



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

INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2014

Following the Shell Refining Company (Federation of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 13 August 2014, the Company is pleased to announce its financial results for the three months ended 30 June 2014.

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 2013.



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

INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2014

Condensed Statement of Comprehensive Income
Unaudited

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended	30.06.2013	6 months ended	30.06.2013
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
		RM'000	RM'000	RM'000	RM'000
Revenue	A8	3,909,052	3,393,076	7,896,584	7,003,136
Cost of sales		(3,920,379)	(3,515,591)	(7,936,656)	(7,168,968)
Gross profit		(11,327)	(122,515)	(40,072)	(165,832)
Other operating income		3,561	3,307	7,048	7,099
Administrative expenses		(9,747)	(8,050)	(22,078)	(20,544)
Other operating (expenses)/income		(2,840)	696	(6,234)	(3,779)
Net interest expense		(14,198)	(11,164)	(26,289)	(19,686)
Fair value (loss)/ gain on derivative financial instruments		(107)	(6,310)	(6,291)	(5,152)
Loss before taxation	A10	(34,658)	(144,036)	(93,916)	(207,894)
Taxation	A11	6,650	30,584	21,823	46,389
Loss for the year / total comprehensive expense for the year		(28,008)	(113,452)	(72,093)	(161,505)
Estimated average effective tax rate		19.19%	21.23%	23.24%	22.31%
Earnings per share:					
- basic (sen)	A9	(9.34)	(37.82)	(24.03)	(53.84)
- diluted (sen)	A9	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 15 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 2014

Condensed Statement of Financial Position

Unaudited

	Note	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,612,251	1,667,822
Prepaid lease payments		1,875	1,885
Long term receivables		189	287
Derivative financial asset	A21	67,851	86,867
		<u>1,682,166</u>	<u>1,756,861</u>
CURRENT ASSETS			
Inventories	A23	1,425,405	1,386,826
Trade receivables		35,061	68,649
Other receivables and prepayments		2,772	743
Tax recoverable		4,376	4,378
Amounts receivable from related companies	A28	1,279,649	1,232,231
Bank balances		9,789	41,009
		<u>2,757,052</u>	<u>2,733,836</u>
TOTAL ASSETS		<u>4,439,218</u>	<u>4,490,697</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		300,000	300,000
Performance Share Plan from RDS		1,237	1,237
Retained earnings		1,140,053	1,212,146
		<u>1,441,290</u>	<u>1,513,383</u>
CURRENT LIABILITIES			
Trade and other payables		67,263	89,949
Amounts payable to related companies	A28	1,125,722	1,101,491
Short term borrowings	A22	1,007,131	503,513
Derivative financial liability	A21	14,530	11,536
		<u>2,214,646</u>	<u>1,706,489</u>
NON-CURRENT LIABILITIES			
Provisions			
Long term borrowings	A22	770,400	1,236,120
Deferred tax liabilities		12,882	34,705
		<u>783,282</u>	<u>1,270,825</u>
TOTAL EQUITY AND LIABILITIES		<u>4,439,218</u>	<u>4,490,697</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	
	<u>Numbers of Shares</u> '000	<u>Nominal Value</u> RM'000	<u>PSP reserve</u> RM'000	<u>Retained earnings</u> RM'000	<u>RM'000</u>
At 1 January 2014	300,000	300,000	1,237	1,212,146	1,513,383
Profit for the period ended 30 June 2014	-	-	-	(72,093)	(72,093)
Performance Share Plan from RDS - recharge by the parent - charge during the year			-	-	-
Dividend for the year ended: - 31 December 2013 - 31 December 2014	-	-	-	-	-
At 30 June 2014	<u>300,000</u>	<u>300,000</u>	<u>1,237</u>	<u>1,140,053</u>	<u>1,441,290</u>
At 1 January 2013	300,000	300,000	1,996	1,402,749	1,704,745
Loss for the year ended 31 December 2013	-	-	-	(155,983)	(155,983)
Performance Share Plan from RDS - recharge by the parent - charge during the year			(719) (40)	(870) -	(1,589) (40)
Dividend for the year ended: - 31 December 2012 - 31 December 2013	-	-	-	(33,750) -	(33,750) -
At 31 December 2013	<u>300,000</u>	<u>300,000</u>	<u>1,237</u>	<u>1,212,146</u>	<u>1,513,383</u>

