

**Sector:** Energy  
**Sub-Industry:** Integrated Oil & Gas  
**Peer Group:** Major Integrated Oil & Gas - North America

**Summary:** The company explores, produces, and sells crude oil and natural gas in Canada. It operates in three segments: Natural Resources, Petroleum Products, and Chemicals.

**Quantitative Evaluations**

**S&P Quality Ranking : A+**



**S&P Fair Value Rank: NR**

**Fair Value Calc: NA**

**S&P Investability Quotient Percentile**



IMO scored higher than 95% of all companies for which an S&P Report is available.

**Volatility: Average**



**Technical Evaluation: BULLISH**

Since December, 2007, the technical indicators for IMO have been BULLISH.

**Relative Strength Rank: Strong**



Price as of Jan 4, 2008: **C\$53.50**

52-Week Range: **C\$61.48 - C\$31.87**



Options: ASE, CBOE, P, Ph

**Investment Strategy**

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

**Sales:** What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.

**Net Margin:** As a key measure of company profitability, a rising net margin assesses management capability to wring out more net income from incremental sales.

**% LT Debt to Capitalization:** A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.

**% Return on Equity:** A key performance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.

**Key Growth Rates and Averages**

Past Growth Rate (%)	1 Year	3 Year	5 Year	9 Year
Sales	-11.84	10.12	10.32	NA
Net Income	17.08	22.34	22.03	NA

**Ratio Analysis (Average)**

Net Margin	12.42	10.31	9.38	8.47
%LT Debt to Capitalization	3.94	6.18	9.55	11.74
% Return on Equity	43.37	39.36	34.81	31.05

**Revenues/Earnings Data** Fiscal year ending Dec. 31

Revenues (Million Can. \$)	2007	2006	2005	2004	2003	2002
1Q	5,767	5,786	5,940	5,056	5,452	3,477
2Q	6,299	6,604	6,710	5,439	4,472	4,179
3Q	6,306	6,612	7,683	5,771	4,602	4,456
4Q	--	5,503	7,464	6,142	4,568	4,778
Year	--	24,505	27,797	22,408	19,094	16,890

Earnings per Share (Can. \$)	2007	2006	2005	2004	2003	2002
1Q	0.81	0.59	0.37	0.47	0.47	0.09
2Q	0.76	0.85	0.52	0.42	0.46	0.27
3Q	0.88	0.84	0.64	0.51	0.34	0.30
4Q	--	0.83	1.00	0.51	0.24	0.40
Year	--	3.11	2.53	1.91	1.51	1.06

**Next earnings report expected: NA**

Historical GAAP earnings are as reported.

**Key Stock Statistics**

Average Daily Volume	<b>0.268 mil.</b>	Beta	<b>0.26</b>
Market Capitalization	<b>C\$49.592 Bil.</b>	Trailing 12 Month EPS	<b>C\$3.24</b>
Institutional Holdings (%)	<b>16</b>	12 Month P/E	<b>16.5</b>
Shareholders of Record	<b>13,490</b>	Current Yield (%)	<b>0.67</b>

Value of C\$10,000 Invested five yrs Ago : **C\$59,212**

**Please read the required disclosures and Reg. AC certification on the last page of this report.**

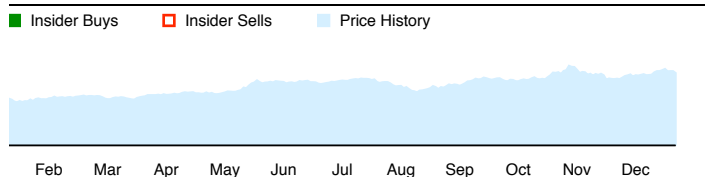
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**Wall Street Opinions/Average (Mean) Opinion: Hold**

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	0	0	0	0
Buy/Hold	0	0	0	1
Hold	11	79	11	10
Weak Hold	3	21	3	3
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>14</b>	<b>100</b>	<b>14</b>	<b>14</b>

