Annual Report

# Alberta Natural Gas Company Ltd

1991



Hydrocarbons

Chemicals

ANG

*This Annual Report provides information to assist in understanding ANG's businesses, its operations and the directions the Company is taking to improve its competitive position. Management's discussion and analysis of ANG's financial condition and results of operations is included on pages 7-27.*

Further information on the Company is contained in the Annual Information Form (AIF), a document prepared pursuant to regulatory guidelines. For copies of the AIF, or additional copies of the Annual Report, please write to: Mr. Allan J. Koester, Corporate Secretary, Alberta Natural Gas Company Ltd, 2900, 240 - 4th Avenue S.W., Calgary, Alberta T2P 4L7

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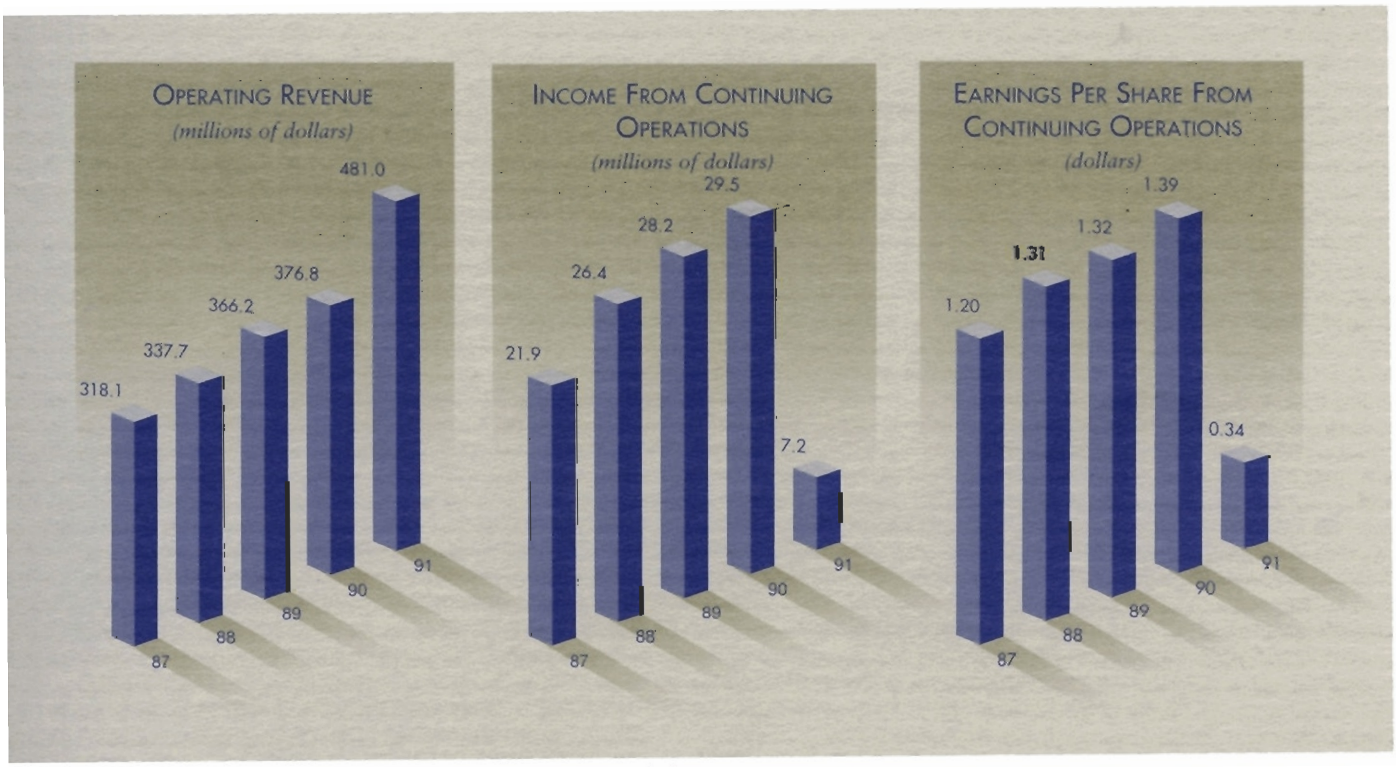
# Financial Highlights

| *in thousands except for share data* | 1991 | 1990 restated |
|---|---|---|
| Operating revenue | $ 480,966 | $ 376,816 |
| Income from continuing operations | $ 7,198 | $ 29,512 |
| Net (loss) income | $ (44,620) | $ 25,728 |
| Net property, plant and equipment additions | $ 85,019 | $ 19,278 |
| Total assets (year end) | $ 451,126 | $ 455,886 |
| Shareholders' equity (year end) | $ 105,392 | $ 168,528 |
| Average number of shares outstanding | 21,021 | 21,284 |
| Share data | | |
| Earnings per share | | |
| From continuing operations | $ 0.34 | $ 1.39 |
| Net (loss) income | $ (2.12) | $ 1.21 |
| Dividends paid per share | $ 0.68 | $ 0.68 |
| Shareholders' equity per share (year end) | $ 5.02 | $ 7.94 |
| TSE market price per share (year end) | $ 13.88 | $ 12.88 |
| Dividend yield (% on year end market price) | 4.90 | 5.28 |
| Number of shareholders (year end) | 878 | 1,015 |



## *Incorporated in 1950, ANG has grown from its inception as a pipeline company into a strong international corporation with significant operations in both hydrocarbons and chemicals.*

The Company owns and operates pipelines in Alberta and British Columbia and is currently participating in a major pipeline expansion project to serve markets in California and the United States Pacific Northwest. ANG also owns and operates a natural gas processing plant located at Cochrane, Alberta, and is involved in the marketing of natural gas and natural gas liquids (NGL) in Canada and the United States.

ANG's international chemicals business is focused on the production and market ing of nitroparaffins and their derivatives, and fine chemicals. This business is operated by ANGUS Chemical Company, a wholly-owned subsidiary, and its 100% subsidiary ANGUS Fine Chemicals Ltd.

As of December 31, 1991, Pacific Gas Transmission Company (PGT), a U.S. federally-regulated pipeline company, owned 49.98% of the issued and outstanding common shares of ANG. In turn, PGT is owned 100% by Pacific Gas and Electric Company (PG&E), a major investor-owned utility based in San Francisco, California.

In September 1991, PG&E and TransCanada PipeLines Limited (TransCanada) signed a Letter of Intent which could lead to TransCanada's purchase of PGT, including its 49.98% interest in ANG. ANG's Board of Directors has appointed a special committee of directors to represent shareholder interests with respect to the proposed acquisition.

The balance of the shares of ANG are held predominantly by Canadian institutions and individuals. ANG's common shares are listed on the Toronto, Montreal, Vancouver and Alberta Exchanges and trade under the symbol ANG.

*1991 was the most difficult year in ANG's history. The decision to cease funding the magnesium project and shutdown of the facility, the tragic fire and explosion at the ANGUS Chemical plant, and the major operating losses at ANGUS Fine Chemicals significantly affected our Company.*

Although there was improvement in the fourth quarter, these events negatively impacted our financial results. Income from continuing operations was $0.34 per share, down from $1.39 per share in 1990. The net loss after discontinued operations and extraordinary items was $2.12 per share, compared to net income of $1.21 per share the previous year.

In assessing future business opportunities, we have concentrated on our strengths. We are looking forward to a future based predominantly on utilizing our expertise in the natural gas transmission, extraction and marketing businesses, as well as our nitroparaffins business.

We have advanced or identified opportunities for growth which have the potential to double our asset base by 1996. In our hydrocarbons business, we are confident that our pipeline expansion project will proceed toward start up in November 1993. The pipeline project offers additional business opportunities through potential expansion of our Cochrane extraction plant. Another opportunity is the proposed cogeneration plant on our British Columbia pipeline. This project would use waste heat from our existing and expanded pipeline facilities in the production of electricity.

In our chemicals business, the fast track rebuilding of our ANGUS Chemical nitroparaffins plant at Sterlington, Louisiana will help us retain markets and build future growth from a new plant equipped with processing improvements. We continue to be disappointed by the performance of our fine chemicals business in Ireland. During 1992, a key priority will be to determine ways to maximize the value of ANGUS Fine Chemicals. We have retained an investment advisor to assist us with this undertaking.

**Ownership** On September 5, 1991, PG&E announced that it had signed a Letter of Intent to sell PGT to TransCanada. The proposed sale would include PGT's 49.98% interest in ANG. Our Board of Directors appointed a special committee of directors to represent your

Norman E. Wagner
Chairman, President and
Chief Executive Officer

interests with respect to the proposed acquisition. At the time of writing, negotiations between PG&E and TransCanada were continuing.

**SAFETY AND ENVIRONMENT** During the rebuild of the ANGUS Chemical plant at Sterlington, and in all of our operations, we continue to dedicate ourselves to environmental protection and the health and safety of our employees. We are working to improve our knowledge and practices, and to communicate this to our staff, our customers and to the community. We are developing and maintaining internal systems of review and control to ensure our operations meet or exceed all safety and environmental protection requirements. A discussion of the major environmental initiatives launched in 1991 is included on page 27.

**PEOPLE** The explosion at Sterlington will be remembered with great sadness due to the loss of life and injury. It will also be remembered for the commitment and compassion shown by plant employees and the nearby community. In the aftermath, it was their spirit and dedication that protected this business and helped mitigate market loss. Within a short period of time, shipping of product to our customers resumed. The undamaged derivatives facility was brought back into operation within three weeks. By month-end, key contractors had been authorized to commence a fast track rebuild which reduced the construction schedule by as much as one year. These actions, ongoing communication with our customers, and procurement of alternate nitromethane supplies are some of the examples of our employees' commitment.

In the hydrocarbons business, our employees turned opportunities into advantages in 1991. Equipment was developed and installed at the Cochrane extraction plant to reduce power consumption which, in turn, lowers electrical costs. At the Crowsnest compressor station on our British Columbia pipeline, we installed a more efficient compressor and related equipment which enhanced operational integrity and added value. An intensive examination of the pipeline to check wall thickness and overall integrity showed it to be in very good condition. Monitoring of our pipeline operations is an ongoing process which we consider extremely important for maintaining safe and reliable transportation service. We commend all of our employees for the professionalism, dedication and technical expertise shown during 1991.

