

Company No.

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

### **Interim report for the three months ended 30 September 2005**

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 28<sup>th</sup> November 2005, the Company is pleased to announce its financial results for the three months ended 30<sup>th</sup> September 2005.

This interim report is prepared in accordance with MASB 26 “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<sup>st</sup> December 2004.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

Interim report for the three months ended 30 September 2005

**Condensed Income Statements***Unaudited*

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended	30.09.2004	9 months ended	30.09.2004
		30.09.2005	30.09.2004	30.09.2005	30.09.2004
		RM'000	RM'000	RM'000	RM'000
Sales		<b>2,510,243</b>	2,020,274	<b>6,946,465</b>	5,324,889
Expenses excluding finance cost and tax		<b>-2,301,535</b>	-1,814,867	-6,400,508	-4,788,163
Other operating income		<b>3,571</b>	3,234	<b>9,320</b>	9,558
Profit from operations		<b>212,279</b>	208,641	<b>555,277</b>	546,284
Finance cost		<b>-4,629</b>	-3,183	<b>-14,660</b>	-8,651
Profit from ordinary activities before tax		<b>207,650</b>	205,458	<b>540,617</b>	537,633
Taxation	5	<b>-57,834</b>	-20,633	<b>-112,997</b>	-55,049
Profit from ordinary activities after tax		<b>149,816</b>	184,825	<b>427,620</b>	482,584
Minority interest		-	-	-	-
Net profit for the period		<b>149,816</b>	184,825	<b>427,620</b>	482,584
Estimated average annual effective tax rate		<b>27.85%</b>	<b>10.04%</b>	<b>20.90%</b>	<b>10.24%</b>
Earning per share:		sen	sen	sen	sen
- basic	6	<b>49.94</b>	61.61	<b>142.54</b>	160.86
- diluted	6	<b>N/A</b>	N/A	<b>N/A</b>	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 30 September 2005

### Condensed Balance Sheet

Unaudited

	Note	As at 30.09.2005 RM'000	As at 31.12.2004 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	7	<u>1,329,758</u>	1,342,216
		<b>1,329,758</b>	<b>1,342,216</b>
<b>Current assets</b>			
Inventories		917,460	627,331
Trade Receivables		143,983	167,515
Other Receivables and prepayments		6,268	5,534
Amount Receivables from related companies		942,690	730,543
Bank Balance		335,625	164,869
		<u>2,346,026</u>	1,695,792
<b>Less: Current liabilities</b>			
Trade and Other Payables		648,806	352,171
Amount payable to related companies		337,239	270,622
Bank Balance		0	1,053
Current portion of long term debt	10	0	91,200
Dividends payable		25,920	0
		<u>1,011,965</u>	715,046
<b>Net current assets</b>		<b>1,334,061</b>	980,746
<b>Less: Non current liabilities</b>			
Deferred tax liabilities		268,212	273,184
Long term borrowings	10	527,730	486,400
		<u>795,942</u>	759,584
		<b>1,867,877</b>	1,563,378
<b>Capital and reserves</b>			
Share capital	11	300,000	300,000
Revaluation reserve		15,738	15,738
Retained profit		1,552,140	1,247,640
Shareholders' equity		<u>1,867,877</u>	1,563,378

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 30 September 2005

### Condensed Statement of Changes in Equity

Unaudited

	Non-distributable				Total
	RM'000	RM'000	RM'000	RM'000	
<b>Balance as at 1 January 2004</b>	<b>300,000</b>	-	<b>15,738</b>	<b>685,296</b>	<b>1,001,034</b>
Net profit for 12 months period	-	-	-	<b>670,344</b>	<b>670,344</b>
Dividend for the period ended:					
- 31 December 2003 (Final)	-	-	-	<b>-43,200</b>	<b>-43,200</b>
- 30 September 2004 (interim & special interim)	-	-	-	<b>-64,800</b>	<b>-64,800</b>
<b>Balance as at 31 December 2004</b>	<b>300,000</b>	<b>0</b>	<b>15,738</b>	<b>1,247,640</b>	<b>1,563,378</b>
<b>Balance as at 1 January 2005</b>	<b>300,000</b>	-	<b>15,738</b>	<b>1,247,640</b>	<b>1,563,378</b>
Net profit for the 9-months period	-	-	-	<b>427,620</b>	<b>427,620</b>
Dividend for the period ended :					
- 31 December 2004 (Final)	-	-	-	<b>-75,600</b>	<b>-75,600</b>
- 30 September 2005 (interim & special interim)	-	-	-	<b>-47,520</b>	<b>-47,520</b>
<b>Balance as at 30 September 2005</b>	<b>300,000</b>	<b>0</b>	<b>15,738</b>	<b>1,552,140</b>	<b>1,867,877</b>

