



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

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2013

Following the Shell Refining Company (Federation of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 15 May 2013, the Company is pleased to announce its financial results for the three months ended 31 March 2013.

This interim report is prepared in accordance with the requirements of Malaysia Financial Reporting Standard (MFRS) 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 2012.



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

INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2013

Condensed Statement of Comprehensive Income
Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
		31.03.2013 RM'000	31.03.2012 RM'000	31.03.2013 RM'000	31.03.2012 RM'000
Revenue	A8	3,610,060	3,703,551	3,610,060	3,703,551
Cost of sales		(3,638,284)	(3,676,069)	(3,638,284)	(3,676,069)
Gross profit		<u>(28,224)</u>	<u>27,482</u>	<u>(28,224)</u>	<u>27,482</u>
Other operating income		3,792	5,122	3,792	5,122
Administrative expenses		(12,495)	(7,963)	(12,495)	(7,963)
Other operating (expenses)/ income		(19,568)	13,595	(19,568)	13,595
Finance cost		(7,364)	(374)	(7,364)	(374)
Profit/ (loss) before taxation	A10	<u>(63,859)</u>	<u>37,862</u>	<u>(63,859)</u>	<u>37,862</u>
Taxation	A11	15,805	(9,190)	15,805	(9,190)
Profit/ (loss) for the year / total comprehensive income for the year		<u>(48,054)</u>	<u>28,672</u>	<u>(48,054)</u>	<u>28,672</u>
Profit/ (loss) for the year / total comprehensive income for the year attributable to:					
Owner of the company		(24,508)	14,623	(24,508)	14,623
Non-controlling interest		(23,546)	14,049	(23,546)	14,049
		<u>(48,054)</u>	<u>28,672</u>	<u>(48,054)</u>	<u>28,672</u>
Estimated average effective tax rate		24.75%	24.27%	24.75%	24.27%
Earnings per share:					
- basic (sen)	A9	(16.02)	9.56	(16.02)	9.56
- diluted (sen)	A9	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 14 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 2013

Condensed Statement of Financial Position

Unaudited

	Note	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,711,315	1,724,759
Prepaid lease payments		1,901	1,906
Long term receivables		256	385
Derivative financial asset	A21	35,429	24,375
		<u>1,748,901</u>	<u>1,751,425</u>
CURRENT ASSETS			
Inventories	A22	1,659,307	1,133,554
Trade receivables		47,193	21,633
Other receivables and prepayments		3,853	2,479
Tax recoverable		4,378	4,378
Amounts receivable from related companies	A27	1,252,036	1,223,831
Deposit with licensed banks		-	2,820
Bank balances		140,167	30,112
		<u>3,106,934</u>	<u>2,418,807</u>
TOTAL ASSETS		<u>4,855,835</u>	<u>4,170,232</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		300,000	300,000
Performance Share Plan from RDS		1,996	1,996
Retained earnings		1,320,945	1,402,749
		<u>1,622,941</u>	<u>1,704,745</u>
CURRENT LIABILITIES			
Trade and other payables		137,285	174,769
Dividends payable	A12	33,750	-
Amounts payable to related companies	A27	1,273,306	992,921
Short term borrowings	A21	497,637	973
Derivative financial liability	A21	11,499	10,843
		<u>1,953,477</u>	<u>1,179,506</u>
NON-CURRENT LIABILITIES			
Long term borrowings	A21	1,193,161	1,183,920
Deferred tax liabilities		86,256	102,061
		<u>1,279,417</u>	<u>1,285,981</u>
TOTAL EQUITY AND LIABILITIES		<u>4,855,835</u>	<u>4,170,232</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	<u>Total</u> RM'000
	<u>Numbers of Shares</u> '000	<u>Nominal Value</u> RM'000	<u>PSP reserve</u> RM'000	<u>Retained earnings</u> RM'000	
At 1 January 2013	300,000	300,000	1,996	1,402,749	1,704,745
Profit for the period ended 31 March 2013	-	-	-	(48,054)	(48,054)
Performance Share Plan from RDS	-	-	-	-	
Dividend for the year ended:					
- 31 December 2012	-	-	-	(33,750)	(33,750)
- 31 December 2013	-	-	-	-	-
At 31 March 2013	<u>300,000</u>	<u>300,000</u>	<u>1,996</u>	<u>1,320,945</u>	<u>1,622,941</u>
At 1 January 2012	300,000	300,000	-	1,553,659	1,853,659
Profit for the year ended 31 December 2011	-	-	-	(94,660)	(94,660)
Performance Share Plan from RDS	-	-	1,996	-	1,996
Dividend for the year ended:					
- 31 December 2011	-	-	-	(45,000)	(45,000)
- 31 December 2012	-	-	-	(11,250)	(11,250)
At 31 December 2012	<u>300,000</u>	<u>300,000</u>	<u>1,996</u>	<u>1,402,749</u>	<u>1,704,745</u>