In 1991, we welcomed Stephen P. Reynolds, President and Chief Executive Officer of PGT to our Board of Directors. Regretfully, we received the resignations of Donald McMorland, President and Chief Executive Officer of Alberta and Southern Gas Co. Ltd., and George A. Maneatis, who retired as President of PG&E. We would like to express our appreciation to Mr. McMorland and Mr. Maneatis for their valued contrihutions.

1991 has been recorded in our history books. All of our resources are directed toward improved performance in 1992 and beyond.

Norman E. Wagner

*Chairman, President and Chief Executive Officer*
*February 21, 1992*


At the Cochrane extraction plant, a new state-of-the-art computer control system has improved operating efficiency and reliability.

*lberta Natural Gas Company Ltd (ANG) recorded consolidated income from continuing operations for the year ended December 31, 1991 of $7.2 million on revenue of $481.0 million or $0.34 per share. The comparable results for 1990 were $29.5 million on revenue of $376.8 million or $1.39 per share.*

The decline is mainly attributable to results in the chemicals business which were impacted by the Sterlington plant explosion and the performance of the fine chemicals business in Ireland. Income from the hydrocarbons business remained consistently strong in 1991. A detailed analysis of operating income from the hydrocarbons and chemicals businesses is provided on pages 11-19.

The hydrocarbons business contributed $41.9 million to operating income compared to $41.7 million in 1990. The continued strong performance of the hydrocarbons business provides ANG with a solid financial base. Growth and stability are dependent on a solid cost of service foundation, and in 1991 management continued its ongoing capital programs to maintain and improve the operational efficiencies of its existing facilities. Substantial growth potential is being actively pursued through development of three major projects: a pipeline expansion, expansion of the Cochrane extraction plant, and a joint venture cogeneration project. These projects are profiled on pages 21-23.

Operating income from nitroparaffins, before deducting an unusual item of $7.4 million, was $19.3 million in 1991 compared to $26.8 million in 1990. Income was affected by lower sales resulting from the Sterlington explosion, however, the decline was substantially offset by business interruption insurance. Increased selling, administration and research costs also contributed to the reduction in operating income. The unusual item of $7.4 million resulted from unabsorbed plant costs at Sterlington. Due to the interruption of nitroparaffin production in 1991, certain fixed production costs were expensed as incurred. Under normal operating conditions, these costs would form part of product inventory costs.

The Sterlington plant is expected to begin partial production in the first quarter of 1992 and achieve full production by mid-year. Rebuilding of the plant includes certain processing modifications which are expected to improve operating efficiencies. Property, liability and business interruption insurance coverage is in place to mitigate much of the financial impact of the incident. As of December 31, 1991, more than $80.0 million (U.S.) in advances and partial settlements had been received from the insurers. Final insurance settlement is expected in the second half of 1992.

Operating income from the fine chemicals business declined $8.1 million in 1991 from the previous year. This was mainly due to reduced business from a major customer. Management has retained an investment advisor to assist in determining ways to maximize the value of the fine chemical business.

Discontinued operations for 1991, which amounted to a loss of $49.3 million

| *Income Summary (in millions)* | **1991** | 1990* | 1989 |
|---|---|---|---|
| Hydrocarbons** | | | |
| Operating revenue | **$ 352.4** | $ 223.0 | $ 219.6 |
| Operating expense | **(310.5)** | (181.3) | (181.8) |
| | **41.9** | 41.7 | 37.8 |
| Chemicals | | | |
| Operating revenue | **128.6** | 153.8 | 146.5 |
| Operating expense | **(112.8)** | (122.7) | (114.5) |
| Research and development | **(4.4)** | (4.1) | (4.1) |
| | **11.4** | 27.0 | 27.9 |
| Corporate expenses | **(9.1)** | (8.3) | (5.4) |
| Operating income before unusual item | **44.2** | 60.4 | 60.3 |
| Unusual item - unabsorbed plant costs | **(7.4)** | – | – |
| Operating income | **36.8** | 60.4 | 60.3 |
| Other income | **3.8** | 5.8 | 1.7 |
| Interest expense | **(21.0)** | (17.6) | (15.6) |
| Provision for income taxes | **(12.4)** | (19.1) | (18.2) |
| Income from continuing operations | **7.2** | 29.5 | 28.2 |
| Discontinued operations | **(49.3)** | (3.8) | (4.6) |
| Extraordinary items | **(2.5)** | – | – |
| Net (loss) income | **$ (44.6)** | $ 25.7 | $ 23.6 |

* *Restated in 1991.*

** *Effective February 1991, the NGL and natural gas marketing operations of the CanStates group were consolidated and included in hydrocarbons due to ANG acquiring the remaining 50% interest in CanStates. Previously, CanStates' results were recorded by the equity accounting method and included in other income.*

net of tax, or $2.34 per share, mainly reflect the decision in April 1991 to discontinue ANG's participation in the magnesium project at High River, Alberta. In the first quarter of 1991, ANG recorded a write down of $63.8 million or $3.02 per share. This charge was a conservative estimate relating to the magnesium project and its estimated shutdown costs. At year end, the after tax loss from discontinued operations resulting from the magnesium operation was $12.6 million lower than the first quarter estimate. Further explanation on the magnesium project is provided on page 27.

Extraordinary items, which amounted to a net after tax loss of $2.5 million, or $0.12 per share, primarily reflect the nonrecurring consequences to ANG of the Sterlington explosion. Based upon the proceeds received to year end, which management has allocated to the property damage claim, a net of tax gain of $2.5 million was recorded. A $5.0 million net of tax charge offsets this gain and represents nonreimbursed expenses and insurance deductibles relating to the explosion. A further gain is expected in 1992 as insurance proceeds are received. Additional commentary on extraordinary items is provided in Note 12 to the Consolidated Financial Statements.

The consolidated net loss was $44.6 million or $2.12 per share for the year ended December 31, 1991. In 1990, consolidated net income totalled $25.7 million or $1.21 per share.

To ensure reliable natural gas transportation service, pipeline facilities are carefully monitored and maintained. An extensive examination of the British Columbia pipeline showed it to be in very good condition.

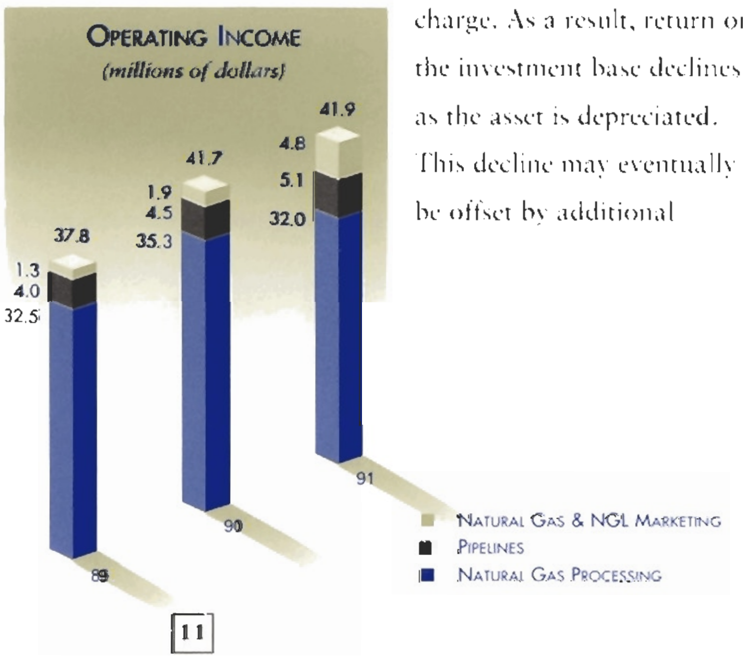
Operating income for the hydrocarbons business in 1991 remained stable. This stability underlines the solid financial base of ANG's traditional business.

The hydrocarbons business includes ANG's natural gas processing business, pipeline investments in British Columbia and Alberta, and marketing of natural gas and natural gas liquids (NGL).

## NATURAL GAS PROCESSING

Natural gas processing at the Cochrane extraction plant is the largest contributor to operating results within the hydrocarbons business. The plant generated operating income of $32.0 million on revenue of $152.1 million during 1991, compared to $35.3 million operating income on revenue of $163.1 million in 1990.

NGL, ethane and carbon dioxide are extracted from natural gas made available to the Cochrane plant by natural gas shippers. NGL are a range of hydrocarbons such as propane, butane and condensates or pentanes plus.




NGL demand varies according to current price and other factors, such as seasonal temperature variations. The following are common end uses. Propane is used for heating, crop drying and automotive fuel. Butanes and condensates are used in the manufacture of gasoline. Condensates are also used as diluents for transporting heavy oil through pipelines and as buffers between shipments of hydrocarbons. In addition, all NGL serve as feedstock for a wide variety of petrochemical processes.

The natural gas processing business is driven by two major cost of service based extraction agreements, one for each of NGL and ethane. The cost of service component of these agreements provides for the full recovery of current operating expenses and an after tax return on the investment base. The investment base is recovered over the life of the agreements through a depreciation charge. As a result, return on the investment base declines as the asset is depreciated. This decline may eventually be offset by additional investments which may be required to continue to meet the service obligations. ANG's average rate base in the natural gas processing business was $70.0 million in 1991 and $75.0 million in 1990. In both years, ANG earned a 13.2% average return on rate base.

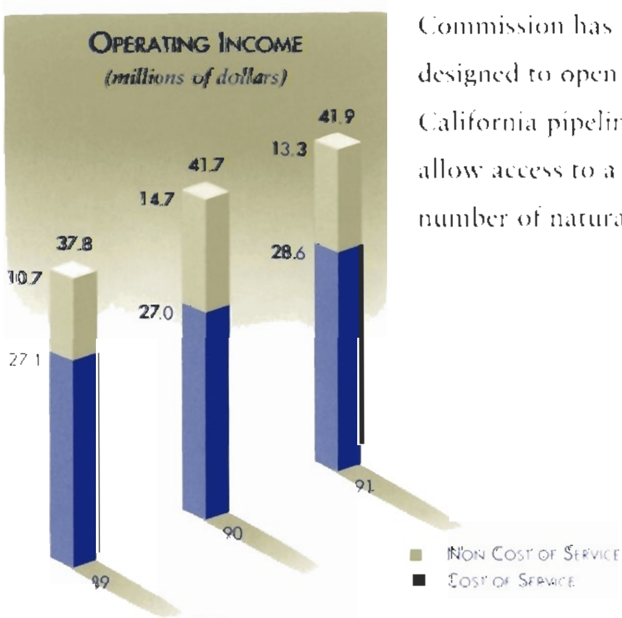
In addition to the cost of service income, the NGL extraction agreement, in conjunction with a related profit sharing arrangement, provides for participation in the cumulative net marketing profits generated by the sale of propane, butane and condensates.

| *Cochrane Plant Volumes (average per day)* | | 1991 | 1990 | 1989 |
|---|---|---|---|---|
| NGL | (Cubic metres) | 2 381 | 2 374 | 2 593 |
| | (Barrels) | 14,973 | 14,933 | 16,307 |
| Ethane | (Cubic metres) | 6 490 | 6 371 | 6 203 |
| | (Barrels) | 40,816 | 40,068 | 39,010 |

The NGL operating income in 1991 was $12.0 million compared to $15.4 million in 1990. Average unit prices for NGL were generally higher in 1991 than in 1990. Production volumes at the plant remained stable, however, sales volumes downstream of the plant were substantially lower particularly in the last quarter of 1991. These reduced sales were primarily due to moderate weather conditions which lowered the demand for propane. Unsold volumes of propane are held in storage for future sale. The higher average unit prices partially offset the lower sales volumes. Ethane operating income remained stable at $19.7 million in 1991 compared to $19.3 million in 1990.

