

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 2011

Following the Shell Refining Company (Federation of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 17 February 2012, the Company is pleased to announce its financial results for the three months ended 31 December 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 31 December 2011

Condensed Statement of Comprehensive Income

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 12 months ended	
		31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Revenue		3,369,706	2,537,416	11,212,679	10,376,394
Cost of sales		(3,415,589)	(2,370,923)	(11,310,589)	(10,222,602)
Gross profit / (loss)		(45,883)	166,493	(97,910)	153,792
Other operating income		5,033	5,172	31,745	26,393
Administrative expenses		(13,253)	(9,768)	(40,734)	(37,603)
Other operating expenses		(52,399)	(38,203)	(35,996)	34,542
Finance cost		(8,277)	35,753	(20,918)	(25,991)
Profit / (loss) before taxation		(114,779)	159,447	(163,813)	151,133
Taxation	13	15,286	(44,788)	38,069	(44,747)
Profit / (loss) for the year/total comprehensive income for the year		(99,493)	114,659	(125,744)	106,386
Estimated average effective tax rate		13.32%	28.09%	23.24%	29.61%
Earnings per share:					
- basic (sen)	18	(33.16)	38.22	(41.91)	35.46
- 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

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Interim report for the three months ended 31 December 2011

Condensed Statement of Financial Position

Unaudited

	Note	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,474,848	1,153,515
Prepaid lease payments		1,927	1,948
Long term receivables		933	2,134
Derivative financial asset		16,661	-
		<u>1,494,369</u>	<u>1,157,597</u>
CURRENT ASSETS			
Inventories		1,315,114	1,001,195
Trade receivables		10,795	6,596
Other receivables and prepayments		2,564	1,083
Tax recoverable		36,387	7,567
Amounts receivable from related companies		1,219,567	1,220,616
Deposit with licensed banks		47,825	83,045
Bank balances		77,454	68,466
		<u>2,709,706</u>	<u>2,388,568</u>
TOTAL ASSETS		<u>4,204,075</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		1,537,921	1,776,165
		<u>1,853,659</u>	<u>2,091,903</u>
CURRENT LIABILITIES			
Trade and other payables		201,165	151,138
Amounts payable to related companies		1,185,169	686,435
Borrowings	17	973	645
Derivative financial liability	17	3,762	-
		<u>1,391,069</u>	<u>838,218</u>
NON-CURRENT LIABILITIES			
Long term borrowings	17	830,220	450,000
Deferred tax liabilities		129,127	166,044
		<u>959,347</u>	<u>616,044</u>
TOTAL EQUITY AND LIABILITIES		<u>4,204,075</u>	<u>3,546,165</u>

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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.

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 2011	300,000	300,000	15,738	1,776,165	2,091,903
Profit for the year ended 31 December 2011	-	-	-	(125,744)	(125,744)
Dividend for the year ended:					
- 31 December 2010	-	-	-	(67,500)	(67,500)
- 31 December 2011	-	-	-	(45,000)	(45,000)
At 31 December 2011	300,000	300,000	15,738	1,537,921	1,853,659
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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(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2011

Condensed Cash Flow Statement*Unaudited*

	12 months ended	
	31.12.2011 RM'000	31.12.2010 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(163,813)	151,133
Adjustments for:		
Property, plant and equipment		
- depreciation	112,803	123,236
- write off	-	1,965
- gain on disposals	(783)	-
Interest expense	15,589	13,358
Interest income	(9,032)	(8,877)
Net foreign exchange loss - unrealised	10,331	12,079
Fair value (gain)/loss on derivative financial instrument	(12,899)	21,805
Allowance for inventories write down	12,453	248
Amortisation of prepaid lease payments	21	21
Write-back of provision for impairment of trade receivables	-	(39)
	<u>(35,330)</u>	<u>314,929</u>
Changes in working capital		
Inventories	(326,372)	(60,397)
Trade and other receivables	(4,473)	12,462
Trade and other payables	50,635	79,919
Related companies	464,850	(171,445)
Cash generated from operations	<u>149,310</u>	<u>175,468</u>
Interest received	9,032	8,877
Tax paid	(37,668)	(33,759)
Tax refund	10,000	30,000
Net cash flow from operating activities	<u>130,674</u>	<u>180,586</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(428,856)	(171,984)
Proceeds from disposal of property, plant and equipment	1,283	-
Net cash flow from investing activities	<u>(427,573)</u>	<u>(171,984)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid	(18,630)	(12,804)
Dividends paid	(112,500)	(112,500)
Proceeds from borrowings	366,180	450,000
Repayment of borrowings	-	(514,010)
Net cash flow from financing activities	<u>235,050</u>	<u>(189,314)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(61,849)	(180,712)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	234,556	423,569
EFFECTS OF EXCHANGE RATE CHANGES	397	(8,301)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>173,104</u>	<u>234,556</u>

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(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2011

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.