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2014

Condensed Cash Flow Statement
Unaudited

	6 months ended	
	30.06.2014	30.06.2013
	RM'000	RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss before taxation	(93,916)	(207,894)
Adjustments for:		
Property, plant and equipment		
- depreciation	77,921	68,757
Interest expense	26,256	19,595
Interest income	(57)	(215)
Net foreign exchange (gain)/loss - unrealised	(24,370)	35,324
Fair value (gain)/loss on derivative financial instrument	22,010	(21,489)
Provision for inventories write down	1,409	1,016
Amortisation of prepaid lease payments	10	10
	9,263	(104,896)
Changes in working capital		
Inventories	(39,988)	(283,982)
Trade and other receivables	40,146	(55,197)
Trade and other payables	(22,611)	(58,416)
Related companies	(23,187)	341,670
Cash used in operations	(36,377)	(160,821)
Interest received	57	215
Net cash flow used in operating activities	(36,320)	(160,606)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22,350)	(39,763)
Net cash flow used in investing activities	(22,350)	(39,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(26,332)	(20,918)
Dividends paid	-	(33,805)
Borrowings	53,617	228,660
Net cash flow from financing activities	27,285	173,937
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(31,385)	(26,432)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	41,009	32,932
EFFECTS OF EXCHANGE RATE CHANGES	165	604
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9,789	7,104

The notes set out on pages 6 to 15 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 2014

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 2013.

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 2013.

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 2013 under the MFRS framework.

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Company's financial year beginning on or after 1 July 2012 and 1 January 2013 are as follows:

- | | |
|----------------------------|-----------------------------------------------------|
| i) MFRS 13 | Fair Value Measurement |
| ii) Amendments to MFRS 101 | Presentation of items of other comprehensive Income |
| iii) Amendment to MFRS 7 | Financial Instruments: Disclosures |

There is no significant impact on the financial results and position of the Company upon adoption of the above new standards, amendments to published standards and interpretation.



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INTERIM REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2014

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

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 within the financial year.

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.

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.



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

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		Cumulative Quarters	
	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	3,874,794	3,179,207	7,806,441	6,561,721
- Crude oil	34,258	213,869	90,143	441,415
	<u>3,909,052</u>	<u>3,393,076</u>	<u>7,896,584</u>	<u>7,003,136</u>

A9 Earnings per share

		3 months ended		6 months ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
(a) Basic earnings per share					
Net (loss)/profit for the period	(RM'000)	(28,008)	(113,452)	(72,093)	(161,505)
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	(9.34)	(37.82)	(24.03)	(53.84)
(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 Reporting (MFRS 134)
(continued)

A10 Profit/ (Loss) Before Taxation

The company recorded a loss before tax of RM34.65 million for the three months ended 30 June 2014 compared to a loss before tax of RM144.03 million in the same period of 2013 (also see accompanying Management Commentary in Part B).

	Individual Quarter 3 months ended		Cumulative Quarters 6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2014 RM'000
<i>The profit before taxation is arrived at after charging/(crediting):</i>				
Interest income	(28)	(32)	(57)	(215)
Other income including investment income	(3,533)	(3,275)	(6,991)	(6,884)
Interest expense	14,189	11,153	26,256	19,595
Property, plant and equipment				
- Depreciation and amortization	39,098	38,304	77,921	68,757
Provision for inventories write (back)/down (included in cost of sales)	(11,499)	(19,239)	1,409	1,016
Foreign exchange loss on net trade - realized	(27,286)	2,115	(20,268)	17,253
Foreign exchange loss/(gain) on net trade – unrealized	3,599	9,333	(8,485)	9,288
Foreign exchange loss/(gain) on cash and bank balances	(179)	279	(165)	(604)
Foreign exchange (gain)/loss on term loan – unrealized	(13,800)	17,400	(15,720)	26,640
Fair value loss/(gain) on derivative financial instruments – unrealized	13,907	(11,090)	22,010	(21,489)



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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		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Current Period				
Movement in deferred tax	<u>(6,650)</u>	(30,584)	<u>(21,823)</u>	(46,389)
	<u>(6,650)</u>	<u>(30,584)</u>	<u>(21,823)</u>	<u>(46,389)</u>
Prior Period				
Income tax	-	-	-	-
	<u>(6,650)</u>	<u>(30,584)</u>	<u>(21,823)</u>	<u>(46,389)</u>

The effective tax rate for the quarter ending 30 June 2014 is 19.19%, lower than the statutory tax rate of 25%, due to adjustments for non-qualifying tax expenses and unrealised foreign exchange.

A12 Dividend

The Company has not declared any dividend for the 3 months period ended 30 June 2014.

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 2014, all property, plant and equipment were stated at cost less accumulated depreciation and impairment loss.



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

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.

