

PREMCOR INC
Form 10-Q
May 01, 2003
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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, 2003

OR

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

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.
1-16827	Premcor Inc. 1700 East Putnam Avenue, Suite 500 Old Greenwich, Connecticut 06870 (203) 698-7500	Delaware	43-1851087

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1-11392 The Premcor Refining Group Inc. Delaware 43-1491230

1700 East Putnam Avenue, Suite 500

Old Greenwich, Connecticut 06870

(203) 698-7500

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.

Premcor Inc.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
The Premcor Refining Group Inc.	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Indicate by check mark if the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

Number of shares of the registrant's common stock (only one class for each registrant) outstanding as of April 15, 2003:

Premcor Inc.	74,085,860 shares
The Premcor Refining Group Inc.	100 shares (100% owned by Premcor USA Inc., a direct wholly owned subsidiary of Premcor Inc.)

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FORM 10-Q PART I. FINANCIAL INFORMATION

This Quarterly Report on Form 10-Q represents a combined report for two registrants, Premcor Inc. and its indirectly wholly owned subsidiary The Premcor Refining Group Inc., or PRG. PRG is the principal operating company and together with its wholly owned subsidiary, Sabine River Holding Corp. and its subsidiaries, or Sabine, owns and operates three refineries. Sabine's principal operating company is Port Arthur Coker Company L.P., or PACC. The results of operations for Premcor Inc. principally reflect the results of operations of PRG, except for some pipeline operations and long-term debt held at Premcor USA Inc., PRG's parent company, and some general and administrative costs and interest income at stand-alone Premcor Inc. Included in this Quarterly Report on Form 10-Q are balance sheets, statements of operations, and statements of cash flows for the applicable periods for Premcor Inc. and PRG. The information reflected in the combined, consolidated footnotes are equally applicable to both companies except where indicated otherwise.

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ITEM 1. FINANCIAL STATEMENTS

INDEPENDENT ACCOUNTANTS REPORT

To the Board of Directors of Premcor Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Premcor Inc. and subsidiaries (the Company) as of March 31, 2003 and the related condensed consolidated statements of operations and cash flows for the three-month periods ended March 31, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 14, 2003 (March 6, 2003 as to Note 22)(which report includes an explanatory paragraph relating to the Company's change in its method of accounting for stock based compensation issued to employees as described in Note 2), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche LLP

St. Louis, Missouri

April 28, 2003

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(in millions, except share data)

	March 31, 2003	December 31, 2002
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 307.3	\$ 167.4
Short-term investments	4.9	4.9
Cash and cash equivalents restricted for debt service	53.8	61.7
Accounts receivable, net of allowance of \$3.3 and \$3.2	520.2	269.1
Inventories	463.4	287.3
Prepaid expenses	78.5	45.9
Assets held for sale	40.2	49.3
	<u>1,468.3</u>	<u>885.6</u>
Total current assets	1,468.3	885.6
PROPERTY, PLANT AND EQUIPMENT, NET	1,587.3	1,262.6
DEFERRED INCOME TAXES	40.8	57.5
OTHER ASSETS	124.6	117.3
	<u>\$ 3,221.0</u>	<u>\$ 2,323.0</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 721.0	\$ 466.2
Accrued expenses and other	85.6	57.2
Accrued taxes other than income	41.9	26.3
Current portion of long-term debt	21.2	15.0
	<u>869.7</u>	<u>564.7</u>
Total current liabilities	869.7	564.7
LONG-TERM DEBT	1,154.5	909.9
OTHER LONG-TERM LIABILITIES	144.4	144.4
COMMITMENTS AND CONTINGENCIES		
COMMON STOCKHOLDERS EQUITY:		
Common, \$0.01 par value per share, 150,000,000 authorized, 74,085,860 issued and outstanding in 2003; 58,043,935 issued and outstanding in 2002	0.7	0.6
Paid-in capital	1,173.1	862.3
Accumulated deficit	(121.4)	(158.9)
	<u>1,052.4</u>	<u>704.0</u>
Total common stockholders equity	1,052.4	704.0
	<u>\$ 3,221.0</u>	<u>\$ 2,323.0</u>

The accompanying notes are an integral part of these financial statements.

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PREMCOR INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in millions, except per share data)

	For the Three Months	
	Ended March 31,	
	2003	2002
		(as restated, see Note 1)
NET SALES AND OPERATING REVENUES	\$ 2,376.3	\$ 1,228.3
EXPENSES:		
Cost of sales	2,108.9	1,061.6
Operating expenses	117.2	114.5
General and administrative expenses	11.7	14.5
Stock-based compensation	4.3	1.9
Depreciation	14.6	12.4
Amortization	9.5	9.8
Refinery restructuring and other charges	15.0	142.0
	2,281.2	1,356.7
OPERATING INCOME (LOSS)	95.1	(128.4)
Interest and finance expense	(26.9)	(34.5)
Loss on extinguishment of long-term debt	(7.0)	
Interest income	1.6	3.5
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	62.8	(159.4)
Income tax (provision) benefit	(21.0)	61.4
Minority interest		0.8
INCOME (LOSS) FROM CONTINUING OPERATIONS	41.8	(97.2)
Loss from discontinued operations, net of income tax benefit of \$2.7	(4.3)	
NET INCOME (LOSS)	37.5	(97.2)
Preferred stock dividends		(2.5)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ 37.5	\$ (99.7)
NET INCOME (LOSS) PER COMMON SHARE:		
Basic:		
Income (loss) from continuing operations	\$ 0.60	\$ (3.14)
Discontinued operations	(0.06)	
Net income (loss)	\$ 0.54	\$ (3.14)

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Weighted average common shares outstanding	68.9	31.8
Diluted:		
Income (loss) from continuing operations	\$ 0.60	\$ (3.14)
Discontinued operations	(0.06)	
Net income (loss)	\$ 0.54	\$ (3.14)
Weighted average common shares outstanding	69.6	31.8