

Company No.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2006

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 17 May 2006, the Company is pleased to announce its financial results for the three months ended 31 March 2006.

This interim report is prepared in accordance with the requirements of Financial Reporting Standard (FRS) 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 2005.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 March 2006

Condensed Income Statements

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 3 months ended	
		31.03.2006 RM'000	31.03.2005 RM'000	31.03.2006 RM'000	31.03.2005 RM'000
Sales		2,482,500	2,254,976	2,482,500	2,254,976
Cost of sales		-2,427,707	-2,026,443	-2,427,707	-2,026,443
Other operating income		7,709	5,504	7,709	5,504
Administrative expenses		-4,751	-6,874	-4,751	-6,874
Other operating expenses		8,626	-5,260	8,626	-5,260
Profit from operations		66,377	221,903	66,376	221,903
Finance cost		-6,869	-5,058	-6,869	-5,058
Profit from ordinary activities before tax		59,508	216,845	59,508	216,845
Taxation	13	-13,703	-21,443	-13,703	-21,443
Profit from ordinary activities after tax		45,805	195,402	45,805	195,402
Estimated average annual effective tax rate		23.03%	9.89%	23.03%	9.89%
		sen	sen	sen	sen
Earning per share:					
- basic	18	15.27	65.13	15.27	65.13
- diluted	18	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 12 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 March 2006

Condensed Balance Sheet

Unaudited

	Note	As at 31.03.2006 RM'000	As at 31.12.2005 RM'000
Non-current assets			
Property, plant and equipment		1,288,366	1,317,386
Current assets			
Inventories		1,250,289	673,128
Trade receivables		38,284	103,631
Other receivables and prepayments		6,421	5,320
Amounts receivable from related companies		914,251	880,175
Bank balances		16,676	14,947
Deposit with a licensed bank		330,050	647,929
Total current assets		<u>2,555,971</u>	<u>2,325,130</u>
Less: Current liabilities			
Trade and other payables		131,106	190,936
Amounts payable to related companies		967,605	732,304
Total current liabilities		<u>1,098,711</u>	<u>923,240</u>
Net current assets		<u>1,457,260</u>	<u>1,401,890</u>
Less: Non current liabilities			
Deferred tax liabilities		259,621	267,456
Long term borrowings	19	517,510	529,130
Provision for Liabilities		3,500	3,500
		<u>780,631</u>	<u>800,086</u>
Total net assets employed		<u>1,964,995</u>	<u>1,919,190</u>
Capital and reserves			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained profit		1,649,257	1,603,452
Shareholders' equity		<u>1,964,995</u>	<u>1,919,190</u>

The notes set out on pages 6 to 12 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 March 2006

Condensed Statement of Changes in Equity

Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non -	Distributable	<u>Total</u> RM'000
	<u>Numbers of Shares</u> ' 000	<u>Nominal Value</u> RM'000	Revaluation <u>reserves</u> RM'000	<u>Retained earnings</u> RM'000	
At 1 January 2005	300,000	300,000	15,738	1,247,640	1,563,378
Profit after taxation for the year ended 31 Dec 2005	-	-	-	522,132	522,132
Dividend for the period ended:					
- 31 December 2004	-	-	-	-75,600	-75,600
- 31 December 2005	-	-	-	-90,720	-90,720
At 31 December 2005	300,000	300,000	15,738	1,603,452	1,919,190
At 1 January 2006	300,000	300,000	15,738	1,603,452	1,919,190
Profit after taxation for the year ended 31 March 2006	-	-	-	45,805	45,805
Dividend for the period ended:					
- 31 March 2006	-	-	-	-	-
At 31 March 2006	300,000	300,000	15,738	1,649,257	1,964,995

The notes set out on pages 6 to 12 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 March 2006

Condensed Cash Flow Statement

Unaudited

	Note	3 months ended	
		31.03.2006 RM'000	31.03.2005 RM'000
Cash flows from operating activities			
Profit after taxation		45,805	195,402
Adjustment for:			
Depreciation of property, plant and equipment		31,270	27,879
Losses/ (Gain) on disposal of property, plant and equipment		105	-3
Taxation		13,703	21,443
Unrealised gain on foreign currency translations		-10,476	-38
Interest income		-4,825	-2,041
Interest expense		6,090	4,277
		<u>81,671</u>	<u>246,920</u>
Changes in working capital			
Increase in inventories		-577,161	-264,562
Decrease in trade and other receivables		64,225	68,919
(Decrease)/Increase in trade and other payables		-90,349	176,727
Increase in amounts receivables from related companies		-34,076	-154,597
Increase in amounts payable to related companies		292,664	99,530
		<u>-263,025</u>	<u>172,937</u>
Cash (used in)/ generated from operations			
Interest received		4,825	2,041
Interest paid		-6,051	-4,277
Taxation paid		-49,565	-13,166
		<u>-313,815</u>	<u>157,534</u>
Net cash (used in)/ generated from operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment		-2,334	-6,956
Net cash used in investing activities		<u>-2,334</u>	<u>-6,956</u>
Cash flow from financing activities			
Repayment of term borrowings		0	-22,800
Net cash flow used in investing activities		<u>0</u>	<u>-22,800</u>
Net (decrease)/ increase in cash and cash equivalent		-316,150	127,778
Cash and cash equivalent at the beginning of the year		662,876	163,816
Cash and cash equivalent at the end of the year		<u>346,726</u>	<u>291,594</u>

The notes set out on pages 6 to 12 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 March 2006

Notes to the Financial Information

1 Basis of preparation

This interim report is prepared in accordance with the requirements of Financial Reporting Standard (FRS) 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 2005.

