas	123	156	191	193	<b>208</b>
Petroleum products	3308	3872	4702	6202	<b>6681</b>
Chemicals	468	673	788	895	<b>794</b>
Other operating revenues	123	139	178	233	<b>217</b>
Investment and other income	47	66	115	187	<b>159</b>
<b>Total revenues</b>	<b>4069</b>	<b>4906</b>	<b>6349</b>	<b>8185</b>	<b>8618</b>
<b>Expenses</b>					
Exploration	116	210	253	221	<b>113</b>
Purchases of crude oil and products	1962	2127	2747	3261	<b>4076</b>
Operating	442	652	844	1068	<b>1016</b>
Marketing and administration	471	511	580	643	<b>763</b>
Interest	33	56	61	66	<b>115</b>
Depreciation and amortization	112	132	156	244	<b>219</b>
<b>Total expenses</b>	<b>3136</b>	<b>3688</b>	<b>4641</b>	<b>5503</b>	<b>6302</b>
<b>Earnings before taxes, levies, and unusual items</b>	<b>933</b>	<b>1218</b>	<b>1708</b>	<b>2682</b>	<b>2316</b>
Taxes and levies	619	747	1107	2217	<b>2027</b>
<b>Earnings from operations</b>	<b>314</b>	<b>471</b>	<b>601</b>	<b>465</b>	<b>289</b>
Unusual items	—	22	81	—	<b>(22)</b>
<b>Earnings including unusual items</b>	<b>314</b>	<b>493</b>	<b>682</b>	<b>465</b>	<b>267</b>

Financial information by segments	1978	1979	1980	1981	1982
	millions of dollars				
<b>Revenues</b>					
Natural resources	766	1031	1201	1255	<b>1426</b>
Petroleum products	3548	4163	5058	6647	<b>7166</b>
Chemicals	489	701	850	993	<b>850</b>
Other investments	38	58	109	176	<b>146</b>
Intersegment sales	(772)	(1047)	(869)	(886)	<b>(970)</b>
<b>Total revenues</b>	<b>4069</b>	<b>4906</b>	<b>6349</b>	<b>8185</b>	<b>8618</b>
<b>Earnings from operations</b>					
Natural resources	220	215	184	16	<b>120</b>
Petroleum products	75	176	310	330	<b>146</b>
Chemicals	20	68	81	45	<b>(11)</b>
Other investments	(1)	12	26	74	<b>34</b>
<b>Total earnings from operations</b>	<b>314</b>	<b>471</b>	<b>601</b>	<b>465</b>	<b>289</b>
<b>Capital employed</b>					
Natural resources	1319	1741	2083	2046	<b>2174</b>
Petroleum products	1524	1506	1786	2452	<b>2519</b>
Chemicals	196	217	278	568	<b>1088</b>
Other investments	(47)	287	1141	897	<b>641</b>
<b>Total capital employed</b>	<b>2992</b>	<b>3751</b>	<b>5288</b>	<b>5963</b>	<b>6422</b>
<b>Return on average capital employed</b>					percent
Natural resources	18.4	14.1	9.6	0.8	<b>5.7</b>
Petroleum products	5.1	11.6	18.8	15.6	<b>5.9</b>
Chemicals	10.9	32.9	32.7	10.6	<b>(1.3)</b>
Other investments	—	26.4	7.6	10.2	<b>10.8</b>
<b>Total return on average capital employed</b>	<b>11.4</b>	<b>15.2</b>	<b>15.7</b>	<b>8.8</b>	<b>5.1</b>

#### Notes to percentages and ratios

(1) Interest coverage (earnings coverage) is the interest expense on long-term liabilities divided into the sum of consolidated earnings from operations, interest on long-term liabilities, and consolidated income taxes on earnings from operations.

(2) Total investments in the year divided by net internal funds generated in the year.

(3) Current assets divided by current liabilities.



<b>Capital and exploration expenditures</b>	1978	1979	1980	1981	1982
	millions of dollars				
<b>Natural resources</b>					
Exploration:					
Western provinces	131	342	315	118	48
Arctic islands	5	5	7	8	8
Beaufort Sea/ Mackenzie Delta	42	34	51	54	27
Other Northwest Territories and the Yukon	—	—	2	—	—
Atlantic offshore	2	53	12	10	10
Total exploration	180	434	387	190	93
Production	89	191	143	90	206
Heavy oil	138	62	83	43	42
Minerals	22	50	69	132	58
<b>Total natural resources</b>	429	737	682	455	399
<b>Petroleum products</b>	86	102	111	229	332
<b>Chemicals</b>	18	26	50	327	370
<b>Other investments</b>	2	14	18	96	33
<b>Total capital and exploration expenditures</b>	535	879	861	1107	1134
<b>Financial statistics</b>					
<b>Capital employed</b>					
Funds	53	251	955	608	285
Operating working capital	489	649	1030	1414	1405
Investments and other long-term assets	152	163	193	203	286
Property, plant, and equipment, net	2298	2688	3110	3738	4446
<b>Total capital employed</b>	2992	3751	5288	5963	6422
<b>Sources of capital employed</b>					
Long-term debt and other obligations	329	611	618	946	1028
Deferred income taxes	577	700	881	975	1291
Shareholders' equity	2086	2440	3789	4042	4103
<b>Total from sources of capital employed</b>	2992	3751	5288	5963	6422
<b>Total assets</b>	3900	4668	6244	7096	7486
<b>Net internal funds generated</b>	540	933	975	854	758
<b>Net payments to governments</b>					
	millions of dollars				
<b>Taxes and levies</b>					
Income taxes	247	332	492	474	384
Revenue taxes	—	—	—	91	175
Commodity, property, and other taxes	364	345	392	518	554
Levies	8	70	223	1134	914
<b>Total taxes and levies</b>	619	747	1107	2217	2027
Add:					
Current taxes on unusual items	—	24	—	—	(6)
Amounts collected on behalf of governments:					
Consumer taxes	362	403	403	499	618
Crown royalties	427	507	513	495	505
	1408	1681	2023	3211	3144
Less deferred income taxes	70	123	136	130	322
<b>Total paid or payable to governments</b>	1338	1558	1887	3081	2822
<b>Receipts from governments</b>					
Oil-import compensation	113	251	653	761	422
Syncrude compensation	3	48	143	138	117
Investment tax credits	18	27	25	58	20
Incentive programs	—	—	—	19	10
Federal government advance for Cold Lake project	—	—	—	40	—
<b>Total received or receivable from governments</b>	134	326	821	1016	569
<b>Net payments to governments</b>	1204	1232	1066	2065	2253