**Insider Moves**



**Dividend Data** Dividend have been paid since 1891

Amount(Can. \$)	Date Decl.	Ex. Div. Date	Stock of Record	Payment Date
0.080	Feb.14	Feb.28	Mar.2	Apr.01 '07
0.090	May.22	Jun.4	Jun.6	Jul.01 '07
0.090	Aug.28	Sep.6	Sep.10	Oct.01 '07
0.090	Nov.20	Nov.28	Nov.30	Jan.01 '08

**Company Financials** Fiscal year ending Dec. 31

Per Share Data & Valuation Ratios (\$)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Tangible Book Value	6.42	5.39	4.92	3.92	2.80	2.32	2.28	2.26	NA	NA
Cash Flow	3.40	3.00	2.18	1.68	1.07	1.08	1.20	0.67	NA	NA
Earnings	2.67	2.17	1.51	1.17	0.67	0.66	0.75	0.31	NA	NA
Dividends	0.27	0.27	0.23	0.22	0.18	0.18	0.17	0.10	NA	NA
Payout Ratio	10%	12%	15%	19%	26%	26%	23%	34%	NA	NA
Prices:High	40.38	39.14	20.82	14.92	10.62	9.82	9.27	8.15	NA	NA
Prices:Low	30.47	18.27	14.11	9.42	8.00	7.53	5.98	4.83	NA	NA
P/E Ratio:High	15	18	14	13	16	15	12	26	NA	NA
P/E Ratio:Low	11	8	9	8	12	11	4	16	NA	NA

**Income Statement Analysis** (Million Can. \$)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenue	24,505	27,797	22,408	19,094	16,890	17,153	17,829	10,259	NA	NA
Operating Income	4,676	4,404	5,206	3,025	2,364	2,667	2,980	1,807	NA	NA
Depreciation	831	895	908	750	703	716	724	667	NA	NA
Interest Expense	28.0	8.00	7.00	42.0	Nil	146	159	197	NA	NA
Pretax Income	4,100	3,918	3,027	2,362	1,781	1,897	2,321	1,032	NA	NA
Effective Tax Rate	26%	34%	32%	29%	32%	34%	39%	44%	NA	NA
Net Income	3,044	2,600	2,052	1,682	1,210	1,244	1,420	582	NA	NA

**Balance Sheet & Other Financial Data** (Million Can. \$)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Cash	2,158	1,661	1,279	448	766	872	1,020	615	NA	NA
Current Assets	5,309	4,966	3,897	2,628	2,980	2,685	3,476	2,388	NA	NA
Total Assets	16,141	15,582	14,027	12,361	11,868	10,761	11,222	9,687	NA	NA
Current Liabilities	5,348	5,145	4,658	3,390	2,743	3,027	3,417	2,239	NA	NA
Long Term Debt	359	863	367	859	1,466	906	928	1,239	NA	NA
Common Equity	7,406	6,633	6,322	5,778	5,212	4,429	4,321	4,438	NA	NA
Total Capital	9,110	8,709	7,844	7,999	7,938	6,671	6,761	6,554	NA	NA
Capital Expenditures	1,177	1,432	1,376	1,449	1,552	1,070	644	653	NA	NA
Cash Flow	3,875	3,495	2,960	2,432	1,913	1,960	2,144	1,249	NA	NA
Current Ratio	1.0	1.0	0.8	0.8	1.1	0.9	1.0	1.1	NA	NA
% Long Term Debt of Capitalization	4.6	9.9	4.7	10.7	18.5	13.6	13.7	18.9	NA	NA
% Net Income of Revenue	10.7	9.4	9.2	8.8	7.2	7.3	8.0	5.7	NA	NA
% Return on Assets	19.2	17.6	15.6	13.9	10.7	11.3	12.9	6.1	NA	NA
% Return on Equity	43.4	40.1	34.6	30.6	25.4	28.4	32.4	13.5	NA	NA

