



SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(3926-U)
(Incorporated in Malaysia)

INTERIM REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

In accordance with the approval of the Board of Directors' of Shell Refining Company (Federation of Malaya) Berhad ("the Company") dated 30 October 2015 hereby announces its financial results for the three months ended 30 September 2015.

This interim report is prepared in accordance with the requirements of Malaysia Financial Reporting Standard (MFRS) 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 2014.



SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(3926-U)
(Incorporated in Malaysia)

INTERIM REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

Condensed Statement of Comprehensive Income
Unaudited

	Note	Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
		30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Revenue	A8	1,273,692	3,436,837	6,722,147	11,333,420
Purchases		(1,309,155)	(3,533,708)	(6,135,209)	(11,305,775)
Gross profit		<u>(35,463)</u>	<u>(96,871)</u>	<u>586,938</u>	<u>27,645</u>
Other income		8,022	3,911	16,023	10,959
Manufacturing expenses		(50,097)	(45,444)	(136,073)	(135,235)
Administrative expenses		(18,532)	(15,151)	(42,961)	(37,229)
Depreciation and amortisation		(41,805)	(38,910)	(124,883)	(116,831)
Other income/(expenses)		3,555	(1,080)	7,097	(4,189)
Finance cost		(16,538)	(19,102)	(50,579)	(51,682)
Profit/(loss) before taxation	A10	<u>(150,858)</u>	<u>(212,647)</u>	<u>255,562</u>	<u>(306,562)</u>
Taxation	A11	(272)	12,882	(272)	34,705
Profit/(loss) for the year / total comprehensive expense for the year		<u>(151,130)</u>	<u>(199,765)</u>	<u>255,290</u>	<u>(271,857)</u>
Estimated average effective tax rate		-0.18%	6.06%	0.11%	11.32%
Earnings per share:					
- basic (sen)	A9	(50.38)	(66.59)	85.10	(90.62)
- diluted (sen)	A9	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 15 form an integral part of, and should be read in conjunction with this interim financial report.



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INTERIM REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

Condensed Statement of Financial Position

Unaudited

	Note	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,056,182	1,104,821
Prepaid lease payments		1,849	1,864
Derivative financial asset	A21	-	118,565
		<u>1,058,031</u>	<u>1,225,250</u>
CURRENT ASSETS			
Inventories	A23	974,347	801,183
Trade receivables		7,265	26,971
Other receivables and prepayments		3,472	1,404
Tax recoverable		4,104	4,376
Amounts receivable from related companies	A28	63,187	743,169
Derivative financial asset		328,086	-
Deposit with licensed banks		445,540	-
Bank balances		2,180	8,737
		<u>1,828,181</u>	<u>1,585,840</u>
TOTAL ASSETS		<u>2,886,212</u>	<u>2,811,090</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		300,000	300,000
Performance Share Plan from RDS		1,306	1,306
Retained earnings		278,668	23,378
		<u>579,974</u>	<u>324,684</u>
CURRENT LIABILITIES			
Trade and other payables		76,805	75,558
Amounts payable to related companies	A28	719,369	652,573
Borrowings	A22	1,510,064	919,115
		<u>2,306,238</u>	<u>1,647,246</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(478,057)</u>	<u>(61,406)</u>
NON-CURRENT LIABILITIES			
Borrowings	A22	-	839,160
		<u>-</u>	<u>839,160</u>
TOTAL EQUITY AND LIABILITIES		<u>2,886,212</u>	<u>2,811,090</u>

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Condensed Statement of Changes in Equity
Unaudited

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distributable	Total RM '000
	Numbers of Shares '000	Nominal Value RM'000	PSP reserve RM'000	Retained earnings RM '000	
At 1 January 2015	300,000	300,000	1,306	23,378	324,684
Loss for the period ended 30 September 2015	-	-	-	255,290	255,290
Performance Share Plan from RDS - recharge by the parent - charge during the year			-		-
At 30 September 2015	<u>300,000</u>	<u>300,000</u>	<u>1,306</u>	<u>278,668</u>	<u>579,974</u>
At 1 January 2014	300,000	300,000	1,237	1,212,146	1,513,383
Loss for the year ended 31 December 2014	-	-	-	(1,188,768)	(1,188,768)
Performance Share Plan from RDS - recharge by the parent - charge during the year			(1,144) 1,213	-	(1,144) 1,213
At 31 December 2014	<u>300,000</u>	<u>300,000</u>	<u>1,306</u>	<u>23,378</u>	<u>324,684</u>

