

SARAWAK ENERGY BERHAD (007199-D)
INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	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	350,715	332,448	1,012,338	985,788
Operating expenses	(285,951)	(381,713)	(852,443)	(932,267)
Other income	27,748	149,574	93,010	207,183
Finance costs	(19,954)	(8,611)	(50,619)	(27,173)
Share of (loss)/profit of associates	(1,682)	(658)	(3,928)	1,728
Profit before taxation	70,876	91,040	198,358	235,259
Taxation	(20,871)	(5,298)	(50,968)	350
Profit for the period	50,005	85,742	147,390	235,609
Attributable to:				
Equity holders of the parent	50,413	85,558	147,347	234,956
Minority interest	(408)	184	43	653
	50,005	85,742	147,390	235,609
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	3.30	5.61	9.65	15.44
Diluted (sen)	3.30	5.61	9.65	15.43

The unaudited condensed consolidated income statements should be read in conjunction with the audited annual financial report for the financial year ended 31 December 2008.

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CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2009

	Unaudited	Audited
	As at 30.9.2009 RM'000	As at 31.12.2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,839,687	4,875,994
Prepaid land lease payments	124,217	125,307
Investment in associates	41,088	45,314
Deferred tax assets	29,532	34,337
	<u>6,034,524</u>	<u>5,080,952</u>
Current assets		
Inventories	315,422	272,678
Development properties	100,679	100,679
Receivables	233,371	310,307
Short-term deposits	529,069	569,373
Cash and bank balances	109,785	197,019
	<u>1,288,326</u>	<u>1,450,056</u>
	<u><u>7,322,850</u></u>	<u><u>6,531,008</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	1,527,513	1,527,426
Reserves	1,433,967	1,338,002
	<u>2,961,480</u>	<u>2,865,428</u>
Minority interest	<u>17,300</u>	<u>17,257</u>
Total equity	<u>2,978,780</u>	<u>2,882,685</u>
Current liabilities		
Payables	740,261	657,241
Short-term borrowings	386,937	155,749
Current tax liability	11,137	5,157
	<u>1,138,335</u>	<u>818,147</u>
Non-current liabilities	<u>3,205,735</u>	<u>2,830,176</u>
Total liabilities	<u>4,344,070</u>	<u>3,648,323</u>
	<u><u>7,322,850</u></u>	<u><u>6,531,008</u></u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.94	1.88

The unaudited condensed consolidated balance sheets should be read in conjunction with the audited annual financial report for the financial year ended 31 December 2008.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	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 2009	1,527,426	14,159	85,355	73,128	22,369	94,147	1,048,844	2,865,428	17,257	2,882,685
Issue of ordinary shares pursuant to ESOS	87	100	-	-	-	-	-	187	-	187
Share options granted under ESOS	-	-	-	-	11,527	-	-	11,527	-	11,527
Dividend	-	-	-	-	-	-	(63,009)	(63,009)	-	(63,009)
Profit for the period	-	-	-	-	-	-	147,347	147,347	43	147,390
At 30 September 2009	1,527,513	14,259	85,355	73,128	33,896	94,147	1,133,182	2,961,480	17,300	2,978,780
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

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 2008.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	For the current period ended 30.9.2009 RM'000	For the preceding corresponding period ended 30.9.2008 RM'000
Net cash from operating activities	478,682	377,986
Net cash used in investing activities	(1,085,461)	(419,967)
Net cash from/(used in) financing activities	<u>479,241</u>	<u>(45,465)</u>
Net change in cash and cash equivalents for the period	(127,538)	(87,446)
Cash and cash equivalents at the beginning of the financial period	<u>766,392</u>	<u>909,515</u>
Cash and cash equivalents at the end of the financial period	<u><u>638,854</u></u>	<u><u>822,069</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 2008.

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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 accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those of the audited financial statements for the financial year ended 31 December 2008.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008.

2 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.

3 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.

4 Changes in estimates

The results of the preceding year corresponding quarter and preceding year corresponding period were affected by the following 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 preceding year corresponding quarter and the preceding year corresponding period had 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 had extended its review to cover the amortization of certain deferred income including capital contribution. In conjunction with this review, the Group had recognized additional amortization of its deferred income amounting to RM123.4 million in the preceding year corresponding quarter and the preceding year corresponding period.

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- (c) During the preceding year corresponding quarter, the Group had 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 had made additional provision for post employment medical expenses amounting to RM74.2 million in the preceding year corresponding quarter and the preceding year corresponding period.

Other than the above, there were no significant changes in the estimates that have had a material impact on the interim financial statements.

5 Debt and equity securities

- (a) During the financial period, the Company had issued 86,800 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 current quarter, the Group repaid a total amount of RM60 million of its debts securities.
- (c) Other than the above, there were no material issuances, repurchases and repayments of debts and equity securities for the current quarter and financial year-to-date.

6 Dividend paid

On 31 July 2009, the Company paid the final ordinary dividend of 5.5sen gross per share, less income tax for the financial year ended 31 December 2008 pursuant to its shareholders' approval at the Forty-Second Annual General Meeting on 26 June 2009.

