

Imperial Oil Limited
2013 Letter to Shareholders

Delivering superior, long-term value



To our shareholders

Imperial delivered another year of strong performance, continuing to add shareholder value during a period of significant change and growth.



2013 can be characterized as a year of higher global oil prices coupled with significant industry challenges in Canada. These challenges included market access limitations for western Canadian crudes and volatility in refining margins and downstream markets. Throughout these business conditions, Imperial continued to focus on managing risks and adding long-term shareholder value. In our base operations we maintained an intense focus on the fundamentals – safety, operational integrity, reliability and profitability. In our growth areas, we made new strategic investments and ensured quality execution of our large, upstream projects. In short, 2013 was a strong year for Imperial during a period of significant change and growth.

Against this backdrop, we delivered earnings of \$2.8 billion, or \$3.32 per share. Return on capital employed remained industry leading at 12.9 percent, and annual shareholders' return was 11.3 percent. Our results demonstrate the strength of our business model (see next page), which includes full value chain integration from upstream to refining to fuels marketing and chemicals. To position us for future growth, we invested \$8 billion in capital and exploration expenditures, more than 95 percent directed to upstream opportunities.

Highest among our priorities is personnel safety. Despite working more than 44 million hours, our second-highest total on record, we achieved safety performance on par with 2012's best-ever. I would like to compliment our employees and contractors for their unwavering commitment to achieve a workplace where *Nobody Gets Hurt*.

Operationally in 2013, we took several steps to strengthen our Downstream businesses. We made the decision to discontinue operations at the 95-year-old Dartmouth refinery in Nova Scotia.

Our results demonstrate the competitive advantages of our business model in a challenging environment.

Disadvantaged with a feedstock of higher-priced imported crudes, the refinery could no longer profitably compete in the mature North American refined products market. We will, however, continue to serve East Coast markets by converting the refinery to a fuels terminal. Our three remaining refineries in Alberta and Ontario are now operating with 100 percent price-advantaged crude feedstocks, further strengthening our competitiveness and resiliency. During the year we improved capacity utilization and took steps to further strengthen our networking with ExxonMobil

to apply global best practices across our operations. In Chemical, despite a drop in total volumes, we achieved record margins and near-record earnings led by our strong polyethylene business. We also achieved higher sales of premium fuel products through our high quality, nationwide distribution network.

In our Upstream business, we hold a large high-quality, long-life asset base that will deliver value for decades to come. Of our proved reserves of 3.6 billion oil equivalent barrels, 96 percent are in our core assets of Cold Lake, Syncrude and Kearl. Cold Lake and Syncrude have long been the drivers behind the company's Upstream performance and 2013 was no exception. Cold Lake continued to deliver pace-setting performance relative to in situ oil sands projects industry-wide.

In 2013, the company's most notable highlight was, without question, achieving first production from the \$12.9 billion Kearl initial development, the largest capital investment in our history. During the fourth quarter of 2013, gross production rates of 100,000 barrels per day (71,000 Imperial's share) were reached and activities to stabilize performance at these higher levels are progressing. Using next-generation technologies to improve both operational and environmental performance, Kearl is the

first oil sands mine to produce bitumen that can be refined without the need for an on-site upgrader. This not only avoids billions of dollars of investment, but also significantly reduces operational complexity and corresponding greenhouse gas emissions.

With our cost and schedule-effective "design one, build multiple" project execution approach, synergies and lessons learned from the Kearl initial development are being proactively applied to all aspects of the \$8.9 billion Kearl expansion project, which

is on track for startup in 2015. Kearl, with its high-quality resource base and next-generation technologies, will contribute to the company's performance for decades to come.

Taken as a whole, our current Upstream activities support plans to significantly increase production this decade. Looking beyond, with contingent resources of more than 13 billion oil equivalent barrels, we have the opportunity for further growth. In 2013, we advanced our in situ growth strategy with regulatory applications at our Aspen leasehold and the addition of high-quality resources associated with the Clyden acquisition. We are also working on opportunities to commercialize unconventional gas resources, including a potential liquefied natural gas export project, supported by resources from our \$1.6 billion Celtic acquisition in early 2013.

