

Company No.

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

(Incorporated in Malaysia)

### **Interim report for the three months ended 31 March 2008**

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

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 2007.

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2008

### Condensed Income Statements

*Unaudited*

	Note	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
		31.03.2008 RM'000	31.03.2007 RM'000	31.03.2008 RM'000	31.03.2007 RM'000
Revenue		3,426,700	2,191,049	3,426,700	2,191,049
Cost of sales		(3,271,706)	(2,013,272)	(3,271,706)	(2,013,272)
Gross Profit		<b>154,994</b>	177,777	<b>154,994</b>	177,777
Other operating income		7,757	4,081	7,757	4,081
Administrative expenses		(5,931)	2,725	(5,931)	2,725
Other operating expenses		22,351	6,151	22,351	6,151
Finance cost		(15,662)	(182)	(15,662)	(182)
Profit before taxation		<b>163,509</b>	190,553	<b>163,509</b>	190,553
Taxation	14	(40,960)	(53,187)	(40,960)	(53,187)
Profit for the year		<b>122,549</b>	137,366	<b>122,549</b>	137,366
Estimated average annual effective tax rate		<b>25.05%</b>	<b>27.91%</b>	<b>25.05%</b>	<b>27.91%</b>
Earning per share:		sen	sen	sen	sen
- basic	19	<b>40.85</b>	45.79	<b>40.85</b>	45.79
- diluted	19	<b>N/A</b>	N/A	<b>N/A</b>	N/A

The notes set out on pages 6 to 10 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 March 2008

### Condensed Balance Sheet

Unaudited

	Note	As at 31.03.2008 RM'000	As at 31.12.2007 RM'000
<b>Non-current assets</b>			
Property, plant and equipment		1,158,911	1,167,995
Prepaid lease payments		2,005	2,011
<b>Current assets</b>			
Inventories		1,139,489	1,362,973
Trade receivables		49,343	39,779
Other receivables and prepayments		8,841	6,498
Amounts receivable from related companies		1,403,292	1,262,314
Bank balances		19,275	1,006
Deposit with licensed banks		261,132	169,195
Derivative financial asset		-	2,260
<b>Total current assets</b>		<b>2,881,372</b>	<b>2,844,025</b>
<b>Total assets</b>		<b>4,042,288</b>	<b>4,014,031</b>
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained earnings		2,212,816	2,090,267
Shareholders' equity		<b>2,528,554</b>	<b>2,406,005</b>
<b>Current liabilities</b>			
Trade and other payables		62,643	80,488
Tax payable		67,471	52,639
Amounts payable to related companies		681,504	771,089
Derivative financial liability	18	4,233	-
<b>Total current liabilities</b>		<b>815,851</b>	<b>904,216</b>
<b>Non current liabilities</b>			
Deferred taxation		200,448	211,585
Long term borrowings	20	447,300	463,316
Derivative financial liability	18	50,135	28,909
<b>Total non current liabilities</b>		<b>697,883</b>	<b>703,810</b>
<b>Total Equity &amp; Liabilities</b>		<b>4,042,288</b>	<b>4,014,031</b>

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2008

### Condensed Statement of Changes in Equity

*Unaudited*

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distri-butable	<b>Total</b> RM'000
	<b>Numbers of Shares</b> ' 000	<b>Nominal Value</b> RM'000	<b>Revaluation reserves</b> RM'000	<b>Retained earnings</b> RM'000	
<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 for the year ended 31 December 2007			-	593,218	593,218
Dividend for the year 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>
<b>At 1 January 2008</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>2,090,267</b>	<b>2,406,005</b>
Profit for the period ended 31 March 2008				122,549	122,549
Dividends for the period ended:					
- 31 March 2007			-	-	-
- 31 March 2008			-	-	-
<b>At 31 March 2008</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>2,212,816</b>	<b>2,528,554</b>

The notes set out on pages 6 to 10 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 March 2008

### Condensed Cash Flow Statement

Unaudited

	<b>3 months ended</b>	
	<b>31.03.2008</b>	31.03.2007
	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	<b>122,549</b>	137,366
Adjustment for:		
Taxation	<b>40,960</b>	53,187
Depreciation of property, plant and equipment	<b>26,973</b>	26,804
Interest income	<b>(4,182)</b>	(1,554)
Interest expense	<b>3,935</b>	7,467
Net exchange gains-unrealised	<b>(9,403)</b>	(21,901)
Unrealised loss on derivative financial instrument	<b>27,719</b>	-
	<b>208,551</b>	201,370
Changes in working capital		
Decrease/(increase) in inventories	<b>223,485</b>	(200,580)
(Increase)/decrease in trade and other debtors	<b>(2,498)</b>	128,969
Decrease in trade and other creditors	<b>(33,862)</b>	(131,402)
(Increase)/decrease in amounts receivable from related companies	<b>(81,553)</b>	262,133
(Decrease)/increase in amounts payable to related companies	<b>(89,585)</b>	17,438
Net cash generated from operations	<b>224,538</b>	277,926
Interest received	<b>4,182</b>	1,554
Taxation paid	<b>(37,265)</b>	(27,851)
Net cash flow generated from operating activities	<b>191,455</b>	251,629
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(17,889)</b>	(8,011)
Deposit placed with related company	<b>(59,425)</b>	(124,210)
Net cash flow used in investing activities	<b>(77,314)</b>	(132,221)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	<b>(3,935)</b>	(7,467)
Net cash flow used in financing activities	<b>(3,935)</b>	(7,467)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>110,206</b>	111,940
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>170,201</b>	43,009
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>280,407</b>	154,949

