



SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(3926-U)
(Incorporated in Malaysia)

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2012

Following the Shell Refining Company (Federation of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 14 May 2012, the Company is pleased to announce its financial results for the three months ended 31 March 2012.

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 2011.



SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(3926-U)
(Incorporated in Malaysia)

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2012

Condensed Statement of Comprehensive Income
Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
		31.03.2012 RM'000	31.03.2011 RM'000	31.03.2012 RM'000	31.03.2011 RM'000
Revenue		3,703,551	3,203,257	3,703,551	3,203,257
Cost of sales		(3,676,069)	(3,013,577)	(3,676,069)	(3,013,577)
Gross profit		27,482	189,680	27,482	189,680
Other operating income		5,122	6,509	5,122	6,509
Administrative expenses		(7,963)	(12,844)	(7,963)	(12,844)
Other operating expenses		14,732	11,551	14,732	11,551
Finance cost		(1,511)	(6,623)	(1,511)	(6,623)
Profit before taxation	A21	37,862	188,273	37,862	188,273
Taxation	A14	(9,190)	(52,732)	(9,190)	(52,732)
Profit for the year / total comprehensive income for the year		28,672	135,541	28,672	135,541
Estimated average effective tax rate		24.27%	28.01%	24.27%	28.01%
Earnings per share:					
- basic (sen)	A19	9.56	45.18	9.56	45.18
- diluted (sen)	A19	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 13 form an integral part of, and should be read in conjunction with this interim financial report.



SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2012

Condensed Statement of Financial Position

Unaudited

	Note	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,546,873	1,474,848
Prepaid lease payments		1,922	1,927
Long term receivables		839	933
Derivative financial asset		21,487	16,661
		<u>1,571,121</u>	<u>1,494,369</u>
CURRENT ASSETS			
Inventories		1,441,843	1,315,114
Trade receivables		8,167	10,795
Other receivables and prepayments		4,335	2,564
Tax recoverable		36,387	36,387
Amounts receivable from related companies		1,499,660	1,219,567
Deposit with licensed banks		64,485	47,825
Bank balances		30,131	77,454
		<u>3,085,008</u>	<u>2,709,706</u>
TOTAL ASSETS		<u>4,656,129</u>	<u>4,204,075</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		1,521,593	1,537,921
		<u>1,837,331</u>	<u>1,853,659</u>
CURRENT LIABILITIES			
Trade and other payables		180,199	201,165
Dividends payable	A10	45,000	-
Amounts payable to related companies		1,258,679	1,185,169
Short term borrowings	A18	1,156	973
Derivative financial liability	A18	10,087	3,762
		<u>1,495,121</u>	<u>1,391,069</u>
NON-CURRENT LIABILITIES			
Long term borrowings	A18	1,185,360	830,220
Deferred tax liabilities		138,317	129,127
		<u>1,323,677</u>	<u>959,347</u>
TOTAL EQUITY AND LIABILITIES		<u>4,656,129</u>	<u>4,204,075</u>

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Condensed Statement of Changes in Equity

Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distributable	Total RM'000
	Numbers of Shares '000	Nominal Value RM'000	Revaluation reserves RM'000	Retained earnings RM'000	
At 1 January 2012	300,000	300,000	15,738	1,537,921	1,853,659
Profit for the period ended 31 March 2012	-	-	-	28,672	28,672
Dividend for the year ended:					
- 31 December 2012	-	-	-	-	-
- 31 December 2011	-	-	-	(45,000)	(45,000)
At 31 March 2012	300,000	300,000	15,738	1,521,593	1,837,331
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

The notes set out on pages 6 to 13 form an integral part of, and should be read in conjunction with this interim financial report



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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2012

Condensed Cash Flow Statement
Unaudited

	3 months ended	
	31.03.2012	31.03.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	37,863	188,273
Adjustments for:		
Property, plant and equipment - depreciation	27,435	29,587
Interest expense	5,357	3,839
Interest income	(1,207)	(2,358)
Net foreign exchange (gain)/loss - unrealised	(6,592)	1,538
Fair value loss on derivative financial instrument	1,499	-
Provision for inventories write down	13,089	741
Amortisation of prepaid lease payments	5	5
	<u>77,449</u>	<u>221,625</u>
Changes in working capital		
Inventories	(139,818)	(207,368)
Trade and other receivables	1,182	(2,973)
Trade and other payables	(65,965)	(411)
Dividends payable	45,000	-
Related companies	(189,923)	(16,311)
Cash used in operations	<u>(272,075)</u>	<u>(5,438)</u>
Interest received	1,207	2,358
Tax refund	-	9,999
Net cash flow from operating activities	<u>(270,868)</u>	<u>6,919</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(99,461)</u>	<u>(65,392)</u>
Net cash flow from investing activities	<u>(99,461)</u>	<u>(65,392)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid	(5,174)	(3,839)
Borrowings	361,500	-
Net cash flow from financing activities	<u>356,326</u>	<u>(3,839)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,003)	(62,313)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	173,104	234,556
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>159,101</u>	<u>172,243</u>

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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2012

Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)

A1 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 2011.

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 2011.

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 2011.

A2 Audit report

The audit report of the Company’s preceding annual financial statement was not subjected to any qualification.

A3 Comments about Seasonal or Cyclical Factors

The Company’s operation is not affected by any seasonal or cyclical factors.

A4 Individually significant items

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

A5 Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter.



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A6 Reclassification of prior year comparative

There has been no reclassification of prior year's comparative figures.

A7 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.

A8 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.

A9 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.

A10 Dividend

The Company has not declared any dividend for the 3 months period ended 31 March 2012.



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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2012

Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A11 Significant post balance sheet event

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

A12 Changes in Composition of the Company

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

A13 Changes in Contingent Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2011.

