

Company No.

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

### **Interim report for the three months ended 31 December 2007**

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 14 February 2008, the Company is pleased to announce its financial results for the three months ended 31 December 2007.

This interim report is prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“BMSB”) Listing Requirements, and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2006.

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2007

### Condensed Income Statements

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 12 months ended	
		31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Sales		3,336,441	2,465,527	11,415,110	10,886,840
Cost of sales		(3,122,837)	(2,495,763)	(10,607,814)	(10,532,675)
Gross profit/(loss)		<b>213,604</b>	(30,236)	<b>807,296</b>	354,165
Other operating income		9,003	3,724	26,740	20,174
Administrative expenses		(4,909)	(9,010)	(35,854)	(43,831)
Other operating expenses		8,275	(12,870)	30,062	(7,557)
Finance cost		(11,727)	12,932	(20,037)	2,434
Profit/(loss) from ordinary activities before tax		<b>214,246</b>	(35,460)	<b>808,207</b>	325,385
Taxation	14	(55,608)	34,517	(214,989)	(67,168)
Profit/(loss) from ordinary activities after tax		<b>158,638</b>	(943)	<b>593,218</b>	258,217
Minority interest		-	-	-	-
Net profit/(loss) for the period		<b>158,638</b>	(943)	<b>593,218</b>	258,217
Estimated average annual effective tax rate		25.96%	97.34%	26.60%	20.64%
Earning per share:		sen	sen	sen	sen
- basic	19	52.88	-0.31	197.74	86.07
- diluted	19	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 11 form an integral part of, and should be read in conjunction with this interim financial report.

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 31 December 2007

### Condensed Balance Sheet

Unaudited

	Note	As at 31.12.2007 RM'000	As at 31.12.2006 RM'000
<b>Non-current assets</b>			
Property, plant and equipment		1,167,995	1,247,716
Prepaid land lease payments		2,010	2,031
<b>Current assets</b>			
Inventories		1,362,973	829,706
Trade receivables		39,779	128,685
Other receivables and prepayments		6,498	5,288
Tax recoverable		0	25,023
Amounts receivable from related companies		1,093,119	1,127,598
Bank balances		1,006	43,009
Deposit with licensed banks		169,195	0
Deposit placed with related company		169,195	0
<b>Total current assets</b>		<u>2,841,765</u>	<u>2,159,309</u>
<b>Total assets</b>		<u>4,011,770</u>	<u>3,409,056</u>
<b>Capital and reserves</b>			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained earnings		2,090,267	1,624,069
Shareholders' equity		<u>2,406,005</u>	<u>1,939,807</u>
<b>Current liabilities</b>			
Trade and other payables		80,487	92,943
Tax payable		52,639	0
Amounts payable to related companies		771,089	569,076
Derivative financial liability	18	26,649	0
Short term borrowings		0	83,880
<b>Total current liabilities</b>		<u>930,864</u>	<u>745,899</u>
<b>Non-current liabilities</b>			
Deferred taxation		211,585	227,387
Long term borrowings	20	463,316	493,780
Provision for liabilities		0	2,183
<b>Total non-current liabilities</b>		<u>674,901</u>	<u>723,350</u>
<b>Total Equity &amp; Liabilities</b>		<u>4,011,770</u>	<u>3,409,056</u>

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 31 December 2007

### Condensed Statement of Changes in Equity

*Unaudited*

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distri-butable	<u>Total</u> RM'000
	<u>Numbers of Shares</u> ' 000	<u>Nominal Value</u> RM'000	<u>Revaluation reserves</u> RM'000	<u>Retained earnings</u> RM'000	
<b>At 1 January 2006</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>1,603,452</b>	<b>1,919,190</b>
Profit after taxation for the year ended 31 December 2006			-	258,217	258,217
Dividend for the period ended:					
- 31 December 2005			-	(125,280)	(125,280)
- 31 December 2006			-	(112,320)	(112,320)
				-	-
<b>At 31 December 2006</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>1,624,069</b>	<b>1,939,807</b>
<b>At 1 January 2007</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>1,624,069</b>	<b>1,939,807</b>
Profit after taxation for the year ended 31 December 2007				593,218	593,218
Dividends for the period ended:					
- 31 December 2006			-	(83,220)	(83,220)
- 31 December 2007				(43,800)	(43,800)
<b>At 31 December 2007</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>2,090,267</b>	<b>2,406,005</b>

The notes set out on pages 6 to 11 form an integral part of, and should be read in conjunction with this interim financial report.