## Five-year summary

### Operating

<b>Wells drilled—gross/net</b>	1978	1979	1980	1981	1982
<b>Western provinces</b>					
Exploratory					
Conventional	102/58	163/61	151/50	61/20	36/11
Cold Lake, Athabasca, Peace River	50/40	27/20	72/40	30/11	75/21
Development					
Conventional	119/85	267/116	139/58	83/30	34/13
Cold Lake, Athabasca, Peace River	12/12	21/21	26/26	81/81	29/29
<b>Northern areas (1)</b>					
Beaufort Sea/Mackenzie Delta, Northwest Territories, Yukon Territory, and Arctic islands					
Exploratory	5/3	4/1	5/1	4/1	5/1
Development	1/*	4/3	6/4	1/*	12/8
<b>Atlantic offshore</b>					
Exploratory	—	2/2	—	—	—
Development	—	—	—	—	—
<b>Total wells drilled</b>					
Exploratory	157/101	196/84	228/91	95/32	116/33
Development	132/97	292/140	171/88	165/111	75/50
*less than one					
<b>Proved reserves—gross/net (2)</b>					
<b>Crude oil</b> (millions of m <sup>3</sup> ) (3)	217/163	200/147	198/140	174/124	167/125
<b>Natural gas</b> (billions of m <sup>3</sup> )	61/38	62/42	57/39	53/37	52/38
<b>Production—gross/net (2)</b>					
<b>Crude oil</b> (thousands of m <sup>3</sup> /d) (3)					
Conventional	34.7/20.6	37.5/22.3	30.6/18.4	24.2/14.9	20.8/13.4
Cold Lake	0.8/0.8	1.0/0.9	0.9/0.9	1.4/1.3	1.8/1.7
Syncrude	0.5/0.5	2.2/2.2	3.2/2.8	3.2/2.7	3.4/2.8
<b>Total crude production</b>	36.0/21.9	40.7/25.4	34.7/22.1	28.8/18.9	26.0/17.9
<b>Natural gas</b> (millions of m <sup>3</sup> /d)	8.9/6.0	9.8/6.6	8.2/5.6	7.7/5.4	7.3/5.4
<b>Mineral production</b> (tonnes per day)					
Gays River mine	—	—	23	21	—
Granduc mine	—	—	1	23	16
<b>Total mineral production</b>	—	—	24	44	16
<b>Thermal coal production</b> (thousands of tonnes per day)					
	—	—	—	1.0	2.8
<b>Natural-gas liquids purchased for resale—gross</b> (thousands of m <sup>3</sup> /d)					
	0.7	1.0	1.0	0.8	1.0
<b>Natural gas purchased for resale—gross</b> (millions of m <sup>3</sup> /d)					
	0.8	0.6	0.7	0.8	0.6



**Crude-oil supply and utilization**

(thousands of m <sup>3</sup> /d) (3)	1978	1979	1980	1981	1982
Net production of crude oil (2)	21.9	25.4	22.1	18.9	17.9
Net purchases from others (4)					
Domestic	28.4	31.0	32.6	34.3	28.8
Imported	18.9	15.2	16.4	15.1	11.5
Crude oil processed at company refineries	69.2	71.6	71.1	68.3	58.2
Refinery capacity at Dec. 31	77.9	76.8	76.7	76.7	77.4
Refinery capacity utilization at Dec. 31 (percent)	89	93	93	89	75

**Sales volumes**

<b>Petroleum products</b> (thousands of m <sup>3</sup> /d)					
Gasolines	27.2	28.0	27.8	26.6	25.3
Jet fuels	3.9	4.0	4.1	4.6	4.4
Heating fuels	11.7	10.8	10.0	8.1	7.7
Diesel fuels	11.7	12.8	12.7	13.4	12.4
Heavy fuel oils	7.6	7.6	6.5	6.6	5.3
Lubricants and other products	9.2	11.2	10.3	9.7	9.3
<b>Total petroleum products</b>	<b>71.3</b>	<b>74.4</b>	<b>71.4</b>	<b>69.0</b>	<b>64.4</b>
<b>Natural gas</b> (millions of m <sup>3</sup> /d) (5)	9.7	10.4	8.9	8.5	7.9
<b>Chemicals</b> (thousands of tonnes per day)					
Petrochemicals	2.2	2.9	2.9	3.0	2.5
Agricultural chemicals	1.8	2.0	1.9	2.1	1.8
Building products	1.4	1.4	1.5	1.3	1.2
<b>Total chemicals</b>	<b>5.4</b>	<b>6.3</b>	<b>6.3</b>	<b>6.4</b>	<b>5.5</b>

(1) Often referred to as Canada lands.

(2) Gross reserves and production of crude oil include only the amount directly owned, produced, and sold by the company before deducting the shares of mineral owners or governments or both. Net production is after deducting these shares.

Net production of natural gas is the amount remaining after gas purchased for resale and the shares of mineral owners or governments or both have been deducted from total sales.

(3) Crude oil includes natural-gas liquids.

(4) The figures shown for purchases of crude oil include changes in inventories during the year.

(5) Sales to outside customers include purchases of natural gas for resale.



## Five-year summary Operating

Land holdings—gross/net (1)	1978	1979	1980	1981	1982
	millions of hectares				
<b>Oil and gas</b>					
<b>Western provinces</b>					
Conventional	2.5/1.0	2.9/1.0	5.3/1.4	5.6/1.4	<b>5.3/1.3</b>
Cold Lake	0.1/0.1	0.1/0.1	0.1/0.1	0.1/0.1	<b>0.1/0.1</b>
Syncrude	*/*	*/*	*/*	0.1/*	<b>0.1/*</b>
Other oil sands	0.6/0.2	0.6/0.2	0.6/0.2	0.6/0.2	<b>0.8/0.3</b>
<b>Northern areas (2)</b>					
Beaufort Sea/Mackenzie Delta, Northwest Territories, and Yukon Territory	3.5/3.3	2.9/2.5	2.6/2.4	2.6/2.4	<b>3.7/3.0</b>
Arctic islands	14.1/2.4	10.4/1.7	9.1/1.6	8.8/1.4	<b>6.1/0.9</b>
<b>Atlantic offshore (2)</b>	6.5/5.2	7.2/5.8	6.1/5.2	5.5/4.8	<b>6.0/4.7</b>
<b>Other provinces (3)</b>	—	—	—	1.8/0.2	<b>1.8/0.4</b>
<b>Total land holdings</b>	<b>27.3/12.2</b>	<b>24.1/11.3</b>	<b>23.8/10.9</b>	<b>25.1/10.5</b>	<b>23.9/10.7</b>
<b>Minerals</b>					
Coal	0.3/0.3	0.3/0.3	0.4/0.4	0.5/0.5	<b>0.5/0.5</b>
Uranium	0.5/0.4	0.4/0.3	0.3/0.2	0.3/0.2	<b>0.3/0.2</b>
Base metals	0.1/0.1	0.1/0.1	0.5/0.5	0.3/0.3	<b>0.3/0.3</b>

\*Less than 100 000 hectares.

