

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 2006

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 23rd November 2006, the Company is pleased to announce its financial results for the three months ended 30 September 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 September 2006

Condensed Income Statements

Unaudited

		Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
	Note	30.09.2006 RM'000	30.09.2005 RM'000	30.09.2006 RM'000	30.09.2005 RM'000
Sales		3,040,246	2,510,243	8,421,313	6,946,465
Cost of sales		(2,935,688)	(2,286,750)	(8,042,160)	(6,369,708)
Other operating income		4,520	6,263	16,450	17,719
Administrative expenses		(3,130)	(10,691)	(21,837)	(24,767)
Other operating expenses		(4,032)	(5,523)	10,164	(11,408)
Profit from operations		101,916	213,542	383,930	558,301
Finance cost		(8,050)	(5,892)	(23,086)	(17,684)
Profit from ordinary activities before tax		93,866	207,650	360,844	540,617
Taxation	13	(26,335)	(57,834)	(101,685)	(112,997)
Profit from ordinary activities after tax		67,531	149,816	259,159	427,620
Estimated average annual effective tax rate		28.06%	27.85%	28.18%	20.90%
Earning per share:		sen	sen	sen	sen
- basic	18	22.51	49.94	86.39	142.54
- 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 30 September 2006

Condensed Balance Sheet

Unaudited

	Note	As at 30.09.2006 RM'000	As at 31.12.2005 RM'000
Non-current assets			
Property, plant and equipment		1,242,042	1,317,386
Long Term Asset		2,058	0
Current assets			
Inventories		1,174,561	673,128
Trade receivables		209,463	103,631
Other receivables and prepayments		6,389	5,320
Amounts receivable from related companies		1,086,137	880,175
Bank balances		(25,705)	14,947
Deposit with a licensed bank		86,590	647,929
Total current assets		2,537,434	2,325,130
Less: Current liabilities			
Trade and other payables		131,241	190,936
Amounts payable to related companies		938,986	732,304
Total current liabilities		1,070,227	923,240
Net current assets		1,467,207	1,401,890
Less: Non current liabilities			
Deferred tax liabilities		250,786	267,456
Long term borrowings	19	516,334	529,130
Provision for Liabilities		3,439	3,500
		770,558	800,086
Total net assets employed		1,940,749	1,919,190
Capital and reserves			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained profit		1,625,011	1,603,452
Shareholders' equity		1,940,749	1,919,190

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 30 September 2006

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	
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 2006	-	-	-	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 30 September 2006	-	-	-	259,159	259,159
Dividend for the period ended:					
- 30 September 2006	-	-	-	(237,600)	(237,600)
At 30 September 2006	300,000	300,000	15,738	1,625,011	1,940,749

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 30 September 2006

Condensed Cash Flow Statement

Unaudited

	9 months ended	
	30.09.2006	30.09.2005
	RM'000	RM'000
Cash flows from operating activities		
Profit after taxation	259,159	427,620
Adjustment for:		
Depreciation of property, plant and equipment	82,918	88,662
Losses on disposal of property, plant and equipment	105	11,012
Taxation	101,685	112,997
Unrealised gain on foreign currency translations	(10,514)	(4,286)
Interest income	(7,725)	(7,080)
Interest expense	21,344	14,660
	446,972	643,584
Changes in working capital		
Increase in inventories	(501,433)	(290,129)
Decrease in trade and other receivables	(106,901)	20,481
Increase in trade and other payables	(40,339)	230,039
Increase in amounts receivables from related companies	(205,962)	64,884
Increase in amounts payable to related companies	206,682	(210,414)
Cash (used in)/ generated from operations	(200,980)	458,444
Interest received	7,725	7,080
Interest paid	(21,361)	(14,660)
Taxation paid	(140,038)	(44,770)
Net cash (used in)/ generated from operating activities	(354,654)	406,094
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,737)	(87,216)
Net cash used in investing activities	(9,737)	(87,216)
Cash flow from financing activities		
Repayment of term borrowings	-	(49,870)
Dividends paid	(237,600)	(97,200)
Net cash flow used in investing activities	(237,600)	(147,070)
Net (decrease)/ increase in cash and cash equivalent	(601,991)	171,808
Cash and cash equivalent at the beginning of the year	662,876	163,816
Cash and cash equivalent at the end of the year	60,885	335,625

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 30 September 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 September 2006

Notes to the Financial Information

5 Changes in Estimates

During the second quarter of 2006, 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:

	Existing	Revised
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 was accounted for as change in accounting estimates and as a result, the depreciation charges for the current financial period ending 30 September 2006 have been reduced by RM 3,783,000.

