

**SARAWAK ENERGY BERHAD** (007199-D)  
**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	Current year quarter RM'000	Preceding year corresponding quarter RM'000	Current Year RM'000	Preceding Year RM'000
Revenue	353,093	364,334	1,338,881	1,319,208
Operating expenses	(314,859)	(288,479)	(1,247,126)	(1,064,875)
Other income	36,025	30,480	243,208	161,461
Finance costs	(8,498)	(9,054)	(35,671)	(35,447)
Share of profits/(loss) of associates	(3,221)	1,028	(1,493)	20,380
Profit before taxation	62,540	98,309	297,799	400,727
Taxation	(18,742)	(2,812)	(18,392)	(63,316)
Profit for the period	43,798	95,497	279,407	337,411
Attributable to:				
Equity holders of the parent	43,320	94,319	278,276	335,462
Minority interest	478	1,178	1,131	1,949
	43,798	95,497	279,407	337,411
<b>Earnings per share attributable to equity holders of the parent:</b>				
Basic (sen)	2.84	6.21	18.28	22.09
Diluted (sen)	2.84	6.21	18.27	22.08

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 31 DECEMBER 2008**

	<b>Unaudited</b>	<b>Audited</b>
	As at 31.12.2008 RM'000	As at 31.12.2007 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,875,663	4,341,983
Prepaid land lease payments	125,307	129,800
Investment in associates	45,314	35,279
Deferred tax assets	34,337	-
	<u>5,080,621</u>	<u>4,507,062</u>
<b>Current assets</b>		
Inventories	272,680	249,761
Development properties	100,679	100,273
Receivables	287,074	274,189
Short-term deposits	571,414	637,199
Cash and bank balances	194,991	272,316
	<u>1,426,838</u>	<u>1,533,738</u>
	<u><u>6,507,459</u></u>	<u><u>6,040,800</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	1,527,426	1,518,949
Reserves	1,340,631	1,077,045
	<u>2,868,057</u>	<u>2,595,994</u>
<b>Minority interest</b>	<u>17,278</u>	<u>16,147</u>
<b>Total equity</b>	<u>2,885,335</u>	<u>2,612,141</u>
<b>Current liabilities</b>		
Payables	629,625	481,065
Short-term borrowings	155,749	89,984
Current tax liability	5,146	11,547
	<u>790,520</u>	<u>582,596</u>
<b>Non-current liabilities</b>	<u>2,831,604</u>	<u>2,846,063</u>
<b>Total liabilities</b>	<u>3,622,124</u>	<u>3,428,659</u>
	<u><u>6,507,459</u></u>	<u><u>6,040,800</u></u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	<b>1.88</b>	<b>1.71</b>

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 YEAR ENDED 31 DECEMBER 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
<b>At 1 January 2008</b>	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	8,477	14,159	-	-	(4,410)	-	-	18,226	-	18,226
Share options granted under ESOS	-	-	-	-	31,940	-	-	31,940	-	31,940
Share options forfeited under ESOS	-	-	-	-	(6,065)	-	6,065	-	-	-
Dividend	-	-	-	-	-	-	(56,379)	(56,379)	-	(56,379)
Profit for the year	-	-	-	-	-	-	278,276	278,276	1,131	279,407
<b>At 31 December 2008</b>	<b>1,527,426</b>	<b>14,159</b>	<b>85,355</b>	<b>73,128</b>	<b>22,369</b>	<b>94,147</b>	<b>1,051,473</b>	<b>2,868,057</b>	<b>17,278</b>	<b>2,885,335</b>
<b>At 1 January 2007</b>	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)
Share options granted under ESOS	-	-	-	-	904	-	-	904	-	904
Arising from acquisition of additional equity in subsidiary	-	-	-	-	-	-	-	-	(208)	(208)
Profit for the year	-	-	-	-	-	-	335,462	335,462	1,949	337,411
<b>At 31 December 2007</b>	<b>1,518,949</b>	<b>-</b>	<b>85,355</b>	<b>73,128</b>	<b>904</b>	<b>94,147</b>	<b>823,511</b>	<b>2,595,994</b>	<b>16,147</b>	<b>2,612,141</b>

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 YEAR ENDED 31 DECEMBER 2008**

	For the current year ended 31.12.2008 RM'000	For the preceding year ended 31.12.2007 RM'000
Net cash from operating activities	484,834	539,012
Net cash used in investing activities	(590,079)	(608,280)
Net cash (used in)/from financing activities	<u>(37,865)</u>	<u>310,083</u>
<b>Net change in cash and cash equivalents for the year</b>	<b>(143,110)</b>	<b>240,815</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<u>909,515</u>	<u>668,700</u>
<b>Cash and cash equivalents at the end of the financial year</b>	<u><u>766,405</u></u>	<u><u>909,515</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 Seasonal or cyclical factors**

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

**4 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.

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**5 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 have been reduced by RM15.3 and RM30.1 million respectively.
- (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 RM3.3 million and RM126.7 million respectively in the current quarter and the current financial year.
- (c) During the year, 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 RM7.8 million and RM82.0 million respectively in the current quarter and the current financial year.
- (d) Other than the above, there were no significant changes in the estimates that have had a material impact on the interim financial statements.

**6 Debt and equity securities**

- (a) During the financial year, the Company had issued 8,477,220 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, the Group had issued the debts securities of RM115 million in relation to its RM950 million Sukuk Mudharabah Programme.
- (c) During the financial year, the Group had repaid a total amount of RM81 million of its debts securities.
- (d) Other than the above, there were no material issuances, repurchases and repayments of debts and equity securities for the current quarter and financial year.

