

SARAWAK ENERGY BERHAD (007199-D)
INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	Individual Period		Cumulative Period	
	Current year quarter RM'000	Preceding year corresponding quarter RM'000	Current Year-to-date RM'000	Preceding year corresponding period RM'000
Revenue	332,448	336,849	985,788	954,874
Operating expenses	(381,713)	(268,102)	(932,267)	(776,396)
Other income	149,574	29,355	207,183	130,981
Finance costs	(8,611)	(8,969)	(27,173)	(26,393)
Share of profits/(loss) of associates	(658)	460	1,728	19,352
Profit before taxation	91,040	89,593	235,259	302,418
Taxation	(5,298)	(25,821)	350	(60,504)
Profit for the period	85,742	63,772	235,609	241,914
Attributable to:				
Equity holders of the parent	85,558	63,362	234,956	241,143
Minority interest	184	410	653	771
	85,742	63,772	235,609	241,914
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	5.61	4.18	15.44	15.88
Diluted (sen)	5.61	N/A	15.43	N/A

The unaudited condensed consolidated income statements should be read in conjunction with the audited annual financial report for the financial year ended 31 December 2007.

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CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2008

	Unaudited	Audited
	As at 30.9.2008 RM'000	As at 31.12.2007 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,722,636	4,341,983
Prepaid land lease payments	127,916	129,800
Investment in associates	35,004	35,279
Deferred tax assets	37,800	-
	4,923,356	4,507,062
Current assets		
Inventories	277,559	249,761
Development properties	100,679	100,273
Receivables	231,501	274,189
Short-term deposits	667,040	637,199
Cash and bank balances	155,029	272,316
	1,431,808	1,533,738
	6,355,164	6,040,800
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	1,526,107	1,518,949
Reserves	1,288,262	1,077,045
	2,814,369	2,595,994
Minority interest	16,800	16,147
Total equity	2,831,169	2,612,141
Current liabilities		
Payables	588,990	481,065
Short-term borrowings	144,183	89,984
Current tax liability	1,091	11,547
	734,264	582,596
Non-current liabilities	2,789,731	2,846,063
Total liabilities	3,523,995	3,428,659
	6,355,164	6,040,800
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.84	1.71

The unaudited condensed consolidated balance sheets should be read in conjunction with the audited annual financial report for the financial year ended 31 December 2007.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	Attributable to Equity Holders of the Parent							Minority interest	Total Equity	
	Share Capital RM'000	Share Premium RM'000	Capital reserves RM'000	Capital Redemption reserve RM'000	Share Option reserve RM'000	General reserves RM'000	Retained profits RM'000			Total RM'000
At 1 January 2008	1,518,949	-	85,355	73,128	904	94,147	823,511	2,595,994	16,147	2,612,141
Issue of ordinary shares pursuant to ESOS	7,158	8,231	-	-	-	-	-	15,389	-	15,389
Share options granted under ESOS	-	-	-	-	24,409	-	-	24,409	-	24,409
Dividend	-	-	-	-	-	-	(56,379)	(56,379)	-	(56,379)
Profit for the period	-	-	-	-	-	-	234,956	234,956	653	235,609
At 30 September 2008	1,526,107	8,231	85,355	73,128	25,313	94,147	1,002,088	2,814,369	16,800	2,831,169
At 1 January 2007	1,518,949	-	85,355	73,128	-	94,147	533,511	2,305,090	14,406	2,319,496
Dividend	-	-	-	-	-	-	(45,462)	(45,462)	-	(45,462)
Profit for the period	-	-	-	-	-	-	241,143	241,143	771	241,914
At 30 September 2007	1,518,949	-	85,355	73,128	-	94,147	729,192	2,500,771	15,177	2,515,948

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited annual financial report for the financial year ended 31 December 2007.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	For the current period ended 30.9.2008 RM'000	For the preceding corresponding period ended 30.9.2007 RM'000
Net cash from operating activities	377,986	403,124
Net cash used in investing activities	(419,967)	(309,129)
Net cash (used in)/from financing activities	<u>(45,465)</u>	<u>258,205</u>
Net change in cash and cash equivalents for the period	(87,446)	352,200
Cash and cash equivalents at the beginning of the financial period	<u>909,515</u>	<u>668,700</u>
Cash and cash equivalents at the end of the financial period	<u><u>822,069</u></u>	<u><u>1,020,900</u></u>

The condensed consolidated cash flow statements should be read in conjunction with the audited annual financial report for the financial year ended 31 December 2007.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007.