ANG is committed to maintaining a reliable and efficient cost of service business. In 1991, new investment at the Cochrane plant totalled $7.0 million, including $5.7 million for energy savings modifications. Installation of three heat exchangers and modifications to compressors reduced power consumption at the plant and, in turn, lowered electrical costs.

In the near term, income for the natural gas processing operation will be affected by the current volatility in natural gas prices and industry supply/demand imbalance. The California Public Utilities Commission has made rulings designed to open the Alberta-California pipeline system to allow access to a greater number of natural gas



shippers. If implemented in its current form, these rulings are not expected to affect the natural gas volumes processed at the Cochrane plant. ANG may, however, have to negotiate new processing arrangements which may impact the profitability of natural gas processing in ANG's hydrocarbons business. Management is unable to predict the extent, if any, of such impact.

**PIPELINES** The success of ANG's pipeline business depends on providing a reliable and cost effective natural gas transportation service. Pipeline investments are located in southeastern British Columbia and northern Alberta.

The British Columbia pipeline is a vital link in the Alberta-California pipeline system and exports more natural gas than any other system in Canada. The British Columbia pipeline operation and the related cost of service transportation agreements are subject to the jurisdiction of the National Energy Board (NEB).

ANG's Peace River, Alberta pipeline is dedicated primarily to the delivery of natural gas for Shell Canada Limited, to its heavy oil recovery project. The related contract provides a cost of service based tariff to the year 2016.

ANG has an additional pipeline investment through a 49% common share ownership in Foothills Pipe Lines (South B.C.) Ltd. Facilities owned by Foothills Pipe Lines (South B.C.) parallel about half of ANG's pipeline in southeastern British Columbia. Income from this investment is recorded using the equity method of accounting.

Until June 30, 1991, ANG recovered its monthly cost of service from its British Columbia pipeline from each firm shipper in proportion to their daily contract quantities. Effective July 1, 1991, the NEB approved a new tolling method which permits ANG to recover fixed costs through a demand charge based on shipper contract quantities. The demand charge includes all reasonable and necessary operating and maintenance expenses, depreciation and amortization, income and other taxes, and a return on rate base. Variable costs, which include fuel related taxes, are recovered through a commodity charge based on shipper throughput. This tolling method provides ANG with the same revenue as under the previous method, but reflects each shipper's actual use of the pipeline.

Effective October 1, 1991, ANG amended the method for determining depreciation charges. Previously, depreciation was calculated using the remaining volumes in the major export licenses as the measure of useful life. The depreciation charge is now calculated on the estimated useful life of the assets. The change has no material effect on ANG's operating income.

Operating income contributed by pipeline operations amounted to $5.1 million on revenue of $32.3 million for 1991, compared to $4.5 million on revenue of $31.3 million for 1990. The 1991 increase in revenue and operating income over 1990 is the result of a growing investment base. ANG had an average rate base of $37.5 million for pipelines in 1991 and $32.2 million in 1990. In both years, ANG earned an average return on rate base of 12.2%.

Management does not expect the recent California Public Utilities Commission rulings to affect ANG's income from pipeline transportation. Discussion of this issue, and its impact on the natural gas processing business is contained on pages 12-13.

Maintaining and improving the consistent performance of the pipeline business requires ongoing capital investments. Capital improvements in 1991 totalled $16.4 million compared to $7.0 million for 1990. ANG has a program, approved by the NEB, for further capital additions amounting to approximately $21.0 million during 1992 and into 1993. These projects will increase operating income in 1992 and beyond, as a result of an increased rate base. These plans include a compressor replacement program to improve operating efficiency of the British Columbia pipeline. One compressor unit was installed and began operating in 1991. The cost was $11.7 million. A second compressor unit is to be installed by the third quarter of 1992 at an approximate cost of $13.0 million.

| *Pipeline Volumes (average per day)* | 1991 | 1990 | 1989 |
|---|---|---|---|
| For export at Kingsgate: | | | |
| (Millions of cubic metres) | 38.6 | 39.8 | 38.9 |
| (Millions of cubic feet) | 1,362 | 1,406 | 1,374 |
| Peace River: | | | |
| (Millions of cubic metres) | 0.7 | 0.7 | 0.5 |
| (Millions of cubic feet) | 23 | 23 | 18 |

**NATURAL GAS AND NGL MARKETING** ANG's natural gas marketing business is organized as two divisions: ANG Gas Marketing, focusing on Western Canada, and CanStates Gas Marketing, which primarily targets the eastern North American markets. In addition, NGL are marketed by CanStates Energy and CanStates Petroleum Marketing.

Effective February 1991, ANG acquired 100% ownership of CanStates Energy partnership and CanStates Petroleum Marketing partnership. Previously, ANG held a 50% interest in these entities, and CanStates' income was recorded using the equity method of accounting. ANG also increased its ownership in CanStates Gas Marketing partnership to 66.67%. A major portion of the increase in revenue and expenses recorded in 1991 in the hydrocarbons business was due to an increase in ownership of the CanStates group and the resulting consolidation of these accounts.

ANG's natural gas marketing business had an excellent year in 1991. Sales volumes of CanStates Gas Marketing increased by 140% compared to 1990 levels. Further sales increases are expected in 1992 due to a full year of natural gas delivery under at least one significant export contract. NEB approval is expected in 1992 on a second export contract. In the domestic market, natural gas sales volumes by ANG Gas Marketing remained stable providing a sound marketing base.

In November 1991, CanStates Gas Marketing commenced natural gas deliveries under its first major export project. The daily volume of 48.4 million cubic feet per day is purchased under long term contracts from producers in Alberta and Saskatchewan and sold to Transcontinental Energy Marketing Co. (TEMCO) at Niagara Falls, Ontario. CanStates' field price for gas purchased from producers will vary monthly to reflect the value of gas in TEMCO's markets in New York State and along the Atlantic Seaboard.

In December 1991, CanStates Gas Marketing, together with Esso and TEMCO, filed an application with the NEB for the transfer of an export licence to CanStates Gas Marketing. The transfer of the export licence will enable CanStates Gas Marketing to supply up to an additional 75 million cubic feet of gas per day to TEMCO at Niagara Falls. Supplies purchased by TEMCO under this second contract will serve northeastern U.S. natural gas utilities.

The contracts initiated in 1991 were an important step towards further development of ANG's domestic and export natural gas marketing business. ANG Gas Marketing and CanStates Gas Marketing will continue to aggressively pursue new marketing opportunities.

During 1991, sales of NGL were reduced due to the loss of a major market at Sarnia, Ontario. Efforts are being directed towards developing new NGL markets.

Nitroparaffins are a family of specialty chemicals used throughout the world to synthesize or add benefits to a wide variety of products.

1991 operating income in the chemicals business declined to $11.4 million compared to 1990 operating income of $27.0 million. Operating revenue declined in 1991 to $128.6 million from $153.8 million in 1990.

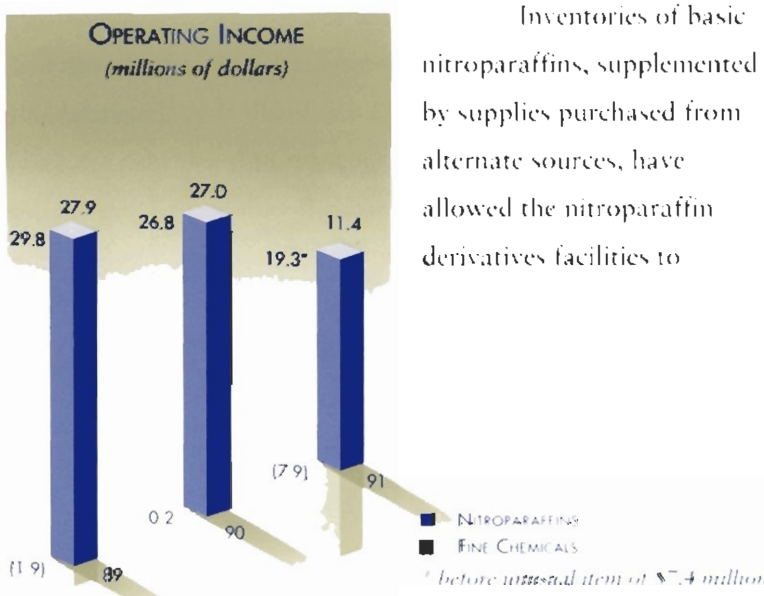
The chemicals business is operated by ANGUS Chemical Company a wholly-owned subsidiary of ANG with head offices in Northbrook, Illinois. The properties of ANGUS Chemical include the following: nitroparaffin and nitroparaffin derivatives production facilities at Sterlington, Louisiana; a technical centre located at Northbrook, specializing in new research applications; nitroparaffin derivatives production facilities at Ibbenbueren, Germany; and a fine chemicals plant at Ringaskiddy, County Cork, Ireland.

**NITROPARAFFINS** Nitroparaffins and derivatives produced by ANGUS Chemical are used in many applications: pharmaceutical intermediates, printing inks, dispersants for paint pigments, biocides in cutting fluids and personal care products, fuels, specialty explosives and solid propellants, and more.

On May 1, 1991, a major fire and explosion at the Sterlington, Louisiana location caused substantial damage to the basic nitroparaffins production facility. With regret, eight employees of IMC Fertilizer, Inc., the operator of the facility, died in the incident. Management focused its immediate attention on assisting the families and community, and mitigating the effects of the incident on the marketplace.

