

Company No.

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

(Incorporated in Malaysia)

**Interim report for the three months ended 31 December 2005**

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 23 February 2006, the Company is pleased to announce its financial results for the three months ended 31 December 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 December 2005.

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

Interim report for the three months ended 31 December 2005

**Condensed Income Statements**

*Unaudited*

	Note	Individual Quarter 3 months ended		Cumulative Quarters 12 months ended	
		31.12.2005 RM'000	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2004 RM'000
Sales		2,748,668	2,185,650	9,695,133	7,510,539
Cost of sales		(2,582,120)	(1,967,712)	(8,952,566)	(6,717,641)
Other operating income		6,911	1,397	27,457	14,095
Administrative expenses		(24,393)	(9,730)	(41,441)	(40,309)
Other operating expenses		(1,118)	(808)	(22,784)	(9,000)
Profit from operations		147,948	208,797	705,799	757,684
Finance cost		(6,642)	(4,522)	(23,877)	(15,776)
Profit from ordinary activities before tax		141,306	204,275	681,922	741,908
Taxation	13	(46,793)	(16,515)	(159,790)	(71,564)
Profit from ordinary activities after tax		94,513	187,760	522,132	670,344
Minority interest		-	-	-	-
Net profit for the period		94,513	187,760	522,132	670,344
Estimated average annual effective tax rate		33.11%	8.08%	23.43%	9.65%
Earning per share:		sen	sen	sen	sen
- basic	19	31.50	62.59	174.04	223.45
- diluted	19	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.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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Interim report for the three months ended 31 December 2005

**Condensed Balance Sheet**

Unaudited

	Note	As at 31.12.2005 RM'000	As at 31.12.2004 RM'000
<b>Non-current assets</b>			
Property, plant and equipment		1,317,386	1,342,216
<b>Current assets</b>			
Inventories		673,128	627,331
Trade receivables		103,631	167,515
Other receivables and prepayments		5,320	5,534
Amounts receivable from related companies		880,175	730,543
Bank balances		14,947	164,869
Deposit with a licensed bank		647,929	0
<b>Total current assets</b>		<u>2,325,130</u>	<u>1,695,792</u>
<b>Less: Current liabilities</b>			
Trade and other payables		441,453	352,171
Amounts payable to related companies		481,787	270,622
Bank Balances		0	1,053
Current portion of long term debt	18	0	91,200
<b>Total current liabilities</b>		<u>923,240</u>	<u>715,046</u>
<b>Net current assets</b>		<u>1,401,890</u>	980,746
<b>Less: Non current liabilities</b>			
Deferred tax liabilities		267,456	273,184
Long term borrowings	18	529,130	486,400
Provision for Liabilities		3,500	0
		<u>800,086</u>	<u>759,584</u>
<b>Total net assets employed</b>		<u>1,919,190</u>	1,563,378
<b>Capital and reserves</b>			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained profit		1,603,452	1,247,640
Shareholders' equity		<u>1,919,190</u>	<u>1,563,378</u>

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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**Condensed Statement of Changes in Equity**

*Unaudited*

Note	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	
<b>At 1 January 2004</b>	300,000	300,000	15,738	685,296	1,001,034
Profit after taxation for the year ended 31 Dec 2004			-	670,344	670,344
Dividend for the period ended:					
- 31 December 2003			-	-43,200	-43,200
- 31 December 2004			-	-64,800	-64,800
				-	-
<b>At 31 December 2004</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>1,247,640</b>	<b>1,563,378</b>
<b>At 1 January 2005</b>	300,000	300,000	15,738	1,247,640	1,563,378
Profit after taxation for the year ended 31 December 2005			-	522,132	522,132
Dividend for the period ended:					
- 31 December 2004			-	-75,600	-75,600
- 31 December 2005			-	-90,720	-90,720
				-	-
<b>At 31 December 2005</b>	<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>1,603,452</b>	<b>1,919,190</b>

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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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2005