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SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
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INTERIM REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

Condensed Cash Flow Statement
Unaudited

	9 months ended	
	30.09.2015	30.09.2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	255,562	(306,561)
Adjustments for:		
Property, plant and equipment		
- depreciation	124,883	116,831
- gain on disposals/write off	(14)	-
Interest expense	39,777	41,452
Interest income	(1,087)	(73)
Net foreign exchange loss - unrealised	240,366	8,121
Fair value (gain)/loss on derivative financial instruments	(209,521)	11,394
(Reversal)/allowance of inventories write-down to net realisable value	76,608	12,338
Amortisation of prepaid lease payments	16	15
(Reversal)/allowance for doubtful debts	122	(888)
	<u>526,712</u>	<u>(117,371)</u>
Changes in working capital		
Inventories	(249,772)	106,237
Trade and other receivables	17,517	8,971
Trade and other payables	1,212	(26,692)
Related companies	724,084	152,472
Cash generated from operations	<u>1,019,753</u>	<u>123,617</u>
Interest received	1,087	73
Net cash flow generated from operating activities	<u>1,020,840</u>	<u>123,690</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(76,230)	(34,120)
Net cash flow used in investing activities	<u>(76,230)</u>	<u>(34,120)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(39,742)	(41,431)
Repayment of borrowings	(466,962)	(62,155)
Net cash used in financing activities	<u>(506,704)</u>	<u>(103,586)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	437,906	(14,016)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,737	41,009
EFFECTS OF EXCHANGE RATE CHANGES	1,077	154
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>447,720</u>	<u>27,147</u>

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INTERIM REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

Part A – Explanatory Notes Pursuant to Interim Financial Reporting (MFRS 134)

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing requirements of Bursa Malaysia (BMSB). These interim financial statements also comply with IAS 134 Interim Financial Reporting issued by the international Accounting Standards Board. This report should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2014.

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 2014.

The financial Information presented herein has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for 31 December 2014 under the MFRS framework.

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Company's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

There is no significant impact on the financial results and position of the Company upon adoption of the above new standards, amendments to published standards and interpretation.



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Part A – Explanatory Notes Pursuant to Interim Financial Reporting (MFRS 134)
(continued)

A2 Audit report

The audit report of the Company's preceding annual financial statement was not subjected to any qualification.

A3 Comments about Seasonal or Cyclical Factors

Refinery margins remain uncertain and future profitability will be influenced by international supply and demand for petroleum products.

A4 Individually significant items

The Company has nothing to disclose as regards to significant items in the quarterly financial statements under review.

A5 Critical Accounting Estimates and Judgments

There were no changes in estimates that have had a material effect in the current quarter.

A6 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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Part A – Explanatory Notes Pursuant to Interim Financial Reporting (MFRS 134)
(continued)

A7 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.

A8 Revenue

	Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Sale of oil products				
- Refined	1,273,312	3,436,489	6,720,726	11,330,490
- Crude oil	380	348	1,421	2,930
	<u>1,273,692</u>	<u>3,436,837</u>	<u>6,722,147</u>	<u>11,333,420</u>

A9 Earnings per share

		3 months ended		9 months ended	
		30.09.2015	30.09.2014	30.09.2015	30.09.2014
(a) Basic earnings per share					
Net (loss)/profit for the period	(RM'000)	(151,130)	(199,765)	255,290	(271,857)
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic earnings per share	(sen)	50.38	(66.59)	85.10	(90.62)
(b) Diluted earnings per share	(sen)	N/A	N/A	N/A	N/A



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Part A – Explanatory Notes Pursuant to Interim Financial Reporting (MFRS 134)
(continued)

A10 Profit/ (Loss) Before Taxation

The company recorded a loss before tax of RM 150.86 million for the three months ended 30 September 2015 compared to a loss before tax of RM 212.64 million in the same period of 2014 (also see accompanying Management Commentary in Part B).

