

ESSO MALAYSIA BERHAD
(Company Number 3927 V)

The Directors of Esso Malaysia Berhad are pleased to announce the financial results of the Company for the quarter ended June 30, 2010.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED JUNE 30, 2010**

| | <u>Note</u> | Quarter ended | | 6 months ended | |
|--|-------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | 30.06.2010 <u>RM'000</u> | 30.06.2009 <u>RM'000</u> | 30.06.2010 <u>RM'000</u> | 30.06.2009 <u>RM'000</u> |
| Revenues | | 2,248,743 | 1,877,940 | 4,255,204 | 3,408,952 |
| Cost of sales | | <u>(2,049,493)</u> | <u>(1,599,783)</u> | <u>(3,870,503)</u> | <u>(2,967,442)</u> |
| Gross profit | | 199,250 | 278,157 | 384,701 | 441,510 |
| Other income | | 5,697 | 5,287 | 10,950 | 10,464 |
| Expenses | | (101,102) | (99,662) | (197,142) | (189,802) |
| Finance cost | | <u>(5,553)</u> | <u>(4,915)</u> | <u>(15,570)</u> | <u>(12,310)</u> |
| Profit/(loss) before tax | | 98,292 | 178,867 | 182,939 | 249,862 |
| Tax (expense) / credit | 16 | <u>(27,522)</u> | <u>(50,082)</u> | <u>(51,223)</u> | <u>(69,961)</u> |
| Net profit/(loss) for the period attributable to shareholders | | <u>70,770</u> | <u>128,785</u> | <u>131,716</u> | <u>179,901</u> |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income attributable to shareholders | | <u>70,770</u> | <u>128,785</u> | <u>131,716</u> | <u>179,901</u> |
| Earnings/(loss) per ordinary stock unit (sen) | 24 | <u>26.2</u> | <u>47.7</u> | <u>48.8</u> | <u>66.6</u> |

(The condensed income statement should be read in conjunction with the audited financial statements for the year ended December 31, 2009)

ESSO MALAYSIA BERHAD
(Company Number 3927 V)

**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2010
(UNAUDITED)**

| | <u>Note</u> | As at 30.06.2010 <u>RM'000</u> | As at 31.12.2009 <u>RM'000</u> |
|--|-------------|--------------------------------------|--------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 810,199 | 806,203 |
| Long-term assets and receivables | | 314,552 | 315,310 |
| Intangible assets - software | | <u>383</u> | <u>671</u> |
| TOTAL NON-CURRENT ASSETS | | <u>1,125,134</u> | <u>1,122,184</u> |
| CURRENT ASSETS | | | |
| Inventories | | 315,428 | 456,380 |
| Assets held for sale | | 1,501 | 2,552 |
| Receivables | | 183,210 | 143,924 |
| Amounts due from related corporations | | 119,013 | 181,699 |
| Deposit, cash and bank balances | | 272,066 | 75,869 |
| Taxation | | <u>-</u> | <u>35,234</u> |
| TOTAL CURRENT ASSETS | | <u>891,218</u> | <u>895,658</u> |
| CURRENT LIABILITIES | | | |
| Payables | | 126,609 | 135,467 |
| Retirement benefits obligations | | 1,071 | 2,721 |
| Amounts due to related corporations | | 292,703 | 443,040 |
| Borrowings (unsecured) | 20 | 807,950 | 807,950 |
| Taxation | | <u>29,891</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES | | <u>1,258,224</u> | <u>1,389,178</u> |
| NET CURRENT LIABILITIES | | (367,006) | (493,520) |
| LESS: NON-CURRENT LIABILITIES | | | |
| Retirement benefits obligations | | 50,839 | 48,449 |
| Deferred taxation and other provisions | | <u>86,630</u> | <u>66,972</u> |
| | | <u>137,469</u> | <u>115,421</u> |
| TOTAL NET ASSETS EMPLOYED | | 620,659 | 513,243 |
| | | ===== | ===== |
| FINANCED BY: | | | |
| SHARE CAPITAL | | 135,000 | 135,000 |
| RESERVES | | 8,000 | 8,000 |
| RETAINED PROFITS | | <u>477,659</u> | <u>370,243</u> |
| SHAREHOLDERS' EQUITY | | 620,659 | 513,243 |
| | | ===== | ===== |

(The condensed balance sheet should be read in conjunction with the audited financial statements for the year ended December 31, 2009)

ESSO MALAYSIA BERHAD
(Company Number 3927 V)

**CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED JUNE 30, 2010**

| | Issued and fully paid ordinary stock of <u>RM0.50 each</u> | | Non-distributable capital redemption <u>reserves</u> | Distributable retained <u>profits</u> | <u>Total</u> |
|---|--|-----------------------------------|---|---|----------------|
| | Number of ordinary <u>stock unit</u> '000 | Nominal <u>value</u> RM'000 | RM'000 | RM'000 | RM'000 |
| At January 1, 2009 | 270,000 | 135,000 | 8,000 | 249,025 | 392,025 |
| Net profit | - | - | - | 179,901 | 179,901 |
| Dividends for the year ended December 31, 2008 (final) | - | - | - | (24,300) | (24,300) |
| At June 30, 2009 | 270,000 | 135,000 | 8,000 | 404,626 | 547,626 |
| At January 1, 2010 | 270,000 | 135,000 | 8,000 | 370,243 | 513,243 |
| Net profit | - | - | - | 131,716 | 131,716 |
| Dividends for the year ended December 31, 2009 (final) | - | - | - | (24,300) | (24,300) |
| At June 30, 2010 | 270,000 | 135,000 | 8,000 | 477,659 | 620,659 |

(The condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended December 31, 2009)

ESSO MALAYSIA BERHAD
(Company Number 3927 V)

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED JUNE 30, 2010**

| | 6 months ended | |
|---|----------------------------------|----------------------------------|
| | 30.06.2010 | 30.06.2009 |
| | <u>RM'000</u> | <u>RM'000</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit/(loss) attributable to shareholders | 131,716 | 179,901 |
| Adjustments for non-cash items | 68,888 | 129,029 |
| Changes in working capital: | | |
| (Increase) / decrease in current assets | 163,949 | (215,860) |
| Increase / (decrease) in current liabilities and provisions | (143,815) | 128,239 |
| Cash from operations | ----- 220,738 | ----- 221,309 |
| Interest / Tax / Retirement benefits refund/(payment) | 35,167 | (12,859) |
| Net cash from operating activities | ----- 255,905 | ----- 208,450 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment and intangibles | (37,625) | (15,958) |
| (Increase) / decrease in long-term assets and receivables | 758 | 12,965 |
| Proceeds from disposal of asset held for sale | 1,051 | - |
| Proceeds from disposal of property, plant and equipment and intangibles | 330 | 723 |
| Net cash used in investing activities | ----- (35,486) | ----- (2,270) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of borrowings - net | - | (17,058) |
| Dividends paid to shareholders | (24,300) | (24,300) |
| Net cash (used in) / from financing activities | ----- (24,300) | ----- (41,358) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 196,119 | 164,822 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 68,358 | 8,621 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | ----- 264,477 ===== | ----- 173,443 ===== |

(The condensed statement of cash flows should be read in conjunction with the audited financial statements for the year ended December 31, 2009)

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (BMSB).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2009. The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and the performance of the Company since the financial year ended December 31, 2009.

The same accounting policies and methods of computation are followed in the interim financial statements as for the financial statements for the year ended December 31, 2009 except as disclosed below.

a) Standards, amendments to published standards and interpretations that are applicable to the Company and are effective

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the financial period beginning January 1, 2010 and applicable to the Company are as follows:

- Amendment to FRS 1 First Time Adoption of Financial Reporting Standards
- Amendment to FRS 2 Share-Based Payment
- FRS 8 Operating Segments and Amendment to FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements
- FRS 123 Borrowing Costs
- Amendment to FRS 127 Consolidated and Separate Financial Statements
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 132 Financial Instruments: Presentation (paragraphs 95A, 97AA and 97AB) relating to classification of the compound financial instrument into its liability and equity elements when the entity first applies FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)” The improvements contain amendments to twenty two FRSs which involves changes to presentation, recognition, or measurement and some are changes to terminology with little effect on accounting
- IC Interpretation 9 and Amendment to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 Group and Treasury Share Transaction
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Part A - Explanatory Notes Pursuant to FRS 134 (Continued)

1. Basis of Preparation (Continued)

- FRS 7 Financial Instruments: Disclosures and Amendment to FRS 7 Financial Instruments: Disclosures
- FRS 139 Financial Instruments: Recognition and Measurement and Amendment to FRS 139 Financial Instruments: Recognition and Measurement.