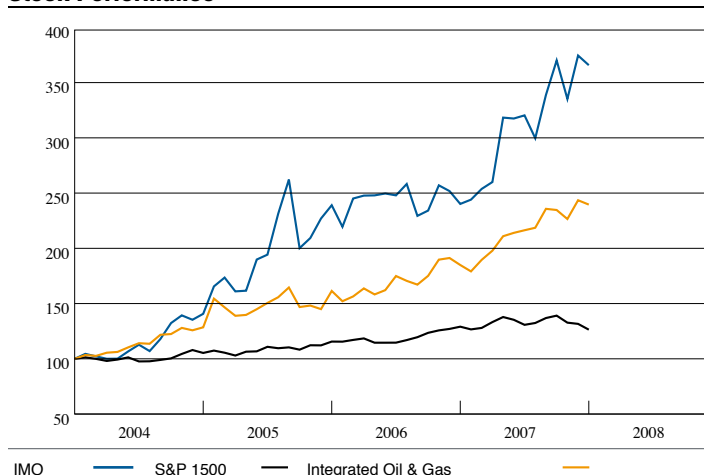
Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office: 237 Fourth Ave SW, Calgary, AB, Canada, T2P 3M9  
Tel: 800-567-3776  
Website: <http://www.imperialoil.ca>  
Chrmn, Pres & CEO: T. J. Hearn  
SVP & Cntr: P. A. Smith

Dirs: T. J. Hearn, R. Phillips, J. F. Shepard, P. A. Smith, S. D. Whittaker, V.  
L. Young, J. M. Mintz, R. L. Broiles  
VP, Treas & Investor Contact: John F. Kyle(800-567-3776)

SVP: R. Broiles  
VP: R. F. Lipsett  
Founded: 1880  
Domicile: Canada  
Employees: 4,900

**Stock Performance**



	Company(%)	Industry(%)	S&P 1500(%)
YTD Return	-2.3	-1.6	-4.0
One Year Return	58.1	32.7	-0.6
Three Year Return (% Annualized)	42.2	25.3	6.1
Five Year Return (% Annualized)	42.7	23.7	9.7
Value of C\$10,000 Invested 5 Years Ago	C\$59,212	\$28,906	\$15,887

**Sub-Industry Outlook**

Our fundamental outlook for the integrated oils sub-industry is neutral. We expect global crude oil prices to remain high and volatile in 2008, reflecting strong global oil demand amid limited spare production capacity and continuing geopolitical tensions. However, prices of refined products (such as gasoline and distillate) in the U.S. and Europe have failed to keep pace with the rise in crude oil prices; as a result, we expect 2008 and 2009 refining margins to narrow from levels seen in 2006 and 2007.

While the subprime mortgage crisis originating in the U.S. has reduced our forecast for U.S. and global GDP growth, S&P and Global Insight believe the global economy continues to look solid, and as of December 26, we expected global oil demand growth of 1.03% (an increase of 0.87 million b/d) in 2007 and 1.69% in 2008 (1.45 million b/d). As of December 26, we estimated that WTI spot prices would average \$90.24 per barrel in the fourth quarter, \$72.16 in 2007, \$75.67 in 2008 and \$74.33 in 2009.

At its December 5 meeting in Abu Dhabi, UAE, OPEC agreed, as we expected, to leave its production "unchanged for the time being" and to meet again on February 1 in Vienna, Austria. While S&P and Global Insight believe 2008 oil fundamentals will tighten, with recent adjustments to both supply and demand forecasts, we see the situation as less strained than we believed in the late fall.

On the U.S. natural gas front, as of December 26, S&P and Global Insight expected Henry Hub bid week (a blend of spot and contract) prices to average \$6.97 per million Btu during the fourth quarter, and average \$6.87 in 2007, \$7.71 in 2008, and

\$8.72 in 2009. With U.S. natural gas in storage for the week ended December 14 at 3.173 Tcf (9.2% above the five-year average), and the NOAA (National Oceanic Atmospheric Administration), as of November 15, projecting winter weather in the lower 48 states similar to last year's winter season, about 4% warmer than the 30-year average, we believe there is sufficient U.S. natural gas in storage for this year's winter season.