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 30 September 2005

### Condensed Cash Flow Statement

Unaudited

	9 months ended	
	30.09.2005	30.09.2004
	RM'000	RM'000
<b>cash flows from operating activities</b>		
Profit/(Loss) after taxation	427,620	482,584
Adjustment for:		
Depreciation	88,662	78,234
(Profit)/Loss from disposal of property, plant and equipment	11,012	-65
Taxation	112,997	55,049
Exchange losses on foreign currency translation	-4,286	-960
Interest income	-7,080	-3,084
Interest expense	14,660	8,651
	<u>643,584</u>	<u>620,410</u>
Changes in working capital		
(Increase)/decrease in inventories	-290,129	-359,544
(Increase)/decrease in trade and other debtors	20,481	-31,359
Increase/(decrease) in trade and other creditors	230,039	306,367
Net (increase) / decrease in amount due from related companies	-145,530	-381,266
Cash generated from operations	<u>458,444</u>	<u>154,608</u>
Interest received	7,080	3,084
Interest paid	-14,660	-8,651
Taxation paid	-44,770	-13,959
Net cash generated from operating activities	<u>406,094</u>	<u>135,082</u>
<b>cash flows from investing activities</b>		
Purchase of property, plant and equipment	-87,216	-11,017
Proceeds from disposal of property, plant and equipment	0	65
Net cash used in investing activities	<u>-87,216</u>	<u>-10,952</u>
<b>cash flow from financing activities</b>		
Repayment of long term borrowings	-4,270	-68,400
Repayment of short term borrowings	-45,600	0
Dividends paid	-97,200	-64,800
Net cash (used in)/generated from financing activities	<u>-147,070</u>	<u>-133,200</u>
<b>Net increase in cash and cash equivalent</b>	<b>171,808</b>	<b>-9,070</b>
<b>Cash and cash equivalent at the beginning of the period</b>	<b>163,816</b>	<b>11,229</b>
<b>Cash and cash equivalent at the end of the period</b>	<b><u>335,625</u></b>	<b><u>2,159</u></b>

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 30 September 2005**

### **Notes to the Financial Information**

#### **1 Basis of preparation**

This interim report is prepared in accordance with MASB 26 "Interim Financial Reporting" and paragraph 9.22 of the BMSB Listing Requirements, and should be read in conjunction with the Company's financial statements for the year ended 31 December 2004.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the year ended 31 December 2004.

#### **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 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 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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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 30 September 2005

### Notes to the Financial Information

#### 7 Dividends

	9 months ended 30 September 2005		9 months ended 30 September 2004	
	Gross dividend per share Sen	Amount of dividend net of 28% tax RM '000	Gross dividend per share Sen	Amount of dividend net of 28% tax RM '000
Final dividend approved by shareholders in respect of the year ended 31 December 2004, paid on 10 June 2005 (2003: paid on 4 June 2004)	35	75,600	20 0	43,20
Special interim dividend approved in respect of the quarter ended 31 March 2005, paid on 22 June 2005 (2004: paid on 4 June 2004)	10	21,60 0	10 0	21,60
Interim dividend in respect of the year ending 31 December 2005, payable on 7 October 2005 (2004: paid on 8 October 2004)	12	25,92 0	10	21,60 0

#### 8 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.

#### 9 Carrying amount of revalued assets

The Company has nothing to disclose as regards valuations of property, plant and equipment in the quarterly financial statements under review.

#### 10 Significant post balance sheet event

The Company has nothing to disclose as regards significant post balance sheet events in the quarterly financial statements under review.

**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

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Interim report for the three months ended 30 September 2005

**Notes to the Financial Information****11 Changes in Composition of the Company**

All the results of the Company are based upon existing continuing operations. There is no change in the composition of the Company during the interim period, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations. There is also no unusual transaction effecting assets, liabilities, equity, net income and cash flow.