With more than a century of experience responsibly developing Canada's energy resources, Imperial's stakeholders have come to rely on us to perform at the highest levels and consistently do the right thing. In this report, I am pleased to introduce Imperial's new corporate identity. Our dynamic logo captures both our incredible Canadian history and our exciting future potential.

One of Imperial's greatest competitive advantages has always been the expertise, dedication and commitment to excellence of our employees. I would like to thank them for making 2013 a successful year and positioning us for the future. Lastly, I would like to thank you, our shareholders, for placing your trust and resources in our care. On behalf of the Board of Directors and all Imperial employees, you have our commitment that we will continue to strive to deliver superior, long-term shareholder value.

Rich Kruger
Chairman, President and CEO



Our new logo builds on our heritage with a dynamic representation of the former three-star design, symbolizing high standards as well as the forward motion and bright future ahead of us. The corporate name Imperial now stands on its own, reflecting the company's diverse opportunities for future growth. Our widely recognized retail brands will continue to be marketed under the Esso and Mobil 1 logos, providing premium fuel and lubricant products to our customers nationwide.



Imperial's business model

- ✓ Long-life, advantaged assets
- ✓ Value chain integration and synergies
- ✓ Disciplined investment, cost management
- ✓ High-impact technologies and innovation
- ✓ Operational excellence, responsible growth

Delivering superior value — 2013 highlights



Kearl

Started production from the Kearl oil sands mining initial development, which incorporates next-generation technologies to significantly enhance operational and environmental performance. During the fourth quarter of 2013, gross production rates of 100,000 barrels per day (71,000 Imperial's share) were reached and activities to stabilize performance at these higher levels are progressing. Diluted bitumen is being successfully processed at Imperial and ExxonMobil refineries and sales to unrelated third parties commenced in the fourth quarter as planned. Kearl's expansion project, which will add 110,000 barrels a day (78,000 Imperial's share), is on schedule for start-up in 2015.



Upstream Base Business

Cold Lake, one of Canada's largest in situ oil sands operations, produced 153,000 barrels per day of bitumen in 2013 and continued to deliver industry-leading performance. Imperial's 25 percent interest in Syncrude, one of the world's largest oil sands mining operations, delivered 67,000 barrels per day of synthetic crude.



Operational Excellence

Continued to progress toward our vision of a workplace where no one Gets Hurt. Working more than 100,000 hours, our second-highest record, we achieved world-class performance on par with 2012. Also achieved a 30 percent reduction in oil and chemical spills since 2012.



Nabiye

The Cold Lake expansion project was 65 percent complete at year-end. The in situ oil sands development is a look-alike to the Mahkeses facility and will add 40,000 barrels per day of production in 2015.



In Situ Growth

Filed the regulatory application for the Aspen project, which will use steam-assisted gravity drainage (SAGD) technology, and continued to work on applications for Corner and Cold Lake Grand Rapids projects. Also acquired a 27.5 percent interest in the Clyden in situ oil sands lease for \$206 million.



Edmonton Rail Terminal

Started construction on a joint venture rail terminal that will play an important role in improving access to attractive markets for oil sands production. The facility will be capable of loading one to three unit trains per day, totalling 100,000 barrels per day initial capacity in 2015 with the potential to expand to 250,000 barrels per day.



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Calgary Campus

Construction continued on our cost-effective, state-of-the-art, campus-style office complex in southeast Calgary. First relocations begin in 2014, with full occupancy in 2016. In 2013, Imperial hired more than 700 new employees, for a total workforce of more than 5,300 employees.



Downstream Integration

Access to price-advantaged feedstocks supported strong Downstream and Chemical earnings, highlighting the value of the company's integrated business model. In addition, operational integrity, reliability and cost discipline are fundamental priorities to maximize value.