(1) Gross includes the interests of others; net excludes the interests of others. One hectare equals about 2.5 acres.

(2) The company's interests in lands under the jurisdiction of the government of Canada are subject to reduction under the terms of the Canada Oil and Gas Act, including the vesting of 25 percent in the government of Canada. Northern areas are often referred to as Canada lands.

(3) Seismic options in the province of Quebec.

## Employees

Number at Dec. 31	14 328	14 966	16 029	16 314	<b>15 476</b>
Total payroll and benefits (millions of dollars)	384	487	594	691	<b>814</b>
Payroll and benefits per employee (dollars) (a)	26 100	30 100	34 600	37 800	<b>44 800</b>

(a) The amounts for payroll and benefits per employee are calculated from total payroll and benefits for full-time employees divided by their monthly average number.



## Share ownership, trading, and performance

	1978	1979	1980	1981	1982
<b>Share ownership, Class A and B</b>					
Average number outstanding, weighted monthly (thousands)	130 248	130 421	144 880	157 034	<b>157 328</b>
Shares held in Canada at Dec. 31 (thousands)	31 714	29 182	33 629	38 188	<b>41 061</b>
Number of shareholders at Dec. 31					
Total shareholders	46 962	44 188	48 442	46 849	<b>44 691</b>
Registered in Canada	41 241	38 149	41 064	40 669	<b>39 289</b>
<b>Shares traded, Class A</b> (thousands)	13 677	24 839	43 441	22 498	<b>21 187</b>
<b>Share prices, Class A</b>					dollars
High	25 <sup>1</sup> / <sub>4</sub>	46 <sup>1</sup> / <sub>4</sub>	57 <sup>1</sup> / <sub>2</sub>	38 <sup>1</sup> / <sub>4</sub>	<b>33<sup>1</sup>/<sub>4</sub></b>
Low	18 <sup>1</sup> / <sub>4</sub>	24 <sup>7</sup> / <sub>8</sub>	30 <sup>3</sup> / <sub>8</sub>	24 <sup>1</sup> / <sub>2</sub>	<b>19<sup>5</sup>/<sub>8</sub></b>
Close at Dec. 31	25 <sup>1</sup> / <sub>8</sub>	44 <sup>1</sup> / <sub>4</sub>	32 <sup>7</sup> / <sub>8</sub>	25 <sup>1</sup> / <sub>2</sub>	<b>28<sup>3</sup>/<sub>4</sub></b>
<b>Earnings per share</b>					
from operations	2.41	3.61	4.15	2.96	<b>1.84</b>
including unusual items	2.41	3.78	4.71	2.96	<b>1.70</b>
<b>Earnings as a percentage of average shareholders' equity</b>					
	15.8	21.8	21.9	11.9	<b>6.6</b>
<b>Price/earnings ratio, Class A at Dec. 31</b>	10.4	11.7	7.0	8.6	<b>16.9</b>
<b>Dividends</b>					
Total paid (millions of dollars)	124	150	201	220	<b>220</b>
Per share (dollars)					
cash	0.95	1.15	1.40	1.40	<b>1.40</b>
stock	—	0.90	1.40	1.40	<b>1.40</b>
As a percentage of earnings including unusual items	39	30	30	47	<b>82</b>



## Supplemental information

### Management discussion and analysis

Imperial's consolidated statements report the combined results of all the company's operations. The principal business segments are natural resources, petroleum products, and chemicals. Each of these segments reports to the chief executive through a member of Imperial's senior management who is responsible for the segment's operations.

### Segment information

Details of earnings as well as capital and exploration expenditures for operations in natural resources, petroleum products, and chemicals are reported on the pages shown in the following table.

#### Earnings and capital and exploration expenditures by segment

Natural resources	
Page 13:	"Operating earnings from resources climb to \$120 million."
	"Earnings rise from heavy-oil operations."
Page 14:	"Norman Wells project on schedule and within budget."
Petroleum products	
Page 19:	"Earnings from petroleum products follow recession down."
	"Market share holds firm while total market declines."
Page 20:	"Significant investments increase refinery efficiency."
Chemicals	
Page 23	"Sluggish economy means loss in chemical operations."
	"Long-term strategy aimed at future growth."

Consolidated earnings from operations were \$289 million in 1982, a drop of \$176 million or 38 percent from \$465 million in 1981. Earnings in 1980 were a record for the company at \$601 million.

When the unusual items reported in note 2 to the financial statements on page 31 are included, total earnings for 1982 were \$267 million, \$465 million in 1981, and \$682 million in 1980. Earnings per share were \$1.70 in 1982, down from \$2.96 in 1981 and \$4.71 in 1980. Dividends paid in 1982 totaled \$1.40 per share, the same as in 1981 and 1980.

### Taxes, levies, and recession push 1982 earnings down

There are three main reasons for the decline in earnings from operations.

Taxes and levies continued at levels above \$2 billion, despite sharply reduced earnings. This level is due to

the effects of the National Energy Program, which was introduced in 1980. At \$2027 million in 1982, taxes and levies were 83 percent higher than in 1980.

In addition, the non-cash "inventory profits" that result primarily from the accounting treatment of charges levied by the federal government on purchases of crude oil were \$20 million in 1982. This is a decrease of \$82 million from the 1981 figure of \$102 million and a decrease of \$28 million from the 1980 figure of \$48 million.

A third reason is the recession, which contributed to a reduction of seven percent from the volume of petroleum products sold in 1981, and reduced total refinery capacity utilization to 75 percent in 1982, compared to 89 percent in 1981 and 93 percent in 1980.

### Liquidity and capital resources support investments

Net internal funds generated by Imperial in 1982 were \$758 million, compared to \$854 million in 1981 and \$975 million in 1980. These funds are used mainly to finance capital and exploration programs, which totaled \$1134 million in 1982, \$1107 million in 1981, and \$861 million in 1980.

Pressures to increase operating working capital were intense in 1982 as the recession created a demand for extended credit terms, and higher price for crude oil increased the costs of replacing inventories. Despite these pressures, Imperial reduced the term for turning receivables into cash from 37 days in 1981 to 35 days in 1982 and reduced inventories from a 91-day supply in 1981 to 71 days in 1982. As a result, operating working capital stayed at the same level as on Dec. 31, 1981.

Imperial issued no additional long-term debt in 1982. In 1981, the company raised \$221 million with a debt issue and in 1980 raised \$858 million with an equity issue. As at Dec. 31, 1982, debt was 19.3 percent of shareholders' equity, the same as at Dec. 31, 1981. The company will probably require additional external financing in future years to meet expected expenditures.

In October, 1982, the company introduced the Imperial Oil Limited Dividend Reinvestment and Share Purchase Plan, which raised \$7 million in 1982. The plan is described in note 14 on page 35.