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2013

Condensed Cash Flow Statement
Unaudited

	3 months ended	
	31.03.2013	31.03.2012
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(63,859)	37,862
Adjustments for:		
Property, plant and equipment		
- depreciation	30,453	27,435
Interest expense	8,442	6,837
Interest income	(183)	(1,207)
Net foreign exchange loss/(gain) - unrealised	8,311	(6,592)
Fair value (gain)/ loss on derivative financial instrument	(10,398)	1,499
Provision for inventories write down	23,754	13,089
Amortisation of prepaid lease payments	5	5
	<u>30,275</u>	<u>123,928</u>
Changes in working capital		
Inventories	(549,507)	(139,818)
Trade and other receivables	(26,758)	2,319
Trade and other payables	(71,234)	(65,965)
Related companies	252,180	(189,923)
Cash used in operations	<u>(365,044)</u>	<u>(269,459)</u>
Interest received	183	1,207
Net cash flow used in operating activities	<u>(364,861)</u>	<u>(268,252)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(15,752)</u>	<u>(99,460)</u>
Net cash flow used in investing activities	<u>(15,752)</u>	<u>(99,460)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Interest paid	(9,575)	(6,654)
Borrowings	496,540	361,500
Net cash flow from financing activities	<u>486,965</u>	<u>354,846</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	106,352	(12,866)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	32,932	173,104
EFFECTS OF EXCHANGE RATE CHANGES	883	(1,137)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>140,167</u>	<u>159,101</u>

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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2013

Part A – Explanatory Notes Pursuant to Interim Financial Reporting (MFRS 134)

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing requirements of Bursa Malaysia (BMSB). These interim financial statements also comply with IAS 134 Interim Financial Reporting issued by the international Accounting Standards Board. This report should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2012.

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 2012.

The financial Information presented herein has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for 31 December 2012 under the MFRS framework.

As of 1 July 2012, the Company has adopted the following MFRS and Statement of Interpretation which are effective for annual periods beginning on or after 1 January 2012:

- | | | |
|-------|-----------|---|
| i) | MFRS 1- | Adoptions of MFRS 1
<i>Transition of FRS to MFRS</i> |
| ii) | MFRS 2- | Share Based Payment |
| iii) | MFRS 7- | Financial Instrument (Disclosure) |
| iv) | MFRS 9- | Presentation |
| v) | MFRS 101- | Presentation of Financial Statement
<i>Annual Report</i> |
| vi) | MFRS 108- | Accounting Policies
<i>Changes in accounting policies ad disclosure of related party transaction</i> |
| vii) | MFRS 110- | Event after the reporting date |
| viii) | MFRS 112- | Income Taxes |
| ix) | MFRS 121- | The effect of Foreign Exchange Rate |
| x) | MFRS 123- | Borrowing Cost |
| xi) | MFRS 124- | Related Party Transaction
<i>Government Entities</i> |



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INTERIM REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2013

Part A – Explanatory Notes Pursuant to Interim Financial Reporting (MFRS 134)
(continued)

A1 Basis of preparation (continued)

xii)	MFRS 132-	Financial Instrument (Presentation)
xiii)	MFRS 133-	Earnings Per Share
xiv)	MFRS 134-	Interim Financial Reporting
xv)	MFRS 136-	Impairment of Assets
xvi)	MFRS 137-	Provision, Contingent Liabilities and Contingent Assets
xvii)	MFRS 138-	Intangible Assets
xviii)	MFRS 139-	Financial Instrument (Recognition and Disclosure)

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 Reporting (MFRS 134)
(continued)

A6 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.