The town of Sterlington and the surrounding community supported ANGUS Chemical in its decision to rebuild the facilities. Plant reconstruction will continue in 1992 and is expected to restore 70% of 1990 basic nitroparaffin production volumes during the first quarter of 1992. Full production capability is scheduled to be achieved by the middle of 1992.

Inventories of basic nitroparaffins, supplemented by supplies purchased from alternate sources, have allowed the nitroparaffin derivatives facilities to



operate during reconstruction. These inventories and alternate supplies have not been sufficient to continue deliveries to nitromethane customers. Nitromethane derivatives continue to be allocated to customers based generally on 1990 sales. Deliveries of certain other nitroparaffins and nitroparaffin derivatives also had to be allocated to some extent. At this time, management is unable to estimate the extent of loss of demand, if any, resulting from this period of reduced production and delivery of certain products.

Limited availability of certain nitroparaffin and derivative products after May 1, 1991 resulted in reduced sales volumes. The loss of margins from lower sales volumes is expected to be substantially offset by proceeds from business interruption insurance.

Property, liability and business interruption insurance coverage is in place to mitigate much of the financial impact of the incident. Discussions with the insurance carriers are ongoing and final settlement is expected in the second half of 1992. For financial reporting purposes, ANGUS management has made reasonable estimates of accruals with respect to these insurance matters.

Operating income includes an unusual deduction of $7.4 million relating to unabsorbed plant costs at Sterlington. Due to the loss of nitroparaffin production capacity in 1991, certain fixed production costs were expensed as incurred although these costs are normally inventoriable costs. The unusual deduction represents a fixed cost volume variance since production volumes were below the standard volumes used for product costing purposes. Until standard production volumes are achieved in 1992, a similar fixed cost volume variance will occur.

A gain was recorded in 1991 as an extraordinary item relating to the Sterlington plant. The proceeds received to date from the property damage claim exceed the net book value of the damaged plant. The higher replacement costs of the rebuilt facilities will be capitalized as property, plant and equipment. Additional property damage insurance proceeds are expected to be received during 1992 and will be recorded as an extraordinary gain. The full amount of the proceeds cannot be determined until negotiations with the insurance carriers are finalized.

Further details on the accounting treatment of the Sterlington fire and explosion are contained in Note 12 to the Consolidated Financial Statements. Extraordinary items are also discussed in that note.

As planned, to support future growth of this business, selling, administration and research costs were up over last year. Certain one time administrative costs, such as consulting and legal fees, were also incurred.

In December 1991, ANGUS elected to assume operational responsibility for the Sterlington plant, effective during the first quarter of 1992. This is not expected to have a material impact on the operating income of the plant.

**FINE CHEMICALS** Fine chemicals, designed to meet customer specifications and requirements, are manufactured by ANGUS Fine Chemicals Ltd., a wholly-owned subsidiary of ANGUS Chemical. A multi-purpose fine chemicals plant, located in Ireland, offers fully integrated process development and manufacturing capabilities to the pharmaceutical, agricultural chemical and fine chemical markets on a worldwide basis.

The 1991 results for fine chemicals were disappointing. The operating loss for 1991 was $7.9 million compared to operating income of $0.2 million in 1990. The operating loss was due to reduced business from a major customer and the failure of expected business to materialize.

Capital expenditures in the fine chemicals business in 1991 totalled $6.5 million for operating cost reduction, environmental, and research and development projects.

Maximizing the value of the fine chemicals business is a priority in 1992. Management, with the assistance of an investment advisor, is evaluating a number of options to optimize value for shareholders.

Ongoing analysis of financial, market and regulatory conditions is essential to the success of ANG's major projects. These projects have the potential to double ANG's asset base by 1996.

*ANG is pursuing three major projects: a pipeline expansion, expansion of the Cochrane extraction plant, and a joint venture cogeneration project.*

**PIPELINE EXPANSION** The pipeline expansion project, co-sponsored by ANG and Foothills Pipe Lines (South B.C.) Ltd. (Foothills), is an opportunity to add significantly to ANG's cost of service investment base. The expansion will increase the capacity of the ANG and Foothills pipeline systems to allow delivery of an additional 877 million cubic feet per day of Canadian natural gas. The project is scheduled for completion in November 1993.

The ANG - Foothills pipeline expansion is part of the Pacific Gas Transmission Company (PGT) - Pacific Gas and Electric Company (PG&E) pipeline expansion to serve markets in the U.S. Pacific Northwest and California. PGT and PG&E have met the regulatory requirements for construction of the United States portion of the project. Construction began in December 1991 and is progressing on schedule.

The capital cost of the ANG - Foothills pipeline expansion is expected to be $224.0 million of which ANG's share will be approximately $96.0 million for compression equipment and approximately $16.0 million for its equity contribution to the pipeline. Purchase orders for compression equipment were finalized in the fourth quarter of 1991. The pipe is expected to be ordered in the middle of 1992. Construction is scheduled to begin in early 1993.

ANG has completed long term contracts, based on current tolling methods, with 29 shippers for the entire incremental capacity of the expanded facilities. Through these contracts, shippers have shown the commitment needed for the project to proceed. ANG has drawn reasonable assurance from these contracts that the costs incurred to date by ANG and Foothills will ultimately be part of the rate base on which ANG and Foothills will earn a return.

ANG has moved forward with the required federal regulatory review of the proposed facilities. The National Energy Board (NEB), which is responsible for this review, chose to hear ANG's Facilities

Application through a written procedure which began in October 1991 and concluded in January 1992. NEB approval to begin construction is expected by the end of the first quarter of 1992.

The Alberta Government directed the Alberta Energy Resources Conservation Board (ERCB) to conduct a Call For Information on the ANG - Foothills/PGT - PG&E pipeline expansion and an alternate proposal by Altamont Gas Transmission Company. The Altamont expansion project proposes to serve the California market by constructing a pipeline through Montana and Wyoming to connect with the Kern River Gas Transmission Company pipeline to California. The ERCB is gathering pertinent information to assist producers and shippers in their decisions. The information presented will be summarized in a report which will be made available to the public.

To ANG, the pipeline expansion project represents an important opportunity to capitalize on expertise in its traditional business. The project also presents other business opportunities which offer the potential for major growth in the hydrocarbons business such as expansion of the Cochrane plant.

## Cochrane Plant Expansion

ANG is investigating an opportunity to expand the Cochrane extraction plant. This business opportunity is derived from the pipeline expansion project which would increase the quantity of natural gas available to the plant as feedstock.

Expansion of the plant would involve recommissioning and modifying certain facilities to increase the NGL production capacity to process up to an additional 900 million cubic feet per day of natural gas. The technical analysis has concentrated on refining the most economic plant expansion configuration. This analysis will be used in the preparation of an application to the ERCB to review the proposed facilities.

Discussions are underway with ANG's NGL buyer regarding the sale of additional volumes. ANG has also commenced discussions with the parties expected to be shipping pipeline expansion volumes past Cochrane in order to acquire extraction rights. The project is in the early stages, however, a preliminary timetable indicates possible start up in the fourth quarter of 1994.

**COGENERATION** Throughout 1991, ANG worked with TransAlta Resources Investment Corporation (TransAlta) on a joint venture development project to produce and sell electricity generated from a proposed cogeneration plant. The approximately $150.0 million project, to be located adjacent to ANG's Crowsnest compressor station on the British Columbia pipeline, would employ highly efficient and environmentally sound technology which has been used in numerous North American facilities. ANG's share of project costs is approximately $75.0 million.

The proposed process, known as enhanced combined cycle cogeneration, would use existing and new facilities. Waste heat would be recovered from compressors on ANG's pipeline and the pipeline expansion project. The heat would be used to generate steam to drive a steam turbine generator which would produce electric power. It is planned that ANG, under the direction of a joint executive committee, would be responsible for operation of the plant.

ANG and TransAlta have signed a Memorandum of Understanding with the Sacramento Municipal Utility District (SMUD) in northern California on material terms of a 30 year Power Sales Agreement to be negotiated by the parties. SMUD serves a substantial and growing marketplace with long term requirements for electricity at stable prices.

The Power Sales Agreement would provide for all available power to be purchased at the plant gate by SMUD for a fixed capacity payment. The capacity payment, similar to a utility demand charge, would return to the joint venture all project capital costs amortized over the 30 year term of the agreement, taxes and a return on investment. In addition, SMUD would be responsible for the cost of fuel gas. Other operating and maintenance expenses would be recovered at a negotiated amount which would be indexed to the annual rate of inflation.

The first delivery of electricity is planned for early 1996. SMUD is responsible for arranging transmission to California. Power sales negotiations with SMUD, environmental impact and socio-economic assessments, regulatory approvals, licensing and permitting, energy project certification, and financial arrangements are in the planning stage.

*Overall, interest expense increased by $3.4 million in 1991. A $55.3 million higher average level of borrowings increased interest expense by $5.2 million. This was offset by $1.8 million due to lower interest rates.*

Borrowings increased due to funding of the magnesium project, the time lag between expenditures and insurance receipts related to the Sterlington plant rebuild and ongoing capital projects in the hydrocarbons business.

Due to the lag in insurance receipts, ANGUS was required to access its credit facilities to meet short term cash needs. It is expected that these funding requirements will peak by the middle of 1992, and should be reduced by year end with the insurance settlement.

Capital expenditures amounted to $85.0 million in 1991. The funds were mainly used for the following upgrades to existing businesses: $52.8 million for the rebuild of the Sterlington plant, $10.5 million for a compressor replacement program for the British Columbia pipeline, and $5.7 million for energy savings modifications at the Cochrane plant.

ANG's quarterly common share dividends for 1991 and 1990 remained at $0.17 per common share. The dividend distribution in 1991 was $14.3 million compared to $14.5 million in 1990.

In 1992, capital expenditures are expected to be $70.0 million of which $50.0 million will be invested in the hydrocarbons business. These expenditures will include improvements to existing facilities, expansion of existing facilities and funding of the proposed cogeneration project.

As part of the strategy for strengthening the cost of service business, ANG is planning for capital expenditures of $227.0 million from 1993 through 1995. These funds will be allocated to the pipeline expansion, Cochrane plant expansion and cogeneration projects.

Although events in 1991 led to a lowering of ANG's debt ratings by both Canadian bond rating agencies, ANG still maintains investment grade ratings. Management does not anticipate any restraints on its current ability to secure future financing in capital markets. Through its bank lines, ANG moved existing short term debt in the commercial paper market to bankers' acceptances and bank loans.