Dartmouth

Discontinued Dartmouth refinery operations and will continue to serve Canadian East Coast markets by converting the refinery into a fuels terminal. The action will improve the long-term competitiveness and resiliency of the Downstream business.



Fuels Marketing

Achieved record gasoline sales in 2013, consistent with our strategy to grow sales in profitable Canadian markets.



Celtic

Following the close of the acquisition of Celtic Exploration Ltd. by ExxonMobil Canada, Imperial acquired a 50 percent interest in Celtic's assets and liabilities for \$1.6 billion, adding liquids-rich natural gas resources to our unconventional portfolio.



Community

Invested \$16 million in 2013 to support Canadian communities where we operate, including \$6 million through the Imperial Oil Foundation. Employees, annuitants and contractors also raised more than \$4.5 million for the United Way. Imperial and ExxonMobil provided \$550,000 to support Alberta flood relief through the Canadian Red Cross and other community organizations.



Liquefied Natural Gas

The National Energy Board approved an application to export up to 30 million tonnes per year of LNG from Canada's west coast as submitted by WCC LNG, which is jointly owned by Imperial Oil Resources and ExxonMobil Canada. An ultimate investment decision will be based on a number of factors, including satisfactory government and regulatory approvals, fiscal and economic competitiveness, future market conditions and LNG sales agreements.

2013 financial and operating highlights

- Net earnings of \$2.8 billion, or \$3.32 per share.
- Production increased to 295,000 gross oil-equivalent barrels per day with the startup of the Kearl initial development.
- Refinery throughput of 426,000 barrels per day, with predominantly price-advantaged feedstocks.
- Capital and exploration expenditures of \$8 billion focused on major Upstream growth projects, including Kearl expansion and Cold Lake's Nabiye.
- Industry-leading return on capital employed of 12.9 percent, with significant investments in assets under construction.
- Annual per share dividends paid of \$0.48, increased for the 19th consecutive year.

Financial highlights

(millions of Canadian dollars)

	2013	2012	2011	2010	2009
Operating revenues	32 722	31 053	30 474	24 946	21 292
Net income	2 828	3 766	3 371	2 210	1 579
Cash flow from operating activities and asset sales ^(a)	3 452	4 906	4 803	3 351	1 658
Cash and cash equivalents at year-end	272	482	1 202	267	513
Total debt at year-end	6 287	1 647	1 207	756	140
Average capital employed ^(a)	21 941	16 302	13 261	10 791	9 432
Capital and exploration expenditures	8 020	5 683	4 066	4 045	2 438

Key financial ratios

	2013	2012	2011	2010	2009
Net income per share – diluted (dollars)	3.32	4.42	3.95	2.59	1.84
Return on average capital employed (percent) ^(a)	12.9	23.1	25.4	20.5	16.8
Return on average shareholders' equity (percent)	15.8	25.4	27.5	21.4	17.1
Annual shareholders' return (percent) ^(b)	11.3	(4.8)	12.9	0.9	0.2
Debt to capital (percent) ^(c)	24	9	9	7	2
Dividends declared per share (dollars)	0.49	0.48	0.44	0.43	0.40

Operating highlights

	2013	2012	2011	2010	2009
Gross crude oil and NGL production (thousands of barrels per day)	261	250	255	247	244
Gross natural gas production (millions of cubic feet per day)	201	192	254	280	295
Gross total production (thousands of oil-equivalent barrels per day)	295	282	297	294	293
Net proved reserves (millions of oil-equivalent barrels)	3 622	3 574	3 191	2 549	2 513
Refinery throughput (thousands of barrels per day)	426	435	430	444	413
Petroleum product sales (thousands of barrels per day)	454	445	447	442	409
Chemical sales volumes (thousands of tonnes)	940	1 044	1 016	989	1 026

(a) Definitions can be found under "frequently used terms" of the Financial section of the Management Proxy Circular.

(b) Includes share appreciation and dividends.

