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## GENERATING ROBUST PROFITABILITY

Successful financial performance is essential to our sustainable future and contributes to the prosperity of society. We seek to achieve robust profitability, for example, by reducing costs, improving margins, increasing revenue and managing working capital effectively. Putting those values to work have resulted in our three core businesses -exploration & production, gas & power and oil products – remaining vibrant, profitable and strong. Most importantly, they are all growing at an exciting pace. Our business activities in turn generate wealth for the government through taxes, dividends to shareholders, efficient and high quality products to our customers, and the direct and indirect employment of Malaysians.

### DELIVERING SHAREHOLDER VALUE

Shell Malaysia's only public-listed company, Shell Refining Company (Federation of Malaya) Berhad (SRC)'s full year net income after tax for 2005 amounted to RM522 million, which was the Company's second highest ever annual net income on record, second only to the RM670 million recorded in 2004.

Following the Company's continued impressive performance, the Board declared that dividends in respect of 2005 will total RM1.00 per share – a record annual level consisting of an interim dividend of 12 sen, a final dividend of 38 sen, two special dividends of 20 sen each and one special dividend of 10 sen – giving a payout ratio of over 57 per cent. The 2005 dividend level is a 54 per cent increase on the 65 sen total dividend payout for 2004.

### INVESTMENT

Shell is a major investor in Malaysia, having operated in the country for over a century and investing some RM 70 billion over the past four decades. Malaysia is an important country for Shell and the Company has planned to invest more than RM 6 billion in 2006 and 2007.

### PRODUCTION SHARING CONTRACTS

As of mid 2006 Shell Malaysia Exploration & Production (SMEP) companies have interests in 17 production sharing contracts (PSCs) in various offshore blocks in East & West Malaysia. There are more than 25 producing fields within these PSCs, 60% of which are operated by SMEP.

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### CONTRIBUTING THROUGH OUR PRODUCTS

We make an important contribution to development by delivering a safe, convenient and affordable supply of energy. Our retail business is robust and continues to deliver profitable growth despite the intense competition.

### LOCAL EMPLOYMENT AND PROCUREMENT

Our people are our strength. We employed 5,400 talented people at the end of 2005, of whom almost 90 % are local staff. Except for highly specialised equipment/materials/chemicals/services we bought local products and services, thereby supporting the local businesses through procurement and services that we contracted out.

### TAX & ROYALTIES

Tax and royalties are the ways in which corporations in the Malaysian oil and gas industry play a role as economic contributors to the government's coffers.

In 2005, Shell Malaysia paid over RM 1.85 billion in royalties and taxes – RM1.27 billion in direct taxes and RM 41 million in indirect taxes (customs and duties). We also settled an equivalent of RM 545 million of royalty obligations in kind (ie. oil and gas).

### DOING BUSINESS WITH INTEGRITY

In line with our Shell General Business Principles, Shell Malaysia seeks to compete fairly and ethically within the framework of applicable competition laws. Our Business Principles states that "the direct or indirect offer, payment, soliciting and acceptance of bribes in any form are unacceptable practices." Our management primer "Dealing with Bribery and Corruption" makes it very clear that we make no distinction between bribes and facilitation payments when enforcing zero tolerance.