

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 2011

Following the Shell Refining Company (Federation of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 1 Nov 2011, the Company is pleased to announce its financial results for the three months ended 30 September 2011.

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 2010.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 September 2011

Condensed Statement of Comprehensive Income

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
		30.09.2011 RM'000	30.09.2010 RM'000	30.09.2011 RM'000	30.09.2010 RM'000
Revenue		3,069,907	2,646,639	7,889,984	7,838,980
Cost of sales		(3,265,580)	(2,675,719)	(7,942,010)	(7,854,628)
Gross profit / (loss)		(195,673)	(29,080)	(52,026)	(15,648)
Other operating income		6,921	7,454	26,712	21,221
Administrative expenses		(10,088)	(9,154)	(27,481)	(22,908)
Other operating expenses		4,893	16,587	20,897	25,193
Finance cost		(6,119)	(12,210)	(17,137)	(15,527)
Profit / (loss) before taxation		(200,066)	(26,403)	(49,035)	(7,669)
Taxation	13	65,987	6,942	22,783	41
Profit / (loss) for the year/total comprehensive income for the year		(134,079)	(19,461)	(26,252)	(7,628)
Estimated average effective tax rate		32.98%	26.29%	46.46%	0.53%
Earnings per share:					
- basic (sen)	18	(44.69)	(6.49)	(8.75)	(2.54)
- diluted (sen)	18	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

(Incorporated in Malaysia)

Interim report for the three months ended 30 September 2011

Condensed Statement of Financial Position

Unaudited

	Note	As at 30.09.2011 RM'000	As at 31.12.2010 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,386,794	1,153,515
Prepaid lease payments		2,133	1,948
Long term receivables		1,213	2,134
		<u>1,390,140</u>	<u>1,157,597</u>
CURRENT ASSETS			
Inventories		1,344,660	1,001,195
Trade receivables		9,597	6,596
Other receivables and prepayments		3,138	1,083
Tax recoverable		12,788	7,567
Amounts receivable from related companies		1,176,629	1,220,616
Derivative financial asset		11,051	-
Deposit with licensed banks		-	83,045
Bank balances		41,176	68,466
		<u>2,599,039</u>	<u>2,388,568</u>
TOTAL ASSETS		<u>3,989,179</u>	<u>3,546,165</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		1,637,413	1,776,165
		<u>1,953,151</u>	<u>2,091,903</u>
CURRENT LIABILITIES			
Trade and other payables		83,470	151,783
Amounts payable to related companies		682,350	686,435
Short term borrowings	17	295,410	-
		<u>1,061,230</u>	<u>838,218</u>
NON-CURRENT LIABILITIES			
Long term borrowings	17	832,740	450,000
Deferred tax liabilities		142,058	166,044
		<u>974,798</u>	<u>616,044</u>
TOTAL EQUITY AND LIABILITIES		<u>3,989,179</u>	<u>3,546,165</u>

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 30 September 2011

Condensed Statement of Changes in Equity

Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distributable	
	Numbers of Shares	Nominal Value	Revaluation reserves	Retained earnings	Total
	'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	300,000	300,000	15,738	1,776,165	2,091,903
Loss for the period ended 30 September 2011	-	-	-	(26,252)	(26,252)
Dividend for the year ended:					
- 31 December 2010	-	-	-	(67,500)	(67,500)
- 31 December 2011	-	-	-	(45,000)	(45,000)
At 30 September 2011	300,000	300,000	15,738	1,637,413	1,953,151
At 1 January 2010	300,000	300,000	15,738	1,782,279	2,098,017
Profit for the year ended 31 December 2010	-	-	-	106,386	106,386
Dividend for the year ended:					
- 31 December 2009	-	-	-	(67,500)	(67,500)
- 31 December 2010	-	-	-	(45,000)	(45,000)
At 31 December 2010	300,000	300,000	15,738	1,776,165	2,091,903

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 30 September 2011

Condensed Cash Flow Statement*Unaudited*

	9 months ended	
	30.09.2011	30.09.2010
	RM'000	RM'000
		Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(49,035)	(7,669)
Adjustments for:		
Property, plant and equipment		
- depreciation	86,811	87,973
- gain on disposals	(782)	-
Interest expense	12,822	9,582
Interest income	(7,863)	(7,438)
Net foreign exchange gain - unrealised	(38,381)	(45,970)
Fair value (gain)/loss on derivative financial instrument	(11,051)	21,805
Allowance for inventories write down	55,321	3,574
Amortisation of prepaid lease payments	(185)	15
Write back of allowance for doubtful debts	-	4
	<u>47,657</u>	<u>61,876</u>
Changes in working capital		
Inventories	(398,786)	(121,425)
Trade and other receivables	50,806	18,776
Trade and other payables	(68,313)	(62,479)
Related companies	(43,143)	311,708
Cash generated from operations	<u>(411,779)</u>	208,456
Interest received	7,863	7,438
Tax paid	(16,423)	(33,760)
Tax refund	9,999	-
Net cash flow from operating activities	<u>(410,340)</u>	<u>182,134</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(320,591)	(79,276)
Proceeds from disposal of property, plant and equipment	1,283	-
Net withdrawals with a related company	83,045	214,016
Net cash flow from investing activities	<u>(236,263)</u>	<u>134,740</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid	(12,822)	(9,582)
Dividends paid	(112,500)	(112,500)
Borrowings	661,590	(42,839)
Net cash flow from financing activities	<u>536,268</u>	<u>(164,921)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(110,335)	151,953
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	151,511	271,974
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>41,176</u>	<u>423,927</u>

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 30 September 2011

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 2010.