Funds available at the end of the year were \$285 million, compared to \$608 million in 1981, and \$955 million in 1980. In addition to these funds, Imperial maintains lines of credit with four Canadian banks amounting to \$493 million.

### Reported earnings are not adjusted for inflation

Earnings are based on conventional accounting methods, which do not identify the effect of the high rates of inflation and changes in prices of recent years. A report of these effects is shown on pages 46 and 47.



### Presentation of financial statements

The financial statements of the company have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. These principles conform in all material respects to those in the United States except for the following:

(1) Interest expense related to major construction projects. This is not required to be capitalized in Canada; it is required in the United States. Had it been capitalized, earnings including unusual items would increase by \$21 million (1981—\$3 million).

(2) Long-term liabilities in foreign currencies. These have been translated at the rates of exchange prevailing on Dec. 31. Exchange gains and losses arising on translation of long-term debt are amortized over the remaining term of the debt. In the United States, the practice is to include the gains and losses arising from this translation in the earnings for the period in which they arise. This would have decreased earnings including unusual items by \$10 million in 1982 (1981—a decrease of \$1 million; 1980—an increase of \$5 million).

The earnings per share, if calculated according to GAAP in the United States, would be \$1.77 in 1982, compared to the earnings per share of \$1.70 when calculated in accordance with GAAP in Canada. They remain the same for 1981 and 1980.

Although the following methods of disclosure in the financial statements differ between Canada and the United States, they do not affect the amounts shown as earnings including unusual items:

(a) Under U.S. GAAP, the unusual items described in note 2 to the financial statements would be reported in the consolidated statement of earnings before "Earnings before taxes, levies, and unusual items" and would not be shown net of the applicable income taxes.

(b) Because of the tax structure for the Canadian oil and gas industry, the company reports all taxes and levies shown in note 12 as a separate item in the consolidated statement of earnings. The general practice in the United States is to disclose earnings before income taxes and report income taxes as a separate item.

### International accounting standards

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and therefore conform in all material respects with the standards of the International Accounting Standards Committee.

### Shareholder and investor information

#### General summary of tax consequences affecting foreign security holders

Cash dividends paid by the company to shareholders not resident in Canada and who are resident in the United States, the United Kingdom, France, Switzerland, and most of the other countries with which Canada has an income-tax convention, are usually subject to Canadian non-resident withholding tax at a rate of 15 percent. Stock dividends in the form of Class B shares paid to a holder of Class B shares who is not resident in Canada are usually not subject to Canadian non-resident withholding tax unless more than 10 percent of the shares of that class are owned by the shareholder alone or together with other related persons.

In most cases, there is no Canadian tax on gains arising from the sale of shares or debt instruments owned by security holders who are neither resident in nor carry on business in Canada.

Interest paid by the company on its outstanding debentures to a non-resident of Canada with whom the company is dealing at arm's length is not subject to Canadian withholding tax if the debenture was originally issued after June 23, 1975. Interest paid by the company to debenture holders not resident in Canada on debentures issued before that date is usually subject to withholding tax.

No estate taxes or succession duties are imposed by the government of Canada or by the governments of any of the provinces of Canada except the province of Quebec. In the province of Quebec, no succession duties are payable with respect to securities of the company physically situated outside the province of Quebec if the person to whom they are transmitted is domiciled and resident outside the province of Quebec.

Shareholders	Shareholders of record at Dec. 31, 1982	Registered (percent)		
		Canada	Foreign	Total
Class A	43 692	88	12	100
Class B	1306	85	15	100



## Supplemental information

### Accounting for the effects of inflation and changing prices

#### Methods of adjusting

Conventional accounting practices reflect financial results in terms of the value of the dollar at the time of the transaction. In times of high inflation and changing prices, the purchasing power of the dollar diminishes. Inflation accounting attempts to recognize these changes and adjust the financial results to take them into account.

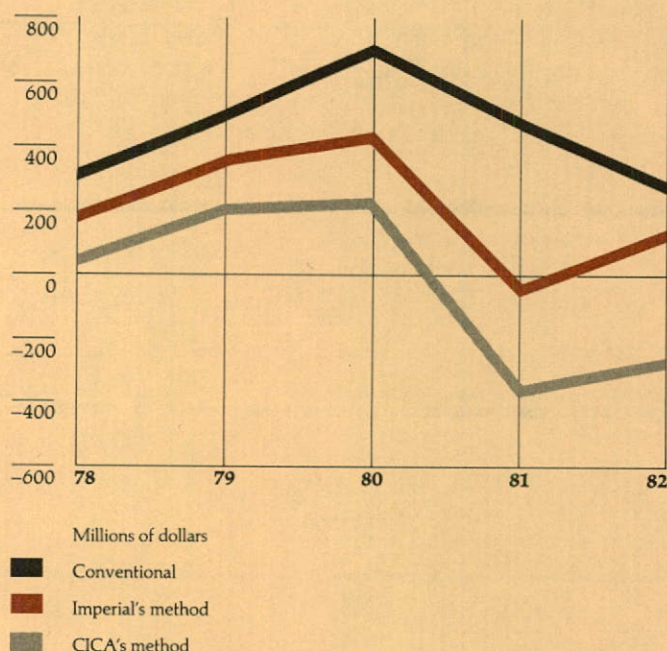
In December, 1982, the Canadian Institute of Chartered Accountants (CICA) issued its recommendations for reporting the effects of changing prices. This method attempts to determine if sufficient earnings are being generated to maintain in the future a company's current level of production.

Imperial has several reservations about the CICA recommendations and is reporting its own views of the effects of inflation in addition to those proposed by the CICA. Imperial's method attempts to determine if sufficient earnings are being generated to maintain the company's capital base over the long term.

The section headed "Calculation of adjustments" describes the differences between the two methods.

#### Interpretation of results

Imperial believes that the recommended disclosure is insufficient to permit an evaluation of performance and is providing a chart comparing the earnings for the last five years.



#### Comparative results for 1982

	Conventional	Imperial	CICA
millions of dollars			
<b>Earnings before taxes, levies, and unusual items</b>	2316	2316	2316
Taxes and levies, other than income taxes	1643	1643	1643
Earnings before income taxes and unusual items	673	673	673
Less adjustments (1) for:			
Cost of sales	—	180	180
Depreciation and amortization	—	200	370
Earnings before income taxes	673	293	123
Income taxes: Current	62	62	62
Deferred	322	71	322
Earnings (loss) from operations	289	160	(261)
Unusual items	(22)	(22)	(22)
<b>Earnings (loss) including unusual items</b>	267	138	(283)

(1) Adjustments have been rounded to the nearest \$10 million.

When earnings are adjusted for the effects of inflation, they remain below the figures reported by conventional accounting methods in both the Imperial and CICA cases but, unlike conventional accounting, they show an increase over the 1981 results.