### Condensed Cash Flow Statement

Unaudited

	12 months ended		
	Note	31.12.2005	31.12.2004
		RM'000	RM'000
<b>Cash flows from operating activities</b>			
Profit after taxation		522,132	670,344
Adjustment for:			
Depreciation		123,458	115,016
Property, plant and equipment write off /(back)		11,581	-1,048
Provision for decommissioning and site restoration cost		3,500	0
Turnaround cost capitalised		0	-11,705
Gain on disposal of property, plant and equipment		-64	0
Taxation		159,790	71,564
Exchange (gain)/ losses on foreign currency translation		-2,995	163
Interest income		-9,841	-4,151
Interest expense		20,327	12,344
		<b>827,888</b>	<b>852,527</b>
Changes in working capital			
Increase in inventories		-45,797	-242,764
Decrease in trade and other debtors		64,098	2,597
Increase/(Decrease) in trade and other creditors		57,608	-97,537
Increase in amounts receivable from related companies		-149,632	-248,681
Increase/(Decrease) in amounts payable to related companies		211,165	170,818
Cash generated from operations		<b>965,330</b>	<b>436,960</b>
Interest received		9,841	4,151
Interest paid		-20,247	-12,114
Taxation paid		-136,224	-45,801
Net cash generated from operating activities		<b>818,700</b>	<b>383,196</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-105,620	-33,822
Proceeds from disposal of property, plant and equipment		64	0
Net cash used in investing activities		<b>-105,556</b>	<b>-33,822</b>
<b>Cash flow from financing activities</b>			
Repayment of term borrowings		-45,600	-91,200
Dividends paid		-168,484	-105,587
Net cash flow used in investing activities		<b>-214,084</b>	<b>-196,787</b>
<b>Net increase in cash and cash equivalent</b>		<b>499,060</b>	<b>152,587</b>
<b>Cash and cash equivalent at the beginning of the year</b>		<b>163,816</b>	<b>11,229</b>
<b>Cash and cash equivalent at the end of the year</b>		<b>662,876</b>	<b>163,816</b>

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

(Incorporated in Malaysia)

**Interim report for the three months ended 31 December 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 2005.

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 2005.

#### **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

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2005

### Notes to the Financial Information

#### 7 DIVIDENDS

	RM'000	RM'000
Interim gross dividend of 10 sen per RM1 unit of share less tax at 28% paid on 22 June 2005 (2004: nil)	21,600	0
Interim gross dividend of 12 sen per RM 1 unit Of share less tax at 28% paid on 7 October 2005 (2004: 10sen per RM1 unit of share less tax at 28%)	25,920	21,600
Special interim gross dividend of 20 sen per RM1 unit of share less tax at 28%, paid on 29 December 2005 (2004: 10 sen per RM1 unit of share less tax at 28%)	43,200	21,600
Special interim gross dividend of 20 sen per RM1 unit of share less tax at 28% (2004: 10 sen per RM1 unit of share less tax at 28%)	60,000	21,600
Proposed final gross dividend of 38 sen per RM1 unit of share less tax at 28% (2004: 35 sen per RM1 unit of share less tax at 28%)	114,000	75,600
	<u>264,720</u>	<u>140,400</u>
Gross dividend per RM1 unit of share	100 sen	65 sen

These financial statements do not reflect the proposed final dividend which will be accounted for in the shareholders equity as an appropriation of retained earnings in the year in which the dividends are approved by the shareholders.

#### 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.

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

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**Interim report for the three months ended 31 December 2005**

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

#### **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.

#### **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 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.

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

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2005

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

#### **13 Tax**

Taxation for the quarter ending 31 December 2005 amounting to RM 46,793,000 comprises:

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2005</b>	31.12.2004	<b>31.12.2005</b>	31.12.2004
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income tax for current period	<b>(47,549)</b>	(16,409)	<b>(165,518)</b>	(57,935)
Transfer from deferred tax	<b>756</b>	(106)	<b>5,728</b>	(13,629)
	<b>(46,793)</b>	(16,515)	<b>(159,790)</b>	(71,564)

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 31<sup>st</sup> 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

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2005

### 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	529,130	
	<u>529,130</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	529,130