**7 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 current quarter and financial year.

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**8 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.

**9 Subsequent events**

On 21 January 2009, Sarawak Energy Berhad (the “Company”) announced that the Government has given approval in principle for the Company and Tenaga Nasional Berhad to take over the operation of Bakun Hydroelectric Project from Sarawak Hidro Sdn. Bhd. through a leasing agreement and to develop the associated transmission system from Sarawak to Peninsular Malaysia. The details of the proposal were as disclosed in the said announcement.

Other than the above, there were no material events subsequent to the end of the current quarter.

**10 Changes in the composition of the Group**

On 9 December 2008, the Company announced that its wholly-owned subsidiary, Sarawak Hydro Power Generation Sdn Bhd had on 9 December 2008 acquired 100% equity interest in Murum Hydro Consortium Sdn. Bhd., for a total cash consideration of RM30,000. The details of the acquisition were as disclosed in the said announcement.

Other than the above, there were no material changes in the composition of the Group for the current quarter and financial year.

**11 Contingent liabilities and assets**

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

**12 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 31 December 2008, a total sum of RM708.1 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 31 December 2008, a total sum of RM87.4 million had been paid and reflected for in the financial statements pursuant to the above-mentioned capital commitments.

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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 31 December 2008, a total sum of RM31.8 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.

**13 Review of performance**

- (a) Performance of the current financial year against the preceding year:

The Group recorded higher revenue during the financial year mainly due to the increase in the demand of electricity.

However, the Group recorded a lower profit before taxation during the current financial year as compared to the preceding year 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 5 above.

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

The Group recorded a lower profit before taxation during the current quarter as compared to the preceding year corresponding quarter mainly due to higher fuel costs resulting from higher diesoline consumption and price.

**14 Material changes in the quarterly results**

The Group recorded a profit before taxation of RM62.5 million in the current quarter as compared to a profit before taxation of RM91.0 million for the preceding quarter. The higher profit in the preceding quarter was mainly due to the net impact from the changes in accounting estimates amounted to RM64 million and set-off by the provision for doubtful debts amounting to RM32 million being made in the preceding quarter.

**15 Current year prospects**

Barring unforeseen circumstances, the Group expects to turn in a satisfactory performance in 2009.



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**16 Profit forecast / profit guaranteed**

Not applicable.

**17 Taxation**

(a) Taxation comprises of:

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	Current year quarter RM'000	Preceding year corresponding quarter RM'000	Current Year RM'000	Preceding year RM'000
Income tax				
- Current year	12,840	15,645	57,667	65,522
- Over provision in prior years	466	(167)	(1,065)	(167)
Deferred tax				
- relating to origination and reversal of temporary differences	5,436	2,959	2,790	13,586
- Overprovided in prior years	-	(995)	-	(995)
- recognition of deferred tax assets	-	-	(41,000)	-
- relating to changes in tax rates	-	(14,630)	-	(14,630)
	<u>18,742</u>	<u>2,812</u>	<u>18,392</u>	<u>63,316</u>

(b) During the current financial year, 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 year is lower than the statutory tax rate in Malaysia mainly due to certain income which is not taxable.

**18 Sales of unquoted investments and/or properties**

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

**19 Purchase or disposal of quoted securities**

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

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**20 Status of corporate proposals**

Other than as disclosed in paragraph 9 above, there are no other corporate proposals which have been announced that have not been completed as at the date of this announcement.

**21 Group borrowings and debt securities**

Total group borrowings and debt securities as at 31 December 2008 were as follows:-

	Ringgit Borrowings RM'000
Short-term borrowings	
- unsecured	50,695
- secured	5,054
Current portion of long-term borrowings	
- unsecured	55,000
- secured	45,000
	<u>155,749</u>
Long-term borrowings	
- unsecured	165,000
- secured	865,000
	<u><u>1,030,000</u></u>

**22 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.

**23 Material litigation**

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

**24 Proposed dividend**

The Directors recommend the payment of a final ordinary dividend of 5.5 sen gross dividend per share, less income tax at 25% for the financial year ended 31 December 2008 (financial year ended 31 December 2007: 5 sen gross per share, less income tax at 26%). The proposed dividend will be subject to the shareholders' approval at the forthcoming Annual General Meeting to be held at a date to be announced later.

The total proposed final dividend payment of the Company for the year will amount to approximately RM63,006,347 (financial year ended 31 December 2007: RM56,379,226).

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**25 Earnings Per Share**

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	Current year quarter	Preceding year corresponding quarter	Current Year	Preceding year
Profit attributable to ordinary equity holders of the parent (RM'000)	43,320	94,319	278,276	335,462
<b>(a) Basic Earnings Per Share</b>				
Weighted average number of ordinary shares in issue (in thousands)	1,526,543	1,518,949	1,522,600	1,518,949
Basic earnings per share for Profit for the period (sen)	2.84	6.21	18.28	22.09
<b>(b) Diluted Earnings Per Share</b>				
Weighted average number of ordinary shares in issue (in thousands)	1,526,543	1,518,949	1,522,600	1,518,949
Weighted average of shares under option (in thousands)	6,156	2,249	5,266	567
Number of shares that would have been issued at fair value (in thousands)	(5,705)	(2,015)	(4,880)	(507)
Adjusted weighted average number of ordinary shares	1,526,994	1,519,183	1,522,986	1,519,009
Diluted earnings per share for Profit for the period (sen)	2.84	6.21	18.27	22.08

**26 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 27 February 2009.

**BY ORDER OF THE BOARD**

**AISAH EDEN**  
 Company Secretary  
 Date: 27 February 2009