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 2013.

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 2013.



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

A21 Fair value measurement

(a) Financial instruments carried at amortised cost:

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 30 June 2014.

(b) Financial Instruments carried at fair value:

The Company measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company’s assets and liabilities for recurring fair value measurements recognised through profit or loss:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>At 30 June 2014</u>				
Derivatives – Cross currency interest rate swaps	0	53,321	0	53,321
<u>At 31 December 2013</u>				
Derivatives – Cross currency interest rate swaps	0	75,331	0	75,331

During the year, there were no transfers between Level 1 & Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.



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

A22 Borrowings

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

	30.06.2014	31.12.2013
	RM'000	RM'000
Long term borrowings		
Term loan (unsecured)		
- Local currency loan	-	450,000
- Foreign currency loan	770,400	786,120
	770,400	1,236,120
Short term borrowings		
Short term loan (less than 3 months)	557,131	503,513
Short term portion of long-term borrowings		
-Local currency loan	450,000	-
	1,007,131	503,513
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	240,000	240,000

Derivative Financial Instrument – Cross currency interest rate swap ('CCIRS')

	30.06.2014	31.12.2013
	RM'000	RM'000
Derivative financial assets/(liabilities):		
Term loan (unsecured)		
- current (less than 1 year)	(14,530)	(11,536)
- non-current (between 1 to 3 years)	67,851	86,867
	53,321	75,331



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

A22 Borrowings (continued)

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.

There is no change with respect to the following from the financial year ended 31st December 2013.

- The credit risk, market risk and liquidity risk associated with CCIRS.
- The cash requirements of the CCIRS;
- The policies in place for mitigating or controlling the risks associated with CCIRS and
- The related accounting policies.

A23 Inventories

	30.06.2014	31.12.2013
	RM'000	RM'000
Crude Oil	838,223	789,134
Petroleum products	560,986	571,339
	1,399,209	1,359,473
Less: Allowance for inventories write-down	(1,409)	(543)
Materials	27,605	26,896
	1,425,405	1,386,826

A24 Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2014 are as follows:

	RM'000
Property, plant and equipment	
Authorised by Directors and contracted for	50,247
Authorised by Directors and not contracted for	12,276
	62,523



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

A25 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.

A26 Company Performance

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

A27 Current Year Prospects

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

A28 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 30.06.2014 RM'000
a) Income:	
i) Sale of refined products to:	3,815,033
ii) Tariff revenue on the use of properties/ facilities:	3,841
b) Expenses:	
i) Purchase of crude and products:	(3,818,686)
ii) Central Management and administrative expenses:	(8,263)

As at 30 June 2014, there are no capital commitments with related parties.

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**

A29 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:

	2014
	RM'000
Realised	1,075,849
Unrealised	64,205
	<u>1,140,054</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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Part B: Additional Information Required By Bursa Malaysia Listing Requirements

B1 Review of Performance – YTD/Q2 2014 vs. YTD/Q2 2013

The Company registered revenue of RM7.9 billion, 11% higher than the same period last year. The increase is mainly due to higher volumes sold in 2014.

Refining margin remains under pressure although the Company posted lower after-tax loss of RM72 million for 2014 compared to RM162 million in 2013. The continuing weak global refining margin is of great concern. The Board is exploring various responses to the challenge.

The refinery processed 19 million barrels of crude oil, higher by 1% as compared to 2013.

B2 Variation of results against previous quarter – Q2 2014 vs. Q1 2014

The Company registered RM3.9 billion, 2% higher compared to Q1 2014 due to increasing product prices in late June.

The Company posted an after-tax loss of RM28 million this quarter against RM44 million after-tax loss in Q1 2014, contributed by higher margin driven by strong product cracks and supported by turnaround season in the region.

In the second quarter of 2014, the refinery processed 9.5 million barrels of crude oil and sold 10.3 million barrels of product. The Company buys 40% from Malaysia, 32% crude from the Far East and Africa with the remaining 28% from Russia.



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

B3 Current Year Prospects

Weak refining margins environment has shown no signs of abatement and may persist longer than expected. The Board has taken action to ensure sufficient cash flow for operations until the situation improves. The Board will undertake a structured review of the company's resilience in the face of persistent low margin environment.

B4 Profit Forecast

We do not issue any profit forecast.

BY ORDER OF THE BOARD

Lee Mi Ryoung (MAICSA 7058423)
Nuruluyun Binti Abdul Jabar (MIA 9113)
Tia Hwei Ping (MAICSA 7057636)
Company Secretaries

Kuala Lumpur
13 August 2014