

IMPERIAL OIL LTD
Form 10-Q
May 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

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) 505 Quarry Park Boulevard S.E. 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.) T2C 5N1 (Postal Code)
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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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
The registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	

The number of common shares outstanding, as of March 31, 2016, 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, 2015.

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.

Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.****IMPERIAL OIL LIMITED****CONSOLIDATED STATEMENT OF INCOME**

(U.S. GAAP, unaudited)

Three Months

millions of Canadian dollars

to March 31
2016 2015

REVENUES AND OTHER INCOME

Operating revenues (a) (b)	5,174	6,170
Investment and other income (note 3)	48	33

TOTAL REVENUES AND OTHER INCOME	5,222	6,203
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EXPENSES

Exploration	17	17
Purchases of crude oil and products (c)	2,986	3,305
Production and manufacturing (d)	1,271	1,359
Selling and general	270	264
Federal excise tax (a)	388	377
Depreciation and depletion	424	317
Financing costs (note 5)	15	3

TOTAL EXPENSES	5,371	5,642
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INCOME (LOSS) BEFORE INCOME TAXES	(149)	561
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INCOME TAXES	(48)	140
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NET INCOME (LOSS)	(101)	421
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PER-SHARE INFORMATION (Canadian dollars)

Net income (loss) per common share - basic (note 8)	(0.12)	0.50
Net income (loss) per common share - diluted (note 8)	(0.12)	0.50
Dividends per common share	0.14	0.13

(a) Federal excise tax included in operating revenues.	388	377
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(b) Amounts from related parties included in operating revenues.	563	638
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(c) Amounts to related parties included in purchases of crude oil and products.	631	686
(d) Amounts to related parties included in production and manufacturing expenses.	104	102

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)

	Three Months to March 31	
millions of Canadian dollars	2016	2015
Net income (loss)	(101)	421
Other comprehensive income (loss), net of income taxes		
Post-retirement benefit liability adjustment (excluding amortization)	100	(176)
Amortization of post-retirement benefit liability adjustment included in net periodic benefit costs	41	42
Total other comprehensive income (loss)	141	(134)
Comprehensive income (loss)	40	287

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

Table of Contents**IMPERIAL OIL LIMITED****CONSOLIDATED BALANCE SHEET**

(U.S. GAAP, unaudited)

	As at Mar 31 2016	As at Dec 31 2015
millions of Canadian dollars		
ASSETS		
Current assets		
Cash	155	203
Accounts receivable, less estimated doubtful accounts (a)	1,639	1,581
Inventories of crude oil and products	1,073	1,190
Materials, supplies and prepaid expenses	549	424
Deferred income tax assets	277	272
Total current assets	3,693	3,670
Long-term receivables, investments and other long-term assets	1,420	1,414
Property, plant and equipment, less accumulated depreciation and depletion	53,299 (16,218)	54,203 (16,404)
Property, plant and equipment, net	37,081	37,799
Goodwill	186	224
Other intangible assets, net	63	63
Assets held for sale (note 10)	742	-
TOTAL ASSETS	43,185	43,170
LIABILITIES		
Current liabilities		
Notes and loans payable (b)	1,843	1,952
Accounts payable and accrued liabilities (note 7)	2,832	2,989
Income taxes payable	443	452
Total current liabilities	5,118	5,393
Long-term debt (c) (note 6)	7,052	6,564
Other long-term obligations (d) (note 7)	3,475	3,597
Deferred income tax liabilities	4,194	4,191

TOTAL LIABILITIES	19,839	19,745
SHAREHOLDERS EQUITY		
Common shares at stated value (e)	1,566	1,566
Earnings reinvested	23,467	23,687
Accumulated other comprehensive income (loss) (note 9)	(1,687)	(1,828)
TOTAL SHAREHOLDERS EQUITY	23,346	23,425
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	43,185	43,170

- (a) Accounts receivable, less estimated doubtful accounts includes amounts receivable from related parties of \$131 million (2015 - \$129 million).
- (b) Notes and loans payable includes amounts to related parties of \$75 million (2015 - \$75 million).
- (c) Long-term debt includes amounts to related parties of \$6,447 million (2015 - \$5,952 million).
- (d) Other long-term obligations includes amounts to related parties of \$136 million (2015 - \$146 million).
- (e) Number of common shares authorized and outstanding were 1,100 million and 848 million, respectively (2015 - 1,100 million and 848 million, respectively).

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

Table of Contents**IMPERIAL OIL LIMITED****CONSOLIDATED STATEMENT OF CASH FLOWS**

(U.S. GAAP, unaudited)

	Three Months	
	to March 31	
inflow (outflow)	2016	2015
millions of Canadian dollars		
OPERATING ACTIVITIES		
Net income (loss)	(101)	421
Adjustments for non-cash items:		
Depreciation and depletion	424	317
(Gain) loss on asset sales (note 3)	(30)	(26)
Deferred income taxes and other	(82)	18
Changes in operating assets and liabilities:		
Accounts receivable	(58)	(213)
Inventories, materials, supplies and prepaid expenses	(32)	(15)
Income taxes payable	(9)	184
Accounts payable and accrued liabilities	(189)	(386)
All other items - net (a)	126	(19)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	49	281
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(391)	(1,011)
Proceeds from asset sales (note 3)	33	25
Additional investments	-	(16)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(358)	(1,002)
FINANCING ACTIVITIES		
Short-term debt - net	(108)	(39)
Long-term debt issued (note 6)	495	717
Reduction in capitalized lease obligations	(7)	(2)
Dividends paid	(119)	(110)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	261	566

INCREASE (DECREASE) IN CASH	(48)	(155)
CASH AT BEGINNING OF PERIOD	203	215
CASH AT END OF PERIOD (b)	155	60

- (a) Includes contribution to registered pension plans. (31) (63)
- (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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IMPERIAL OIL LIMITED

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 2015 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 three months ended March 31, 2016, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

Table of Contents**IMPERIAL OIL LIMITED****2. Business segments**

Three Months to March 31 millions of dollars	Upstream		Downstream		Chemical	
	2016	2015	2016	2015	2016	2015
REVENUES AND OTHER INCOME						
Operating revenues (a)	980	1,212	3,940	4,669	254	289
Intersegment sales	479	598	225	256	44	59
Investment and other income	19	2	29	30	-	1
	1,478	1,812	4,194	4,955	298	349
EXPENSES						
Exploration	17	17	-	-	-	-
Purchases of crude oil and products	818	838	2,757	3,195	159	182
Production and manufacturing	909	950	315	356	47	53
Selling and general	1	-	238	221	22	22
Federal excise tax	-	-	388	377	-	-
Depreciation and depletion	357	259	61	52	2	