A7 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.

A8 Revenue

	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
	31.03.2013 RM'000	31.03.2012 RM'000	31.03.2013 RM'000	31.03.2012 RM'000
Sale of oil products				
- Refined	3,382,514	3,340,676	3,382,514	3,340,676
- Partially refined	185,970	317,799	185,970	317,799
- Feedstocks	41,576	45,076	41,576	45,076
	<u>3,610,060</u>	<u>3,703,551</u>	<u>3,610,060</u>	<u>3,703,551</u>

A9 Earnings per share

	3 months ended		3 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
(a) Basic earnings per share				
Net loss/(profit) for the period (RM'000)	(48,054)	28,672	(48,054)	28,672
Weighted average number of ordinary shares in issue ('000)	300,000	300,000	300,000	300,000
Basic earnings per share (sen)	(16.02)	9.56	(16.02)	9.56
(b) Diluted earnings per share	(sen) N/A	N/A	N/A	N/A



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

A10 Profit/ (Loss) Before Taxation

The company recorded a loss before tax of RM63.9 million for the three months ended 31 March 2013 compared to a profit before tax of RM37.9 million in the same period of 2012 (also see accompanying Management Commentary in Part B).

	Individual Quarter		Cumulative Quarters	
	3 months ended		3 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
<i>The profit before taxation is arrived at after charging/(crediting):</i>				
Interest income	(183)	(1,207)	(183)	(1,207)
Other income including investment income	(3,608)	(3,915)	(3,608)	(3,915)
Interest expense	8,442	6,837	8,442	6,837
Property, plant and equipment				
- Depreciation and amortization	30,453	27,435	30,453	27,435
Amortisation of prepaid lease payments	5	5	5	5
Provision for inventories write down (included in cost of sales)	23,754	13,089	23,754	13,089
Foreign exchange loss/(gain) on net trade - realised	15,138	(15,193)	15,138	(15,193)
Foreign exchange gain on net trade – unrealized	(46)	(1,369)	(46)	(1,369)
Foreign exchange (gain)/loss on cash and bank balances	(883)	1,137	(883)	1,137
Foreign exchange loss/(gain) on term loan – unrealized	9,240	(6,360)	9,240	(6,360)
Fair value (gain)/loss on derivative financial instruments - unrealised	(10,398)	1,499	(10,398)	1,499



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

A11 Taxation

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

	3 months ended		3 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	-	-	-	-
Movement in deferred tax	<u>(15,805)</u>	<u>9,190</u>	<u>(15,805)</u>	<u>9,190</u>
	<u>(15,805)</u>	<u>9,190</u>	<u>(15,805)</u>	<u>9,190</u>

The effective tax rate for the quarter ending 31 March 2013 is 24.75%, lower than the statutory tax rate of 25%, due to adjustments for non qualifying tax expenses.

A12 Dividend

The Company has not declared any dividend for the 3 months period ended 31 March 2013. However, the Directors have on 27 February 2013 declared the payment of a final gross dividend of 15 sen per RM1 unit of share less income tax of 25% amounting to RM33,750,000, in respect of the financial year ending 31 December 2012, payable on 16 May 2013 to the shareholders registered on the Record of Depositors at the close of business on 3 May 2013.

A13 Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the period under review. As at 31 March 2013, all property, plant and equipment were stated at cost less accumulated depreciation and impairment loss as per stated in annual report.

A14 Significant post balance sheet event

There were no material events subsequent to the end of the period under review.

A15 Changes in Composition of the Company

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



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

A16 Changes in Contingent Assets / Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2012.

A17 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.

A18 Quoted Securities

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

A19 Corporate proposal

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

A20 Material Litigation

There were no significant changes to material litigation since 31 December 2012.