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

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Interim report for the three months ended 31 December 2011

Notes to the Financial Statements**8 Dividend**

	12 months ended 31 December 2011		12 months ended 31 December 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 31 December 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		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	(4,211)	42,716	0	59,853
Movement in deferred tax	(12,931)	4,833	(36,916)	(16,446)
	<u>(17,142)</u>	<u>47,549</u>	<u>(36,916)</u>	<u>43,407</u>
Prior Period				
Income tax	1,856	(2,761)	(1,153)	1,340
Movement in deferred tax	-	-	-	-
	<u>(15,286)</u>	<u>44,788</u>	<u>(38,069)</u>	<u>44,747</u>

The effective tax rate for quarter ending 31 December 2011 is 23.24%, slightly below than the statutory tax rate of 25%.

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 31 December 2011

Notes to the Financial Statements

18 Borrowings

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

	31.12.2011	31.12.2010
	RM'000	RM'000
Term loan (unsecured)		
- Local currency loan	450,740	450,645
- Foreign currency loan	380,453	-
	<u>831,193</u>	<u>450,645</u>
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	120,000	-

Derivative Financial Instrument

As at 31 December 2011, the Company has a position in the following derivative financial instrument:

	<u>Less than 1 year</u>	<u>Between 2 - 5 years</u>
	RM'000	RM'000
As at 31 December 2011		
Derivative Financial Asset		
- Cross Currency Interest Rate Swap		16,661
Derivative Financial Liability		
- Cross Currency Interest Rate Swap	(3,762)	
	<u> </u>	<u> </u>
As at 31 December 2010		
Derivative Financial Asset/Liability		
- 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 minimize its exposure to movements on foreign currency positions and interest rate volatility.

19 Earnings per share

		3 months ended		12 months ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
(a) Basic earnings per share					
Net (loss)/profit for the period	(RM'000)	(99,493)	114,659	(125,744)	106,386
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	(33.16)	38.22	(41.91)	35.46
(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 31 December 2011 are as follows:

	RM'000
Property, plant and equipment	
Authorised by the Directors and contracted	182,430
Authorised by the Directors and not contracted	<u>376,246</u>
	<u>558,676</u>

21 Loss Before Taxation

The company recorded a loss before tax of RM115 million for the three months ended 31 December 2011 compared to a profit before tax of RM159 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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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	1,682,716
- Unrealised	(144,795)
	<hr/>
	1,537,921
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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 31 December 2011

Management Commentary

COMPANY PERFORMANCE

- **Year to date loss of RM126 million**
- **Over 14 million man-hours without “Lost-Time-Injury” (LTI) since May 2001**

The Company posted an after-tax loss of RM126 million year to date 2011, compared to after-tax earnings of RM106 million in 2010 mainly due to weak refining margins and lower production resulting from the statutory turnaround. These poor refining margins were caused by a spike in crude prices due to the Japan energy crisis and middle east geopolitical turbulent events.

In spite of this, the Company had proposed a final dividend of 20sen per share for the financial year under review.

In the fourth quarter of 2011, the refinery processed 8.6 million barrels of crude oil and sold 9.2 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.

In December 2011, Minority Shareholder Watchdog Group (MSWG) recognised the Company as one of the Top 100 rated companies for its Corporate Governance Index. From 864 public listed companies evaluated by MSWG, the Company was among 16 selected companies who received the Malaysia Corporate Governance (“MCG”) Index Awards 2011 under “Distinction (for A+ ranking)” Award for achieving more than 80 percent Index Score in recognition of its overall exemplary corporate governance practices during the year. The award was presented by the Deputy Minister of International Trade and Industry, YB Dato' Jacob Dungau Sagan during the MCG Index 2011 Survey Findings and Awards Ceremony held on 7 December 2011 at the Sime Darby Convention Centre, Kuala Lumpur.

CURRENT YEAR PROSPECTS

Refining margins are expected to be continuously under pressure in Q1 2012. The refinery's key focus areas to optimise financial and operational performance includes ensuring processing flexibility, high plant reliability and commissioning the diesel processing unit upon it's anticipated completion in Q4 2012.