The events of the past year have significantly impacted ANG's cash flow and liquidity, and management will be concentrating in 1992 on the alternatives and opportunities available to strengthen ANG's financial position. ANG believes that operating cash flow, access to current credit facilities and access to long term capital markets will be sufficient to finance debt repayment obligations, dividends and capital expenditure programs in 1992 and beyond.

ANG has operations in several countries which increases the number of external variables that affect profitability. The volatility in exchange and interest rates presents a significant challenge in terms of managing ANG's exposure to these variables. ANG's strategy is to reduce both borrowing costs and exposure to foreign exchange fluctuations. ANG's long term financial strategy is to match the life or duration of its debt with the expected economic life, and currency of its assets. As part of a long term financial strategy, ANG converted $25.0 million of floating rate Canadian debt into fixed rate U.S. debt. ANG has other foreign debt of 14.0 million Deutsche marks.

**SENSITIVITIES** The financial results and cash flow of ANG are, to a degree, dependent upon external variables which ANG cannot influence. Management considers the most significant variables to be propane prices, interest rates and foreign exchange rates. Knowledge of the movements in these variables and their simultaneous effect on profits of all the businesses is valuable to management as it strives to continually reduce ANG's operational and financial exposures.

*Corporate Key Drivers Effect on ANG's 1992 Net Income Plan (in millions)*

| Corporate Key Drivers | Increase (Decrease) | |
|---|---|---|
| Propane price/increase of $0.05 U.S. per gallon | $ | 1.1 |
| Interest rate/increase of 1.0% | $ | (1.0) |
| U.S. dollar exchange rate/increase of $0.02 Cdn. | $ | 0.6 |
| U.S. dollar exchange rate/increase of 5% versus Deutsche mark | $ | (0.4) |

ANG's pipeline expansion project will follow the existing pipeline right-of-way, minimizing the environmental impact.

## DISCONTINUED OPERATIONS

In 1987, ANG entered into a partnership with Magnesium International (Canada) Ltd. for the construction and operation of a magnesium production facility located near High River, Alberta. In April 1991, the decision was made to cease ANG's involvement in the project as it was not economically viable for the Company. The investment was written off resulting in a loss of $51.2 million, net of tax, or $2.44 per share. ANG does not expect to incur any further significant costs in connection with the termination of its involvement in the magnesium project.

## ALBERTA AND SOUTHERN GAS CO. LTD.

In 1991, ANG and Alberta and Southern Gas Co. Ltd. (A&S) agreed to sever a working business relationship which had existed since the late 1950's. The companies shared many of the costs of administrative support services, including employee expenses, office space and related equipment. Negotiations continue on some issues and finalization of the separation should be completed during 1992.

## ENVIRONMENT

In 1991, three major initiatives were taken with respect to environmental matters: management focus, environmental assessment of the magnesium project, and environmental audits of the Cochrane extraction plant and the British Columbia pipeline.

Responsibility for environmental matters was assigned to specific individuals with the understanding that all employees must continue to maintain high environmental standards as a first priority. Management is actively pursuing initiatives to ensure that this philosophy is communicated to employees, customers and the communities in which ANG operates.

To complete the closure of the magnesium project, a thorough assessment of environmental conditions at the plant was conducted and a cleanup plan was prepared and executed.

Environmental audits of ANG's operations at the Cochrane plant, and on the British Columbia pipeline system were conducted to ensure that operations complied with all regulations and that operations conformed to industry and corporate standards. The audits were also directed to identify any changes to improve corporate policies and practices. Results of the audits showed high levels of compliance and conformity. Minor housekeeping changes were identified and action plans were recommended. ANG has acted on several of these recommendations and further work will continue in 1992.

Equipment was developed and installed at the Cochrane extraction plant to reduce power consumption which, in turn, lowers electrical costs.

The accompanying consolidated financial statements and all other information in this Annual Report have been prepared by the management of Alberta Natural Gas Company Ltd (ANG). Management is responsible for the integrity and objectivity of this information. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards relating to the presentation of historical cost financial information. Where appropriate, amounts based on estimates and judgements are included. Financial information throughout this Annual Report is consistent with the consolidated financial statements.

Management has established and maintains appropriate systems of internal control, with policies and procedures which are designed to meet its responsibility for reliable and accurate reporting. These systems of control include periodic reviews by ANG's internal auditors.

Arthur Andersen & Co. are independent auditors appointed by the shareholders. The auditors have considered, for the purposes of determining the nature, timing and extent of their audit procedures, ANG's internal controls and have audited the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express an opinion on the fairness of the financial statements. Their report is included on page 30.

Through its appointed Audit Committee, the Board of Directors oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, the internal auditors and Arthur Andersen & Co. to review auditing and financial reporting matters. Internal and external auditors have unrestricted access to the Audit Committee and management. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

To the Shareholders of Alberta Natural Gas Company Ltd:

We have audited the consolidated balance sheet of Alberta Natural Gas Company Ltd as at December 31, 1991 and 1990 and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1991 and 1990 and the results of its operations and the changes in its cash flow for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta,
February 5, 1992.

Arthur Andersen & Co.
Chartered Accountants

## Consolidated Statement of Income

| *Year ended December 31*<br>*in thousands except for share data* | 1991 | 1990<br>*restated* |
|---|---|---|
| **Operating Revenue** | $ 480,966 | $ 376,816 |
| **Operating Expenses** | | |
| Operating and maintenance | 326,395 | 219,632 |
| Gas purchases | 40,116 | 35,626 |
| Selling, administrative and research | 47,928 | 41,852 |
| Depreciation and amortization | 17,367 | 14,712 |
| Property taxes and other expenses | 4,928 | 4,611 |
| | 436,734 | 316,433 |
| Operating Income before Unusual Item | 44,232 | 60,383 |
| Unusual item – unabsorbed plant costs | (7,428) | – |
| **Operating Income** | 36,804 | 60,383 |
| Equity income | 1,275 | 1,520 |
| Interest and other income | 2,470 | 4,258 |
| Interest expense | (20,976) | (17,603) |
| **Income from Continuing Operations before Income Taxes** | 19,573 | 48,558 |
| Provision for income taxes | (12,375) | (19,046) |
| **Income from Continuing Operations** | 7,198 | 29,512 |
| Discontinued operations | (49,328) | (3,784) |
| Extraordinary items | (2,490) | – |
| **Net (Loss) Income** | $ (44,620) | $ 25,728 |
| | | |
| **Earnings Per Share** | | |
| Continuing operations (after deducting an unusual item of $0.22 per share net of tax in 1991) | $ 0.34 | $ 1.39 |
| Discontinued operations | (2.34) | (0.18) |
| Extraordinary items | (0.12) | – |
| Net (loss) income | $ (2.12) | $ 1.21 |
| **Dividends Per Share** | $ 0.68 | $ 0.68 |

## Consolidated Statement of Retained Earnings

| *Year ended December 31*<br>*in thousands* | 1991 | 1990 |
|---|---|---|
| **Opening balance** | $ 117,364 | $ 108,488 |
| **Net (loss) income** | (44,620) | 25,728 |
| | 72,744 | 134,216 |
| Purchase and cancellation of common shares | (3,071) | (2,382) |
| Dividends | (14,273) | (14,470) |
| Closing balance | $ 55,400 | $ 117,364 |

*See accompanying notes.*

| *December 31* *in thousands* | 1991 | 1990 *restated* |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and interest bearing deposits | $ 10,667 | $ 15,152 |
| Accounts receivable | 77,728 | 68,390 |
| Income taxes receivable | 5,749 | 6,682 |
| Inventories | 36,288 | 51,374 |
| Other | 3,127 | 2,086 |
| Total current assets | 133,559 | 143,684 |
| **Investments** | 20,655 | 21,359 |
| **Property, Plant and Equipment** | 267,202 | 206,902 |
| **Goodwill and Other** | 29,710 | 25,175 |
| **Net Assets of Discontinued Operations** | – | 58,766 |
| | $ 451,126 | $ 455,886 |

| | | |
|---|---|---|
| **Liabilities and Shareholders' Equity** | | |
| **Current Liabilities** | | |
| Notes payable | $ 52,993 | $ 16,258 |
| Accounts payable and accrued liabilities | 61,398 | 33,655 |
| Deferred income taxes | 13,773 | 14,000 |
| Other | – | 3,421 |
| Total current liabilities | 128,164 | 67,334 |
| **Long Term Debt** | 198,891 | 178,364 |
| **Deferred Income Taxes** | 18,679 | 41,660 |
| | 345,734 | 287,358 |
| **Shareholders' Equity** | | |
| Common shares | 53,822 | 54,419 |
| Retained earnings | 55,400 | 117,364 |
| Cumulative translation adjustment | (3,830) | (3,255) |
| | 105,392 | 168,528 |
| | $ 451,126 | $ 455,886 |

Approved on behalf of the Board of Directors:

J. S. Dondie
Director

H. Booth
Director

*See accompanying notes.*

## CONSOLIDATED STATEMENT OF CASH FLOW

| *Year ended December 31*<br>*in thousands* | 1991 | 1990<br>*restated* |
|---|---|---|
| **Operating Activities** | | |
| Income from continuing operations | $ 7,198 | $ 29,512 |
| Non-cash items included above | | |
| Depreciation and amortization | 17,367 | 14,712 |
| Deferred income taxes | 13,939 | 19,748 |
| Equity income net of cash received | (2,877) | (1,650) |
| Other | 1,170 | 844 |
| | 36,797 | 63,166 |
| Cash used by discontinued operations | (30,853) | (5,906) |
| Cash provided by extraordinary items | 7,625 | – |
| Change in non-cash working capital items | 28,437 | (24,196) |
| Effect of exchange rate changes | 371 | 361 |
| | $ 42,377 | $ 33,425 |
| **Investing Activities** | | |
| Net property, plant and equipment additions | $ 85,019 | $ 19,278 |
| Investments | (3,835) | 29,812 |
| Other | 5,414 | 4,065 |
| | $ 86,598 | $ 53,155 |
| **Financing Activities** | | |
| Common shares issued | $ 31 | $ 520 |
| Common shares purchased and cancelled | (3,699) | (2,783) |
| Change in long term debt | 20,942 | 88,558 |
| Dividends | (14,273) | (14,470) |
| | $ 3,001 | $ 71,825 |
| **Summary of Cash Used (Provided)** | | |
| Operating activities | $ (42,377) | $ (33,425) |
| Investing activities | 86,598 | 53,155 |
| Financing activities | (3,001) | (71,825) |
| | 41,220 | (52,095) |
| **Notes Payable net of Cash and Interest Bearing Deposits** | | |
| Opening balance | 1,106 | 53,201 |
| Closing balance | $ 42,326 | $ 1,106 |

*See accompanying notes.*

## 1. DESCRIPTION OF THE BUSINESS

Alberta Natural Gas Company Ltd (ANG) processes and sells hydrocarbons and manufactures and sells specialty chemicals.

