

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 2008

Following the Shell Refining Company (Federation Of Malaya) Berhad (“the Company”) Board of Directors’ Meeting on 12 November 2008, the Company is pleased to announce its financial results for the three months ended 30 September 2008.

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 2007.

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 30 September 2008

Condensed Income Statements

Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
		30.09.2008 RM'000	30.09.2007 RM'000	30.09.2008 RM'000	30.09.2007 RM'000
Revenue		3,230,447	3,002,902	10,592,570	8,078,670
Cost of sales		(3,556,821)	(2,842,910)	(10,255,138)	(7,520,089)
Gross (Loss)/Profit		(326,374)	159,992	337,432	558,581
Other operating income		11,527	8,116	27,470	17,737
Administrative expenses		(8,729)	(7,826)	(20,970)	4,858
Other operating expenses		(49,989)	13,232	(49,564)	21,094
Finance cost		(11,467)	(2,043)	(31,296)	(8,309)
(Loss)/profit before taxation		(385,032)	171,471	263,072	593,961
Taxation	14	98,490	(42,642)	(69,977)	(159,382)
(Loss)/profit for the year		(286,542)	128,829	193,095	434,579
Estimated average annual effective tax rate		25.58%	24.87%	26.60%	26.83%
		sen	sen	sen	sen
Earning per share:					
- basic	19	(95.51)	42.94	64.36	144.86
- diluted	19	N/A	N/A	N/A	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 2008

Condensed Balance Sheet

Unaudited

	Note	As at 30.09.2008 RM'000	As at 31.12.2007 RM'000
Non-current assets			
Property, plant and equipment		1,200,620	1,167,995
Prepaid lease payments		1,994	2,011
Current assets			
Inventories		1,747,816	1,362,973
Trade receivables		38,486	39,779
Other receivables and prepayments		9,918	6,498
Amounts receivable from related companies		1,307,625	1,262,314
Bank balances		-	1,006
Deposit with licensed banks		47,741	169,195
Derivative financial asset		-	2,260
Total current assets		3,151,586	2,844,025
Total assets		4,354,200	4,014,031
Capital and reserves attributable to equity holders of the company			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained earnings		2,127,962	2,090,267
Shareholders' equity		2,443,700	2,406,005
Current liabilities			
Trade and other payables		78,700	80,488
Tax (recoverable)/payable		(58,573)	52,639
Amounts payable to related companies		1,157,052	771,089
Short term borrowings		17,070	-
Derivative financial liability	18	2,105	-
Bank overdraft		889	-
Total current liabilities		1,197,243	904,216
Non current liabilities			
Deferred taxation		209,247	211,585
Long term borrowings	20	480,396	463,316
Derivative financial liability	18	23,614	28,909
Total non current liabilities		713,257	703,810
Total Equity & Liabilities		4,354,200	4,014,031

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	<u>Issued and fully paid ordinary shares of RM 1 each</u>		<u>Non - distributable</u>	<u>Distri-butable</u>	<u>Total RM'000</u>
	<u>Numbers of Shares ' 000</u>	<u>Nominal Value RM'000</u>	<u>Revaluation reserves RM'000</u>	<u>Retained earnings RM'000</u>	
At 1 January 2007	300,000	300,000	15,738	1,624,069	1,939,807
Profit for the year ended 31 December 2007			-	593,218	593,218
Dividend for the year ended:					
- 31 December 2006			-	(83,220)	(83,220)
- 31 December 2007			-	(43,800)	(43,800)
At 31 December 2007	300,000	300,000	15,738	2,090,267	2,406,005
At 1 January 2008	300,000	300,000	15,738	2,090,267	2,406,005
Profit for the period ended 30 September 2008				193,095	193,095
Dividend for the period ended:					
- 30 September 2008			-	(155,400)	(155,400)
At 30 September 2008	300,000	300,000	15,738	2,127,962	2,443,700

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 September 2008

Condensed Cash Flow Statement

Unaudited

	9 months ended	
	30.09.2008	30.09.2007
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	193,095	434,579
Adjustments for:		
Taxation	69,977	159,382
Depreciation of property, plant and equipment	76,664	80,334
Loss on disposal of property, plant and equipment	(69)	144
Interest income	(14,226)	(8,709)
Interest expense	13,324	21,318
Net exchange gains-unrealised	15,579	(35,368)
Unrealised loss on derivative financial instrument	(930)	-
	353,414	651,680
Changes in working capital		
Increase in inventories	(384,841)	(429,887)
Increase in trade and other debtors	(17,689)	124,587
Increase in trade and other creditors	58,033	(122,463)
Decrease in amounts receivable from related companies	346,315	101,001
Increase/(decrease) in amounts payable to related companies	385,963	225,989
Net cash generated from operations	741,195	550,907
Interest received	14,226	8,709
Taxation paid	(209,201)	(64,986)
Net cash flow generated from operating activities	546,220	494,630
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(109,309)	(15,527)
Proceeds from disposal of property, plant and equipment	90	-
Deposit placed with related company	(391,625)	(306,170)
Decommissioning and restoration costs paid	-	(2,183)
Net cash flow used in investing activities	(500,844)	(323,880)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(13,324)	(21,318)
Dividends paid	(155,400)	(127,020)
Net cash flow used in financing activities	(168,724)	(148,338)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(123,349)	22,412
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	170,201	349,179
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	46,852	371,591

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 September 2008

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 2007.