The major reason for this increase is that inventory profits before income taxes in 1982 were approximately \$160 million less than they were in 1981. Inventory profits before income taxes are eliminated from earnings in inflation accounting because inventories are valued at current replacement costs.

Continuing high levels of taxes and levies makes it more difficult to maintain a company's capital base during a recessionary period. Taxes and levies tend to be insulated from the effects of inflation because they are based on revenues and expenses in the current year.

The CICA's method calculates earnings to be substantially less than those calculated using Imperial's method. Two factors contribute to this difference. First, the CICA's higher depreciation adjustment reflects the greater value of fixed assets based on their replacement cost, compared to Imperial's valuation based on the



increase in the Consumer Price Index (CPI). Second, the CICA method ignores the impact that higher depreciation charges would have on calculations of deferred income tax.

#### Additional 1982 information (CICA)

	millions of dollars
<b>Net assets on a current-dollar basis</b>	
Inventory	1355
Property, plant, and equipment	9756
Net assets (equity)	9413
<b>Other supplemental information</b>	
Total current-cost increase in inventory, property, plant, and equipment	1719
General inflation component	904
Increase in current cost over the effect of general inflation	815
<b>Gain in purchasing power</b>	<b>41</b>

The CICA recommends including a financing adjustment based on the net monetary position of the company, (1982—a profit increase of \$86 million) and a financing adjustment based on current-cost adjustments made to earnings for the year (1982—a profit increase of \$28 million). While this item may have theoretical attraction, it is complex, controversial, and does not have broad professional support. Therefore, Imperial does not support its inclusion in the inflation-adjusted results.

#### Calculation of adjustments

##### Basis for reporting

Items	Conventional	Imperial	CICA
Inventories/ cost of sales	Historical costs	Current replacement costs	Current replacement costs
Fixed assets/ depreciation expense	Historical costs	Historical costs adjusted for CPI	Current replacement costs
Income taxes	Current and deferred	Current and a portion of deferred	Current and deferred

The CICA approach calculates a replacement cost for property, plant, and equipment required to maintain productive capacity. While productive capacity in some segments of the business is deliberately being reduced to respond to markets, in others it is being increased. Therefore, it becomes difficult, if not impossible, to develop a valid investment base for productive capacity on which to calculate depreciation. Imperial believes that a large and diversified company's investments are not made to replace existing productive capacity but rather to invest in segments of the business where market needs match the company's strengths.

For example, the petroleum industry is currently faced with an excess of refinery capacity. The task of determining which assets will be required to maintain today's productive capacity, and which company will own those assets, cannot be done with any degree of certainty or validity. Including all refinery assets results in an excessive adjustment to the depreciation expense. However, at present there is no objective basis on which a portion of the investment can be excluded. To avoid arbitrary adjustments until an objective basis can be found, all assets have been re-evaluated at their current costs in the CICA's reported results.

Imperial believes that calculations of this nature are difficult to communicate and could reduce the credibility of important financial information. The company feels the CPI is more readily understood, is objective, and is therefore more credible than the CICA's concept of the cost of maintaining productive capacity. Imperial's approach recognizes the effect of inflation without implying that productive assets will be replaced, in place and kind, at some future time. Therefore, the company adjusts the costs of all fixed assets by the change in the CPI.

The CICA advocates reducing the earnings by both current and deferred income taxes for the year. The company advocates reducing earnings by the current income taxes and only a portion of the deferred income taxes. The major cause of deferred income taxes is the difference between the company's depreciation expense and the higher capital cost allowance used in calculating income taxes payable. As current-cost accounting disrupts this relationship, Imperial believes it is more appropriate to eliminate deferred income taxes related to this difference.



## Supplemental information

## Quarterly financial and stock-trading data

	1981 three months ended				1982 three months ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
	millions of dollars							
Operating revenues	1768	1932	2136	2162	1955	2084	2184	2236
Investment and other income	47	43	49	48	44	40	38	37
Total revenues	1815	1975	2185	2210	1999	2124	2222	2273
Expenses, including taxes and levies	1669	1862	2028	2161	1940	2052	2133	2204
Earnings from operations	146	113	157	49	59	72	89	69
Unusual items	—	—	—	—	—	18	—	(40)*
Earnings including unusual items	146	113	157	49	59	90	89	29
	dollars							
Earnings per share from operations	0.93	0.72	1.00	0.31	0.38	0.45	0.57	0.44
including unusual items	0.93	0.72	1.00	0.31	0.38	0.57	0.57	0.18
Dividends per share (declared quarterly)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
	dollars							
Toronto Stock Exchange share prices (a)								
High	36 <sup>3</sup> / <sub>8</sub>	37 <sup>1</sup> / <sub>2</sub>	38 <sup>1</sup> / <sub>4</sub>	28 <sup>5</sup> / <sub>8</sub>	26	25 <sup>3</sup> / <sub>4</sub>	30 <sup>1</sup> / <sub>8</sub>	33 <sup>1</sup> / <sub>4</sub>
Low	30 <sup>5</sup> / <sub>8</sub>	32 <sup>1</sup> / <sub>8</sub>	24 <sup>1</sup> / <sub>2</sub>	25 <sup>1</sup> / <sub>4</sub>	19 <sup>5</sup> / <sub>8</sub>	20 <sup>3</sup> / <sub>4</sub>	22 <sup>3</sup> / <sub>8</sub>	25 <sup>3</sup> / <sub>4</sub>
Close	33 <sup>1</sup> / <sub>8</sub>	36 <sup>1</sup> / <sub>4</sub>	26 <sup>5</sup> / <sub>8</sub>	25 <sup>1</sup> / <sub>2</sub>	21	23	27 <sup>3</sup> / <sub>4</sub>	28 <sup>3</sup> / <sub>4</sub>
American Stock Exchange share prices (\$U.S.) (a)								
High	30 <sup>1</sup> / <sub>2</sub>	31 <sup>1</sup> / <sub>4</sub>	31 <sup>3</sup> / <sub>4</sub>	24 <sup>1</sup> / <sub>4</sub>	21 <sup>3</sup> / <sub>4</sub>	20 <sup>1</sup> / <sub>2</sub>	24 <sup>1</sup> / <sub>2</sub>	27
Low	25 <sup>1</sup> / <sub>2</sub>	26 <sup>5</sup> / <sub>8</sub>	20 <sup>1</sup> / <sub>4</sub>	20 <sup>3</sup> / <sub>4</sub>	16 <sup>1</sup> / <sub>8</sub>	16 <sup>7</sup> / <sub>8</sub>	17 <sup>3</sup> / <sub>8</sub>	21
Close	27 <sup>5</sup> / <sub>8</sub>	29 <sup>7</sup> / <sub>8</sub>	21 <sup>3</sup> / <sub>4</sub>	21 <sup>3</sup> / <sub>8</sub>	17 <sup>1</sup> / <sub>8</sub>	17 <sup>7</sup> / <sub>8</sub>	22 <sup>1</sup> / <sub>2</sub>	23 <sup>1</sup> / <sub>4</sub>
Shares traded (thousands)	5182	5974	6907	4435	5304	4506	5378	5999

\*The Granduc mine's assets were written down in December, 1982 (note 2 to the financial statements).