ANG owns and operates a natural gas processing and extraction plant near Cochrane, Alberta, which removes propane and heavier liquids (NGL) and ethane from natural gas. It also owns and operates two natural gas pipeline transportation facilities. One of these facilities is in British Columbia and the other is in Alberta.

Sales agreements with the purchasers of NGL and ethane, as well as natural gas transportation contracts with gas shippers, provide for the full recovery of operating expenses, taxes and capital invested together with a return on the unrecovered investment. In addition, ANG is entitled to participate in the cumulative net marketing profits arising from the sale of NGL.

ANG is also engaged in various other aspects of the natural gas and NGL business in both Canada and the United States. These activities include marketing natural gas, NGL and other refined products and the underground storage of liquids. An interest in a fractionation facility was sold effective at the end of 1990 and in 1991 ANG's interest in certain marketing entities increased to 100%.

ANGUS Chemical Company (ANGUS), a wholly-owned subsidiary of ANG, owns and operates nitroparaffin production facilities located in the United States and Germany. The facilities utilize feedstocks derived from natural gas in the production of nitroparaffins and derivative products that are marketed worldwide. Nitroparaffins are produced at ANGUS' plant in Sterlington, Louisiana.

ANGUS, through its subsidiary ANGUS Fine Chemicals Ltd. (AFCL), owns and operates a fine chemicals and pharmaceutical intermediates production facility located in Ireland.

## 2. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies of ANG are summarized below:

**BASIS OF PRESENTATION** The consolidated financial statements include the accounts of the parent company and all of the accounts of subsidiaries and partnerships over which ANG has control. The equity method of accounting is followed for other investments.

Effective February 1, 1991, the remaining 50% interest in certain natural gas and NGL marketing entities were acquired at their net book value and as a result operations that were equity accounted for in 1990 are consolidated in 1991.

**REGULATION** The pipeline facility located in British Columbia is subject to regulation by the National Energy Board (NEB) pursuant to the National Energy Board Act. The NEB regulates accounting matters, the export of gas, the construction and operation of gas pipelines and the rates, tolls and tariffs charged for such operations.

**Inventories** Inventories are carried at the lower of cost or market. The last in, first out method is used to account for certain chemical product inventory costs. The cost of the remaining chemical product inventory is determined using the first in, first out method. If the last in, first out method had not been used, inventories would be $7.3 million higher at December 31, 1991 ($5.4 million at December 31, 1990). Inventories of materials and supplies are carried at average cost.

**Property, Plant and Equipment** Property, plant and equipment is carried at cost and includes an allowance for funds used during construction. Any allowance recorded is included in other income.

Chemical production facilities are being depreciated on a straight line basis over the estimated useful lives of the assets. Buildings are depreciated over 9 to 25 years and equipment is depreciated over 3 to 15 years. The British Columbia pipeline facility is being depreciated on a straight line basis using rates reviewed by the NEB. The overall composite rates are currently 3.9% for pipelines and 4.2% for compressor stations. Prior to October 1991, depreciation was determined based on the remaining NEB authorized natural gas export volumes. The effect of this change in policy decreased depreciation and the corresponding cost of service revenue by $0.3 million for the three months ended December 31, 1991. The Cochrane extraction plant and the Alberta pipeline facility are being depreciated on a straight line basis over the term of the supply and the service contracts respectively (up to the year 2012).

The cost of certain chemical facilities included in property, plant and equipment has been reduced by the proceeds received from an Irish government incentive program. Depreciation is reported on the net amount.

**Goodwill** Goodwill arose on the acquisition of certain subsidiaries and represents the portion of the purchase price that was in excess of the fair value of the identifiable net assets acquired. Goodwill is being amortized on a straight line basis over a period of 30 years. The unamortized balance as of December 31, 1991 is $16.9 million ($17.6 million at December 31, 1990).

**Foreign Currency Translation** The accounts of U.S. and Irish subsidiaries are translated into Canadian dollars using the year end rates of exchange for all assets and liabilities and average rates of exchange for the year for revenues and expenses. The cumulative effects of these foreign currency translations are included in a separate component of shareholders' equity.

The accounts of the German subsidiary are translated into Canadian dollars using the year end rate of exchange for all monetary assets and liabilities and the historical rate of exchange for non-monetary assets and liabilities. Revenues and expenses have been translated at the exchange rates prevailing on the date of the transactions. The cumulative effects of these foreign currency translations are included in the determination of net income.

ANG's Deutsche mark (DM) denominated long term bank loan is translated into Canadian dollars using the year end rate of exchange. The effect of this foreign currency translation is deferred and amortized over the term of the bank loan.

Certain U.S. dollar debt and foreign currency contracts act as an effective hedge against the foreign exchange exposure related to U.S. operations. Exchange gains or losses associated with the debt and the contracts are included in the separate component of shareholders' equity.

INCOME TAXES Income taxes are provided on the tax allocation basis for all income except for the natural gas processing and liquids extraction income from the Cochrane plant which is subject to cost of service contracts. Income taxes are provided on this source of income only to the extent they have been included in the cost of service and are recovered as revenue under such contracts. Had the tax allocation basis been used for this source of income, there would have been a deferred tax recovery of $0.8 million in 1991 (a provision of $0.3 million in 1990) on this income and additional deferred income taxes would have been recorded in the amount of $23.7 million to December 31, 1991 ($24.5 million to December 31, 1990).

Withholding taxes are not provided on undistributed earnings of foreign operations as it is ANG's general intention to reinvest such earnings permanently in such foreign jurisdictions.

## 3. INVESTMENTS

| *December 31* *in thousands* | **1991** | 1990 *restated* |
|---|---|---|
| Foothills Pipe Lines (South B.C.) Ltd. | **$ 6,351** | $ 6,334 |
| St. Clair Underground Storage Partnership | **4,051** | 4,268 |
| Foothills Pipe Lines (Yukon) Ltd. | **2,768** | 2,876 |
| CanStates Partnerships | **–** | 4,132 |
| Advances to the nitroparaffin plant operator | **3,963** | 3,829 |
| Amoco Centre | **2,882** | (744) |
| Other | **640** | 664 |
| | **$ 20,655** | $ 21,359 |

ANG's interest in the CanStates partnerships increased in 1991 and has been consolidated effective February 1, 1991.

ANG is a 50% owner of the Amoco Centre office building in Calgary. The project incurred $97.7 million in development costs which were financed, in part, with $88.8 million of long term debt. The debt is secured by the office building with no recourse to the owners.

## 4. Property, Plant and Equipment

| *December 31* *in thousands* | 1991 | 1990 *restated* |
|---|---|---|
| Natural gas processing | $ 145,853 | $ 138,872 |
| Chemical | 206,131* | 158,649 |
| Pipeline transport | 109,820 | 93,685 |
| Other | 819 | – |
| | 462,623 | 391,206 |
| Less accumulated depreciation | 195,421 | 184,304 |
| | $ 267,202 | $ 206,902 |

*Includes $52.8 million of additions in 1991 related to the Sterlington plant rebuilding process.*

ANGUS and AFCL lease certain buildings and equipment. The $18 million cost of these assets is included under property, plant and equipment and the related liability is included in long term debt. The capitalization of these leases reflects the effective acquisition and financing of the assets. Accumulated amortization of these leased assets amounts to $11 million to December 31, 1991 ($10 million to December 31, 1990).

## 5. Long Term Debt

| *December 31* *in thousands* | 1991 | 1990 *restated* |
|---|---|---|
| Notes payable | $ 110,000 | $ 90,000 |
| 10⅛% unsecured debentures | 60,000 | 60,000 |
| 6¾% revenue bonds ($13 million U.S.) | 15,032 | 15,093 |
| 7½% bank loan (14 million DM) | 10,255 | 10,854 |
| Other | 3,604 | 4,482 |
| | 198,891 | 180,429 |
| Less amounts due within one year | – | 2,065 |
| | $ 198,891 | $ 178,364 |

Notes payable are outstanding pursuant to revolving credit facilities. Notes payable of $110 million at December 31, 1991 ($90 million at December 31, 1990) have been classified as long term debt since they are not expected to be retired in the next year and are supported by committed long term bank lines of credit.

For the three years ending May 4, 1993, an interest rate and currency exchange agreement has been entered into to convert $25 million of Canadian dollar floating rate notes payable to $21.5 million (U.S.) fixed rate debt. This transaction acts as an effective hedge against the net investment in U.S. operations. The effect of this "swap" arrangement has lowered the effective interest rate on all the notes payable from 10.0% to 9.8% in 1991 (13.0% to 11.8% in 1990).

Interest on long term debt was $16.4 million in 1991 ($17.5 million in 1990).

Excluding notes payable, the long term debt is due $60 million in 1993, $10 million in 1996 and $19 million after 1996.

## 6. Shareholders' Equity

The authorized share capital consists of an unlimited number of preference shares and an unlimited number of common shares.

| | Number of common shares issued and fully paid | | in thousands | |
|---|---|---|---|---|
| *Year ended December 31* | *1991* | *1990* | 1991 | 1990 |
| Opening balance | *21,232,652* | *21,359,235* | $ 54,419 | $ 54,300 |
| Issued | *2,400* | *31,000* | 31 | 520 |
| Purchased and cancelled | *(245,117)* | *(157,583)* | (628) | (401) |
| Closing balance | *20,989,935* | *21,232,652* | $ 53,822 | $ 54,419 |

A new senior management stock option plan was established in 1991 and options on 83,178 shares were granted at $14.75 per share. As at December 31, 1991, none of these options have been exercised. Loans will not be made available by ANG for the purpose of purchasing shares under the plan. The total number of shares reserved for issuance under this plan may not exceed 10% of the issued and outstanding shares of ANG. This new plan replaces a previously existing plan which had been in place since 1982 and is being wound down in accordance with its terms, with no further options being granted. With respect to options exercised under the old plan, $0.9 million is included in accounts receivable as at December 31, 1991. These receivables are secured by the assignment of 71,951 shares with a quoted market value of $1.0 million on December 31, 1991.