The notes set out on pages 6 to 10 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 March 2008**

### **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 2007.

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 2007.

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 2007.

#### **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**

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

#### **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 administrative expenses of RM17.1 million are now presented within cost of sales and expenses.

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

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

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**Interim report for the three months ended 31 March 2008**

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

#### **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.

#### **8 Dividend**

The Company has not declared any dividend for the 3 months period ended 31 March 2008.

#### **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**

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.

#### **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 2007.



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

(Incorporated in Malaysia)

**Interim report for the three months ended 31 March 2008**

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

#### **14 Taxation**

Taxation for the quarter ending 31 March 2008 amounting to RM 40,960,000 comprises:

	<b>3 months ended</b>	
	<b>31.03.2008</b>	<b>31.03.2007</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
Income tax for current period	<b>(52,098)</b>	(53,442)
Transfer from deferred tax	<b>11,138</b>	255
	<b>(40,960)</b>	(53,187)

The difference between the statutory tax rate and the effective tax rate in 2008 is mainly due to the difference in the movement of unrealised loss in exchange computed for current tax and deferred tax and effect of change in tax rate applied in the computation of deferred tax. For 2007, the difference between the statutory tax rate and the effective tax rate 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.

#### **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.

#### **17 Corporate proposal**

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

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2008

### Notes to the Financial Information

#### 18 Derivative Financial Liability

As at 31 March 2008, the Company has a position in the following derivative financial instrument:

	<u>31.03.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000
	Total Carrying	Total Carrying
	Amount	Amount
Term loan	447,300	463,316
CCIRS	54,368	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>31.03.2008</b>	31.03.2007
<b>(a) Basic earnings per share</b>			
Net profit for the period	(RM'000)	<b>122,549</b>	137,366
Weighted average number of ordinary shares in issue	('000)	<b>300,000</b>	300,000
Basic earnings per share	(sen)	<b>40.85</b>	45.79
<b>(b) Diluted earnings per share</b>			
	(sen)	<b>N/A</b>	N/A

#### 20 Long term 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>447,300</u>
Restated in loan's original currency:	<b>USD'000</b>
Bank borrowings denominated in foreign currency (USD)	140,000

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

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**Interim report for the three months ended 31 March 2008**

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

#### **21 Capital commitments**

Capital commitments not provided for in the financial statements as at 31 March 2008 are as follows:

	<b>RM'000</b>
Authorised by the Directors and contracted	15,385
Authorised by the Directors and not contracted	23,711
	<u>39,096</u>
 Analysed as follows:	
- Property, plant and equipment	<u>39,096</u>

#### **22 Profit/(Loss) Before Taxation**

The first quarter of 2008 reported a lower profit before taxation compared to the same period of the previous year. The company recorded a profit before tax of RM164 million for the first quarter of 2008 compared to a profit before tax of RM191 million in the first quarter of 2007 (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 March 2008**

## **Management Commentary**

### **COMPANY PERFORMANCE**

- **Quarterly net profit after tax of RM 123 million**
- **Over 8.2 million manhours without “Lost-Time-Injury” since May 2001**
- **Received the inaugural Malaysia Business CSR (Environment) 2007 Awards**

The Company posted an after-tax net profit of RM 123 million for the first quarter of 2008. The profit of RM 123 million as compared to the net profit of RM137 million recorded in the same quarter last year was due to lower refining margins and stockholding gain. The stockholding gain net of tax for Q1 2008 was RM 27 million as compared to stockholding gain of RM 44 million for Q1 2007.

Net profit after tax for the first quarter of 2008 recorded a decrease of RM36 million or 23% below that of fourth quarter of 2007. This was primarily due to the relatively lower stockholding gain in Q1 2008.

The refinery processed 9.7 million barrels of crude oil and sold 9.9 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 March 2008, resulting in 8.2 million hours worked without any LTI since 21 May 2001.

The Company received the inaugural Malaysia Business CSR (Environment) 2007 Awards in February 2008.

### **CURRENT YEAR PROSPECTS**

Refining margins are expected to be under pressure in the second quarter of 2008 due to high crude prices and market volatility. 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.