	3 months ended		9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
<i>The profit before taxation is arrived at after charging/(crediting):</i>				
Interest income	(988)	(16)	(1,087)	(73)
Other income including investment income	(7,035)	(3,895)	(14,936)	(10,886)
Interest expense	10,931	15,196	39,777	41,452
Property, plant and equipment				
- Depreciation and amortization	41,805	38,910	124,883	116,831
Allowance for inventories write down/(back) to net realisable value (included in purchases)	156,427	10,929	76,608	12,338
Provision for impairment write (back)/off of receivables	0	(786)	122	(888)
Foreign exchange loss on net trade - realized	30,957	(7,615)	68,164	(27,883)
Foreign exchange loss/(gain) on net trade – unrealized	16,179	17,961	44,403	9,476
Foreign exchange loss/(gain) on cash and bank balances - realized	(2,698)	1,368	(8,227)	4,631
Foreign exchange loss/(gain) on cash and bank balances - unrealized	(911)	10	(1,077)	(154)
Foreign exchange loss/(gain) on term loan – unrealized	152,032	14,520	197,040	(1,200)
Fair value (gain)/loss on derivative financial instruments – unrealized	(146,435)	(10,616)	(209,521)	11,394



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (MFRS 134)
(continued)

A11 Taxation

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

	3 months ended		9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Current Period				
Income tax	272	-	272	-
Movement in deferred tax	-	(12,882)	-	(34,705)
	272	(12,882)	272	(34,705)

The effective tax rate for the year ending 30 September 2015 is 0.11%, lower than the statutory tax rate of 25%, mainly due to tax losses and deductible temporary differences for which no deferred tax asset was recognised. The income tax of RM 272,000 for the current quarter is on the interest income.

A12 Dividend

The Company did not declare any dividend for the 3 months period ended 30 September 2015.

A13 Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the period under review. As at 30 September 2015, all property, plant and equipment were stated at cost less accumulated depreciation and impairment loss.



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (MFRS 134)
(continued)

A14 Significant post balance sheet event

There were no material events subsequent to the end of the period under review.

A15 Changes in Composition of the Company

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

A16 Changes in Contingent Assets / Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2014.

A17 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.

A18 Quoted Securities

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

A19 Corporate proposal

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

A20 Material Litigation

There were no significant changes to material litigation since 31 December 2014.



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A21 Fair value measurement

(a) Financial instruments carried at amortised cost:

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 30 September 2015.

(b) Financial Instruments carried at fair value:

The Company measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's assets and liabilities for recurring fair value measurements recognised through profit or loss:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>At 30 September 2015</u>				
Derivatives – Cross currency interest rate swaps	0	328,086	0	328,086
<u>At 31 December 2014</u>				
Derivatives – Cross currency interest rate swaps	0	118,565	0	118,565

During the year, there were no transfers between Level 1 & Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (MFRS 134)
(continued)

A22 Borrowings

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

	30.09.2015	31.12.2014
	RM'000	RM'000
Long term borrowings		
Term loan (unsecured)		
- Foreign currency loan	-	839,160
	<u>-</u>	<u>839,160</u>
Short term borrowings		
Short term loan (less than 3 months)	-	466,740
Short term portion of long-term borrowings		
- Local currency loan	450,787	452,375
- Foreign currency loan	1,059,277	-
	<u>1,510,064</u>	<u>919,115</u>
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	240,000	240,000

Derivative Financial Instrument – Cross currency interest rate swap ('CCIRS')

	30.09.2015	31.12.2014
	RM'000	RM'000
Derivative financial assets/(liabilities):		
Term loan (unsecured)		
- current (less than 1 year)	328,086	-
- non-current (between 1 to 3 years)	-	118,565
	<u>328,086</u>	<u>118,565</u>



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (MFRS 134)
(continued)

A22 Borrowings (continued)

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 minimize its exposure to movements on foreign currency positions and interest rate volatility.

There is no change with respect to the following from the financial year ended 31st December 2014.

- The credit risk, market risk and liquidity risk associated with CCIRS.
- The cash requirements of the CCIRS;
- The policies in place for mitigating or controlling the risks associated with CCIRS and
- The related accounting policies.