The adoption of all the standards and interpretations above does not have any material impact on the financial position of the Company. All changes in accounting policies have been made in accordance with the adoption of all the standards which do not result in significant changes in accounting policies and disclosures, except as disclosed below:

- FRS 8 Operating Segments and Amendment to FRS 8 Operating Segments. FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The improvement to the standard clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. The Company determined that the operating segment was unchanged as previously identified under FRS 114₂₀₀₄ and additional disclosures about the segment is shown in Note 7.
- FRS 101 Presentation of Financial Statements. It prohibits the presentation of items of income and expenses (non-owner changes in equity) in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity in a statement of comprehensive income. The revised standards has resulted in a number of changes in presentation and disclosure including revised titles for the condensed financial statements.
- FRS 123 Borrowing Costs. The new standard requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Previously the Company immediately recognised all borrowing costs as an expense.
- FRS 139 Financial Instruments: Recognition and Measurement and Amendment to FRS 139 Financial Instruments: Recognition and Measurement. On adoption of FRS 139, the Company measures financial assets and financial liabilities initially at fair value and subsequently carried at amortised cost using the effective interest rate method.

The remaining standards and interpretations that are effective for financial period beginning January 1, 2010 are not relevant to the Company's operations.

Part A - Explanatory Notes Pursuant to FRS 134 (Continued)

1. Basis of Preparation (Continued)

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

The new standards, amendments to published standards and interpretations to existing standards applicable to the Company that will be effective and are not early adopted by the Company, are as follows:

i) Standards effective from July 1, 2010

- FRS 1 First-time Adoption of Financial Reporting Standards. This is a revision to existing FRS 1 merely to improve the structure of the standard.
- FRS 127 Consolidated and Separate Financial Statements. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.
- IC Interpretation 17: Distributions of Non-cash Assets to Owners. It provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.
- Amendment to FRS 2 Share-based Payment. It clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.
- Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations. It clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.
- Amendment to FRS 138 Intangible Assets. It clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives.
- Amendment to IC 9: Reassessment of Embedded Derivatives. The amendments clarify that the Interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

ii) Standards effective from March 1, 2010

- Amendment to FRS 132 Financial Instruments: Presentation (paragraphs 11, 16 and 97E of FRS 132) relating to Classification of Rights Issues. The amendments require rights issues are classified equity regardless of the currency in which the exercise price is denominated, provided certain conditions are met.

Part A - Explanatory Notes Pursuant to FRS 134 (Continued)

1. Basis of Preparation (Continued)

iii) Standards effective from January 1, 2011

- Amendment to FRS 1 (Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters) relieves first-time adopters of Financial Reporting Standards from providing the additional disclosures required from the amendments to FRS 7.
- Amendments to FRS 7 (Improving Disclosures about Financial Instruments) reinforce existing principles for disclosures about liquidity risk and require enhanced disclosures about fair value measurements.
- Amendments to FRS 1 (Additional Exemptions for First-time Adopters) exempts oil and gas entities using the full cost method from retrospective application of FRSs for its oil and gas assets.
- Amendments to FRS 2 (Share-based Payment) clarifies that an entity must account for goods or services received in a share-based payment arrangement regardless of which entity in the group settles the transaction and whether the settlement is in shares or cash.
- Amendment to IC Interpretation 4: Determining whether an Arrangement contains a Lease. It clarifies that although an arrangement does not take the legal form of a lease, it is a lease when the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement to convey a right to use the asset.
- Amendment to IC Interpretation 18: Transfers of Assets from Customers clarifies that if an entity receives Property, Plant and Equipment (PPE) and such PPE meet the definition of an asset, it shall recognise it in accordance with FRS 116 Property, Plant and Equipment.

The Company will apply the above standards, amendments and interpretations from financial period beginning January 1, 2011. The adoptions of these standards are not expected to have a material impact on the financial position of the Company.

The remaining standards and interpretations that are issued but not yet effective are not relevant to the Company's operations.

2. Comments about Seasonal or Cyclical Factors

The operations of the business are not seasonal or cyclical in nature.

3. Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows of the Company during the current quarter.

Part A - Explanatory Notes Pursuant to FRS 134 (Continued)

4. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter.

5. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the current quarter.

6. Dividend Paid

The amount of dividends paid since December 31, 2009 are as follows:

| | <u>RM'000</u> |
|---|---------------|
| In respect of the year ended December 31, 2009: | |
| Final dividend per stock unit, paid on June 21, 2010: | |
| Ordinary - 12 sen gross less income tax at 25% | 24,300 |
| | ===== |

7. Segmental Information

The Company is organised into one business segment which operates to manufacture and sell petroleum products. These integrated activities are known across the petroleum industries as Downstream segment.