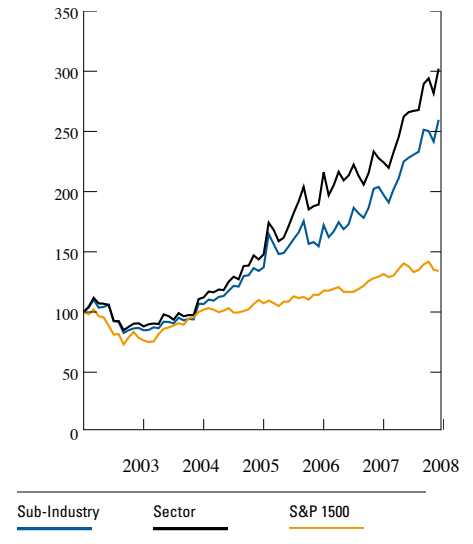
Year to date through December 21, the S&P Integrated Oil & Gas Sub-Industry Index was up 26.8%, versus a 4.8% increase for the S&P 1500 Composite Index. In 2006, the S&P Integrated Oil & Gas Index advanced 31.9%, versus a 13.3% gain for the 1500.

--Tina Vital

**Stock Performance**

**GICS Sector: Energy**  
**Sub-Industry: Integrated Oil & Gas**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 12/31/07



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

**Sub-Industry : Integrated Oil & Gas Peer Group\*: Major Integrated Oil & Gas - North America**

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Imperial Oil Ltd</b>	<b>IMO</b>	<b>49,592</b>	<b>53.50</b>	<b>61.48/31.87</b>	<b>0.26</b>	<b>0.7</b>	<b>17</b>	<b>NA</b>	<b>A+</b>	<b>95</b>	<b>10.7</b>	<b>4.6</b>
Hess Corp	HES	29,821	93.35	105.85/46.49	0.44	0.4	18	73.60	B	95	6.8	26.8
Husky Energy	HSE.C	38,456	45.30	46.65/35.01	NA	2.9	14	NA	NR	NA	21.5	10.4
Marathon Oil	MRO	42,311	59.57	67.04/41.50	0.81	1.6	9	42.00	B+	98	7.6	15.2
Murphy Oil	MUR	15,392	81.33	87.21/45.45	0.45	0.9	24	83.00	B+	97	4.5	15.3
Occidental Petroleum	OXY	64,432	77.76	80.83/42.06	0.65	1.3	13	80.20	B+	98	25.1	10.7
Petro-Canada	PCZ	26,514	54.64	61.18/34.84	0.86	1.0	12	51.40	A	89	8.4	17.7
Suncor Energy	SU	50,536	109.40	117.98/67.78	0.77	0.4	29	100.30	A	96	16.1	21.0

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**S&P Analyst Research Notes and other Company News**

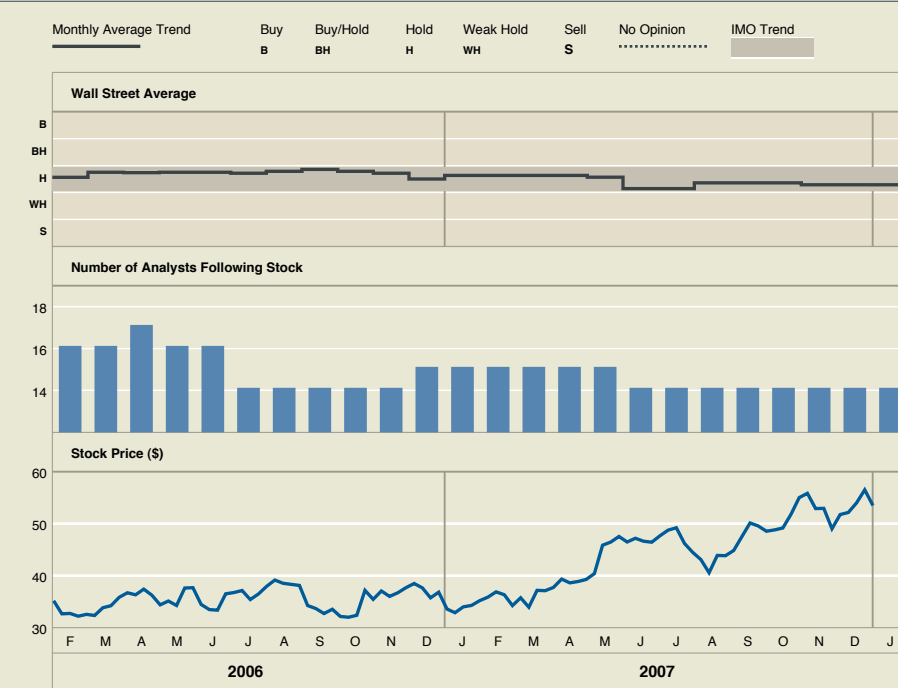
**December 19, 2007**

The Board of Directors of Imperial Oil Ltd. announced the appointment of Mr. B.H. (Bruce) March to the position of President effective January 1, 2008. He was also elected a Director of the Company. Mr. T.J. (Tim) Hearn, currently Chairman, Chief Executive Officer and President, continues as Chairman and Chief Executive Officer.