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 2010.

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 2010.

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 Reclassification of prior year comparative

The reclassification of prior year comparative did not affect the recognition and measurement of the Company's net assets. Interest expense & interest income reflected in the condensed cash flow statement has been restated.

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.

SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 September 2011

Notes to the Financial Statements**8 Dividend**

	9 months ended 30 September 2011		9 months ended 30 September 2010	
	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 2010, paid on 22 June 2011 (2009: paid on 23 June 2010)	30	67,500	30	67,500
Interim Dividend approved in respect of the year ended 31 December 2011, paid on 30 September 2011 (2010: paid on 30 September 2010)	20	45,000	20	45,000

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 to 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 2010.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 30 September 2011

Notes to the Financial Statements

14 Taxation

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

	3 months ended		9 months ended	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	54,194	592	(4,211)	(15,730)
Movement in deferred tax	8,784	4,930	23,985	14,351
	<u>62,978</u>	<u>5,522</u>	<u>19,774</u>	<u>(1,379)</u>
Prior Period				
Income tax	3,009	1,420	3,009	1,420
Movement in deferred tax	-	-	-	-
	<u>65,987</u>	<u>6,942</u>	<u>22,783</u>	<u>41</u>

The effective tax rate for quarter ending 30 September 2011 is 32.98%, fairly higher than the statutory tax rate on account of expenses that are not deductible for tax and tax overprovision made in 2010. Expenses that are not deductible for tax include unrealised DIE due to material USD movements.

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

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Interim report for the three months ended 30 September 2011

Notes to the Financial Statements

18 Borrowings

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

	30.09.2011	31.12.2010
	RM'000	RM'000
Term loan (unsecured)		
- Long term in MYR	450,000	450,000
- Long term in USD	382,740	-
	<u>832,740</u>	<u>450,000</u>
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	120,000	-

Derivative Financial Instrument

As at 30 September 2011, the Company has a position in the following derivative financial asset:

	<u>Less than 1 year</u>	<u>Between 2 - 5 years</u>
	RM'000	RM'000
As at 30 September 2011		
- Cross Currency Interest Rate Swap	<u>20,100</u>	<u>(9,049)</u>
As at 31 December 2010		
- Cross Currency Interest Rate Swap	<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 long-term borrowings in order to minimise its exposure to movements on foreign currency positions and interest rate volatility.

19 Earnings per share

		3 months ended		9 months ended	
		30.09.2011	30.09.2010	30.09.2011	30.09.2010
(a) Basic earnings per share					
Net (loss)/profit for the period	(RM'000)	(1,34,079)	(19,461)	(26,252)	7,628
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	(44.69)	(6.49)	(8.75)	(2.54)
(b) Diluted earnings per share	(sen)	N/A	N/A	N/A	N/A

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Notes to the Financial Statements

20 Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2011 are as follows:

	RM'000
Property, plant and equipment	
Authorised by the Directors and contracted	242,937
Authorised by the Directors and not contracted	345,609
	<u>588,546</u>

21 Loss Before Taxation

The company recorded a loss before tax of RM 200 million for the three months ended 30 September 2011 compared to a loss before tax of RM 26 million in the same period of 2010 (also see accompanying Management Commentary).

22 Company Performance

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

23 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.

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

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Notes to the Financial Statements

25 Retained Earnings

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Total retained earnings of Shell Refining Company (Federation of Malaya) Berhad:

	<u>2011</u>
	RM'000
- Realised	1,689,134
- Unrealised	(51,721)
	<hr/>
	1,637,413
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The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 30 September 2011

Management Commentary

COMPANY PERFORMANCE

- **Year to date loss of RM26 million**
- **Over 14 million man-hours without “Lost-Time-Injury” (LTI) since May 2001**

The Company posted an after-tax loss of RM26 million year to date 2011, compared to a loss of RM7.6 million in the same period of 2010 mainly due to losses sustained in Q3 2011 of RM134 million (RM19.5 million loss in 2010). This was due to very weak refining margins and lower production attributed to the statutory major turnaround completed in July.

At the peak of the major turnaround event, the refinery had 2,200 contract workers on site. The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI), proudly achieving 10 years LTI-free equivalent to more than 14 million hours worked, since 21 May 2001.

In the third quarter of 2011, the refinery processed 7.1 million barrels of crude oil and sold 8.5 million barrels of product.

SRC's construction of the new 6,000 tonnes per day diesel processing unit is on schedule, which will allow it to vary its feedstock options, increase diesel production and improve refining margins. In October 2011, the reactor for the diesel processing unit weighing 220 tonnes was successfully delivered and transported to the refinery. To date, this project has created more than 500 jobs in the construction phase.

The Company received the “Gold” category for the 2011 HR Breakthrough Award (HRBTA), organised by the Malaysian Institute of Human Resource Management (MiHRM). The award recognises HR initiatives in partnering with the business in applying innovative and creative HR related strategies and solutions, and the application of technology (both HR & non-HR) to achieve business results.

CURRENT YEAR PROSPECTS

Refining margins are expected to improve in Q4 2011, with possibly stronger mogas demand. Operational and processing flexibility will continue to remain the refinery's key focus area to maximise margin opportunities.