(a) The share prices were obtained from the records of the stock exchanges.

Imperial Oil stock is listed on the Montreal, Toronto, and Vancouver stock exchanges and is admitted to unlisted trading on the American Stock Exchange. The high and low Toronto Stock Exchange and American Stock Exchange prices for Class A shares and the number of shares traded on all the above exchanges are shown. The Class B shares generally trade at the same price as Class A shares.

The average number of outstanding shares included in the calculation of earnings per share is weighted on a monthly basis. As a result, the sum of the quarterly earnings per share does not necessarily equal the yearly earnings per share.



**Oil and gas exploration and production activities**

<b>Capitalized costs (a)</b>	<b>Oil and gas</b>		<b>Syncrude</b>		<b>Total</b>	
	1981	1982	1981	1982	1981	1982
millions of dollars						
Property costs						
Proved	140	134	–	–	140	134
Unproved	223	235	–	–	223	235
Producing assets	1312	1375	580	598	1892	1973
Support facilities	99	126	–	–	99	126
Incomplete construction	165	298	–	–	165	298
<b>Total capitalized costs</b>	1939	2168	580	598	2519	2766
Accumulated depreciation and amortization	595	691	39	52	634	743
<b>Net capitalized costs</b>	1344	1477	541	546	1885	2023
<b>Costs incurred</b>	1980	1981	1982	1980	1981	1982
millions of dollars						
Property costs	66	16	9	–	–	–
Exploration costs	321	174	85	–	–	–
Development costs	204	104	227	22	29	20
	66	16	9	66	16	9
	321	174	85	321	174	85
	204	104	227	226	133	247
<b>Results of operations</b>						
Sales to customers	546	717	718	–	–	–
Intersegment sales	321	152	305	244	265	287
<b>Total sales (b)</b>	867	869	1023	244	265	287
	867	869	1023	1111	1134	1310
Production expenses	221	252	259	139	182	187
Exploration expenses	221	180	79	–	–	–
Depreciation and amortization	57	100	89	15	14	15
Other operating expenses	16	13	6	–	–	–
Petroleum and Gas Revenue Tax	–	81	135	–	10	19
Incremental Oil Revenue Tax	–	–	21	–	–	–
Income taxes	195	193	321	30	23	30
<b>Results of operations</b>	157	50	113	60	36	36
	157	50	113	217	89	149

(a) Property costs are payments for rights to explore for petroleum and natural gas. Proved represents areas where successful drilling has delineated a field capable of production. Unproved represents all other areas. Costs of incomplete construction include drilling and other costs relating to the discovery of commercial oil and gas reserves in the Beaufort Sea/ Mackenzie Delta region.

(b) Sales of crude oil to consolidated affiliates are valued at market, using posted field prices. Sales of natural-gas liquids to consolidated affiliates are valued at amounts estimated to represent prices equivalent to those that could be obtained in a competitive, arm's-length market. Total sales exclude the sale of natural gas and natural-gas liquids purchased for resale.



## Supplemental information

Net reserves of crude oil and natural gas	Conventional and Cold Lake pilot			Syncrude			Total crude oil		
	1980	1981	1982	1980	1981	1982	1980	1981	1982
<b>Crude oil</b>									
	millions of m <sup>3</sup>								
<b>Net proved developed and undeveloped</b>									
Beginning of year	100.1	107.8	93.6	46.8	31.7	30.8	146.9	139.5	124.4
Revisions of previous estimates and improved recovery	14.4	(8.6)	6.4	(14.1)	0.1	—	0.3	(8.5)	6.4
Sale of reserves in place	—	—	—	—	—	—	—	—	—
Discoveries and extensions	0.3	0.3	0.2	—	—	—	0.3	0.3	0.2
Production	(7.0)	(5.9)	(5.5)	(1.0)	(1.0)	(1.0)	(8.0)	(6.9)	(6.5)
<b>End of year</b>	<b>107.8</b>	<b>93.6</b>	<b>94.7</b>	<b>31.7</b>	<b>30.8</b>	<b>29.8</b>	<b>139.5</b>	<b>124.4</b>	<b>124.5</b>
<b>Net proved developed</b>									
Beginning of year	89.9	85.7	73.5	46.8	31.7	30.8	136.7	117.4	104.3
<b>End of year</b>	<b>85.7</b>	<b>73.5</b>	<b>82.4</b>	<b>31.7</b>	<b>30.8</b>	<b>29.8</b>	<b>117.4</b>	<b>104.3</b>	<b>112.2</b>
<b>Natural gas</b>	1980	1981	1982						
	billions of m <sup>3</sup>								
<b>Net proved developed and undeveloped</b>									
Beginning of year	42.4	38.5	36.6						
Revisions of previous estimates and improved recovery	(2.3)	(0.2)	2.6						
Sale of reserves in place	(0.5)	—	—						
Discoveries and extensions	1.0	0.3	1.0						
Production	(2.1)	(2.0)	(2.0)						
<b>End of year</b>	<b>38.5</b>	<b>36.6</b>	<b>38.2</b>						
<b>Net proved developed</b>									
Beginning of year	33.8	31.1	28.9						
<b>End of year</b>	<b>31.1</b>	<b>28.9</b>	<b>30.8</b>						

The company has not reduced the estimated reserves of crude oil, natural gas, or natural-gas liquids as a result of either the federal legislation implementing the National Energy Program or the agreements reached in 1981 between the government of Canada and the provinces of Alberta, British Columbia, and Saskatchewan on the pricing and taxation of Canadian oil and gas. The company has assumed that taxes and royalties will not reach such a level that wells are abandoned prematurely and reserves reduced accordingly.

All reported reserves of crude oil and natural gas are located in Canada. Reserves of crude oil include condensate and natural-gas liquids. With the exception of the reserves of the Cold Lake pilot and Syncrude, all reserve estimates are determined by analysis of geological and engineering data, which has demonstrated with reasonable certainty that they are recoverable from known oil and gas fields under economic and operating conditions at Dec. 31 of each year. The calculation of reserves of crude oil at Syncrude is based on the company's participating interest in the production permit granted by the province of Alberta. Reserves of crude oil at the Cold Lake pilot are those reserves estimated to be recoverable from the existing experimental pilot plants.



