



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

**INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2013**

Following the Shell Refining Company (Federation of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 13 August 2013, the Company is pleased to announce its financial results for the three months ended 30 June 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 30 JUNE 2013**

**Condensed Statement of Comprehensive Income**  
*Unaudited*

	Note	Individual Quarter 3 months ended		Cumulative Quarters 6 months ended	
		30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Revenue	A8	3,393,076	3,560,955	7,003,136	7,264,506
Cost of sales		(3,504,142)	(3,852,697)	(7,142,426)	(7,528,766)
Gross profit		<u>(111,066)</u>	<u>(291,742)</u>	<u>(139,290)</u>	<u>(264,260)</u>
Other operating income		3,307	4,879	7,099	10,001
Administrative expenses		(8,050)	(9,189)	(20,544)	(17,152)
Other operating (expenses)/ income		(10,753)	(280)	(30,321)	13,315
Finance cost		(17,474)	(11,817)	(24,838)	(12,191)
Profit/ (loss) before taxation	A10	<u>(144,036)</u>	<u>(308,149)</u>	<u>(207,894)</u>	<u>(270,287)</u>
Taxation	A11	30,584	72,704	46,389	63,514
Profit/ (loss) for the year / total comprehensive income for the year		<u>(113,452)</u>	<u>(235,445)</u>	<u>(161,505)</u>	<u>(206,773)</u>
Profit/ (loss) for the year / total comprehensive income for the year attributable to:					
Owner of the company		(57,861)	(120,077)	(82,368)	(105,454)
Non-controlling interest		(55,591)	(115,368)	(79,137)	(101,319)
		<u>(113,452)</u>	<u>(235,445)</u>	<u>(161,505)</u>	<u>(206,773)</u>
Estimated average effective tax rate		21.23%	23.59%	22.31%	23.50%
Earnings per share:					
- basic (sen)	A9	(37.82)	(78.48)	(53.84)	(68.92)
- 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.



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**INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2013**

**Condensed Statement of Financial Position**  
*Unaudited*

	Note	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,697,022	1,724,759
Prepaid lease payments		1,896	1,906
Long term receivables		1,088	385
Derivative financial asset	A21	46,029	24,375
		<u>1,746,035</u>	<u>1,751,425</u>
<b>CURRENT ASSETS</b>			
Inventories	A22	1,416,520	1,133,554
Trade receivables		67,456	21,633
Other receivables and prepayments		1,862	2,479
Tax recoverable		4,378	4,378
Amounts receivable from related companies	A27	1,215,096	1,223,831
Deposit with licensed banks		-	2,820
Bank balances		7,104	30,112
		<u>2,712,416</u>	<u>2,418,807</u>
<b>TOTAL ASSETS</b>		<u>4,458,451</u>	<u>4,170,232</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital		300,000	300,000
Performance Share Plan from RDS		1,996	1,996
Retained earnings		1,207,439	1,402,749
		<u>1,509,435</u>	<u>1,704,745</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		116,353	174,769
Amounts payable to related companies	A27	1,325,856	992,921
Short term borrowings	A21	229,567	973
Derivative financial liability	A21	11,008	10,843
		<u>1,682,784</u>	<u>1,179,506</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	A21	1,210,560	1,183,920
Deferred tax liabilities		55,672	102,061
		<u>1,266,232</u>	<u>1,285,981</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,458,451</u>	<u>4,170,232</u>

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**INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2013**

**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	PSP reserve RM'000	Retained earnings RM'000	
<b>At 1 January 2013</b>	300,000	300,000	1,996	1,402,749	1,704,745
Profit for the period ended 30 June 2013	-	-	-	(161,505)	(161,505)
Performance Share Plan from RDS	-	-	-	-	-
Dividend for the year ended:					
- 31 December 2012	-	-	-	(33,805)	(33,805)
- 31 December 2013	-	-	-	-	-
<b>At 30 June 2013</b>	<u>300,000</u>	<u>300,000</u>	<u>1,996</u>	<u>1,207,439</u>	<u>1,509,435</u>
<b>At 1 January 2012</b>	300,000	300,000	-	1,553,659	1,853,659
Profit for the year ended 31 December 2012	-	-	-	(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)
<b>At 31 December 2012</b>	<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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**INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2013**

