

SUNOCO INC
Form 10-Q
August 07, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2003

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 1-6841

SUNOCO, INC.

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(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of

23-1743282
(I.R.S. Employer

incorporation or organization)

Identification No.)

TEN PENN CENTER, 1801 MARKET STREET, PHILADELPHIA, PA 19103-1699

(Address of principal executive offices)

(Zip Code)

(215) 977-3000

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether 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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

At June 30, 2003, there were 76,930,470 shares of Common Stock, \$1 par value outstanding.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****Sunoco, Inc. and Subsidiaries**

(Millions of Dollars and Shares Except Per Share Amounts)

	For the Six Months	
	Ended June 30	
	2003	2002*
	(UNAUDITED)	
REVENUES		
Sales and other operating revenue (including consumer excise taxes)	\$ 8,729	\$ 6,445
Interest income	5	3
Other income (Note 2)	25	39
	<u>8,759</u>	<u>6,487</u>
COSTS AND EXPENSES		
Cost of products sold and operating expenses (Note 3)	6,951	5,160
Consumer excise taxes	927	888
Selling, general and administrative expenses (Note 2)	338	300
Depreciation, depletion and amortization	174	161
Payroll, property and other taxes	51	51
Provision for write-down of assets and other matters (Note 4)		26
Interest cost and debt expense	57	54
Interest capitalized	(1)	(1)
	<u>8,497</u>	<u>6,639</u>
Income (loss) before income tax expense (benefit)	262	(152)
Income tax expense (benefit)	95	(54)
NET INCOME (LOSS)	<u>\$ 167</u>	<u>\$ (98)</u>
Net income (loss) per share of common stock:		
Basic	\$ 2.18	\$ (1.29)
Diluted	\$ 2.16	\$ (1.29)
Weighted average number of shares outstanding (Note 5):		

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Basic	76.7	76.1
Diluted	77.3	76.1
Cash dividends paid per share of common stock	\$.50	\$.50

* Restated to reflect the adoption of the fair value method of accounting for employee stock compensation plans effective January 1, 2002 (Note 3).

(See Accompanying Notes)

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****Sunoco, Inc. and Subsidiaries**

(Millions of Dollars and Shares Except Per Share Amounts)

	For the Three Months Ended June 30	
	2003	2002*
	(UNAUDITED)	
REVENUES		
Sales and other operating revenue (including consumer excise taxes)	\$ 4,169	\$ 3,527
Interest income	2	2
Other income (Note 2)	18	27
	<u>4,189</u>	<u>3,556</u>
COSTS AND EXPENSES		
Cost of products sold and operating expenses	3,250	2,780
Consumer excise taxes	490	460
Selling, general and administrative expenses (Note 2)	178	146
Depreciation, depletion and amortization	90	82
Payroll, property and other taxes	24	23
Provision for write-down of assets and other matters (Note 4)		26
Interest cost and debt expense	29	28
Interest capitalized		(1)
	<u>4,061</u>	<u>3,544</u>
Income before income tax expense	128	12
Income tax expense	47	3
NET INCOME	\$ 81	\$ 9
Net income per share of common stock:		
Basic		
Diluted	\$ 1.05	\$.12
	\$ 1.04	\$.12
Weighted average number of shares outstanding (Note 5):		
Basic	76.8	76.3
Diluted	77.6	77.2
Cash dividends paid per share of common stock	\$.25	\$.25

* Restated to reflect the adoption of the fair value method of accounting for employee stock compensation plans effective January 1, 2002 (Note 3).

(See Accompanying Notes)

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(Millions of Dollars)

	At	At
	June 30	December 31
	2003	2002
	<u>2003</u>	<u>2002</u>
	(UNAUDITED)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 240	\$ 390
Accounts and notes receivable, net	1,024	923
Inventories:		
Crude oil	175	153
Petroleum and chemical products	301	227
Materials, supplies and other	123	111
Deferred income taxes	93	94
	<u>1,956</u>	<u>1,898</u>
Total Current Assets	1,956	1,898
Investments and long-term receivables	222	220
Properties, plants and equipment	7,833	7,522
Less accumulated depreciation, depletion and amortization	3,570	3,423
	<u>4,263</u>	<u>4,099</u>
Properties, plants and equipment, net	4,263	4,099
Prepaid retirement costs	5	5
Deferred charges and other assets (Note 6)	375	219
	<u>6,821</u>	<u>6,441</u>
Total Assets	\$ 6,821	\$ 6,441
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 1,425	\$ 1,316
Accrued liabilities	332	339
Current portion of long-term debt	103	2
Taxes payable	210	119
	<u>2,070</u>	<u>1,776</u>
Total Current Liabilities	2,070	1,776
Long-term debt	1,355	1,453
Retirement benefit liabilities	645	653
Deferred income taxes	564	490
Other deferred credits and liabilities	198	196
Commitments and contingent liabilities (Note 7)		
Minority interests (Note 2)	451	479
Shareholders' equity (Note 8)	1,538	1,394
	<u>6,821</u>	<u>6,441</u>
Total Liabilities and Shareholders' Equity	\$ 6,821	\$ 6,441

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(See Accompanying Notes)

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****Sunoco, Inc. and Subsidiaries**

(Millions of Dollars)

	For the Six Months Ended June 30	
	2003	2002*
(UNAUDITED)		
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 167	\$ (98)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for write-down of assets and other matters		26
Noncash reduction in minority interest in cokemaking operations (Note 2)	(2)	(19)
Depreciation, depletion and amortization	174	161
Deferred income tax expense	77	16
Payments less than (in excess of) expense for retirement plans	(9)	5
Changes in working capital pertaining to operating activities, net of effect of acquisitions:		
Accounts and notes receivable	(101)	(143)
Inventories	(76)	27
Accounts payable and accrued liabilities	98	135
Taxes payable	92	(27)
Other	5	3
	<u>425</u>	<u>86</u>
Net cash provided by operating activities	425	86
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(165)	(158)
Acquisitions, net of seller financing of \$4 in 2003 (Note 6)	(356)	7
Proceeds from divestments	13	10
Other	(4)	7
	<u>(512)</u>	<u>(134)</u>
Net cash used in investing activities	(512)	(134)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments of short-term borrowings		(279)
Proceeds from issuance of long-term debt		247
Repayments of long-term debt	(2)	(2)
Net proceeds from issuance of Sunoco Logistics Partners L.P. limited partnership units (Note 2)		98
Cash distributions to investors in cokemaking operations	(28)	(15)