Revenues from external customers are mainly derived from the sales of petroleum products to domestic customers and sales to ExxonMobil Asia Pacific Pte. Ltd. (EMAPPL), Singapore. A breakdown of the revenue from external customers is as follows:

| | Quarter ended | | 6 months ended | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 30.06.2010 | 30.06.2009 | 30.06.2010 | 30.06.2009 |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Sales to EMAPPL | 458,306 | 310,245 | 723,742 | 577,781 |
| Domestic sales | 1,783,563 | 1,561,612 | 3,518,164 | 2,818,852 |
| Licence fees on land and buildings | 6,310 | 5,847 | 12,476 | 12,062 |
| Others | 564 | 236 | 822 | 257 |
| Total External Revenues | 2,248,743 | 1,877,940 | 4,255,204 | 3,408,952 |

The Company derived more than 10% of its revenues from sales to related parties of approximately RM1,604,846,000 (2009: RM1,261,257,000). All non-current assets of the Company are located in Peninsular Malaysia.

Part A - Explanatory Notes Pursuant to FRS 134 (Continued)

8. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended December 31, 2009.

9. Subsequent Events

There were no material events subsequent to the end of the current quarter.

10. Changes in Composition of the Company

There were no changes in the composition of the Company during the current quarter.

11. Changes in Contingent Liabilities

There were no significant changes in contingent liabilities or contingent assets since the last annual balance sheet as at December 31, 2009.

12. Capital Commitments

Capital commitments not provided for in the Interim Financial Report as at June 30, 2010 are as follows:

| | |
|--|---------------|
| Property, plant & equipment | RM'000 |
| Approved and contracted for | 43,837 |
| Approved but not contracted for | 4,751 |
| | <u>48,588</u> |

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of BMSB

13. Review of Performance - Current Financial Period ended June 30, 2010

The Company recorded an after tax profit of RM71 million in the second quarter, RM58 million lower than in the second quarter of last year. Profits for the first half of 2010 were RM132 million, compared to the profits of RM180 million in the first half of 2009. The results mainly reflected the absence of inventory gains recorded in the second quarter and first half of 2009. However, excluding this effect, margins in both periods in 2010 had improved over the same periods of last year.

Revenues for the second quarter and first half of the year were RM2.2 billion and RM4.3 billion respectively, versus RM1.9 billion and RM3.4 billion for the same period in 2009 driven by higher average product prices.

14. Commentary on Prospects

Global economic trends will continue to influence the crude price environment and industry outlook. Recognising that potential for earnings volatility remains, the Company will continue to focus on flawless operations, product and service quality and cost control.

15. Profit Forecast or Profit Guarantee

As a matter of policy, the Company does not make profit forecasts or profit guarantees.

16. Taxation

| | Quarter ended | | 6 months ended | |
|-------------------|---------------|---------------|----------------|---------------|
| | 30.06.2010 | 30.06.2009 | 30.06.2010 | 30.06.2009 |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Current taxation | 30,763 | - | 45,523 | - |
| Prior year | (1) | - | (1) | - |
| Deferred taxation | (3,240) | 50,082 | 5,701 | 69,961 |
| | <u>27,522</u> | <u>50,082</u> | <u>51,223</u> | <u>69,961</u> |
| | ===== | ===== | ===== | ===== |

The statutory tax rate is 25% for the year ended December 31, 2010 (2009: 25%).

17. Sale of Unquoted Investments and Properties

In the current quarter and period ended June 30, 2010, the Company sold a property at carrying amount.

ESSO MALAYSIA BERHAD
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Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of BMSB

18. Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter.

19. Corporate Proposals

There were no corporate proposals.

20. Borrowings

The Company's borrowings as at June 30, 2010 are as follows:

| | <u>RM'000</u> |
|---|------------------------------|
| Short-term, unsecured | 807,950 ===== |
| | <u>USD'000</u> <u>RM'000</u> |
| Borrowings include a floating rate term loan at fixed foreign exchange rate from a related party | 140,000 507,950 |

21. Off Balance Sheet Financial Instruments

There were no financial arrangements with off balance sheet risk.

22. Changes in Material Litigation

There were no significant changes to material litigation since December 31, 2009.

ESSO MALAYSIA BERHAD
(Company Number 3927 V)

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of BMSB

23. Dividend Payable

The Company did not declare any dividends for the three months ended June 30, 2010.

24. Earnings Per Ordinary Stock Unit

| | Quarter ended | | 6 months ended | |
|---|-------------------|-------------------|-------------------|-------------------|
| | <u>30.06.2010</u> | <u>30.06.2009</u> | <u>30.06.2010</u> | <u>30.06.2009</u> |
| Net profit/(loss) for the period (RM'000) | 70,770 | 128,785 | 131,716 | 179,901 |
| Number of ordinary stock unit in issue ('000) | 270,000 | 270,000 | 270,000 | 270,000 |
| Earnings/(loss) per stock unit (sen) | 26.2 | 47.7 | 48.8 | 66.6 |
| | ===== | ===== | ===== | ===== |

25. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended December 31, 2009 was not qualified.