

Company No.

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

(Incorporated in Malaysia)

### **Interim report for the three months ended 30 June 2010**

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 04 August 2010, the Company is pleased to announce its financial results for the three months ended 30 June 2010.

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 2009.

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2010

### Condensed Income Statements

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 6 months ended	
		30.06.2010 RM'000	30.06.2009 RM'000	30.06.2010 RM'000	30.06.2009 RM'000
Revenue		2,708,374	2,306,806	5,192,341	4,137,027
Cost of sales		(2,761,644)	(2,020,777)	(5,178,909)	(3,674,583)
Gross (loss)/profit		(53,270)	286,029	13,432	462,444
Other operating income		6,799	5,882	13,767	13,864
Administrative expenses		(1,358)	(9,946)	(13,754)	(19,043)
Other operating expenses		(9,532)	13,000	8,606	(13,967)
Finance cost		(5,800)	(2,991)	(8,990)	(7,538)
(Loss)/profit before taxation		(63,161)	291,974	13,061	435,760
Taxation	13	11,561	(71,644)	(6,901)	(109,953)
(Loss)/profit for the period		(51,600)	220,330	6,160	325,807
Estimated average effective tax rate		18.30%	24.54%	52.84%	25.23%
Earning per share:					
- basic (sen)	18	(17.20)	73.44	2.05	108.60
- diluted (sen)	18	N/A	N/A	N/A	N/A

### Condensed Statements of Comprehensive Income

	Individual Quarter 3 months ended		Cumulative Quarters 6 months ended.	
	31.03.2010 RM'000	31.03.2009 RM'000	30.06.2010 RM'000	30.06.2009 RM'000
(Loss)/profit for the period	(51,600)	220,330	6,160	325,807
Other comprehensive income				
Unrealised net exchange loss	4,819	617	5,673	7,829
Total comprehensive income for the period	(46,781)	220,947	11,833	333,636
Total comprehensive income attributable to:				
- Shareholders of the company	(46,781)	220,947	11,833	333,636

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 30 June 2010

### Condensed Balance Sheet

Unaudited

	As at 30.06.2010 RM'000	As at 31.12.2009 RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,095,295	1,107,345
Prepaid lease payments	1,958	1,969
Long term receivables	11,215	3,384
	<u>1,108,468</u>	<u>1,112,698</u>
<b>CURRENT ASSETS</b>		
Inventories	910,901	941,046
Trade receivables	9,576	16,947
Other receivables and prepayments	15,400	1,342
Tax recoverable	77,229	65,000
Amounts receivable from related companies	1,080,861	920,626
Deposit with licensed banks	244,040	179,841
Bank balances	65,320	92,133
	<u>2,403,327</u>	<u>2,216,935</u>
<b>TOTAL ASSETS</b>	<u>3,511,795</u>	<u>3,329,633</u>
<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	1,726,613	1,782,279
	<u>2,042,351</u>	<u>2,098,017</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	77,116	70,862
Amounts payable to related companies	791,485	485,612
Short term borrowings	17 -	479,668
Derivative financial liability	17 -	12,985
	<u>868,601</u>	<u>1,049,127</u>
<b>NON-CURRENT LIABILITIES</b>		
Long term borrowings	17 450,000	-
Deferred tax liabilities	150,843	182,489
	<u>600,843</u>	<u>182,489</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>3,511,795</u>	<u>3,329,633</u>

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 30 June 2010**

**Condensed Statement of Changes in Equity**

*Unaudited*

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distributable	
	Numbers of Shares '000	Nominal Value RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000
<b>At 1 January 2010</b>	300,000	300,000	15,738	1,782,279	2,098,017
Profit for the year ended 30 June 2010			-	11,833	11,833
Dividend for the year ended:					
- 31 December 2009			-	(67,500)	(67,500)
- 31 December 2010			-	-	-
<b>At 30 June 2010</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>1,726,612</b>	<b>2,042,350</b>
<b>At 1 January 2009</b>	300,000	300,000	15,738	1,604,850	1,920,588
Profit for the year ended 31 December 2009			-	289,929	289,929
Dividend for the year ended:					
- 31 December 2008			-	(67,500)	(67,500)
- 31 December 2009			-	(45,000)	(45,000)
<b>At 31 December 2009</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>1,782,279</b>	<b>2,098,017</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 30 June 2010

### Condensed Cash Flow Statement

Unaudited

	6 months ended	
	30.06.2010	30.06.2009
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	13,061	443,590
Adjustments for:		
Property, plant and equipment		
- depreciation	58,115	57,561
- write off	-	372
Interest expense	(41)	6,266
Interest income	1,559	(5,939)
Net foreign exchange (gain)/loss - unrealised	(49,577)	18,492
Fair value loss/(gain) on derivative financial instrument	22,474	(15,487)
Allowance for inventories write down	2,551	-
Amortisation of prepaid lease payments	10	10
Write back of allowance for doubtful debts	36	-
	<u>48,188</u>	<u>504,865</u>
Changes in working capital		
Inventories	27,594	(401,861)
Trade and other receivables	13,601	(15,474)
Trade and other payables	(23,417)	(2,893)
Related companies	(4,765)	67,553
Cash generated from operations	<u>61,201</u>	<u>152,190</u>
Interest received	4,602	5,939
Tax paid	(28,368)	(73,517)
Net cash flow from operating activities	<u>37,435</u>	<u>84,612</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(48,267)	(5,384)
Net withdrawals with a related company	164,677	21,700
Net cash flow from investing activities	<u>116,410</u>	<u>16,316</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(6,120)	(6,266)
Dividends paid	(67,500)	(67,500)
Repayment of Borrowings	(42,839)	-
Net cash flow from financing activities	<u>(116,459)</u>	<u>(73,766)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>37,386</b>	<b>27,162</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>271,974</b>	<b>551,448</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>309,360</u></b>	<b><u>578,610</u></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 30 June 2010**

### **Notes to the Financial Statements**

#### **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 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 performance of the Company since the financial year ended 31 December 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 31 December 2009.