## 7. Income Taxes

### Deferred Income Taxes

| *Year ended December 31*<br>*in thousands* | 1991 | 1990 |
|---|---|---|
| Opening balance | $ 55,660 | $ 37,884 |
| Current year's deferred income tax provision | 13,939 | 19,748 |
| Net tax recovery on discontinued operations | (40,182) | (1,972) |
| Net tax on extraordinary items | 3,035 | – |
| | 32,452 | 55,660 |
| Less current portion | 13,773 | 14,000 |
| | $ 18,679 | $ 41,660 |

Income Tax Rate The provision for income taxes varies from the amount determined by applying the combined statutory Canadian federal and provincial income tax rates to "Income from Continuing Operations before Income Taxes". The following is a reconciliation of the combined statutory rates to the effective income tax rate:

| Year ended December 31 | 1991 | 1990 |
|---|---|---|
| Statutory income tax rates | **44.0%** | 43.6% |
| Loss of foreign subsidiary on which no tax benefit is provided | **18.2** | – |
| Non-deductible expenses | **5.1** | 1.9 |
| Effect of different tax rates on foreign operations | **(4.4)** | (5.2) |
| Equity income | **(3.1)** | (0.8) |
| Effect of "taxes payable" method for certain cost of service contracts | **1.9** | (0.9) |
| Other | **1.5** | 0.6 |
| Effective income tax rate | **63.2%** | 39.2% |

## 8. Segmented Information

### Financial information by industry segment

| in thousands | Natural Gas Processing | Natural Gas and NGL Marketing | Pipeline Transport | Chemical | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| 1991 | | | | | | | |
| Operating revenue | $152,055 | $177,863 | $ 32,288 | $128,603 | $ – | $ (9,843) | $480,966 |
| Depreciation and amortization | 3,130 | 287 | 1,870 | 12,080 | – | – | 17,367 |
| Operating income | 31,967 | 4,839 | 5,098 | 11,442 | (9,114) | – | 44,232 * |
| Identifiable assets | 102,188 | 32,189 | 63,156 | 238,382 | 15,211 | – | 451,126 |
| Capital expenditures | 6,967 | 49 | 16,389 | 61,614 | – | – | 85,019 |
| 1990 restated | | | | | | | |
| Operating revenue | 163,139 | 41,460 | 31,278 | 153,796 | – | (12,857) | 376,816 |
| Depreciation and amortization | 3,043 | – | 1,677 | 9,832 | 160 | – | 14,712 |
| Operating income | 35,356 | 1,905 | 4,462 | 26,991 | (8,331) | – | 60,383 |
| Identifiable assets | 99,157 | 8,644 | 41,308 | 222,848 | 83,929 ** | – | 455,886 |
| Capital expenditures | 621 | – | 6,996 | 11,661 | – | – | 19,278 |

### Financial information by geographic segment

| in thousands | Canada | United States | European Community | Total |
|---|---|---|---|---|
| 1991 | | | | |
| Operating revenue | $ 331,157 | $ 80,389 | $ 69,420 | $ 480,966 |
| Operating income | 31,417 | 12,297 * | 518 | 44,232 * |
| Identifiable assets | 204,608 | 152,705 | 93,813 | 451,126 |
| 1990 restated | | | | |
| Operating revenue | 223,020 | 76,503 | 77,293 | 376,816 |
| Operating income | 33,392 | 19,920 | 7,071 | 60,383 |
| Identifiable assets | 237,120 ** | 119,672 | 99,094 | 455,886 |

* *Before unusual item of $7.4 million (see Note 12).*

** *Includes $58.8 million in net assets of discontinued operations.*

## 9. Related Party Transactions

Pacific Gas Transmission Company owns 49.98% of ANG at December 31, 1991. Alberta and Southern Gas Co. Ltd. (A&S) and Pacific Gas Transmission Company are wholly-owned subsidiaries of Pacific Gas and Electric Company. In the past ANG and A&S operated with some common functions and management. This relationship was severed in 1991. Negotiations continue on some issues and finalization should be completed by the middle of 1992.

Significant transactions with these and other related parties were as follows:

| *December 31*<br>*in thousands* | 1991 | 1990 |
|---|---|---|
| Revenue for the transportation and sale of gas | $ 33,623 | $ 25,498 |
| Charges for feedstock and fuel | 60,062 | 63,183 |
| Net charges for personnel and related administrative costs | 10,459 | 11,487 |
| Amounts included in: | | |
| Accounts receivable | 256 | 1,732 |
| Accounts payable and accrued liabilities | 3,751 | 5,073 |

## 10. Pension Plan

ANG and its subsidiaries maintain defined benefit pension plans for substantially all of their employees. Information relating to the plans is provided below:

| *December 31*<br>*in thousands* | 1991 | 1990 |
|---|---|---|
| Actuarial present value of accumulated pension benefits | | |
| Canada | $ 11,612 | $ 6,382 |
| United States | 5,731 | 5,147 |
| Ireland | 1,515 | 983 |
| Germany | 2,036 | 1,652 |
| | $ 20,894 | $ 14,164 |
| Fair value of pension fund assets | | |
| Canada | $ 8,990 | $ 7,084 |
| United States | 5,731 | 4,358 |
| Ireland | 1,515 | 491 |
| | $ 16,236 | $ 11,933 |

## 11. Discontinued Operations

Discontinued operations, net of income taxes, consist of the following:

| *Year ended December 31*<br>*in thousands* | 1991 | 1990 |
|---|---|---|
| Loss on magnesium project | $ 51,225 | $ 2,861 |
| Loss on fractionation facility | 51 | 1,636 |
| Gain on previously discontinued operation | (1,948) | (713) |
| | $ 49,328 | $ 3,784 |

In 1987 ANG entered into a partnership with Magnesium International (Canada) Ltd. for the construction and operation of a magnesium production facility located near High River, Alberta. In the first quarter of 1991 a decision was made to cease funding the project. The 1990 financial statements have been restated to reflect the magnesium project on an equity basis (see Note 14).

Effective at the end of 1990, ANG sold its interest in the fractionation facility. It was recorded as a discontinued operation in 1990.

## 12. Sterlington Fire and Explosion

ANGUS Chemical Company owns a nitroparaffins plant in Sterlington, Louisiana. On May 1, 1991 a fire and explosion caused substantial damage to the basic nitroparaffins production area of the facility.

ANGUS maintains insurance to mitigate much of the financial impact from property damage, business interruption and liability claims resulting from the fire and explosion. Numerous discussions have been held with the insurers and as of December 31, 1991, over $80 million (U.S.) in advances and partial settlements have been received. Estimated business interruption proceeds in the amount of $15.1 million have been offset against operating expenses.

Extraordinary Items Extraordinary items have been recorded for certain non-recurring consequences to ANG of the fire and explosion. These consequences include non-reimbursed expenses and insurance deductibles and an "involuntary conversion" gain on the unintended plant disposition. The insurance proceeds received in 1991 exceeded the consolidated net book value of the damaged plant assets thus generating an involuntary conversion gain. The property damage claim is expected to be settled by the end of 1992 with a further gain expected to be recorded as an extraordinary item.

| *Year ended December 31, 1991*<br>*in thousands* | Gain (loss) | Income taxes | Net |
|---|---|---|---|
| Involuntary conversion gain | $ 8,368 | $ (5,843)* | $ 2,525 |
| Expenses and insurance deductibles | (7,823) | 2,808 | (5,015) |
| Extraordinary items | $ 545 | $ (3,035) | $ (2,490) |

* *Income taxes are higher than expected because there is $7.1 million of book cost written off which is not tax deductible.*

Unusual Item – Unabsorbed Plant Costs Operating income includes an unusual deduction of $7.4 million relating to unabsorbed plant costs at Sterlington. Due to the loss of nitroparaffin production capacity in 1991, certain fixed production costs were expensed as incurred although these costs are normally inventoriable costs. The unusual deduction represents a fixed cost volume variance since production volumes were below the standard volumes used for product costing purposes. Until standard production volumes are achieved in 1992, a similar fixed cost volume variance will occur.

## 13. Contingent Liabilities

A number of claims have been made by third parties against ANGUS as a result of the fire and explosion. Although most of these claims have been settled, a number of them are in early stages of legal proceeding. The outcome of these claims and their ultimate impact on these consolidated financial statements is unknown, although ANGUS' management believes insurance coverage mitigates the risk of material exposure.

IMC Fertilizer, Inc. (IMCF), the operator of the nitroparaffin facility, has filed a claim against ANGUS for expenses incurred by IMCF as a result of the fire and explosion. IMCF is seeking reimbursement for $9.8 million (U.S.) paid to the U.S. Occupational Safety and Health Administration and for $1.9 million (U.S.) in other related expenses. IMCF has stated its intention to make further claims against ANGUS as additional expenses are incurred, including costs associated with its defense from third party lawsuits. ANGUS takes exception to these claims. The outcome of these claims is unknown and has not been reflected in these consolidated financial statements.

Any costs that might subsequently become exigible from ANGUS pursuant to these contingent liabilities would be recorded as prior period adjustments if and when any settlement decisions are made.