2 Changes in accounting policies and adoption of new and revised Financial Reporting Standards

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2007 except for the adoption of the following revised Financial Reporting Standards (“FRSs”) effective for financial period beginning 1 January 2008:

FRS 107:	Cash Flow Statements
FRS 111:	Construction Contracts
FRS 112:	Income Taxes
FRS 118:	Revenue
FRS 119:	Employee Benefits
FRS 120:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126:	Accounting and Reporting By Retirement Benefit Plans
FRS 129:	Financial Reporting in Hyperinflationary Economies
FRS 134:	Interim Financial Reporting
FRS 137:	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121:	The Effects of Changes in Foreign Exchange Rates -Net investments in a Foreign Operation

The adoption of the above revised FRSs does not have any significant impact on the financial statements of the Group.

3 Audit report

The Group’s financial statements for the year ended 31 December 2007 were reported on without any qualification.

4 Seasonal or cyclical factors

The Group’s performance in the current quarter and financial year-to-date was not affected by any seasonal or cyclical factors.

5 Unusual items

There were no unusual items affecting the Group’s assets, liabilities, equity, net income or cash flows for the current quarter and financial year-to-date.

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6 Changes in estimates

- (a) The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the estimated useful lives of certain plant and machineries with effect from 1 January 2008. The revisions were accounted for as change in accounting estimates and as a result, the depreciation charges for the current quarter and the current financial year-to-date have been reduced by RM14.8 million.
- (b) Following with the above review for the residual value and remaining useful life of its property, plant and equipment, the Group has extended its review to cover the amortization of certain deferred income including capital contribution. In conjunction with this review, the Group has recognized additional amortization of its deferred income amounting to RM123.4 million in the current quarter and the current financial year-to-date.
- (c) During the current quarter, the Group has obtained an actuarial valuation in respect of its obligations under its unfunded post employment medical benefits for its eligible employees. Resulting from the actuarial valuation, the Group has made additional provision for post employment medical expenses amounting to RM74.2 million in the current quarter and the current financial year-to-date.
- (d) Other than the above, there were no significant changes in the estimates that have had a material impact on the interim financial statements.

7 Debt and equity securities

- (a) During the financial period ended 30 September 2008, the Company issued 7,157,600 ordinary shares of RM1 each for cash pursuant to the Company's ESOS at exercise price of RM2.15 per ordinary share.
- (b) During the financial year-to-date, the Group had issued the debts securities of RM45 million in relation to its RM950 million Sukuk Mudharabah Programme.
- (c) During the financial year-to-date, the Group repaid a total amount of RM55 million of its debts securities.
- (d) Other than the above, there were no material issuances, cancellations, repurchases, resales and repayments of debts and equity securities for the current quarter and financial year-to-date.

8 Dividend paid

On 31 July 2008, the Company paid the final ordinary dividend of 5.0 sen gross dividend per share, less income tax for the financial year ended 31 December 2007 pursuant to its shareholders' approval at the Forty-First Annual General Meeting on 27 June 2008.

Other than the above, no dividend was paid by the Company in the financial year-to-date.

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9 Segmental reporting

The Group principally involves in the generation, transmission, distribution and sale of electricity within the same geographical region. Accordingly, no segmental information is presented.

10 Valuation of property, plant and equipment

Property, plant and equipment are carried in the books of accounts at net book value and no separate valuation exercise has been undertaken.

11 Subsequent events

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

12 Changes in the composition of the Group

There were no material changes in the composition of the Group for the current quarter and financial year-to-date.

13 Contingent liabilities and assets

There are no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

14 Capital commitments

On 29 March 2006, the Group has awarded the contracts for its proposed construction of a 2x135MW Coal-Fired Power Station in Mukah to China National Machinery & Equipment Import & Export Corporation (“CMEC”) and PPES Works (Sarawak) Sdn. Bhd. at contract sums of approximately RM736 million and RM38 million respectively. As of 30 September 2008, a total sum of RM677.7 million had been paid and reflected for in the financial statements pursuant to the above-mentioned capital commitments.

On 10 September 2007, the Group has awarded a contract for its proposed construction of one unit of 110MW Combined-Cycle Power Generation in Bintulu, Sarawak to CMEC at a contract sum of approximately RM346 million only. As of 30 September 2008, a total sum of RM26.5 million had been paid and reflected for in the financial statements pursuant to the above-mentioned capital commitments.

The Company had on 2 September 2008 announced that the Company has awarded the 944MW Murum Hydroelectric Project on a “Design and Build” basis to Yangtze Three Gorges Technology & Economy Development Co. Ltd. (“TGDC”) at a lump sum cost of equivalent to RM2.64 billion. As of 30 September 2008, a total sum of RM5.5 million had been paid and reflected for in the financial statements pursuant to the above-mentioned capital commitments.

Other than the above, there are no material capital commitments to be disclosed as at the date of this report.