**Condensed Cash Flow Statement**  
*Unaudited*

	6 months ended	
	30.06.2013	30.06.2012
	RM'000	RM'000
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Loss before taxation	(207,894)	(270,287)
Adjustments for:		
Property, plant and equipment - depreciation	68,757	55,155
Interest expense	19,595	13,741
Interest income	(215)	(2,496)
Net foreign exchange loss - unrealised	35,324	29,516
Fair value (gain)/loss on derivative financial instrument	(21,489)	(22,606)
Provision for inventories write down	1,016	71,509
Amortisation of prepaid lease payments	10	10
	<u>(104,896)</u>	<u>(125,116)</u>
Changes in working capital		
Inventories	(283,982)	74,942
Trade and other receivables	(55,197)	(6,457)
Trade and other payables	(58,416)	(33,298)
Related companies	341,670	80,516
Cash used in operations	<u>(160,821)</u>	<u>(9,413)</u>
Interest received	215	2,496
Net cash flow used in operating activities	<u>(160,606)</u>	<u>(6,917)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(39,763)	(192,037)
Net cash flow used in investing activities	<u>(39,763)</u>	<u>(192,023)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(20,918)	(13,615)
Dividends paid	(33,805)	(45,000)
Borrowings	228,660	361,500
Net cash flow from financing activities	<u>173,937</u>	<u>302,885</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(26,432)</b>	<b>103,945</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>32,932</b>	<b>173,104</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>604</b>	<b>1,986</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>7,104</u></b>	<b><u>279,035</u></b>

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**INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 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<br><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<br><i>Annual Report</i>   |
| vi)   | MFRS 108- | Accounting Policies<br><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<br><i>Government Entities</i>   |



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**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**

	<b>Individual Quarter</b>		<b>Cumulative Quarters</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>30.06.2013</b>	<b>30.06.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sale of oil products				
- Refined	<b>3,179,207</b>	3,212,052	<b>6,561,721</b>	6,552,728
- Partially refined	<b>174,792</b>	305,563	<b>360,762</b>	623,362
- Feedstocks	<b>39,077</b>	43,340	<b>80,653</b>	88,416
	<b><u>3,393,076</u></b>	<u>3,560,955</u>	<b><u>7,003,136</u></b>	<u>7,264,506</u>

**A9 Earnings per share**

		<b>3 months ended</b>		<b>6 months ended</b>	
		<b>30.06.2013</b>	<b>30.06.2012</b>	<b>30.06.2013</b>	<b>30.06.2012</b>
<b>(a) Basic earnings per share</b>					
Net (loss)/profit for the period	(RM'000)	<b>(113,452)</b>	(235,445)	<b>(161,505)</b>	(206,773)
Weighted average number of ordinary shares in issue	('000)	<b>300,000</b>	300,000	<b>300,000</b>	300,000
Basic earnings per share	(sen)	<b>(37.82)</b>	(78.48)	<b>(53.84)</b>	(68.92)
<b>(b) Diluted earnings per share</b>	(sen)	<b>N/A</b>	N/A	<b>N/A</b>	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 RM144.0 million for the three months ended 30 June 2013 compared to a loss before tax of RM308.1 million in the same period of 2012 (also see accompanying Management Commentary in Part B).

	<b>Individual Quarter</b>		<b>Cumulative Quarters</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>30.06.2013</b>	<b>30.06.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i><b>The profit before taxation is arrived at after charging/(crediting):</b></i>				
Interest income	<b>(32)</b>	(1,289)	<b>(215)</b>	(2,496)
Other income including investment income	<b>(3,276)</b>	(3,590)	<b>(6,884)</b>	(7,505)
Interest expense	<b>11,153</b>	6,904	<b>19,595</b>	13,741
Property, plant and equipment				
- Depreciation and amortization	<b>38,304</b>	27,720	<b>68,757</b>	55,155
Amortisation of prepaid lease payments	<b>5</b>	5	<b>10</b>	10
Provision for inventories write (back)/down (included in cost of sales)	<b>(19,239)</b>	58,420	<b>1,016</b>	71,509
Foreign exchange loss/(gain) on net trade - realised	<b>2,115</b>	(10,955)	<b>17,253</b>	(26,148)
Foreign exchange loss/(gain) on net trade – unrealized	<b>9,333</b>	10,311	<b>9,288</b>	8,942
Foreign exchange (gain)/loss on cash and bank balances	<b>279</b>	(3,123)	<b>(604)</b>	(1,986)
Foreign exchange loss/(gain) on term loan – unrealized	<b>17,400</b>	28,920	<b>26,640</b>	22,560
Fair value (gain)/loss on derivative financial instruments - unrealised	<b>(11,090)</b>	(24,105)	<b>(21,489)</b>	(22,606)



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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:

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2013</b>	30.06.2012	<b>30.06.2013</b>	30.06.2012
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Current Period</b>				
Income tax	-	0	-	0
Movement in deferred tax	<b>(30,584)</b>	(72,704)	<b>(46,389)</b>	(63,514)
	<b>(30,584)</b>	(72,704)	<b>(46,389)</b>	(63,514)

The effective tax rate for the quarter ending 30 June 2013 is 21.23%, lower than the statutory tax rate of 25%, due to adjustments for non qualifying tax expenses.