A14 Taxation

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

	3 months ended		3 months ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	-	54,811	-	54,811
Movement in deferred tax	9,190	(2,079)	9,190	(2,079)
	9,190	52,732	9,190	52,732

The effective tax rate for the quarter ending 31 March 2012 is 24.27%, slightly below the statutory tax rate of 25%, due to adjustments for non qualifying tax expense and unrealised DIE.



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A15 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.

A16 Quoted Securities

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

A17 Corporate proposal

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



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A18 Borrowings

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

	31.03.2012	31.12.2011
	RM'000	RM'000
Term loan (unsecured)		
- Local currency loan	450,731	450,740
- Foreign currency loan	735,785	380,453
	1,186,516	831,193
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	240,000	120,000

Derivative Financial Instrument

As at 31 March 2012, 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
Derivative Financial Asset		
- Cross Currency Interest Rate Swap	-	21,487
Derivative Financial Liability		
- Cross Currency Interest Rate Swap	(10,087)	-
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)	-

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.



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A19 Earnings per share

		3 months ended		3 months ended	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
(a) Basic earnings per share					
Net profit for the period	(RM'000)	28,671	135,541	28,671	135,541
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	9.56	45.18	9.56	45.18
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

A20 Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2012 are as follows:

	RM'000
Property, plant and equipment	
Authorised by Directors and contracted for	212,584
Authorised by Directors and not contracted for	94,083
	<u>306,667</u>



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A21 Profit Before Taxation

The company recorded a profit before tax of RM38 million for the three months ended 31 March 2012 compared to a profit before tax of RM188 million in the same period of 2011 (also see accompanying Management Commentary in Part B).

	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
	31.03.2012 RM'000	31.03.2011 RM'000	31.03.2012 RM'000	31.03.2011 RM'000
<i>The profit before taxation is arrived at after charging/(crediting):</i>				
Interest income	(1,207)	(2,358)	(1,207)	(2,358)
Other income including investment income				
Interest expense	5,357	3,839	5,357	3,839
Property, plant and equipment				
- Depreciation and amortization	27,435	29,587	27,435	29,587
- Gain on disposal	0	0	0	0
Impairment of assets	0	0	0	0
Write-back of provision for impairment of trade receivables	0	0	0	0
Amortisation of prepaid lease payments	5	5	5	5
Provision for inventories write down (included in cost of sales)	13,089	741	13,089	741
Foreign exchange gain on net trade - realised	(15,193)	(10,764)	(15,193)	(10,764)
Foreign exchange gain on net trade - unrealised	(1,369)	(1,244)	(1,369)	(1,244)
Foreign exchange loss on cash and bank balances	935	1,312	935	1,312
Foreign exchange loss on term loan - unrealised	6,360	0	7,680	0
Fair value loss on derivative financial instruments - unrealised	1,499	0	1,499	0



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A22 Company Performance

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

A23 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.

A24 Current Year Prospect

A commentary on the Company's current year prospects is provided for in the accompanying Management Commentary in Part B.



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**Supplementary Information Disclosed
Pursuant to Bursa Malaysia Securities Berhad Listing Requirements**

A25 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>2012</u> RM'000
Realised	1,707,786
Unrealised	<u>(141,193)</u>
	<u>1,566,593</u>

The unrealised losses disclosed above are charges relating to the recognition of deferred tax liabilities, fair value gain on derivative financial instruments and foreign exchange losses.

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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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2012

Part B: Additional Information Required By Bursa Malaysia Listing Requirements

B1 Review of Performance – Q1/YTD 2012 vs Q1/YTD 2011

In the first quarter of 2012, the Company registered revenue of RM3.7 billion, 16% higher than the same period last year. This is attributed to higher sales volume in 2012 of 9.6 million barrels (9% higher than 2011) as well as higher product prices in 2012.

The Company posted after-tax earnings of RM29 million year-to-date 2012, compared to after-tax earnings of RM136 million in Q1 2011 mainly due to weak refining margins and lower stockholding gains after tax in Q1 2012 of RM64mil compared to RM153mil in Q1 2011. Refining margins continue to be weak as crude prices remain high while oil product prices have not recovered.

The refinery processed 8.8 million barrels of crude oil. The Company buys 56% of its crude from the Far East, Australia and Africa, with the remaining 44% coming from Malaysia.

Refining margins are driven by crude prices and the supply and demand for oil products which are cyclical in nature, due to changes in the macro economic and political events.

The Company's unplanned downtime performance for Q1 2012 was 0.28% compared to the year's allowance of 1.7%.

B2 Variation of results against previous quarter – Q1 2012 vs Q4 2011

Against the previous quarter, the Company recorded revenue of RM3.7 billion, 10% higher due to increased sales volume of 0.8 million barrels driven by improved margins and higher product prices in Q1 2012.

The Company posted an after-tax profit of RM29 million this quarter as compared to an after-tax loss of RM99 million in Q4 2011 – largely contributed by higher stockholding gains as well as the improved refining margin in Q1 2012.



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Part B: Additional Information Required By Bursa Malaysia Listing Requirements
(continued)

B3 Current Year Prospects

As the recovery of the world economy remains uncertain, refining margins are expected to be continuously under pressure for the rest of the year. The refinery's key focus areas are to improve its financial and operational performance including ensuring processing flexibility, cost competitiveness and high plant reliability. The refinery is also focusing on the expected completion and commissioning of the diesel processing unit in Q4 2012 to improve crude flexibility and upgrade products.

B4 Profit Forecast

We do not issue any profit forecast.

BY ORDER OF THE BOARD

Rodziah binti Zainudin (LS 0008034)

Chia Siew Chin (MIA 2184)

Pang Chia Tyng (MAICSA 7034545)

Company Secretaries

Kuala Lumpur
14 May 2012