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 31 December 2007

### Condensed Cash Flow Statement

Unaudited

	<b>12 months ended</b>	
	<b>31.12.2007</b>	31.12.2006
	<b>RM'000</b>	RM'000
<b>Cash flows from operating activities</b>		
Profit after taxation	<b>593,218</b>	258,217
Adjustment for:		
Taxation	<b>214,989</b>	67,168
Depreciation of property, plant and equipment	<b>107,636</b>	110,349
Loss on disposal of property, plant and equipment	<b>143</b>	105
Interest income	<b>(13,218)</b>	(8,310)
Interest expense	<b>20,165</b>	29,662
Exchange gain on foreign currency translation	<b>(49,851)</b>	(22,108)
Unrealised loss on derivatives	<b>26,649</b>	0
	<b>899,731</b>	435,083
Changes in working capital		
Increase in inventories	<b>(533,267)</b>	(156,578)
Decrease/(Increase) in trade and other debtors	<b>138,697</b>	(25,022)
(Decrease)/increase in trade and other creditors	<b>(126,798)</b>	15,420
Decrease/(increase) in amounts receivable from related companies	<b>34,478</b>	(247,423)
Increase/(decrease) in amounts payable to related companies	<b>202,013</b>	(163,228)
Cash generated from/(used in) operations	<b>614,854</b>	(141,748)
Interest paid	<b>(20,165)</b>	(28,926)
Interest received	<b>13,218</b>	8,310
Taxation paid	<b>(153,129)</b>	(175,072)
Net cash generated from/(used in) operating activities	<b>454,778</b>	(337,436)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(28,058)</b>	(42,834)
Decommissioning and restoration costs	<b>(2,183)</b>	(1,317)
Net cash used in investing activities	<b>(30,241)</b>	(44,151)
<b>Cash flow from financing activities</b>		
Dividends paid	<b>(127,020)</b>	(237,189)
Net cash flow used in investing activities	<b>(127,020)</b>	(237,189)
<b>Net increase/(decrease) in cash and cash equivalent</b>	<b>297,517</b>	(618,776)
<b>Currency translation differences</b>	<b>(1,130)</b>	(1,091)
<b>Cash and cash equivalent at the beginning of the period</b>	<b>43,009</b>	662,876
<b>Cash and cash equivalent at the end of the period</b>	<b>339,396</b>	43,009

The notes set out on pages 6 to 11 form an integral part of, and should be read in conjunction with this interim financial report.

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

**Interim report for the three months ended 31 December 2007**

### **Notes to the Financial Information**

#### **1 Basis of preparation**

This interim report is prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements, and should be read in conjunction with the Company's financial statements for the year ended 31 December 2006.

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 performance of the Company since the financial year ended 31 December 2006.

The same accounting policies and methods of computation are followed in the interim financial statements as for the financial statements for the year ended 31 December 2006 except as disclosed below.

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the Company's financial period ended 31 December 2007 and applicable to the Company are as follows:

- FRS 117 Leases
- FRS 124 Related Party Disclosures

The Company uses standalone derivatives in the management of interest rate risk and foreign currency risk. These derivative contracts are recognised at fair value at inception. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement within 'Finance cost'.

The fair value of the derivative which is a cross currency interest rate swap is not traded in an active market and is therefore determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flow methods.

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Company require retrospective application.

#### **2 Audit report**

The audit report of the Company's preceding annual financial statement was not subjected to any qualification.