#### **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 to 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 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**

(Incorporated in Malaysia)

**Interim report for the three months ended 30 June 2010**

### **Notes to the Financial Statements**

#### **7 Dividend**

	<b>6 months ended 30 June 2010</b>		<b>6 months ended 30 June 2009</b>	
	<b>Gross dividend per share Sen</b>	<b>Amount of dividend net of 25% tax RM '000</b>	<b>Gross dividend per share Sen</b>	<b>Amount of dividend net of 25% tax RM '000</b>
Final dividend approved by shareholders in respect of the year ended 31 December 2009, paid on 23 June 2010 (2008: paid on 18 June 2009)	<b>30</b>	<b>67,500</b>	<b>30</b>	<b>67,500</b>

#### **8 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.

#### **9 Carrying amount of revalue assets**

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

#### **10 Significant post balance sheet event**

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

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

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

#### **12 Changes in Contingent Liabilities**

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

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

(Incorporated in Malaysia)

Interim report for the three months ended 30 June 2010

### **Notes to the Financial Statements**

#### **13 Taxation**

Taxation for the quarter ending 30 June 2010 amounting to RM11,561,000 comprises:

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2010</b>	30.06.2009	<b>30.06.2010</b>	30.06.2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Current Period</b>				
Income tax	4,249	(12,420)	(16,321)	(12,420)
Movement in deferred tax	7,312	(59,224)	9,420	(97,533)
	<b>11,561</b>	<b>(71,644)</b>	<b>(6,901)</b>	<b>(109,953)</b>

The difference between the statutory tax rate and the effective tax rate in Q2 2010 is mainly due to amortization of deferred charges and also due to depreciation adjustment. For Q2 2009, the difference is mainly due to unrealised loss on difference in exchange (DIE) and unidentified movement in NBV arising from assumptions used in calculating qualifying NBV in deferred tax.

#### **14 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.

#### **15 Quoted Securities**

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

#### **16 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 30 June 2010

### Notes to the Financial Statements

#### 17 Borrowings

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

	<b>30.06.2010</b>	31.12.2009
	<b>RM'000</b>	RM'000
Term loan (unsecured)		
- Short term	-	479,668
- Long term	450,000	-
	<u>450,000</u>	<u>479,668</u>
Restated in loan's original currency:	<b>USD'000</b>	USD'000
Bank borrowings denominated in foreign currency	-	140,000

#### 18 Earnings per share

		<b>3 months ended</b>		<b>6 months ended</b>	
		<b>30.06.2010</b>	30.06.2009	<b>30.06.2010</b>	30.06.2009
<b>(a) Basic earnings per share</b>					
Net profit for the period	(RM'000)	<b>(51,600)</b>	220,329	<b>6,160</b>	325,807
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>(17.20)</b>	73.44	<b>2.05</b>	108.60
<b>(b) Diluted earnings per share</b>	(sen)	<b>N/A</b>	N/A	<b>N/A</b>	N/A

#### 19 Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2010 are as follows:

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Authorised by the Directors and contracted	51,569
Authorised by the Directors and not contracted	3,412
	<u>54,981</u>

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

(Incorporated in Malaysia)

**Interim report for the three months ended 30 June 2010**

### **Notes to the Financial Statements**

#### **20 Loss Before Taxation**

The company recorded a loss before tax of RM63 million for the three months ended 30 June 2010 compared to a profit before tax of RM292 million in the same period of 2009 (also see accompanying Management Commentary).

#### **21 Company Performance**

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

#### **22 Financial Instrument**

The company has complied with the requirements of FRS 7 and FRS 139. The initial adaptation was initiated from 1 January 2010. The accounts impacted by these standards have been adjusted accordingly wherever necessary.

#### **23 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 30 June 2010**

### **Management Commentary**

#### **COMPANY PERFORMANCE**

- **Year to date earnings of RM12 million**
- **Interim Dividend of 20 sen per unit of share**
- **Over 11 million man-hours without “Lost-Time-Injury” (LTI) since May 2001**

The Company posted an after-tax net gain of RM12m for the first 6 months of 2010 compared to RM334m in the same period for 2009.

Financial performance of the company has recorded a net-loss of RM 47 million in the second quarter of 2010 as compared to a net-gain of RM 221 million recorded in the same quarter of last year.

This financial result is mainly attributed to stockholding losses with lower crude and product prices, although refining margins remain satisfactory. Stockholding losses after tax were recorded at RM32 million compared to stockholding gains of RM162 million in the corresponding period in 2009.

The Board of Shell Refining is pleased to declare an interim dividend of 20 sen per unit of share of RM1.00 each, less 25 per cent Malaysian Income Tax in respect of the financial year ending December 31, 2010, payable on September 30, 2010 to shareholders registered in either the Record of Depositors or the Register of Members at the close of business on September 8, 2010.

In the second quarter of 2010, the refinery processed 8.9 million barrels of crude oil and sold 9.0 million barrels of product.

The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI), resulting in more than 11 million hours worked without LTI since 21 May 2001.

#### **CURRENT YEAR PROSPECTS**

Refining margins are expected to be under pressure in Q3 2010 due to continued low global demand.