**12 Contingent Liabilities**

- (a) In December 1996, employees were given the option of either remaining in the Shell Malaysia Retirement Benefit Fund ('SMRBF') or transferring to a defined contribution scheme ('DCS'). In conjunction with this, certain assets of the SMRBF were transferred to the Shell Malaysia Provident Fund ('SMPF'). The transfers were effective 1 May 1997. Arising from the transfer of assets from the SMRBF to the SMPF, the Company has provided guarantees to members in relation to:

- (i) the capital sum transferred;
- (ii) a minimum return of 2.5% per annum on that capital sum; and
- (iii) death in service benefits.

The Company, as a Member Company of the SMPF, has supported the resolution of the Founding Company that the SMPF shall come to an end on 31 December 2003 ("Closure Date") and that members' balances in SMPF as at Closure Date be transferred to the Employees' Provident Fund. With such transfer of members' balances, the Company no longer provides guarantees to members in relation to (i) and (ii) above. Death in service benefit for the ex-SMRBF members will continue to be guaranteed the Company.

Based on the information currently available, it is not possible to estimate the likely outcome of the liabilities with regards to death in service benefits as the liabilities are dependent on individual circumstances.

- (b) The Company is a member of two oil spill funds, namely the Contract Regarding a Supplement to Tanker Liability for Oil Pollution (CRISTAL) Fund and the International Oil Pollution Compensation (IOPC) 1971 Fund. The purpose of the Funds is to help compensate parties that have suffered financial losses as a result of oil spill from tankers. The members make contributions to the Funds depending on specific oil spill incidents globally which give rise to payments of compensation by the Funds. As of the date of this report, there are no material claims outstanding.

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

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Interim report for the three months ended 30 September 2005

### **Notes to the Financial Information**

#### **13 Tax**

Taxation for the quarter ending 30 September 2005 amounting to RM 57,834,000 comprises:

	<b>3 months ended</b>		<b>YTD-9 months ended</b>	
	<b>30.09.2005</b>	30.09.200	<b>30.09.200</b>	30.09.200
		4	5	4
	<b>(RM'000)</b>	(RM'000)	<b>(RM'000)</b>	(RM'000)
Income tax for current period	<b>(60,151)</b>	(15,796)	<b>(117,970)</b>	(41,526)
Transfer from deferred tax	<b>2,317</b>	(4,837)	<b>4,973</b>	(13,523)
	<b>(57,834)</b>	(20,633)	<b>(112,997)</b>	(55,049)

The difference between the statutory tax rate and the effective tax rate is mainly due to the depreciation expense of non-qualifying assets and taxation exempt income under pioneer status. The reinvestment allowance that the Company was entitled to as a result of its pioneer status and for making a qualifying investment has been fully utilised during the course of the quarter ended 31st March 2005.

#### **14 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.

#### **15 Quoted Securities**

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

#### **16 Corporate proposal**

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

#### **17 Financial instruments**

The Company does not have any financial instruments to disclose.

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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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### Notes to the Financial Information

#### 18 Bank borrowings

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

	<b>RM'000</b>	
Short term borrowings (unsecured)	-	
Current portion of term loan (unsecured)	-	
Term loan (unsecured) less current portion	527,730	
	<u>527,730</u>	
Restated in loan's original currency:	<b>USD'000</b>	<b>RM'000 equivalent</b>
Bank borrowings denominated in foreign currency (USD)	140,000	527,730

The Company signed a financial agreement with The Bank of Tokyo-Mitsubishi on 12 May 2005 to secure a syndicated term loan facility of US\$ 140 Million (RM 527.7 Million), which was used to prepay in full the outstanding balance of an existing syndicated term loan facility of US\$ 330 Million (RM 1,244 Million).

