

Company No.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 September 2010

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 11 November 2010, the Company is pleased to announce its financial results for the three months ended 30 September 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 September 2010

Condensed Income Statements

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
		30.09.2010 RM'000	30.09.2009 RM'000	30.09.2010 RM'000	30.09.2009 RM'000
Revenue		2,646,639	2,350,160	7,838,980	6,487,187
Cost of sales		(2,675,719)	(2,359,836)	(7,854,628)	(6,034,419)
Gross (loss)/profit		(29,080)	(9,676)	(15,648)	452,768
Other operating income		7,454	6,925	21,221	20,789
Administrative expenses		(9,154)	(10,209)	(22,908)	(29,252)
Other operating expenses		16,587	(2,508)	25,193	(16,475)
Finance cost		(12,210)	(2,790)	(15,527)	(2,500)
(Loss)/profit before taxation		(26,403)	(18,258)	(7,669)	425,330
Taxation	13	6,942	(17,092)	41	(127,045)
(Loss)/profit for the period		(19,461)	(35,350)	(7,628)	298,285
Estimated average effective tax rate		26.3%	-93.61%	0.53%	29.87%
Earning per share:					
- basic (sen)	18	(6.49)	(11.78)	(2.54)	99.43
- diluted (sen)	18	N/A	N/A	N/A	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 30 September 2010

Condensed Balance Sheet

Unaudited

	Note	As at 30.09.2010 RM'000	As at 31.12.2009 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,096,876	1,107,345
Prepaid lease payments		1,953	1,969
Long term receivables		5,816	3,384
		<u>1,104,645</u>	<u>1,112,698</u>
CURRENT ASSETS			
Inventories		1,058,897	941,046
Trade receivables		4,434	16,947
Other receivables and prepayments		12,153	1,342
Tax recoverable		78,338	65,000
Amounts receivable from related companies		1,098,014	920,626
Deposit with licensed banks		204,775	179,841
Bank balances		219,152	92,133
		<u>2,675,763</u>	<u>2,216,935</u>
TOTAL ASSETS		<u>3,780,408</u>	<u>3,329,633</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained earnings		1,662,151	1,782,279
		<u>1,977,889</u>	<u>2,098,017</u>
CURRENT LIABILITIES			
Trade and other payables		38,055	70,862
Amounts payable to related companies		1,144,082	485,612
Short term borrowings	17	-	479,668
Derivative financial liability	17	-	12,985
		<u>1,182,137</u>	<u>1,049,127</u>
NON-CURRENT LIABILITIES			
Long term borrowings	17	450,000	-
Deferred tax liabilities		170,382	182,489
		<u>620,382</u>	<u>182,489</u>
TOTAL EQUITY AND LIABILITIES		<u>3,780,408</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 September 2010

Condensed Statement of Changes in Equity

Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distributable	<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	
At 1 January 2010	300,000	300,000	15,738	1,782,279	2,098,017
Profit for the year ended 30 September 2010			-	(7,628)	(7,628)
Dividend for the year ended:					
- 31 December 2009			-	(67,500)	(67,500)
- 31 December 2010			-	(45,000)	(45,000)
At 30 September 2010	300,000	300,000	15,738	1,662,151	1,977,889
At 1 January 2009	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)
At 31 December 2009	300,000	300,000	15,738	1,782,279	2,098,017

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 September 2010

Condensed Cash Flow Statement

Unaudited

	9 months ended	
	30.09.2010	30.09.2009
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(7,669)	408,901
Adjustments for:		
Property, plant and equipment		
- depreciation	87,973	86,415
- write off	-	372
Interest expense	9,582	8,816
Interest income	(7,438)	(7,815)
Net foreign exchange (gain)/loss - unrealised	(46,639)	23,575
Fair value loss/(gain) on derivative financial instrument	22,474	(9,474)
Allowance for inventories write down	3,574	-
Amortisation of prepaid lease payments	15	15
Write back of allowance for doubtful debts	4	-
	<u>61,876</u>	<u>510,805</u>
Changes in working capital		
Inventories	(121,425)	(399,350)
Trade and other receivables	18,776	(7,365)
Trade and other payables	(62,479)	2,588
Related companies	311,708	(102,698)
Cash generated from operations	<u>208,456</u>	3,980
Interest received	7,438	7,815
Tax paid	(33,760)	(73,517)
Net cash flow from operating activities	<u>182,134</u>	<u>(61,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(79,276)	(37,773)
Net withdrawals with a related company	214,016	120,717
Net cash flow from investing activities	<u>134,740</u>	<u>82,944</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(9,582)	(8,816)
Dividends paid	(112,500)	(67,500)
Repayment of Borrowings	(42,839)	-
Net cash flow from financing activities	<u>(164,921)</u>	<u>(76,316)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	151,953	(55,094)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	271,974	274,986
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>423,927</u>	<u>219,892</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 September 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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Interim report for the three months ended 30 September 2010

