

IMPERIAL OIL LTD
Form 10-Q
May 01, 2009
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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 March 31, 2009

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

98-0017682
(I.R.S. Employer
Identification No.)
T2P 3M9

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(Address of principal executive offices)

(Postal Code)

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

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 90 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 March 31, 2009, was 848,881,911.

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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, 2008.

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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.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED STATEMENT OF INCOME	Three months to March 31	
(U.S. GAAP, unaudited)		
millions of Canadian dollars	2009	2008
REVENUES AND OTHER INCOME		
Operating revenues (a)(b)	4,653	7,231
Investment and other income (4)	17	32
TOTAL REVENUES AND OTHER INCOME	4,670	7,263
EXPENSES		
Exploration	83	40
Purchases of crude oil and products (c)	2,320	4,496
Production and manufacturing (5)(d)	1,030	977
Selling and general (5)	330	295
Federal excise tax (a)	306	312
Depreciation and depletion	197	181
Financing costs	2	(3)
TOTAL EXPENSES	4,268	6,298
INCOME BEFORE INCOME TAXES	402	965
INCOME TAXES	113	284
NET INCOME (3)	289	681
NET INCOME PER COMMON SHARE - BASIC (dollars) (7)	0.34	0.76
NET INCOME PER COMMON SHARE - DILUTED (dollars) (7)	0.33	0.75
DIVIDENDS PER COMMON SHARE (dollars)	0.10	0.09

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(a) Federal excise tax included in operating revenues	306	312
(b) Amounts from related parties included in operating revenues	314	591
(c) Amounts to related parties included in purchases of crude oil and products	697	1,259
(d) Amounts to related parties included in production and manufacturing expenses	74	45

The notes to the financial statements are an integral part of these financial statements.

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CONSOLIDATED BALANCE SHEET

(U.S. GAAP, unaudited)

	As at Mar.31 2009	As at Dec.31 2008
millions of Canadian dollars		
ASSETS		
Current assets		
Cash	755	1,974
Accounts receivable, less estimated doubtful accounts	1,578	1,455
Inventories of crude oil and products	890	673
Materials, supplies and prepaid expenses	260	180
Deferred income tax assets	367	361
Total current assets	3,850	4,643
Long-term receivables, investments and other long-term assets	915	881
Property, plant and equipment, less accumulated depreciation and depletion	24,538 13,075	24,165 12,917
Property, plant and equipment, net	11,463	11,248
Goodwill	204	204
Other intangible assets, net	58	59
TOTAL ASSETS	16,490	17,035
LIABILITIES		
Current liabilities		
Notes and loans payable	109	109
Accounts payable and accrued liabilities (6)(a)	2,829	2,542
Income taxes payable	938	1,498
Total current liabilities	3,876	4,149
Capitalized lease obligations	34	34
Other long-term obligations (6)	2,185	2,298
Deferred income tax liabilities	1,533	1,489
TOTAL LIABILITIES	7,628	7,970
SHAREHOLDERS EQUITY		
Common shares at stated value (7)(b)	1,509	1,528

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Earnings reinvested	8,277	8,484
Accumulated other comprehensive income (8)	(924)	(947)
TOTAL SHAREHOLDERS EQUITY	8,862	9,065
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	16,490	17,035

(a) Accounts payable and accrued liabilities include amounts to related parties of \$147 million (2008 - \$127 million).

(b) Number of common shares outstanding was 849 million (2008 - 859 million).

The notes to the financial statements are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS	Three months to March 31	
(U.S. GAAP, unaudited)		
inflow/(outflow)		
millions of Canadian dollars	2009	2008
OPERATING ACTIVITIES		
Net income	289	681
Adjustment for non-cash items:		
Depreciation and depletion	197	181
(Gain)/loss on asset sales (4)	(1)	(11)
Deferred income taxes and other	28	(65)
Changes in operating assets and liabilities:		
Accounts receivable	(125)	(398)
Inventories and prepaids	(297)	(572)
Income taxes payable	(560)	(11)
Accounts payable	288	584
All other items - net (a)	(115)	(100)
CASH FROM (USED IN) OPERATING ACTIVITIES	(296)	289
INVESTING ACTIVITIES		
Additions to property, plant and equipment and intangibles	(411)	(251)
Proceeds from asset sales	2	13
Loans to equity company	2	-
CASH FROM (USED IN) INVESTING ACTIVITIES	(407)	(238)
FINANCING ACTIVITIES		
Reduction in capitalized lease obligations	(1)	(1)
Issuance of common shares under stock option plan	-	4
Common shares purchased (7)	(429)	(590)
Dividends paid	(86)	(82)
CASH FROM (USED IN) FINANCING ACTIVITIES	(516)	(669)
INCREASE (DECREASE) IN CASH	(1,219)	(618)
CASH AT BEGINNING OF PERIOD	1,974	1,208

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CASH AT END OF PERIOD	755	590
(a) Includes contribution to registered pension plans	(161)	(147)
The notes to the financial statements are an integral part of these financial statements.		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of financial statement presentation

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. In the opinion of the management, the information furnished herein reflects all known accruals and adjustments necessary for a fair presentation of the financial position of the company as at March 31, 2009, and December 31, 2008, and the results of operations and changes in cash flows for the three months ending March 31, 2009 and 2008. All such adjustments are of a normal recurring nature. The company's exploration and production activities are accounted for under the "successful efforts" method. Certain reclassifications to the prior year have been made to conform to the 2009 presentation.

The results for the three months ended March 31, 2009, are not necessarily indicative of the operations to be expected for the full year.

All amounts are in Canadian dollars unless otherwise indicated.

2. Accounting change for fair value measurements

Effective January 1, 2009, the company adopted the Financial Accounting Standards Board's (FASB) Statement No. 157 (SFAS 157), "Fair Value Measurements" for nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value when an entity is required to use a fair value measure for recognition or disclosure purposes and expands the disclosures about fair value measures. The adoption did not have a material impact on the company's financial statements. The company previously adopted SFAS 157 for financial assets and liabilities that are measured at fair value and for nonfinancial assets and liabilities that are measured at fair value on a recurring basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

3. Business Segments

Three months to March 31 millions of dollars	Upstream		Downstream		Chemical	
	2009	2008	2009	2008	2009	2008
REVENUES AND OTHER INCOME						
External sales (a)	760	1,449	3,685	5,429	208	353
Intersegment sales	656	1,292	390	779	64	101
Investment and other income	4	4	8	14	-	1
	1,420	2,745	4,083	6,222	272	455
EXPENSES						
Exploration (b)	83	40	-	-	-	-
Purchases of crude oil and products	364	1,085	2,867	5,234	199	349
Production and manufacturing	646	581	336	346	48	50
Selling and general	1	2	233	233	19	18
Federal excise tax	-	-	306	312	-	-
Depreciation and depletion	136	117	56	59	3	3
Financing costs	-	-	1	(4)	-	-
TOTAL EXPENSES	1,230	1,825	3,799	6,180	269	420
INCOME BEFORE INCOME TAXES	190	920	284	42	3	35
INCOME TAXES	48	270	82	12	-	11
NET INCOME	142	650	202	30	3	24
Export sales to the United States	405	736	237	225	109	221
Cash flows from (used in) operating activities	(230)	478	(46)	(174)	(14)	(8)