The calculated net reserves of conventional crude oil, oil from the Cold Lake pilot, and natural gas are determined by deducting the mineral owners' or governments' share or both and are calculated at the year's average royalty rate. Net proved reserves have been increased to reflect reductions in the royalty rate announced by the government of Alberta in 1982. Net reserves of Syncrude are based on an estimate of the average royalty rate over the project life, using price increases established by the agreement of Sept. 1, 1981, between the government of Canada and the province of Alberta on the pricing and taxation of Canadian oil and gas until Dec. 31, 1986. This royalty rate may vary with production prices and cost.

Proved reserves at the Cold Lake pilot, previously classified as undeveloped, have been reclassified as developed. Unlike the case with conventional reserves, the surface facilities that already exist constitute the major capital expenditure over the life of the project. Therefore, the company believes that the wells needed to produce the oil need not be drilled prior to classifying the reserve as developed. The amount reclassified was 9.2 million cubic metres.

Reserves data do not include reserves of crude oil and natural gas discovered in the Beaufort Sea/Mackenzie Delta and the Arctic islands, nor the reserves contained in the oil sands other than those attributable to Syncrude and the reserves in the Cold Lake pilot area.

Natural-gas reserves are calculated at a pressure of 101.325 kPa at 15°C.

The following information has been included to comply with the requirements for investors in the United States.

### Oil and gas producing activities

<b>Present value of estimated future net cash flows discounted at 10 percent</b>	1980	1981	1982
	millions of dollars		
<b>Future cash flows</b>	13 396	13 780	<b>16 985</b>
Future production and development costs	(4671)	(5072)	<b>(5858)</b>
Future Petroleum and Gas Revenue Tax	—	(1279)	<b>(2011)</b>
Future income taxes	(4583)	(4751)	<b>(5461)</b>
<b>Future net cash flows</b>	4142	2678	<b>3655</b>
Discount of 10 percent for estimated timing of cash flows	(2756)	(1854)	<b>(2318)</b>
<b>Discounted future net cash flows</b>	1386	824	<b>1337</b>

The company does not agree that the calculation of the present value of future net cash flows from estimated production of proved reserves necessarily represents future cash flows or the fair market value of conventional oil and gas properties. The valuation does not include the value of exploratory properties and probable reserves. Neither does it include anticipated future price increases for oil and gas and anticipated increases of development and production costs. The valuation excludes the company's activities related to extraction of upgraded crude oil from Syncrude. In the company's opinion, the method of calculating the data is not reliable and the values may not provide a basis for meaningful analysis. Imperial cautions readers about its use.

Estimated discounted future net cash flows are computed by applying the prices on Dec. 31 of crude oil, including condensate and natural-gas liquids, and natural gas to the estimated future production of proved oil and gas reserves, less the estimated future production and development costs.

Estimated future income taxes are computed by applying the current statutory income-tax rates to the estimated taxable income for each year. Taxable income is based on estimated future net revenues adjusted to take into account differences from standard accounting practices permitted under income-tax regulations in effect at the end of the year. The Petroleum and Gas Revenue Tax is calculated by applying the statutory rate as at Dec. 31.



## Supplemental information

Summary of changes in present value of estimated future net cash flows	1980	1981	1982
	millions of dollars		
<b>Balance at beginning of year</b>	<b>1472</b>	<b>1386</b>	<b>824</b>
Changes resulting from:			
Sales and transfers of oil and gas produced, net of production costs	(621)	(663)	(779)
Net changes in prices, development costs, and production costs (a)	488	491	834
Extensions, discoveries, additions, and improved recovery, less related costs (b)	17	26	14
Development costs incurred during the period	144	102	223
Revisions of previous quantity estimates (c)	(175)	(362)	423
Net change in purchases and sales of minerals in place	—	—	—
Accretion of discount (d)	314	356	316
Net change in Petroleum and Gas Revenue Tax (e)	—	(564)	(313)
Net change in income taxes (f)	380	(458)	(275)
Change in production pattern (g)	(633)	510	70
<b>Net change</b>	<b>(86)</b>	<b>(562)</b>	<b>513</b>
<b>Balance at end of year</b>	<b>1386</b>	<b>824</b>	<b>1337</b>

(a) Net changes in prices and costs contributed \$834 million in 1982 (1981—\$491 million). This reflects the increase in prices for crude oil, natural gas, and natural-gas liquids during each year, less related increases in development and production costs.

(b) Increases in proved reserves resulting from extensions and discoveries contributed \$14 million in 1982 (1981—\$26 million). This represents the present value of estimated future net revenues less estimated future development and production costs.

(c) An upward revision of proved reserves determined in prior years resulted in an increase of \$423 million in 1982 (1981—a decrease of \$362 million). The primary cause for the increase is the reduction in the royalty rate announced by the government of Alberta in 1982.

(d) Accretion of discount, amounting to \$316 million in 1982 (1981—\$356 million), is due to an increase in the estimated present value because realization of future net cash flows is one year sooner.

(e) The net change in the Petroleum and Gas Revenue Tax resulted in a reduction of \$313 million in 1982 (1981—\$564 million). At Dec. 31, 1982, the tax was 11 percent of income from net operating revenue related to production of oil and gas, as specified in the National Energy Program. Accordingly, this charge is considered a production tax and is shown as a reduction of net revenues.

(f) The net change in income taxes is computed by applying current statutory tax rates to the estimated present value of future taxable income to be generated from proved reserves producing as of the end of the year and deducting the amount similarly computed as of the beginning of the year. This resulted in a reduction of \$275 million in 1982 (1981—\$458 million).

(g) Changes in production patterns result primarily from revisions to the timing of future production.



## Directors, officers and board committees as at Dec. 31, 1982

### Directors

J. B. Buchanan  
*President, British Columbia Packers Ltd. (fish and seafood)*  
P. Des Marais II  
*President, Pierre Des Marais Inc. (printing and lithography)*  
J. W. Flanagan (1)  
*Senior vice-president, Imperial Oil Limited*  
A. R. Haynes (2)  
*President, Imperial Oil Limited*  
M. Kovitz  
*President, Murko Investments Ltd. (property and livestock)*  
W. A. Macdonald  
*Partner, McMillan, Binch (barristers and solicitors)*  
D. K. McIvor  
*Chairman and chief executive officer, Imperial Oil Limited*  
T. H. Thomson  
*Senior vice-president, Imperial Oil Limited*  
W. J. Young  
*Senior vice-president, Imperial Oil Limited*

### Officers

#### Imperial Oil Limited

*Chairman of the board and chief executive officer:*  
D. K. McIvor

*President:*  
A. R. Haynes

*Senior vice-presidents:*  
J. W. Flanagan, T. H. Thomson, W. J. Young

*Vice-presidents:*  
W. E. Beacom, *comptroller*  
R. E. Landry  
A. M. Lott, *treasurer*  
D. H. MacAllan, *human resources*  
G. A. Rogers, *general counsel*  
P. Stauf, *natural-resources coordination*

J. E. Akitt, *Esso Chemical Canada*  
G. H. Thomson, *Esso Petroleum Canada*  
M. G. Handford, *Esso Petroleum Canada*

*General secretary:*  
R. J. Michaelides

(1) J. W. Flanagan has indicated his intention not to stand for reelection at the annual meeting of shareholders on April 22, 1983.