## 14. Restatement of 1990 Comparative Figures

The results of ANG's 1991 decision to no longer participate in the magnesium business are reported as discontinued operations. The 1990 comparative figures relating to the magnesium operations have been reclassified to net assets of discontinued operations on the balance sheet and discontinued operations on the statement of income.

| *December 31*<br>*in thousands* | 1990 | Magnesium<br>project | 1990<br>*restated* |
|---|---|---|---|
| **Balance Sheet** | | | |
| Current assets | $ 149,965* | $ (6,281) | $ 143,684 |
| Investments | 34,309 | (12,950) | 21,359 |
| Property, plant and equipment | 396,140 | (189,238) | 206,902 |
| Goodwill and other | 25,175 | – | 25,175 |
| Net assets of discontinued operations | – | 58,766 | 58,766 |
| | **$ 605,589*** | **$ (149,703)** | **$ 455,886** |
| Current liabilities | $ 74,614* | $ (7,280) | $ 67,334 |
| Long term debt | 281,114 | (102,750) | 178,364 |
| Deferred income taxes | 41,660 | – | 41,660 |
| Minority interest | 39,673 | (39,673) | – |
| Shareholders' equity | 168,528 | – | 168,528 |
| | $ 605,589* | $ (149,703) | $ 455,886 |

* *Income taxes payable of $2.1 million have been netted against income taxes receivable to conform with the financial statement presentation adopted for 1991.*

| *Year ended December 31*<br>*in thousands* | 1990 | Magnesium project | 1990 *restated* |
|---|---|---|---|
| **Statement of Income** | | | |
| Operating income | $ 54,592 | $ 5,791 | $ 60,383 |
| Equity income | 1,520 | – | 1,520 |
| Interest and other income | 4,258 | – | 4,258 |
| Interest expense | (20,723) | 3,120 | (17,603) |
| Provision for income taxes | (17,074) | (1,972) | (19,046) |
| Minority interest | 4,078 | (4,078) | – |
| Discontinued operations | (923) | (2,861) | (3,784) |
| Net income | $ 25,728 | $ – | $ 25,728 |
| **Statement of Cash Flow** | | | |
| Operating activities | $ (30,803) | $ (2,622) | $ (33,425) |
| Investing activities | 50,076 | 3,079 | 53,155 |
| Financing activities | (71,825) | – | (71,825) |
| | (52,552) | 457 | (52,095) |
| Notes Payable net of Cash and Interest Bearing Deposits | | | |
| Opening balance | 53,201 | – | 53,201 |
| Closing balance | $ 649 | $ 457 | $ 1,106 |

| *in thousands except for share data and ratios* | 1991 | 1990 | 1989 | 1988 |
|---|---|---|---|---|
| **Operations** | | | | |
| Operating revenue | $ 480,966 | $ 376,816 | $ 366,150 | $ 337,706 |
| Operating income | 44,232 * | 60,383 | 60,287 | 54,905 |
| Income from continuing operations | 7,198 | 29,512 | 28,193 | 26,356 |
| Net (loss) income | (44,620) | 25,728 | 23,623 | 4,511 |
| Total assets | $ 451,126 | 455,886 | 386,148 | 376,790 |
| **Capitalization** | | | | |
| Short term debt | $ 52,993 | 16,258 | 66,812 | 86,382 |
| Long term debt (including current portion) | 198,891 | 180,429 | 91,042 | 83,921 |
| Minority interest | – | – | – | – |
| Deferred income taxes | 32,452 | 55,660 | 37,884 | 27,309 |
| Common equity | 105,392 | 168,528 | 152,652 | 145,211 |
| Total capitalization | $ 389,728 | 420,875 | 348,390 | 342,823 |
| **Cash flow** | | | | |
| From operations ** | $ 36,797 | 63,166 | 55,736 | 55,696 |
| Net property, plant and equipment additions | 85,019 | 19,278 | 18,003 | 14,484 |
| Net long term debt issued (retired) | 20,942 | 88,558 | 7,700 | (3,803) |
| Common shares (purchased) issued | (3,668) | (2,263) | 364 | 35,023 |
| Dividends paid | 14,273 | 14,470 | 14,528 | 13,993 |
| **Common share data** | | | | |
| Earnings per share | | | | |
| from continuing operations | $ 0.34 | 1.39 | 1.32 | 1.31 |
| net (loss) income | (2.12) | 1.21 | 1.11 | 0.23 |
| Cash generated from operations per share ** | 1.75 | 2.97 | 2.61 | 2.77 |
| Dividends paid per share | 0.68 | 0.68 | 0.68 | 0.68 |
| Outstanding - year end (thousands) | 20,990 | 21,233 | 21,359 | 21,332 |
| - average (thousands) | 21,021 | 21,284 | 21,362 | 20,084 |
| Common equity per share at year end | 5.02 | 7.94 | 7.15 | 6.81 |
| Market prices (TSE) - high | 17.25 | 19.50 | 19.13 | 16.25 |
| - low | 12.38 | 11.50 | 14.25 | 12.87 |
| - close | 13.88 | 12.88 | 19.00 | 14.50 |
| **Other statistics** | | | | |
| Return on average common equity *** | 5.26 % | 18.38 % | 18.93 % | 18.86 % |
| Return on average capital employed *** | 1.84 % | 7.82 % | 8.16 % | 7.64 % |
| Dividend yield (year end market price) | 4.90 % | 5.28 % | 3.58 % | 4.69 % |
| Debt to common equity | 2.4:1 | 1.2:1 | 1.0:1 | 1.2:1 |
| Interest coverage (x) | 1.93 | 3.76 | 3.97 | 2.71 |

* *Before unusual item of $7.4 million is deducted.*

** *Income from continuing operations adjusted for non-cash items included therein.*

*** *Based on income from continuing operations.*

| 1987 | 1986 | 1985 | 1984 | 1983 | 1982 |
|---|---|---|---|---|---|
| $ 318,060 | $ 308,454 | $ 372,806 | $ 309,201 | $ 290,257 | $ 214,618 |
| 48,947 | 38,022 | 54,345 | 52,661 | 48,251 | 29,597 |
| 21,912 | 16,247 | 24,968 | 24,178 | 22,779 | 16,004 |
| 16,906 | 16,247 | 24,968 | 24,178 | 22,779 | 16,004 |
| 386,527 | 360,283 | 340,183 | 301,044 | 279,223 | 262,363 |
| 92,363 | 16,343 | 56,774 | 45,787 | 54,687 | 69,102 |
| 95,612 | 95,395 | 35,961 | 31,979 | 30,546 | 31,374 |
| – | 50,156 | 47,437 | 39,917 | 32,164 | 28,596 |
| 25,235 | 31,317 | 36,569 | 36,882 | 40,116 | 34,521 |
| 134,332 | 128,977 | 124,584 | 107,549 | 90,635 | 72,282 |
| 347,542 | 322,188 | 301,325 | 262,114 | 248,148 | 235,875 |
| 35,392 | 35,887 | 45,805 | 43,158 | 46,629 | 36,285 |
| 40,127 | 43,722 | 27,801 | 10,243 | 13,875 | 40,982 |
| (2,361) | 60,495 | 3,447 | 388 | (2,373) | (2,373) |
| 408 | (273) | (510) | 276 | 2,054 | – |
| 12,419 | 11,653 | 10,911 | 10,234 | 7,932 | 7,873 |
| 1.20 | 0.89 | 1.37 | 1.32 | 1.27 | 0.89 |
| 0.93 | 0.89 | 1.37 | 1.32 | 1.27 | 0.89 |
| 1.94 | 1.97 | 2.52 | 2.36 | 2.59 | 2.03 |
| 0.68 | 0.64 | 0.60 | 0.56 | 0.44 | 0.44 |
| 18,242 | 18,205 | 18,223 | 18,236 | 18,163 | 17,892 |
| 18,263 | 18,211 | 18,174 | 18,257 | 17,983 | 17,892 |
| 7.36 | 7.08 | 6.84 | 5.90 | 4.99 | 4.04 |
| 16.00 | 16.00 | 16.25 | 14.50 | 9.67 | 9.17 |
| 10.75 | 11.00 | 12.75 | 8.00 | 7.25 | 7.08 |
| 13.00 | 13.37 | 15.87 | 13.75 | 8.67 | 7.50 |
| 16.64% | 12.82% | 21.51% | 24.40% | 27.96% | 23.29% |
| 6.54% | 5.21% | 8.86% | 9.48% | 9.41% | 9.01% |
| 5.23% | 4.79% | 3.78% | 4.07% | 5.07% | 5.87% |
| 1.4:1 | 0.9:1 | 0.7:1 | 0.7:1 | 0.9:1 | 1.4:1 |
| 3.09 | 5.30 | 8.92 | 7.32 | 5.98 | 4.71 |

**Notes:**

1. All extraordinary items prior to 1989 have been reclassified as discontinued operations.
2. Share information has been adjusted to give retroactive effect to the three-for-one stock split on May 18, 1984.

## DIRECTORS

H. Booth,[3]
Calgary, Alberta
Consultant
Former Chairman of the Board
and Chief Executive Officer
of the Company and of Alberta
and Southern Gas Co. Ltd.

R. A. Clarke
San Francisco, California
Chairman of the Board
and Chief Executive Officer,
Pacific Gas and Electric Company

J. E. Goudie,[1,3]
Calgary, Alberta
Former Chairman of the Board,
Alberta and Southern Gas Co. Ltd.

D. C. Lowe,[1,2]
Montreal, Quebec
Chairman of the Board,
Sedgwick James, Inc.

J. R. McLeod,[2,3]
San Francisco, California
Executive Vice President,
Pacific Gas and Electric Company

S. P. Reynolds,[3]
San Francisco, California
President and
Chief Executive Officer,
Pacific Gas Transmission Company

R. J. Richardson,[1,2]
Montreal, Quebec
Management Consultant

S. T. Skinner
San Francisco, California
President and
Chief Operating Officer,
Pacific Gas and Electric Company

N. E. Wagner,[3]
Calgary, Alberta
Chairman, President and
Chief Executive Officer
of the Company

1. Member of the Audit Committee
2. Member of the Compensation Committee
3. Director of ANGUS Chemical Company

## OFFICERS

N. E. Wagner
Chairman, President and
Chief Executive Officer

W. J. Demcoe
Senior Vice President,
Chief Financial Officer
and Treasurer

D. A. Sharp
Senior Vice President and
General Manager
of the Hydrocarbons Unit

A. J. Koester
Corporate Secretary
and Senior Manager,
Corporate Services

M. A. Pfaefflin
Assistant Treasurer and
Director of Corporate Finance
and Treasury

B. A. Stevenson
Assistant Corporate Secretary
and Director, Legal Services

## CORPORATE OFFICE

2900, 240 Fourth Avenue S.W.
Calgary, Alberta T2P 4L7
(403) 691-7777

## STOCK EXCHANGE LISTINGS

Common shares are listed for trading on the Alberta, Montreal, Toronto and Vancouver Stock exchanges, and trade under the symbol ANG.

The 10⅜% unsecured debentures are listed for trading on the Luxembourg Stock Exchange.

## TRANSFER AGENT AND REGISTRAR

(Capital Stock)
Montreal Trust Company,
Calgary, Montreal, Regina,
Toronto, Vancouver, Winnipeg

(10⅜% Unsecured Debentures)
Royal Trust,
Calgary and Toronto;
London, England

## DIRECT DEPOSIT SERVICE

Shareholders of ANG may elect to have their dividends deposited directly into the bank account of their choice by advising Montreal Trust Company.

## AUDITORS

Arthur Andersen & Co.
Chartered Accountants
Calgary, Alberta

Notice of change of address should be sent to the Transfer Agent.

The Annual Meeting of Shareholders will be held in the Mayfair Room, The Westin Hotel, Calgary, Alberta, on April 29, 1992 at 9:30 a.m. The notice of the meeting and proxy form are mailed with this report to all shareholders of record.

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