A23 Inventories

	30.09.2015	31.12.2014
	RM'000	RM'000
Crude Oil	622,854	393,132
Petroleum products	486,532	462,282
	1,109,386	855,414
Less: Allowance for inventories write-down	(157,318)	(80,710)
Materials	22,279	26,479
	974,347	801,183

A24 Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2015 are as follows:

	RM'000
Property, plant and equipment	
Authorised by Directors and contracted for	13,661
Authorised by Directors and not contracted for	29,358
	43,019



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Part A – Explanatory Notes Pursuant to Interim Financial Statements (FRS 134)
(continued)

A25 Financial Instruments

As of 1 July 2012, the Company has complied with MFRS 7 and MFRS 139; following the transition from the previous FRSs to the new MFRS framework. There is no significant impact on the accounts upon adoption of the new MFRS 7 and MFRS 139 as compared to the previous FRS 7 and FRS 139.

A26 Company Performance

A review of the Company's performance in the reporting period is provided for in the accompanying Management Commentary in Part B.

A27 Current Year Prospects

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

A28 Related Party Disclosure

Below are the significant related party transactions, which were carried out on terms and conditions negotiated amongst the related parties:

	For the quarter ended 30.09.2015 RM'000
a) Income:	
i) Sale of refined products to:	<u>1,209,428</u>
ii) Tariff revenue on the use of properties/ facilities:	<u>7,090</u>
b) Expenses:	
i) Purchase of crude and products:	<u>1,559,928</u>
ii) Central Management and administrative expenses:	<u>21,636</u>

As at 30 September 2015, there are no capital commitments with related parties.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.



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**Supplementary Information Disclosed
Pursuant to Bursa Malaysia Securities Berhad Listing Requirements**

A29 Retained Earnings

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Total retained earnings of Shell Refining Company (Federation of Malaya) Berhad:

	2015
	RM'000
Realised	240,194
Unrealised	38,474
	<u>278,668</u>

The unrealised losses disclosed above are charges relating to the recognition of fair value gain on derivative financial instruments and foreign exchange losses.

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.



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Part B: Additional Information Required By Bursa Malaysia Listing Requirements

B1 Review of Performance – YTD/Q3 2015 vs. YTD/Q3 2014

The Company registered revenue of RM6.7 billion in YTD Q3 2015 as compared to RM11.3 billion in YTD Q3 2014. Lower revenue by 41% in 2015 was attributed to lower production as a result of the Major Statutory Turnaround (“MTA”) impacting 44 days during the quarter.

Year on year basis, the Company posted after-tax profit of RM255.29 million in 2015 as compared to after-tax loss of RM 271.9 million in 2014. The profit in 2015 was mainly driven by higher refining margins during the first half and lower stockholding losses of RM37.0 million. Comparatively, the company posted higher stockholding losses of RM179.4 million in 2014.

The refinery processed 24.3 million barrels of crude oil and sold 26.3 million barrels of products and this is lower by 13% as compared to YTD Q3 2014 due to refinery shut down during MTA.

B2 Variation of results against previous quarter – Q3 2015 vs. Q2 2015

The Company posted 57% lower revenue in Q3 2015 of RM1.3 billion, compared to Q2 2015 of RM3.0 billion due lower production as a result of the MTA activities.

The Company recorded an after-tax loss of RM151.13 million this quarter as compared to after-tax profit of RM322.2 million in Q2 2015. This was mainly influenced by stockholding losses of RM137.9 million and lower production levels in the current quarter.

In Q3 2015, refinery processed 4.7 million barrels and this is lower by 53% compared to previous quarter due to shut down during MTA.



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INTERIM REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

Part B: Additional Information Required By Bursa Malaysia Listing Requirements
(continued)

B3 Current Year Prospects

The improved profitability of your Company for the year was due to lower stockholding loss and stronger refining margins as a result of weak crude prices and short term product availability, partly offset by reduced production from Major Statutory Turnaround in Q3 2015. Production recommenced in the last week of September 2015. The outlook for refining margins is uncertain for the remaining months of 2015 as margins will be influenced by international supply and demand for petroleum products, as well as seasonal and cyclical factors.

The structured review of long term options for your Company that was announced on 9th January 2015 remains in progress.

B4 Profit Forecast

We do not issue any profit forecast.

BY ORDER OF THE BOARD

Chin Ngeok Mui (MAICSA 7003178)
Tia Hwei Ping (MAICSA 7057636)
Company Secretaries

Kuala Lumpur
30 October 2015