

IMPERIAL OIL LTD
Form 10-Q
August 05, 2015
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FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from --- to ---

Commission file number 0-12014

IMPERIAL OIL LIMITED

(Exact name of registrant as specified in its charter)

CANADA
(State or other jurisdiction
of incorporation or organization)

237 Fourth Avenue S.W.

Calgary, Alberta, Canada
(Address of principal executive offices)

Registrant's telephone number, including area code: 1-800-567-3776

98-0017682
(I.R.S. Employer
Identification No.)

T2P 3M9
(Postal Code)

The registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 91 days.

YES NO

The registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

The registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (see definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Securities Exchange Act of 1934).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

The registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

YES NO

The number of common shares outstanding, as of June 30, 2015, was 847,599,011.

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In this report all dollar amounts are expressed in Canadian dollars unless otherwise stated. This report should be read in conjunction with the company's Annual Report on Form 10-K for the year ended December 31, 2014.

Statements in this report regarding future events or conditions are forward-looking statements. Actual results could differ materially due to the impact of market conditions, changes in law or governmental policy, changes in operating conditions and costs, changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors.

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

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IMPERIAL OIL LIMITED

CONSOLIDATED STATEMENT OF INCOME

(U.S. GAAP, unaudited)

millions of Canadian dollars	Second Quarter		Six Months to June 30	
	2015	2014	2015	2014
REVENUES AND OTHER INCOME				
Operating revenues (a) (b)	7,272	9,399	13,442	18,596
Investment and other income (note 3)	29	650	62	679
TOTAL REVENUES AND OTHER INCOME	7,301	10,049	13,504	19,275
EXPENSES				
Exploration	16	17	33	38
Purchases of crude oil and products (c)	4,295	6,035	7,600	11,577
Production and manufacturing (d)	1,395	1,390	2,754	2,866
Selling and general	272	296	536	571
Federal excise tax (a)	387	383	764	753
Depreciation and depletion	335	280	652	560
Financing costs (note 5)	5	2	8	4
TOTAL EXPENSES	6,705	8,403	12,347	16,369
INCOME BEFORE INCOME TAXES	596	1,646	1,157	2,906
INCOME TAXES	476	414	616	728
NET INCOME	120	1,232	541	2,178
PER SHARE INFORMATION (Canadian dollars)				
Net income per common share - basic (note 8)	0.14	1.45	0.64	2.57
Net income per common share - diluted (note 8)	0.14	1.45	0.64	2.56
Dividends per common share	0.13	0.13	0.26	0.26

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(a) Federal excise tax included in operating revenues	387	383	764	753
(b) Amounts from related parties included in operating revenues	1,017	742	1,655	1,558
(c) Amounts to related parties included in purchases of crude oil				
and products	967	1,058	1,653	1,828
(d) Amounts to related parties included in production and				
manufacturing expenses	125	89	227	175

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

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IMPERIAL OIL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(U.S. GAAP, unaudited)

millions of Canadian dollars	Second Quarter		Six Months	
	2015	2014	to June 30 2015	2014
Net income	120	1,232	541	2,178
Other comprehensive income, net of income taxes				
Post-retirement benefit liability adjustment (excluding amortization)	-	-	(176)	(38)
Amortization of post-retirement benefit liability adjustment included in net periodic benefit costs	42	37	84	75
Total other comprehensive income/(loss)	42	37	(92)	37
Comprehensive income	162	1,269	449	2,215

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

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IMPERIAL OIL LIMITED

CONSOLIDATED BALANCE SHEET

(U.S. GAAP, unaudited)

	As at	As at
	June 30	Dec 31
millions of Canadian dollars	2015	2014
ASSETS		
Current assets		
Cash	28	215
Accounts receivable, less estimated doubtful accounts (a)	2,105	1,539
Inventories of crude oil and products	1,099	1,121
Materials, supplies and prepaid expenses	565	380
Deferred income tax assets	377	314
Total current assets	4,174	3,569
Long-term receivables, investments and other long-term assets	1,529	1,406
Property, plant and equipment, less accumulated depreciation and depletion	52,551 (15,709)	50,911 (15,337)
Property, plant and equipment, net	36,842	35,574
Goodwill	224	224
Other intangible assets, net	65	57
TOTAL ASSETS	42,834	40,830
LIABILITIES		
Current liabilities		
Notes and loans payable (b)	1,976	1,978
Accounts payable and accrued liabilities (a) (note 7)	3,606	3,969
Income taxes payable	366	34
Total current liabilities	5,948	5,981
Long-term debt (c) (note 6)	6,008	4,913