#### 19 Earnings per share

	<b>3 months ended</b>		<b>YTD-9 months ended</b>	
	<b>30.09.2005</b>	30.09.2004	<b>30.09.2005</b>	30.09.2004
	<b>5</b>	4	<b>5</b>	4
<b>(a) Basic earnings per share</b>				
Net profit for the period (RM'000)	<b>149,816</b>	184,825	<b>427,619</b>	482,584
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>49.94</b>	61.61	<b>142.54</b>	160.86
<b>(b) Diluted earnings per share</b>				
(sen)	<b>N/A</b>	N/A	<b>N/A</b>	N/A

#### 20 Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2005 are as follows:

	<b>RM'000</b>
Authorised by the Directors and contracted	2,200
Authorised by the Directors and not contracted	5,462
	<u>7,662</u>
Analysed as follows:	
- Property, plant and equipment	<u>7,662</u>

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

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### **Notes to the Financial Information**

#### **21 Profit Before Taxation**

The quarterly profit before taxation is higher compared to the same quarter of the previous year. The Company recorded profits before tax of RM 207.7 million for the third quarter of 2005 compared to RM 205.5 million in the third quarter of 2004 (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 Current Year Prospect**

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

#### **24 Change in Accounting Policy**

##### **MAINTENANCE COSTS**

Asset inspection/overhaul costs incurred by the Company for major scheduled maintenance of the refinery are capitalised as part of the refinery assets and depreciated on a straight line basis over their estimated useful lives, typically the period until the next major scheduled maintenance.

During the financial year ended 2004, the Company has changed its accounting policy in respect of major scheduled maintenance cost, as above, which in prior years were charged to the income statement.

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

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**Interim report for the three months ended 30 September 2005**

### **Management Commentary**

#### **DIVIDEND**

- **20 sen per share special interim dividend and new dividend strategy declared**

The Company is currently in a cash surplus position and the Board wishes to prudently return this cash to its shareholders. It is the Board's intention that this cash be paid out in the form of a 20 sen per share special interim dividend each quarter until the surplus cash has been utilised. On the basis of current planning assumptions, these special interim dividends would be paid out over the next 4 to 8 quarters. These special dividends will be in addition to the interim and final dividends.

The Company also announced today that for the foreseeable future it targets paying a total interim plus final dividend of 50 sen per share, subject to future financial performance. For 2005, the Company has already paid an interim dividend of 12 sen per share.

The Board believes that this revised dividend strategy will maximise value for shareholders.

In accordance with this new strategy, the Directors have declared a special interim dividend of 20 Sen (RM 0.20) gross per unit of share of RM 1.00 each, less 28% Malaysian Income Tax in respect of the third quarter of the financial year ending 31<sup>st</sup> December 2005, payable on 29<sup>th</sup> December 2005 to the shareholders registered in the registered in the Register of Depositors at the close of business on 16<sup>th</sup> December 2005.

#### **COMPANY PERFORMANCE**

- **Quarterly income after tax of RM 149.8 million**

The Company recorded a quarterly after-tax net income of RM 149.8 Million for the third quarter of 2005, in spite of the planned month-long statutory shutdown for maintenance work which started in June 2005 and was successfully completed on 20<sup>th</sup> July 2005.

For the third quarter of 2005, the Company recorded a decrease of 19 % compared to the net income after tax of RM 184.8 Million recorded in the same quarter last year due to higher effective tax rates in 2005 (Please refer to Note 13 in the Notes to the Financial Information During the quarter, the Company benefited from an after-tax stockholding gain of RM 78.7 Million (Q3 2004: after-tax stockholding gain of RM 78.5 Million) due to the overall increase in crude oil and product prices.

Net income before tax for the three quarters of 2005 amounted to RM 541 million. This compares to the RM 538 million net income before tax recorded for the three quarters 2004.

While refining margins continued to remain healthy, the refinery processed 8.7 million barrels of crude oil and feedstock compared to 10.2 million barrels in the same quarter last year. The lower intake in Q3 2005 was due to the statutory shutdown of the Long Residue Catalytic Cracker ("LRCC") unit and the Complex 2 unit, comprising a crude distiller and a platformer, up to 20<sup>th</sup> July 2005.

The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI) during the period, resulting in 4.4 million man-hours without any LTI since 21<sup>st</sup> May 2001.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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**CURRENT YEAR PROSPECTS**

- **Refining margins expected to ease in the current quarter**
- **Continuous efforts to achieve operational excellence**

It is expected that the current high refining margins will ease in the current quarter. Any weakening in oil prices may also have a negative impact on the Company's financial results, given the stock accounting practice adopted by the Company.

The Company will continue to pursue operational excellence, proactive margin improvement and cost effectiveness, whilst maintaining a strong Health, Safety and Environment performance.