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

A21 Borrowings

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

	31.03.2013	31.12.2012
	RM'000	RM'000
Long term borrowings		
Term loan (unsecured)		
- Local currency loan	450,000	450,000
- Foreign currency loan	743,161	733,920
	1,193,161	1,183,920
Short term borrowings		
Short term loan (less than 3 months)	497,637	973
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	240,000	240,000

Derivative Financial Instrument

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 March 2013		
Derivative Financial Asset		
- Cross Currency Interest Rate Swap	-	35,429
Derivative Financial Liability		
- Cross Currency Interest Rate Swap	(11,499)	-
	(11,499)	-
As at 31 December 2012		
Derivative Financial Asset		
- Cross Currency Interest Rate Swap	-	24,375
Derivative Financial Liability		
- Cross Currency Interest Rate Swap	(10,843)	-
	(10,843)	-

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)

A22 Inventories

	31.03.2013	31.12.2012
	RM'000	RM'000
Crude Oil	1,000,631	683,579
Partially refined oil	348,359	237,981
Finished products	271,046	185,166
Materials	39,271	26,828
	<u>1,659,307</u>	<u>1,133,554</u>

The carrying value of inventories as at 31 December 2012 includes an allowance for inventories write down of RM 23,754,433.

A23 Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2013 are as follows:

	RM'000
Property, plant and equipment	
Authorised by Directors and contracted for	54,309
Authorised by Directors and not contracted for	45,819
	<u>100,128</u>

A24 Financial Instruments

As of 1 July 2012, the Company has complied with MFRS 7 and MFRS 139; following the transition from the previous FRSs to the new MFRS framework. There is no significant impact on the accounts upon adoption of the new MFRS 7 and MFRS 139 as compared to the previous FRS 7 and FRS 139.

A25 Company Performance

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



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

A26 Current Year Prospects

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

A27 Related Party Disclosure

Below are the significant related party transactions, which were carried out on terms and conditions negotiated amongst the related parties:

	For the quarter ended 31.03.2013 RM'000
a) Income:	
i) Sale of refined products to:	3,641,768
ii) Tariff revenue on the use of properties/ facilities:	4,092
b) Expenses:	
i) Purchase of crude and products:	(4,139,041)
ii) Central Management and administrative expenses:	(11,398)

These transactions have been entered into in the normal course of business and have been established under negotiated terms.



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

A28 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:

	2013
	RM'000
Realised	1,396,043
Unrealised	<u>(75,098)</u>
	<u>1,320,945</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 2013

Part B: Additional Information Required By Bursa Malaysia Listing Requirements

B1 Review of Performance – YTD/Q1 2013 vs. YTD/Q1 2012

The Company registered revenue of RM3.6 billion, 3% lower than the same period last year. The decrease is attributable to lower product prices in Q1 2013.

The Company posted after-tax loss of RM48 million for Q1 2013, compared to after-tax profit of RM29 million in Q1 2012. The decrease is mainly due to weak refining margins.

The refinery processed 9.4 million barrels of crude oil, higher by 6% as compared to Q1 last year.

B2 Variation of results against previous quarter – Q1 2013 vs. Q4 2012

The Company recorded a revenue of RM3.6 billion, 7% lower compared to Q4 2012 due to decrease in sales volume of 0.6 million barrels.

The Company posted an after-tax loss of RM48 million this quarter as compared to an after-tax profit of RM6.3 million in Q4 2012, largely contributed by low refining margin. Margins have normalized from the highs of Q4 (USD2.4/bbl) which were mainly due to refinery outages and increase in demand.

In the first quarter of 2013, the refinery processed 9.4 million barrels of crude oil and sold 9.8 million barrels of product. The Company buys 66% of its crude from the Far East and Africa, with the remaining 34% coming from Malaysia.



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

B3 Current Year Prospects

Recovery of the world economy remains uncertain and refining margins are expected to be continuously under pressure going forward.

The refinery successfully commissioned Project Hijau with no safety related incidents and achieved its first commercial production in February 2013. Project Hijau enables the company to produce more valuable products by upgrading lower value fuel oil into diesel. The refinery will also have a higher flexibility in our crude intake, and in particular it allows us to process cheaper sour crude which will reduce our cost. Thus, the refinery will be in a better position to manage weak margin challenges.

B4 Profit Forecast

We do not issue any profit forecast.

BY ORDER OF THE BOARD

Rodziah binti Zainudin (LS 0008034)
Lee Mi Ryoung (MAICSA 7058423)
Catherine Mah Suik Ching (LS 01302)
Tia Hwei Ping (MAICSA 7057636)
Company Secretaries

Kuala Lumpur
15 May 2013