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 2005.

The same accounting policies and methods of computation are followed in the interim financial statements as for the financial statements for the year ended 31 December 2005 except as disclosed below.

The Company has adopted the following accounting standards which are applicable to the Company for the first time:

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events after the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 117 Leases
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 124 Related Party Disclosures
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property

The adoption has resulted in a change in the accounting policy from the adoption of FRS 117.

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Interim report for the three months ended 31 March 2006

Notes to the Financial Information

1 Basis of preparation (Continued)

The change in the accounting policy from the adoption of FRS 117 is as follows:

(i) FRS 117: Leases

Under FRS 117, investment properties held under finance lease are to be measured using the finance leased accounting methodology. The Company is hence required to reclassify leasehold land from Property, Plant and Equipment to Prepaid Rentals.

Finance Charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining lease liabilities.

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.

7 Dividend

The Company did not pay any dividend in the 3 months period ended 31 March 2006.

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Interim report for the three months ended 31 March 2006

Notes to the Financial Information

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

There were no material events subsequent to the end of the current quarter.

11 Changes in Composition of the Company

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

12 Changes in Contingent Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2005.

13 Tax

Taxation for the quarter ending 31 March 2006 amounting to RM 13,703,000 comprises:

	3 months ended	
	31.12.2006	31.12.2005
	(RM'000)	(RM'000)
Income tax for current period	(21,537)	(27,751)
Transfer from deferred tax	7,834	6,308
	<u>(13,703)</u>	<u>(21,443)</u>

The difference between the statutory tax rate and the effective tax rate is mainly due to the depreciation expense of non-qualifying assets.

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Interim report for the three months ended 31 March 2006

Notes to the Financial Information

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.

18 Earnings per share

		3 months ended		3 months ended	
		31.03.2006	31.03.2005	31.03.2006	31.03.2005
(a) Basic earnings per share					
Net profit for the period	(RM'000)	45,805	195,402	45,805	195,402
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	15.27	65.13	15.27	65.13
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

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Interim report for the three months ended 31 March 2006

Notes to the Financial Information

19 Bank borrowings

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

	RM'000	
Short term borrowings (unsecured)	-	
Current portion of term loan (unsecured)	-	
Term loan (unsecured) less current portion	<u>517,510</u>	
	517,510	
Restated in loan's original currency:	USD'000	RM'000 equivalent
Bank borrowings denominated in foreign currency (USD)	140,000	517,510

20 Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2006 are as follows:

	RM'000
Authorised by the Directors and contracted	405
Authorised by the Directors and not contracted	<u>29,872</u>
	<u>30,277</u>
Analysed as follows:	
- Property, plant and equipment	<u>30,277</u>

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 59.5 million for the first quarter of 2006 compared to RM 216.8 million in the first quarter of 2005 (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.

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Notes to the Financial Information

23 Current Year Prospect

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

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Management Commentary

DIVIDEND

In line with the dividend strategy announced on 28th November 2005, the Directors declared a special interim dividend of 20 sen (RM0.20) gross per unit of share of RM 1.00 each, less 28% Malaysian Income Tax in respect of the first quarter of the financial year ending 31st December 2006, payable on 23rd June 2006 to the shareholders registered in either the Record of Depositors or the Register of Members at the close of business on 7th June 2006.

COMPANY PERFORMANCE

- **Quarterly net income after tax of RM 46 million**

The Company posted an after-tax net income of RM 46 million for the first quarter of 2006. The decrease of 77% as compared to the net income after tax of RM 195 million recorded in the same quarter last year was primarily due to three main factors:

- a. Lower realised refining margins in Q1 2006
- b. Lower stockholding gains
- c. A higher effective tax rate

The higher effective tax rate applicable in Q1 2006 was due to the full utilisation of the reinvestment allowance by the end of Q1 2005. In Q1 2006, there was an after-tax stockholding gain of RM 57 million (Q1 2005: after-tax stockholding gain of RM 138 million).

Compared to the fourth quarter of 2005, the Company's first quarter net income after tax recorded a decrease of RM 49 million or 51%. This was primarily due to the impact of weaker realised refining margins.

Cash at end of quarter reduced by RM 316 million as a result of an increase in inventory levels compared to end Q4 2005. This was due to the timing of crude feedstock purchases during Q1 2006.

The refinery processed 9.7 million barrels of crude oil and feedstock and sold 10.2 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 March 2006, resulting in 5.49 million man-hours without any LTI since 21 May 2001.

CURRENT YEAR PROSPECTS

Refining margins are expected to remain under pressure in the second quarter of 2006. Any change in oil prices may also have an impact on the Company's financial results, given the stock accounting practice adopted by the Company.