#### 19 Earnings per share

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2005</b>	31.12.2004	<b>31.12.2005</b>	31.12.2004
<b>(a) Basic earnings per share</b>				
Net profit for the period (RM'000)	<b>94,513</b>	187,760	<b>522,132</b>	670,344
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>31.50</b>	62.59	<b>174.04</b>	223.45
<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 31 December 2005 are as follows:

	<b>RM'000</b>
Authorised by the Directors and contracted	3,255
Authorised by the Directors and not contracted	17,444
	<u>20,699</u>
Analysed as follows:	
- Property, plant and equipment	<u>20,699</u>

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

(Incorporated in Malaysia)

**Interim report for the three months ended 31 December 2005**

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

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

The quarterly profit before taxation is lower compared to the same quarter of the previous year. The Company recorded profits before tax of RM 141 million for the fourth quarter of 2005 compared to RM 204 million in the fourth 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**

##### **PROVISIONS**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

The Company recognises the estimated liability of decommissioning and site restoration costs in relation to the company's manufacturing units. The estimation of the final decommissioning and restoration costs will be based on current technology, and the Company does not assume that the underlying costs of the restoration will change dramatically in the future due to supply and demand or other economic factors. If the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate shall be pre-tax that reflect current market assessments of the time value of money and the risks specific to the liability. The discount rate shall reflect risks for which future cash flow estimates have been adjusted.

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

(Incorporated in Malaysia)

**Interim report for the three months ended 31 December 2005**

### **Management Commentary**

#### **DIVIDEND**

The Directors have agreed to recommend a final dividend of 38 sen per unit of share of RM1.00 each, less 28% Malaysian Income Tax in respect of the financial year ending 31<sup>st</sup> December 2005, payable on 9<sup>th</sup> June 2006 to the shareholders registered in either the Record of Depositors or the Register of Members at the close of business on 26<sup>th</sup> May 2006. This dividend recommendation is subject to the approval of shareholders at the Company's forthcoming May 2006 Annual General Meeting.

The Directors have also declared a special dividend of 20 sen per unit of share of RM 1.00 each, less 28% Malaysian Income Tax in respect of the fourth quarter of the financial year ending 31<sup>st</sup> December 2005, payable on 26 April 2006 to the shareholders registered in either the Record of Depositors or the Register of Members at the close of business on 31 March 2006.

#### **COMPANY PERFORMANCE**

- **Quarterly income after tax of RM 95 million**
- **2<sup>nd</sup> highest ever net income after tax for the financial year 2005 of RM 522 million**

The Company posted an after-tax net income of RM 95 million for the fourth quarter of 2005. The decrease of 50% as compared to the net income after tax of RM188 million recorded in the same quarter last year was primarily due to the lower refining margins sustained in Q4 2005 and a much lower effective tax rate applicable in Q4 2004. In Q4 2005, there was an after-tax stockholding loss of RM 46 million (Q4 2004: after-tax stockholding loss of RM 48 million).

Cumulative net income after tax for 2005 amounted to RM 522 million, which was the Company's second highest ever net income next only to the RM 670 million profits recorded in 2004. Overall in 2005, the Company benefited from an after-tax stockholding gain of RM 210 million (2004: stockholding gain net of tax of RM 80 million) due to the overall increase in oil prices in 2005. This stockholding affect accounts for 40% of the Company's total 2005 net income after tax.

Compared to the third quarter of 2005, the Company's fourth quarter net income after tax recorded a decrease of RM 55 million or 36%. This was primarily due to the impact of decreasing oil prices which caused stockholding losses that more than offset the stronger refining margins of Q4 2005.

The refinery processed 10.3 million barrels of crude oil and feedstock and sold 11.0 million barrels of products during the quarter. The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI) up to 31 December 2005, resulting in 5.3 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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**Interim report for the three months ended 31 December 2005**

### **CURRENT YEAR PROSPECTS**

- **Refining margins have dropped in January and February 2006**
- **Continuous efforts to achieve operational excellence**

Refining margins have dropped in January and February 2006. 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 reduction, whilst maintaining strong Health, Safety and Environment performance.