#### **3 Comments about Seasonal or Cyclical Factors**

The Company's operation is not affected by any seasonal or cyclical factors.

#### **4 Individually significant items**

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

### **Interim report for the three months ended 31 December 2007**

The Company has nothing to disclose as regards significant items in the quarterly financial statements under review.

## **Notes to the Financial Information**

### **5 Changes in Estimates**

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

### **6 Reclassification of prior year comparative**

The reclassification of prior year comparative did not affect the recognition and measurement of the Company's net assets. Expenses previously included in operating expenses of RM47.8 million are now presented within cost of sales and expenses previously included under administrative expenses of RM4.6 million are now presented within cost of sales for the cumulative year. Exchange gain/loss for financing in foreign currency of RM 34 million previously under other operating expenses is now presented within finance cost.

The Directors are of the opinion that this classification better reflects the operating activities of the Company.

### **7 Debt and equity securities**

The Company has nothing to disclose with respect to issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period to date.



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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 31 December 2007

### Notes to the Financial Information

#### 8 Dividend

	12 months ended 31 December 2007		12 months ended 31 December 2006	
	Gross dividend per share Sen	Amount of dividend net of 27% tax RM '000	Gross dividend per share Sen	Amount of dividend net of 28% tax RM '000
Special interim gross dividend approved by shareholders in respect of the quarter ended 31 December 2005, paid on 26 April 2006.	-	-	20	43,200
Final dividend approved by shareholders in respect of the year ended 31 December 2006, paid on 15 June 2007 (2005: paid on 9 June 2006)	38	83,220	38	82,080
Special interim dividend approved in respect of the quarter ended 31 March 2006 paid on 23 June 2006	-	-	20	43,200
Interim dividend approved in respect of the quarter ended 30 June 2007, paid on 21 September 2007 (2006: paid on 29 September 2006)	20	43,800	12	25,920
Special interim dividend approved in respect of the quarter ended 30 June 2006 paid on 29 September 2006	-	-	20	43,200

#### 9 Segmental Reporting

The Company is principally engaged in the oil and gas industry namely refining and manufacturing of petroleum products. Accordingly, no segmental information is considered necessary for analysis by industry segments.

#### 10 Carrying amount of revalue assets

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

### **Interim report for the three months ended 31 December 2007**

The Company has nothing to disclose as regards valuations of property, plant and equipment in the quarterly financial statements under review.

### **11 Significant post balance sheet event**

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

## **Notes to the Financial Information**

### **12 Changes in Composition of the Company**

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

### **13 Changes in Contingent Liabilities**

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2006.

### **14 Tax**

Taxation for the quarter ending 31 December 2007 amounting to RM 55,608,000 comprises:

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2007</b>	31.12.2006	<b>31.12.2007</b>	31.12.2006
	<b>(RM'000)</b>	(RM'000)	<b>(RM'000)</b>	(RM'000)
Income tax for current period	<b>(64,775)</b>	11,118	<b>(230,791)</b>	(107,237)
Transfer from deferred tax	<b>9,167</b>	23,399	<b>15,802</b>	40,069
	<b>(55,608)</b>	34,517	<b>(214,989)</b>	(67,168)

The difference between the statutory tax rate and the effective tax rate in 2007 is mainly due to the Unrealised DIE gain on capital and the effect of change in tax rate applied in the computation of deferred tax. For 2006, the difference between the statutory tax rate and the effective tax rate is mainly due to the depreciation expense of non-qualifying assets.

### **15 Unquoted investments and/or properties**

The Company has nothing to disclose with respect to sale of investments and/or properties (other than fixed assets in the normal course of business) in the quarterly financial statements under review.

### **16 Quoted Securities**

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

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 31 December 2007

### 17 Corporate proposal

The Company does not have anything to report as regards the status of corporate proposals.