Notes to the Financial Statements

7 Dividend

	9 months ended 30 September 2010		9 months ended 30 September 2009	
	Gross dividend per share Sen	Amount of dividend net of 25% tax RM '000	Gross dividend per share Sen	Amount of dividend net of 25% tax RM '000
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)	30	67,500	30	67,500
Interim Dividend approved in respect of the year ended 31 December 2010, paid on 30 September 2010.(2009: paid on 15 October 2010)	20	45,000	20	45,000

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

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Interim report for the three months ended 30 September 2010

Notes to the Financial Statements

13 Taxation

Taxation for the quarter ending 30 September 2010 amounting to RM 6,942 comprises:

	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	592	(24,137)	(15,730)	(36,557)
Movement in deferred tax	4,930	31,972	14,351	(65,561)
	<u>5,522</u>	<u>7,835</u>	<u>(1,379)</u>	<u>(102,118)</u>
Prior Period				
Income tax	1,420	-	1,420	-
Movement in deferred tax	-	(24,927)	-	(24,927)
	<u>6,942</u>	<u>(17,092)</u>	<u>41</u>	<u>(127,045)</u>

The effective tax rate of 26% for quarter ending 30 September 2010 is slightly higher than statutory tax rate of 25% due to unrealised DIE loss which is not deductible for tax purposes. The difference between the statutory tax rate and the effective tax rate for the quarter ending 30 September 2009 is mainly due to a prior period adjustment in deferred tax from inventories provisions.

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

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Interim report for the three months ended 30 September 2010

Notes to the Financial Statements

17 Borrowings

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

	30.09.2010	31.12.2009
	RM'000	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:	USD'000	USD'000
Bank borrowings denominated in foreign currency	-	140,000

Derivative Financial Instrument

As at 30 September 2010, the Company has a position in the following derivative financial liability :

	<u>Less than 1 year</u>	<u>Between 2 - 3 years</u>
	RM'000	RM'000
As at 30 September 2010		
- Cross Currency Interest Rate Swap	-	-
	<u> </u>	<u> </u>
As at 31 December 2009		
- Cross Currency Interest Rate Swap	12,985	-
	<u> </u>	<u> </u>

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 short-term borrowings in order to minimise its exposure to movements on foreign currency positions and interest rate volatility.

18 Earnings per share

		3 months ended		9 months ended	
		30.09.2010	30.09.2009	30.09.2010	30.09.2009
(a) Basic earnings per share					
Net (loss)/profit for the period	(RM'000)	(19,461)	(35,350)	(7,628)	298,285
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	(6.49)	(11.78)	(2.54)	99.43
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

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Notes to the Financial Statements

19 Capital commitments

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

	RM'000
Property, plant and equipment	
Authorised by the Directors and contracted	193,945
Authorised by the Directors and not contracted	<u>708,268</u>
	<u>902,113</u>

20 Loss Before Taxation

The company recorded a loss before tax of RM26 million for the three months ended 30 September 2010 compared to a loss before tax of RM18 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 adoption 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

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Interim report for the three months ended 30 September 2010

Management Commentary

COMPANY PERFORMANCE

- **Third quarter loss of RM19 million**
- **Over 12 million man-hours without “Lost-Time-Injury” (LTI) since May 2001**
- **New 6000 tonnes per day diesel processing unit on schedule**

The Company posted a lower after tax loss of RM19 million in Q3 2010, as compared to RM35 million in the same quarter of 2009. The loss is mainly due to low refining margins and stockholding losses. Stockholding losses after tax were recorded at RM13 million compared to stockholding gains of RM12 million in the corresponding period in 2009.

In the third quarter of 2010, the refinery processed 9.4 million barrels of crude oil and sold 10.0 million barrels of product.

The Company's continued strong focus on safety has allowed it to achieve 12 million hours worked without Lost Time Injury (LTI) since 21 May 2001 on 3 August 2010.

The Company received the Grand Award from Malaysian Society for Occupational Safety and Health (MSOSH) in July 2010 in recognising its superior occupational, safety and health performance for the fourth consecutive time.

The Company is on schedule to build a new 6,000 tonnes per day diesel processing unit, which will allow it to vary its feedstock options, increase diesel production and improve refining margins.

CURRENT YEAR PROSPECTS

Refining margins are expected to remain poor in Q4 2010 due to continued low global demand.