Other long-term obligations (d) (note 7)	3,973	3,565
Deferred income tax liabilities	4,146	3,841
TOTAL LIABILITIES	20,075	18,300
SHAREHOLDERS EQUITY		
Common shares at stated value (e)	1,566	1,566
Earnings reinvested	23,344	23,023
Accumulated other comprehensive income (note 9)	(2,151)	(2,059)
TOTAL SHAREHOLDERS EQUITY	22,759	22,530
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	42,834	40,830

- (a) Accounts receivable, less estimated doubtful accounts included amounts receivable from related parties of \$249 million (2014 - accounts payable and accrued liabilities included amounts payable to related parties of \$174 million)
- (b) Notes and loans payable included amounts to related parties of \$75 million (2014 - \$75 million)
- (c) Long-term debt included amounts to related parties of \$5,852 million (2014 - \$4,746 million)
- (d) Other long-term obligations include amounts to related parties of \$208 million (2014 - \$96 million)
- (e) Number of common shares authorized and outstanding were 1,100 million and 848 million, respectively (2014 - 1,100 million and 848 million, respectively)

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

(U.S. GAAP, unaudited)

Six Months

inflow/(outflow) millions of Canadian dollars	Second Quarter		to June 30	
	2015	2014	2015	2014

OPERATING ACTIVITIES

Net income	120	1,232	541	2,178
Adjustments for non-cash items:				
Depreciation and depletion	335	280	652	560
(Gain)/loss on asset sales (note 3)	(25)	(640)	(51)	(660)
Deferred income taxes and other	254	221	272	226
Changes in operating assets and liabilities:				
Accounts receivable	(353)	333	(566)	(321)
Inventories, materials, supplies and prepaid expenses	(148)	(145)	(163)	(173)
Income taxes payable	148	(109)	332	(17)
Accounts payable and accrued liabilities	23	(239)	(363)	196
All other items - net (a)	23	66	4	95

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

	377	999	658	2,084
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INVESTING ACTIVITIES

Additions to property, plant and equipment	(773)	(1,295)	(1,784)	(2,501)
Proceeds associated with asset sales	65	732	90	807
Additional investments	(16)	(32)	(32)	(44)

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

	(724)	(595)	(1,726)	(1,738)
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FINANCING ACTIVITIES

Short-term debt - net	40	(223)	1	(223)
Long-term debt issued	389	-	1,106	-
Reduction in capitalized lease obligations	(4)	(2)	(6)	(4)
Dividends paid	(110)	(110)	(220)	(220)

CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES

	315	(335)	881	(447)
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INCREASE (DECREASE) IN CASH	(32)	69	(187)	(101)
CASH AT BEGINNING OF PERIOD	60	102	215	272
CASH AT END OF PERIOD (b)	28	171	28	171
(a) Included contribution to registered pension plans	(69)	(96)	(132)	(172)

(b) Cash is composed of cash in bank and cash equivalents at cost. Cash equivalents are all highly liquid securities with maturity of three months or less when purchased

The information in the Notes to Consolidated Financial Statements is an integral part of these statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of financial statement preparation

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual consolidated financial statements filed with the U.S. Securities and Exchange Commission in the company's 2014 Annual Report on Form 10-K. In the opinion of the company, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The company's exploration and production activities are accounted for under the "successful efforts" method.

The results for the six months ended June 30, 2015, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

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2. Business segments

Second Quarter millions of dollars	Upstream		Downstream		Chemical	
	2015	2014	2015	2014	2015	2014
REVENUES AND OTHER INCOME						
Operating revenues (a)	1,783	2,109	5,178	6,901	311	389
Intersegment sales	718	1,043	268	370		