(2) A. R. Haynes was appointed president on Oct. 1, 1982, succeeding J. G. Livingstone. At that time, membership of the board was reduced from ten persons to nine.

### Board of directors

The board meets monthly to consider and act on matters of significance to the corporation. These include financial and social performance, investment decisions, strategic plans, corporate policies, and other matters on which the board is legally required to act. It has nine members\*; five are employees of the company and four have their principal employment outside Imperial. In 1982, attendance at board meetings averaged 89 percent.

\* The board of directors passed a resolution on Feb. 21, 1983, reducing membership of the board from nine persons to eight, effective April 22, 1983.

### Board committees

Meetings of board committees are usually scheduled following board meetings. Attendance at all board committees in 1982 averaged 87.9 per cent.

#### Audit committee

*Chairman:* W. A. Macdonald  
*Vice-chairman:* P. Des Marais II  
*Members:* J. B. Buchanan, A. R. Haynes, M. Kovitz

The committee reviews the company's financial statements, accounting practices, and business and financial controls. It also recommends the appointment of auditors and reviews their fees. The shareholders' auditor, Price Waterhouse, attends and participates in all meetings. It meets a minimum of six times a year.

#### Board compensation committee

*Chairman:* P. Des Marais II  
*Vice-chairman:* J. B. Buchanan  
*Members:* M. Kovitz, W. A. Macdonald, D. K. McIvor

The committee is responsible for decisions on the compensation of senior management above the level of vice-president. It also reviews policy on corporate compensation and the process by which future managers of the company are identified and selected. It meets at least twice a year.



## Board committees, continued

### Contributions committee

*Chairman:* M. Kovitz

*Vice-chairman:* P. Des Marais II

*Members:* J. B. Buchanan, W. A. Macdonald, T. H. Thomson

The company's contribution program is aimed at enhancing the quality of Canadian life through support for education, health, welfare, community services, sports, and culture. The committee examines policies and programs related to the contribution program and recommends an annual budget for adoption by the board of directors. It meets at least twice a year.

### Nominations committee

*Chairman:* D. K. McIvor

*Vice-chairman:* J. B. Buchanan

*Members:* P. Des Marais II, M. Kovitz, W. A. Macdonald

The committee recommends to the board of directors the slate of director candidates to be proposed for election to the board by the shareholders at the annual meeting. It also recommends criteria for the selection and tenure of directors, candidates for board membership, and the successor to the chief executive officer when vacancies are anticipated. It meets at least once a year.

## Principal operating management as at Dec. 31, 1982

### Esso Resources Canada Limited

*Chairman of the board:*

A. R. Haynes

*President and chief executive officer:*

R. B. Peterson

*Executive vice-president:*

D. D. Loughheed

*Vice-presidents:*

J. E. Burns, *finance and administration, and treasurer*

G. E. Courtneage, *heavy oil*

G. L. Haight, *production*

J. W. Park, *gas*

R. A. F. Wilkinson, *exploration*

G. J. Willmon, *president, Esso Minerals Canada*

### Esso Petroleum Canada

*President:*

G. H. Thomson

*Executive vice-president:*

M. G. Handford

*Vice-presidents:*

T. R. Clapp, *specialty products*

C. A. Hayles, *marketing*

W. J. Keough, *refining\**

D. F. MacLauchlan, *supply*

\*On Dec. 31, 1982, W. J. Keough retired. On Jan. 1, 1983, B. J. Fischer was appointed vice-president, refining.

### Esso Chemical Canada

*President:*

J. E. Akitt

*Executive vice-president:*

R. A. Burnside

*Vice-presidents:*

G. R. Bunting, *external and environmental affairs*

R. W. Hodgson, *western Canada*

P. J. Levins, *president, Building Products of Canada Limited*

W. W. Levy, *agricultural chemicals*

D. E. McGregor, *plastics*

R. H. Shepherd, *olefins*



## Subsidiaries and principal investments

### Subsidiary companies (a)

W. H. Adam, Ltée, Ltd.  
 Atlas Supply Company of Canada Limited  
 Building Products of Canada Limited  
 Byron Creek Collieries Limited  
 Canada Wide Mines Ltd.  
 Champlain Oil Products Limited  
 Delta Rope & Twine Limited  
 Devon Estates Limited  
 86129 Canada Ltd.  
 E S F Limited  
 Esso of Canada Limited  
 Esso Resources Canada Limited  
 446259 Ontario Limited  
 The Imperial Pipe Line Company, Limited  
 Maple Leaf Petroleum Limited  
 Mongeau & Robert Cie Ltée  
 95269 Canada Limited  
 Nisku Products Pipe Line Company Limited  
 Northwest Company, Limited  
 102335 Canada Ltd.  
 107580 Canada Inc.  
 Renown Building Materials Limited  
 Les Restaurants Le Voyageur Inc.  
 Servacar Ltd.  
 Winnipeg Pipe Line Company Limited

(a) See page 27, "Principles of consolidation."

### Principal investments in other companies, not consolidated (b)

	Percentage of ownership
Alberta Products Pipe Line Ltd.	30.0
Interprovincial Pipe Line Limited	33.3
Montreal Pipe Line Limited	32.0
Moraine Properties Ltd.	50.0
Rainbow Pipe Line Company, Ltd.	33.3
Tecumseh Gas Storage Limited	50.0
Williamsport Properties Limited	50.0

(b) See page 27, "Investments."

## Shareholder and investor information

### Annual meeting

The annual meeting of shareholders will be held at 11:00 a.m., Friday, April 22, 1983, in the Canadian Room, Royal York Hotel, Toronto.

### Investor information

Investors may obtain information to assist them in evaluating the company's operating performance and projects, including the annual report incorporated in Form 10-K filed with the United States Securities and Exchange Commission, from the Investor Relations Manager, Imperial Oil Limited, at 111 St. Clair Avenue West, Toronto, Canada, M5W 1K3. Telephone (416) 968-5076. Changes of address or inquiries about shares and dividends may be sent to the same address.

*Les rapports de la Compagnie Pétrolière Impériale Ltée aux actionnaires sont publiés en français. Veuillez écrire à la division des Relations avec les investisseurs, Compagnie Pétrolière Impériale Ltée, 111 avenue St. Clair ouest, Toronto, Canada, M5W 1K3.*

### Transfer offices

Shares of Imperial Oil Limited may be transferred at the following offices: head office of Imperial Oil Limited; principal offices of Montreal Trust Company at St. John's, Charlottetown, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary, and Vancouver; and Morgan Guaranty Trust Company of New York.