(c) Definition can be found under Management's Discussion and Analysis of Financial Condition and Results of Operations of the Management Proxy Circular.

Board of directors and corporate governance



Imperial Oil Limited Board of Directors from left to right: Darren W. Woods, Victor L. Young, Sheelagh D. Whittaker, David S. Sutherland, Jack M. Mintz, Richard M. Kruger and Krystyna T. Hoeg.

Board of directors

Krystyna T. Hoeg

Corporate director
Toronto, Ontario

*Chair – Executive resources committee
Vice-chair – Contributions committee*

Richard M. Kruger

Chairman, president and
chief executive officer
Imperial Oil Limited
Calgary, Alberta

Jack M. Mintz

Palmer Chair in Public Policy
University of Calgary
Calgary, Alberta

*Chair – Environment, health
and safety committee*

*Vice-chair – Nominations and
corporate governance committee*

David S. Sutherland

Corporate director
Waterloo, Ontario

*Chair – Contributions committee
Vice-chair – Environment, health
and safety committee*

Sheelagh D. Whittaker

Corporate director
London, England

*Chair – Nominations and
corporate governance committee
Vice-chair – Audit committee*

Darren W. Woods

Vice-president of Exxon Mobil Corporation
and president of ExxonMobil Refining
and Supply Company
Fairfax, Virginia

Victor L. Young

Corporate director
St. John's, Newfoundland and Labrador

Chair – Audit committee

Vice-chair – Executive resources committee

Other officers

Paul J. Masschelin

Senior vice-president, finance
and administration, and controller

T. Glenn Scott

Senior vice-president, Upstream division

W.J. (Bill) Hartnett, Q.C.

Vice-president and general counsel

Bradley G. Merkel

Vice-president, fuels, lubricants
and specialties marketing

David G. Bailey

Treasurer

John W. Blowers

Refining manufacturing manager

Marvin E. Lamb

Director, corporate tax

Lara H. Pella

Assistant general counsel
and corporate secretary

Imperial online

Visit our website at imperialoil.ca
to learn more information about Imperial's
operations, including videos about our
projects and a report on our corporate
citizenship efforts.

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For complete consolidated financial
statements, including notes, please
refer to the Management Proxy Circular
for Imperial's 2014 annual meeting of
shareholders. The Management Proxy
Circular also includes Management's
Discussion and Analysis of Financial
Condition and Results of Operations.
The circular is located on the investors
section of our website.



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Forward-looking statements

Statements of future events or conditions in this report, including projections, targets, expectations, estimates, and business plans are forward-looking statements. Actual future results, including demand growth and energy source mix; production growth and mix; project plans, dates, costs and capacities; production rates and resource recoveries; cost savings; product sales; financing sources; and capital and environmental expenditures could differ materially depending on a number of factors, such as changes in the price, supply of and demand for crude oil, natural gas, and petroleum and petrochemical products; political or regulatory events; project schedules; commercial negotiations; the receipt, in a timely manner, of regulatory and third-party approvals; unanticipated operational disruptions; unexpected technological developments; and other factors discussed in this report and Item 1A of Imperial's most recent Form 10-K. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, some that are similar to other oil and gas companies and some that are unique to Imperial. Imperial's actual results may differ materially from those expressed or implied by its forward-looking statements and readers are cautioned not to place undue reliance on them.

The term "project" as used in this report can refer to a variety of different activities and does not necessarily have the same meaning as in any government payment transparency reports.

Reserves and contingent resource information presented in this report are an estimate of the company's net interest after royalties at year-end 2013, as determined by Imperial's internal qualified reserves evaluator. Contingent resources are those quantities of petroleum considered to be potentially recoverable from known accumulations using established technology or technology under development, but are currently not considered to be commercially recoverable due to one or more contingencies. Contingencies on resources may include, but are not limited to, factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. There is no certainty that it will be economically viable or technically feasible to produce any portion of the resource.



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On the cover: A view of the Kearl oil sands operation in northern Alberta.