**A12 Dividend**

The Company is not declaring an interim dividend for the period ended 30<sup>th</sup> June 2013.

**A13 Valuation of Property, Plant and Equipment**

There was no revaluation of property, plant and equipment during the period under review. As at 30 June 2013, all property, plant and equipment were stated at cost less accumulated depreciation 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:

	<b>30.06.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Long term borrowings		
Term loan (unsecured)		
- Local currency loan	<b>450,000</b>	450,000
- Foreign currency loan	<b>760,560</b>	733,920
	<b>1,210,560</b>	1,183,920
Short term borrowings		
Short term loan (less than 3 months)	<b>229,567</b>	973
Restated in loan's original currency:	<b>USD'000</b>	<b>USD'000</b>
Bank borrowings denominated in foreign currency	<b>240,000</b>	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>
	<b>RM'000</b>	<b>RM'000</b>
<b>As at 30 June 2013</b>		
Derivative Financial Asset		
- Cross Currency Interest Rate Swap	-	46,029
Derivative Financial Liability		
- Cross Currency Interest Rate Swap	(11,008)	-
<b>As at 31 December 2012</b>		
Derivative Financial Asset		
- Cross Currency Interest Rate Swap	-	24,375
Derivative Financial Liability		
- Cross Currency Interest Rate Swap	(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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**INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2013**

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

**A22 Inventories**

	<b>30.06.2013</b>	31.12.2012
	<b>RM'000</b>	RM'000
Crude Oil	858,983	683,579
Partially refined oil	370,872	237,981
Finished products	159,458	185,166
Materials	27,207	26,828
	<u>1,416,520</u>	<u>1,133,554</u>

The carrying value of inventories as at 30 June 2013 includes an allowance for inventories write down of RM 4,515,012.

**A23 Capital commitments**

Capital commitments not provided for in the financial statements as at 30 June 2013 are as follows:

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Authorised by Directors and contracted for	68,129
Authorised by Directors and not contracted for	<u>25,478</u>
	<u>93,607</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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**INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2013**

**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:

	<b>For the quarter ended 30.06.2013 RM'000</b>
a) Income:	
i) Sale of refined products to:	<u>3,363,452</u>
ii) Tariff revenue on the use of properties/ facilities:	<u>4,149</u>
b) Expenses:	
i) Purchase of crude and products:	<u>(3,173,927)</u>
ii) Central Management and administrative expenses:	<u>(13,320)</u>

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:

	<b>2013</b>
	<b>RM'000</b>
Realised	1,294,384
Unrealised	<u>(86,945)</u>
	<u>1,207,439</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 30 JUNE 2013**

**Part B: Additional Information Required By Bursa Malaysia Listing Requirements**

**B1 Review of Performance – YTD/Q2 2013 vs. YTD/Q2 2012**

The Company registered revenue of RM7.0 billion, 4% lower than the same period last year. The decrease is attributable to lower product prices in 2013.

The Company posted after-tax loss of RM161.5 million for 2013 compared to RM206.8 million in 2012 contributed by improved refining margins and higher demand for Mogas relative to Q2 2012. Ability to process cheaper sour crude also resulted in lower loss-after-tax in Q2 2013.

The refinery processed 18.9 million barrels of crude oil, higher by 5% as compared to 2012.

**B2 Variation of results against previous quarter – Q2 2013 vs. Q1 2013**

The Company recorded a revenue of RM3.4 billion, 6% lower compared to Q1 2013 due to lower product prices in Q2'13.

The Company posted an after-tax loss of RM113.4 million this quarter against RM48.1 million after-tax loss in Q1 2013 largely contributed by low refining margin.

In the second quarter of 2013, the refinery processed 9.5 million barrels of crude oil and sold 10.0 million barrels of product. The Company buys 71% of its crude from the Far East and Africa, with the remaining 29% coming from Malaysia.





**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
(3926-U)  
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**Part B: Additional Information Required By Bursa Malaysia Listing Requirements**  
*(continued)*

**B3 Current Year Prospects**

Refinery margins are expected to remain challenged due to excess refining capacity in the region and weak product demand. Operational and product quality will continue to remain the refinery's key focus area to maximize margin opportunities.

**B4 Profit Forecast**

We do not issue any profit forecast.

**BY ORDER OF THE BOARD**

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

Kuala Lumpur  
13 August 2013