

Company No.

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

(Incorporated in Malaysia)

**Interim report for the three months ended 30 June 2006**

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 17 August 2006, the Company is pleased to announce its financial results for the three months ended 30 June 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 30 June 2006

### Condensed Income Statements

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 6 months ended	
		30.06.2006 RM'000	30.06.2005 RM'000	30.06.2006 RM'000	30.06.2005 RM'000
Sales		2,898,567	2,181,246	5,381,067	4,436,222
Cost of sales		(2,678,765)	(2,056,516)	(5,106,472)	(4,082,958)
Other operating income		4,221	5,952	11,930	11,456
Administrative expenses		(13,956)	(7,202)	(18,707)	(14,076)
Other operating expenses		5,570	(625)	14,196	(5,885)
Profit from operations		<b>215,637</b>	122,855	<b>282,014</b>	344,759
Finance cost		(8,167)	(6,734)	(15,036)	(11,792)
Profit from ordinary activities before tax		<b>207,470</b>	116,121	<b>266,978</b>	332,967
Taxation	13	(61,647)	(33,720)	(75,350)	(55,163)
Profit from ordinary activities after tax		<b>145,823</b>	82,401	<b>191,628</b>	277,803
Estimated average annual effective tax rate		<b>29.71%</b>	<b>29.04%</b>	<b>28.22%</b>	<b>16.57%</b>
		sen	sen	sen	sen
Earning per share:					
- basic	18	<b>48.61</b>	27.47	<b>63.88</b>	92.60
- diluted	18	<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 June 2006

### Condensed Balance Sheet

Unaudited

	Note	As at 30.06.2006 RM'000	As at 31.12.2005 RM'000
<b>Non-current assets</b>			
Property, plant and equipment		1,266,516	1,317,386
<b>Current assets</b>			
Inventories		1,225,466	673,128
Trade receivables		138,064	103,631
Other receivables and prepayments		5,397	5,320
Amounts receivable from related companies		1,081,740	880,175
Bank balances		14,517	14,947
Deposit with a licensed bank		12,665	647,929
<b>Total current assets</b>		<b>2,477,849</b>	<b>2,325,130</b>
<b>Less: Current liabilities</b>			
Trade and other payables		200,627	190,936
Amounts payable to related companies		825,020	732,304
<b>Total current liabilities</b>		<b>1,025,647</b>	<b>923,240</b>
<b>Net current assets</b>		<b>1,452,202</b>	<b>1,401,890</b>
<b>Less: Non current liabilities</b>			
Deferred tax liabilities		258,931	267,456
Long term borrowings	19	514,010	529,130
Provision for Liabilities		3,439	3,500
		<b>776,380</b>	<b>800,086</b>
<b>Total net assets employed</b>		<b>1,942,338</b>	<b>1,919,190</b>
<b>Capital and reserves</b>			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained profit		1,626,600	1,603,452
Shareholders' equity		<b>1,942,338</b>	<b>1,919,190</b>

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	Issued and fully paid ordinary shares of RM 1 each		Non - Distributable	Distributable	<u>Total</u> RM'000	
	<u>Note</u>	<u>Numbers of Shares</u> ' 000	<u>Nominal Value</u> RM'000	<u>Revaluation reserves</u> RM'000		<u>Retained earnings</u> RM'000
<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 Dec 2006		-	-	-	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>
<b>At 1 January 2006</b>		300,000	300,000	15,738	1,603,452	1,919,190
Profit after taxation for the year ended 30 June 2006		-	-	-	191,628	191,628
Dividend for the period ended:						
- 30 June 2006		-	-	-	(168,480)	(168,480)
<b>At 30 June 2006</b>		<b>300,000</b>	<b>300,000</b>	<b>15,738</b>	<b>1,626,600</b>	<b>1,942,338</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 June 2006

### Condensed Cash Flow Statement

Unaudited

	6 months ended	
	30.06.2006	30.06.2005
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit after taxation	191,627	277,804
Adjustment for:		
Depreciation of property, plant and equipment	56,998	55,311
Losses on disposal of property, plant and equipment	105	16
Taxation	75,350	55,163
Unrealised gain on foreign currency translations	(13,821)	(178)
Interest income	(6,138)	(4,388)
Interest expense	13,472	10,031
	<u>317,593</u>	<u>393,759</u>
Changes in working capital		
Increase in inventories	(552,338)	(152,760)
Decrease in trade and other receivables	(34,529)	(20,568)
Increase in trade and other payables	16,216	52,161
Increase in amounts receivables from related companies	(201,565)	(517)
Increase in amounts payable to related companies	92,716	254,868
	<u>(361,907)</u>	<u>526,943</u>
Cash (used in)/ generated from operations	(361,907)	526,943
Interest received	6,138	4,388
Interest paid	(13,472)	(10,031)
Taxation paid	(91,741)	(26,273)
	<u>(460,982)</u>	<u>495,027</u>
Net cash (used in)/ generated from operating activities	(460,982)	495,027
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,233)	(44,056)
Net cash used in investing activities	<u>(6,233)</u>	<u>(44,056)</u>
<b>Cash flow from financing activities</b>		
Repayment of term borrowings	-	(45,600)
Dividends paid	(168,480)	(97,200)
Net cash flow used in investing activities	<u>(168,480)</u>	<u>(142,800)</u>
<b>Net (decrease)/ increase in cash and cash equivalent</b>	<b>(635,695)</b>	<b>308,171</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>662,876</b>	<b>163,816</b>
<b>Cash and cash equivalent at the end of the year</b>	<b><u>27,181</u></b>	<b><u>471,987</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**