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 2007.

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 2007.

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 Reclassification of prior year comparative

The reclassification of prior year comparative did not affect the recognition and measurement of the Company's net assets. Expenses previously included in other operating expenses of RM5.8 million are now presented within finance cost.

The Directors are of the opinion that this classification better reflects the operating activities of the Company.

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Interim report for the three months ended 30 September 2008

Notes to the Financial Information

7 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.

8 Dividend

	9 months ended 30 September 2008		9 months ended 30 September 2007	
	Gross dividend per share Sen	Amount of dividend net of 26% tax RM '000	Gross dividend per share Sen	Amount of dividend net of 27% tax RM '000
Special interim dividend approved in respect of the financial year ended 31 December 2007, paid on 4 April 2008	20	44,400	-	-
Final dividend approved by shareholders in respect of the year ended 31 December 2007, paid on 20 June 2008 (2006: paid on 15 June 2007)	30	66,600	38	83,220
Interim dividend approved in respect of the quarter ended 30 June 2008, paid on 22 September 2008 (2007: paid on 21 September 2007)	20	44,400	20	43,800

9 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.

10 Carrying amount of revalue 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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Interim report for the three months ended 30 September 2008

Notes to the Financial Information

11 Significant post balance sheet event

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

12 Changes in Composition of the Company

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

13 Changes in Contingent Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2007.

14 Taxation

Taxation for the quarter ending 30 September 2008 amounting to RM 98,490,000 comprises:

	3 months ended		9 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
		7	8	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income tax for current period	111,362	(44,699)	(72,281)	(166,015)
Income tax for prior period	(34)	0	(34)	0
Transfer from deferred tax	(12,838)	2,057	2,338	6,633
	98,490	(42,642)	(69,977)	(159,382)

The difference between the statutory tax rate and the effective tax rate in 2008 is mainly due to the derecognition of DTL on unrealised loss on DIE and capitalization of turnaround cost in Q308. For 2007, the difference between the statutory tax rate and the effective tax rate is mainly due to the unrealised DIE gain on capital and the effect of change in tax rate applied in the computation of deferred tax.

15 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.

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Notes to the Financial Information

16 Quoted Securities

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

17 Corporate proposal

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

18 Borrowings

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

	30.09.2008 RM'000	31.12.2007 RM'000
Long term - term loan (unsecured) less current portion	480,396	463,316
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency (USD)	140,000	140,000

Derivative Financial Instrument

As at 30 September 2008, the Company has a position in the following derivative financial liability :

	<u>30.09.2008</u> RM'000 Total Carrying Amount	<u>31.12.2007</u> RM'000 Total Carrying Amount
CCIRS	25,719	26,650

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates. The Company uses cross currency interest rate swaps to hedge its long-term borrowings in order to minimise its exposure to movements on foreign currency positions and interest rate volatility.

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Notes to the Financial Information

19 Earning per share

		3 months ended		9 months ended	
		30.09.2008	30.09.2007	30.09.2008	30.09.2007
(a) Basic earnings per share					
Net profit for the period	(RM'000)	(286,542)	128,829	193,095	434,579
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	(95.51)	42.94	64.36	144.86
(b) Diluted earnings per share					
	(sen)	N/A	N/A	N/A	N/A

20 Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2008 are as follows:

	RM'000
Authorised by the Directors and contracted	3,210
Authorised by the Directors and not contracted	10,769
	<u>13,979</u>
Analysed as follows:	
- Property, plant and equipment	<u>13,979</u>

21 Profit/(loss) Before Taxation

The company recorded a loss before tax of RM385 million for the three months ended 30 September 2008 compared to a profit before tax of RM171 million in the same period of 2007 (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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23 Current Year Prospect

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

Management Commentary

COMPANY PERFORMANCE

- **Quarterly net loss after tax of RM 287 million**
- **Over 9.4 million man-hours without "Lost-Time-Injury" since May 2001**

The Company posted an after-tax net loss of RM287 million for the third quarter of 2008 as compared with a net-gain of RM129 million recorded in the same quarter last year. The stockholding loss net of tax for Q3 2008 was RM 254 million as compared to stockholding gains of RM 49 million for Q3 2007. An additional factor which contributed to the loss for the quarter was the lower production arising from the triennial statutory shutdown.

The refinery processed 7.6 million barrels of crude oil and sold 7.4 million barrels of products during the quarter.

The Company successfully completed its triennial statutory shutdown on schedule and within budget.

The Company's continued strong focus on safety has allowed it to sustain zero Lost Time Injury (LTI) up to 30 September 2008, resulting in 9.4 million hours worked without any LTI since 21 May 2001.

The Company received the Grand Merit Award from Malaysian Society for Occupational Safety and Health (MSOSH) under the Petroleum, Gas, Petrochemical and Allied Sectors 2007 in August 2008.

CURRENT YEAR PROSPECTS

Refining margins are expected to be under pressure in the fourth quarter of 2008. Any changes in oil prices will have an 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.