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 September 2006

Notes to the Financial Information

7 Dividend

	9 months ended 30 September 2006		9 months ended 30 September 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 23 June 2006 (2005: paid on 22 June 2005)	20	43,200	10 0	21,60
Interim dividend approved in respect of the quarter ended 30 June 2006, paid on 29 th Sept. 2006. (2005: paid on 7 Oct 2005)	12	25,920	12	25,920
Special Interim dividend approved in respect of the quarter ended 30 June 2006, paid on 29 th Sept. 2006.	20	43,200	-	-

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Interim report for the three months ended 30 September 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.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

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Interim report for the three months ended 30 September 2006

Notes to the Financial Information

13 Tax

Taxation for the quarter ending 30 September amounting to RM 26,335,000 comprises:

	3 months ended		9 months ended	
	30.09.2006	30.09.2005	30.09.2006	30.09.2005
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income tax for current period	(34,481)	(60,151)	(118,355)	(117,970)
Transfer from deferred tax	8,145	2,317	16,670	4,973
	(26,335)	(57,834)	(101,685)	(112,997)

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

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 30 September 2006

Notes to the Financial Information

18 Earnings per share

		3 months ended		9 months ended	
		30.09.2006	30.09.2005	30.09.2006	30.09.2005
(a) Basic earnings per share					
Net profit for the period	(RM'000)	67,531	149,816	259,159	427,619
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	22.51	49.94	86.39	142.54
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

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>516,334</u>	
	515,340	
Restated in loan's original currency:	USD'000	RM'000 equivalent
Bank borrowings denominated in foreign currency (USD)	140,000	516,334

20 Capital commitments

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

	RM'000
Authorised by the Directors and contracted	11,468
Authorised by the Directors and not contracted	<u>43,413</u>
	<u>54,881</u>
Analysed as follows:	
- Property, plant and equipment	<u>54,881</u>

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Notes to the Financial Information

21 Profit Before Taxation

The third quarter of the year profit before taxation is lower compared to the same period of the previous year. The Company recorded profits before tax of RM 94 million for the third quarter of 2006 compared to RM 208 million in the third 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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Management Commentary

DIVIDEND

In line with the revised dividend strategy announced on 28th November 2005, which is to pay a quarterly special interim dividend for at least 4 quarters, the Directors are pleased to declare a special interim dividend of **XX** cent per unit of share of RM1.00 each, less 28% Malaysian Income Tax in respect of the financial year ending 31 December 2006, payable on 22nd December 2006 to shareholders registered in either the Record of Depositors or the Register of Members at the close of business on 14th December 2006.

COMPANY PERFORMANCE

- **Quarterly net income after tax of RM 68 million**

The Company posted an after-tax net income of RM 68 million for the third quarter of 2006. The decrease of 55% as compared to the net income after tax of RM 150 million recorded in the same quarter last year was primarily due to the lower refining margins and stockholding loss incurred in Q3 2006. In Q3 2006, there was an after-tax stockholding loss of RM 72 million (Q3 2005: after-tax stockholding gain of RM 79 million).

Compared to the second quarter of 2006, the Company's third quarter net income after tax recorded a decrease of RM 49 million or 54%. This was primarily from the impact of weaker realised refining margins.

The refinery successfully processed 10.1 million barrels of crude oil and feedstock and sold 10 million barrels of products during the quarter due to excellent plant reliability and utilisation. The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI) up to 30 September 2006, resulting in 6.1 million man-hours without any LTI since 21 May 2001.

CURRENT YEAR PROSPECTS

Refining margins are expected to be at a satisfactory level in the fourth quarter of 2006. Any changes in oil prices will have an impact on the Company's financial results, given the stock accounting practice adopted by the Company.