## Notes to the Financial Information

### 18 Derivative Financial Liability

As at 31 December 2007, the Company has a position in the following derivative financial instrument:

	Contract principal amount RM	<u>2007</u> RM'000 Financial liability RM	Contract principal amount RM	<u>2006</u> RM'000 Financial liability RM
Derivatives :				
Cross Currency Interest Rate Swap	491,400	26,649	-	-

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates. The Company uses cross currency interest rate swaps to hedge its long-term borrowings in order to minimise its exposure to movements on foreign currency positions and interest rate volatility.

### 19 Earnings per share

		<b>3 months ended</b>		<b>12 months ended</b>	
		<b>31.12.2007</b>	31.12.2006	<b>31.12.2007</b>	31.12.2006
<b>(a) Basic earnings per share</b>					
Net profit for the period	(RM'000)	<b>158,638</b>	(943)	<b>593,218</b>	258,217
Weighted average number of ordinary shares in issue	('000)	<b>300,000</b>	300,000	<b>300,000</b>	300,000
Basic earnings per share	(sen)	<b>52.88</b>	(0.31)	<b>197.74</b>	86.07
<b>(b) Diluted earnings per share</b>	(sen)	<b>N/A</b>	N/A	<b>N/A</b>	N/A

### 20 Borrowings

Details of the Company's borrowings as at end of the period are as follows:

	<b>RM'000</b>
Long term - term loan (unsecured) less current portion	<u>463,316</u>

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Restated in loan's original currency:	<b>USD'000</b>
Bank borrowings denominated in foreign currency (USD)	140,000

## **Notes to the Financial Information**

### **21 Capital commitments**

Capital commitments not provided for in the financial statements as at 31 December 2007 are as follows:

	<b>RM'000</b>
Authorised by the Directors and contracted	3,190
Authorised by the Directors and not contracted	4,940
	<hr/>
	8,130
	<hr/>
Analysed as follows:	
- Property, plant and equipment	8,130
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### **22 Profit/(Loss) Before Taxation**

The fourth quarter of 2007 reported a profit before taxation compared to a loss in the same period of the previous year. The company recorded a profit before tax of RM214 million for the fourth quarter of 2007 compared to a loss before tax of RM35 million in the fourth quarter of 2006 (also see accompanying Management Commentary)

### **23 Company Performance**

A review of the Company's performance in the reporting period is provided for in the accompanying Management Commentary.

### **24 Current Year Prospect**

A commentary on the Company's current year prospects is provided for in the accompanying Management Commentary.

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

**Interim report for the three months ended 31 December 2007**

### **Management Commentary**

#### **COMPANY PERFORMANCE**

- **Quarterly net profit after tax of RM 159 million**
- **Over 7.8 million manhours without “Lost-Time-Injury” since May 2001**
- **Received the Prime Minister’s Hibiscus Award for Notable Achievement for 2006/2007**

The Company posted an after-tax net profit of RM 159 million for the fourth quarter of 2007. The profit of RM 159 million as compared to the net loss after tax of RM 1 million recorded in the same quarter last year was mainly due to higher stockholding gain. The stockholding gain net of tax for Q4 2007 was RM 163 million as compared to stockholding loss of RM 55 million for Q4 2006.

Net profit after tax for the fourth quarter of 2007 recorded an increase of RM30 million or 23% over that of third quarter of 2007. This was primarily due to the relatively higher stockholding gain in Q4 2007.

The refinery processed 9.3 million barrels of crude oil and sold 10.1 million barrels of products during the quarter. The Company’s continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI) up to 31 December 2007, resulting in 7.8 million hours worked without any LTI since 21 May 2001.

The Company received the prestigious Prime Minister’s Hibiscus Award for Notable Achievement for 2006/2007 in November 2007.

#### **CURRENT YEAR PROSPECTS**

Refining margins are expected to be under pressure in the first quarter of 2008 due to high crude prices and prevailing weak product market. Any changes in oil prices will have an impact on the Company’s financial results, given the stock accounting practice adopted by the Company.

The Company will continue to pursue operational excellence, proactive margin improvement and cost reduction, whilst maintaining strong Health, Safety and Environment performance.