**December 13, 2007**

The Board of Directors of Imperial Oil Ltd. announced the appointment of Mr. B.H. (Bruce) March to the position of President effective January 1, 2008. He was also elected a Director of the company. Mr. March is currently Director, Refining Europe/Africa/Middle East with ExxonMobil Petroleum & Chemical BVBA, in Brussels, Belgium an affiliate of Exxon Mobil Corporation. Mr. T.J. (Tim) Hearn, currently Chairman, Chief Executive Officer and President of Imperial Oil Limited, continues as Chairman and Chief Executive Officer.

**Analysts' Recommendations**



Of the total 15 companies following IMO, 14 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	0	0	0	0
Buy/Hold	0	0	0	1
Hold	11	79	11	10
Weak Hold	3	21	3	3
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>14</b>	<b>100</b>	<b>14</b>	<b>14</b>

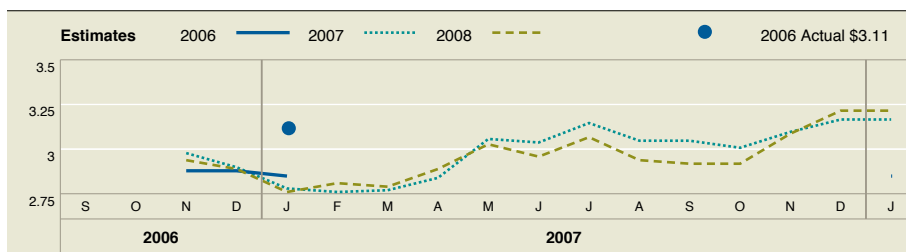
**Wall Street Consensus Opinion**

**HOLD**

**Companies Offering Coverage**

- BMO Nesbitt Burns
- CIBC World Markets
- Canaccord Capital
- Credit Suisse First Boston
- Desjardins Securities
- Firstenergy Capital
- Iiir Group
- Macquarie Research Equities
- Merrill Lynch Research
- Peters & Co., Ltd.
- RBC Capital Markets (Canada)
- ScotiaMcLeod, Inc.
- Smith Barney
- Tristone Capital Inc.
- UBS Warburg

**Wall Street Consensus Estimates**



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2008	3.22	5.26	2.63	15	16.6
2007	3.17	3.44	2.73	14	16.9
<b>2008 vs. 2007</b>	<b>▲ 2%</b>	<b>▲ 53%</b>	<b>▼ -4%</b>	<b>▲ 7%</b>	<b>▼ -2%</b>

**Wall Street Consensus vs. Performance**

For fiscal year 2007, analysts estimate that IMO will earn \$3.17. For fiscal year 2008, analysts estimate that IMO's earnings per share will grow by 2% to \$3.22.

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

**Glossary**

**S&P Quality Ranking** - Growth and stability of earnings and dividends are deemed key elements in establishing S&P's quality ranking for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted that, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Lower
A	High	B-	Below Average
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

**S&P Fair Value Rank** - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

**Funds From Operations (FFO)** - FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

**Fair Value Calculation** - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

**Investability Quotient (IQ)** - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**Standard & Poor's IQ Rationale:  
Imperial Oil Ltd**

	Raw Score	Max Value
Proprietary S&P Measures	58	115
Technical Indicators	21	40
Liquidity/Volatility Measures	9	20
Quantitative Measures	63	75
<b>IQ Total</b>	<b>151</b>	<b>250</b>

**Volatility** - Rates the volatility of the stock's price over the past year.

**Technical Evaluation** - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

**Relative Strength Rank** - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

**Global Industry Classification Standard (GICS)** - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

**Required Disclosures**

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