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15 Review of performance

- (a) Performance of the current financial year-to-date against the preceding year corresponding period:

The Group recorded higher revenue during the financial year-to-date due to the increase in the demand of electricity and the increase in tariff rates which came into effect from 1 April 2007.

However, the Group recorded a lower profit before taxation during the current financial year-to-date as compared to the preceding year corresponding period mainly due to higher fuel costs resulting from higher diesoline price, a further provision for doubtful debts amounting to RM32 million and mitigated by the net impact from the changes in accounting estimates as described in paragraph 6 above.

- (b) Performance of the current quarter against the preceding year corresponding quarter:

The Group recorded lower revenue during the current quarter mainly due to the decrease in its non electricity sales as compared to the preceding year corresponding quarter.

However, the Group recorded a higher profit before tax during the current quarter as compared to the preceding year corresponding quarter mainly due to the net impact from the changes in accounting estimates as described in paragraph 6 above and the provision for doubtful debts amounting to RM32 million.

16 Material changes in the quarterly results

The Group recorded a profit before taxation of RM91.0 million in the current quarter as compared to a profit before taxation of RM61.4 million for the preceding quarter. This is mainly due to the net impact from the changes in accounting estimates as described in paragraph 6 above and the provision for doubtful debts amounting to RM32 million.

17 Current year prospects

Barring unforeseen circumstances, the Group expects to turn in a satisfactory performance in 2008.

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18 Profit forecast / profit guaranteed

Not applicable.

19 Taxation

(a) Taxation comprises of:

	Individual Period		Cumulative Period	
	Current year quarter RM'000	Preceding year corresponding quarter RM'000	Current Year-to- date RM'000	Preceding year corresponding period RM'000
Income tax				
- Current year	11,286	22,279	44,827	49,877
- Over provision in prior years	(7)	-	(1,531)	-
Deferred tax				
- relating to origination and reversal of temporary differences	(5,981)	3,542	(2,646)	10,627
- recognition of deferred tax assets	-	-	(41,000)	-
	<u>5,298</u>	<u>25,821</u>	<u>(350)</u>	<u>60,504</u>

- (b) During the current financial year-to-date, the Group recognized a previously unrecognized deferred tax assets as it has become probable that future taxable profit will be available for the deferred tax assets to be recovered.
- (c) The effective tax rate of the Group for the financial period is lower than the statutory tax rate in Malaysia mainly due to certain income which is not taxable.

20 Sales of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties during the current quarter and financial year-to-date.

21 Purchase or disposal of quoted securities

There were no purchase or disposals of quoted securities during the current quarter and financial year-to-date.

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22 Status of corporate proposals

There are no corporate proposals which have been announced that have not been completed as at the date of this announcement.

23 Group borrowings and debt securities

Total group borrowings and debt securities as at 30 September 2008 were as follows:-

	Ringgit Borrowings RM'000
Short-term borrowings	
- unsecured	51,300
- secured	6,883
Current portion of long-term borrowings	
- unsecured	55,000
- secured	31,000
	<u>144,183</u>
Long-term borrowings	
- unsecured	165,000
- secured	835,000
	<u>1,000,000</u>

24 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at the date of this report.

25 Material litigation

There is no pending material litigation as at the date of this report.

26 Proposed dividend

The Board does not recommend any interim dividend for the financial year-to-date ended 30 June 2008. No dividend was recommended for the preceding year corresponding period as well.

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27 Earnings Per Share

	Individual Period		Cumulative Period	
	Current year quarter	Preceding year corresponding quarter	Current Year-to-date	Preceding year corresponding period
Profit attributable to ordinary equity holders of the parent (RM'000)	85,558	63,362	234,956	241,143
(a) Basic Earnings Per Share				
Weighted average number of ordinary shares in issue (in thousands)	1,524,906	1,518,949	1,521,278	1,518,949
Basic earnings per share for Profit for the period (sen)	5.61	4.18	15.44	15.88
(b) Diluted Earnings Per Share				
Weighted average number of ordinary shares in issue (in thousands)	1,524,906	1,518,949	1,521,278	1,518,949
Weighted average of shares under option (in thousands)	13,016	-	13,016	-
Number of shares that would have been issued at fair value (in thousands)	(11,808)	-	(11,808)	-
Adjusted weighted average number of ordinary shares	1,526,114	1,518,949	1,522,486	1,518,949
Diluted earnings per share for Profit for the period (sen)	5.61	N/A*	15.43	N/A*

* The disclosure on diluted earnings per share relates to the Employees Share Option Scheme ("ESOS") which was implemented on 21 December 2007. Accordingly, no comparative figures were presented in the preceding year corresponding periods.

28 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors passed on 24 November 2008.

BY ORDER OF THE BOARD

AISAH EDEN

Company Secretary

Date: 24 November 2008