(Incorporated in Malaysia)

**Interim report for the three months ended 30 June 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.

#### **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.

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

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**Interim report for the three months ended 30 June 2006**

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

#### **5 Changes in Estimates**

During the quarter, the Company conducted a review of the Useful Economic Life (UEL) of its property, plant and equipment in line with an initiative undertaken by the Royal Dutch Shell Downstream business to streamline the UEL rates used. This revision, with effect from 1 January 2006, has resulted in changes to the annual depreciation rates of the Company's assets as follows:

	<b>Existing</b>	<b>Revised</b>
Land improvements and buildings	2.5% - 10.0%	2.5% - 20.0%
Plant and machinery	4.0% - 7.0%	3.3% - 25.0%
Furniture and equipment	10.0% - 15.0%	5.0% - 15.0%
Motor vehicles	25.0% - 33.3%	25.0% - 33.3%

The revision were accounted for as change in accounting estimates and as a result, the depreciation charges for the current quarter and the current financial period ended 30 June 2006 have been reduced by RM 7,159,000.

There were no other changes in estimates that have had a material effect in the current financial 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 June 2006

### Notes to the Financial Information

#### 7 Dividend

	6 months ended 30 June 2006		6 months ended 30 June 2005	
	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
Special interim gross dividend approved by shareholders in respect of the quarter ended 31 December 2005, paid on 26 April 2006.	20	43,200	-	-
Final dividend approved by shareholders in respect of the year ended 31 December 2005, paid on 9 June 2006 (2004: paid on 10 June 2005)	38	82,080	35 0	75,60
Special interim dividend approved in respect of the quarter ended 31 March 2006, paid on 22 June 2006 (2005: paid on 22 June 2005)	20	43,20 0	10 0	21,60

#### 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.

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

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**Interim report for the three months ended 30 June 2006**

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

#### **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 30 June 2006 amounting to RM 61,647,000 comprises:

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2006</b>	30.06.2005	<b>30.06.2006</b>	30.06.2005
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income tax for current period	<b>(62,338)</b>	(30,068)	<b>(83,875)</b>	(57,819)
Transfer from deferred tax	<b>691</b>	(3,652)	<b>8,525</b>	2,656
	<b>(61,647)</b>	(33,720)	<b>(75,350)</b>	(55,163)

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

#### **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**

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

## Notes to the Financial Information

### 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		6 months ended	
		30.06.2006	30.06.2005	30.06.2006	30.06.2005
<b>(a) Basic earnings per share</b>					
Net profit for the period	(RM'000)	<b>145,824</b>	82,401	<b>191,628</b>	277,804
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>48.61</b>	27.47	<b>63.88</b>	92.60
<b>(b) Diluted earnings per share</b>					
	(sen)	<b>N/A</b>	N/A	<b>N/A</b>	N/A

### 19 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	514,010	
	<hr/>	
	514,010	
Restated in loan's original currency:	<b>USD'000</b>	<b>RM'000 equivalent</b>
Bank borrowings denominated in foreign currency (USD)	140,000	514,010

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## Notes to the Financial Information

### 20 Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2006 are as follows:

	<b>RM'000</b>
Authorised by the Directors and contracted	1,457
Authorised by the Directors and not contracted	<u>43,441</u>
	<u>44,898</u>
Analysed as follows:	
- Property, plant and equipment	<u>44,898</u>

### 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 267 million for the second quarter of 2006 compared to RM 333 million in the second 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.

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

(Incorporated in Malaysia)

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### **Management Commentary**

#### **DIVIDEND**

The Directors are pleased to declare an interim dividend of 12 sen per unit of share of RM1.00 each, less 28% Malaysian Income Tax in respect of the financial year ending 31st December 2006, payable on **XX XXXX** 2006 to the shareholders registered in either the Record of Depositors or the Register of Members at the close of business on **XX XXXX** 2006.

In line with the revised dividend strategy announced on 28th November 2005, the Directors are pleased to declare a special interim dividend of 20 sen per unit of share of RM1.00 each, less 28% Malaysian Income Tax in respect of the financial year ending 31 December 2005, payable on **XX XXXX** 2006 to the shareholders registered in either the Record of Depositors or the Register of Members at the close of business on **XX XXXX** 2006.

#### **COMPANY PERFORMANCE**

- **Quarterly net income after tax of RM 146 million**

The Company posted an after-tax net income of RM 146 million for the second quarter of 2006. The increase of 78% as compared to the net income after tax of RM 82 million recorded in the same quarter last year was primarily due to higher sales volume achieved in Q2 2006 as well as higher stockholding gains as compared to Q2 2005. In Q2 2006, there was an after-tax stockholding gain of RM 79 million (Q2 2005: after-tax stockholding gain of RM 39 million).

Compared to the first quarter of 2006, the Company's second quarter net income after tax recorded increase by RM 100 million or more than 200%. This was primarily due to the impact of stronger realised refining margins.

The refinery processed 10.5 million barrels of crude oil and feedstock and sold 10 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 30 June 2006, resulting in 5.8 million man-hours without any LTI since 21 May 2001.

#### **CURRENT YEAR PROSPECTS**

Refining margins are expected to hold at the current level in the third quarter of 2006. Any change in oil prices may have an impact on the Company's financial results, given the stock accounting practice adopted by the Company.