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

7 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.

8 Subsequent events

- (a) On 16 July 2009, the Company announced the execution of the financing agreements to raise RM1,450 million via Syndicated Murabahah Tawarruq Facility of RM1,150 million and Syndicated Term Loan Facility of RM300 million ("Syndicated Facilities"). The Syndicated Facilities represent a bridging facility to part-finance the development and construction costs and other associated costs and profit/interest during construction of its 944MW Murum Hydroelectric Project. Further to the above announcement, on 26 October 2009, the Company announced that it has secured an additional RM450 million in credit facility from Maybank Islamic Berhad on 23 October 2009. The details of the financing were as disclosed in the said announcements.

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- (b) On 19 October 2009, the Company announced the receipt of a notice of voluntary offer (“Notice”) from AmInvestment Bank Berhad (a member of AmInvestment Bank Group) and Newfields Advisors Sdn Bhd, on behalf of Delegates Sdn Bhd (“Delegates” or “Offeror”), a wholly-owned subsidiary of State Financial Secretary, a corporation incorporated under the State Financial Secretary (Incorporation) Ordinance of Sarawak (“SFS” or “Ultimate Offeror”) to acquire all the remaining ordinary shares of RM1.00 each in SEB (“SEB Share”) not already owned by the Offeror and the Ultimate Offeror and all the new SEB Shares that may be issued and allotted prior to the closing of the voluntary offer arising from the exercise of outstanding options granted pursuant to SEB’s Employee Share Options Scheme (“ESOS Options”) at an offer consideration of RM2.65 per SEB Share to be satisfied in cash (“Offer”). The details of the Notice were as disclosed in the said announcement.
- (c) Further to the above announcement, on 29 October 2009, the Company announced that in accordance to the Malaysian Code on Take-Overs and Mergers, 1998 (“Code”), the Company has on 27 October 2009 appointed Alliance Investment Bank Berhad (“Alliance”) as the independent adviser to advise the independent directors and independent shareholders of the Company in relation to the Offer.
- (d) Other than the above, there were no material events subsequent to the end of the current quarter.

9 Changes in the composition of the Group

- (a) During the current quarter and financial year-to-date, the Company partially disposed its equity interest in an unquoted associate, Sarawak Cable Sdn Bhd for a total consideration of RM5,533,500. This resulted to the decrease in equity interest of the Group in Sarawak Cable Sdn Bhd from 35% to 24.6%. The Group recorded a loss of RM2.6 million from this disposal during the quarter and financial year-to-date.
- (b) During the current quarter and financial year-to-date, the Company also acquired 50% of the issued and paid-up capital of Sime Darby Power Link Sdn Bhd. The details of which were described in Note 19(a) below.
- (c) Other than the above, there were no changes in the composition of the Group for the current quarter and financial year-to-date.

10 Contingent liabilities and assets

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

11 Capital commitments

- (a) 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 China National Machinery & Equipment Import & Export Corporation at a contract sum of approximately RM346 million only. As of 30 September 2009, a total sum of RM297.9 million had been paid and reflected for in the financial statements pursuant to the above-mentioned capital commitments.

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- (b) 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 2009, a total sum of RM314.6 million had been paid and reflected for in the financial statements pursuant to the above-mentioned capital commitments.
- (c) On 15 April 2009, the Company announced that it has awarded the contract for the development and construction of the Proposed Headquarters Building for the Company at Isthmus, Kuching to CMS Land Sdn. Bhd. for a contract sum of RM232.0 million. As of 30 September 2009, a total sum of RM42.1 million had been paid and reflected for in the financial statements pursuant to the above-mentioned capital commitments
- (d) Other than the above, there are no material capital commitments to be disclosed as at the date of this report.

12 Review of performance

The Group recorded higher revenue during the current quarter and financial year-to-date compared to the preceding year corresponding periods mainly due to the increase in the demand of electricity from domestic and commercial sectors.

The Group recorded higher operating expenses and higher other income in the preceding year corresponding periods mainly due to:

- (a) the changes in estimates as described in Note 4 above; and
- (b) a provision for doubtful debts amounting to RM32 million in the preceding year corresponding quarter.

On the other hand, the higher finance costs recorded during the current year periods were due to the charged out of profit payments of Sukuk Mudharabah subsequent to the commencement of the operations of a new coal-fired power plant in Mukah.

The net impact of the above consideration has given rise to a lower profit before taxation during the current quarter and financial year-to-date as compared to the preceding year corresponding periods.

13 Material changes in the quarterly results

The Group recorded a profit before taxation of RM70.9 million in the current quarter as compared to a profit before taxation of RM57.9 million for the preceding quarter. The lower profit before taxation for the preceding quarter was affected by the charged out of the commissioning costs for the new coal-fired power plant in Mukah.

14 Current year prospects

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

15 Profit forecast / profit guaranteed

Not applicable.

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16 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	(16,547)	(11,286)	(39,675)	(44,827)
- Over provision in prior years	(3)	7	(14)	1,531
Deferred tax				
- relating to origination and reversal of temporary differences	(4,321)	5,981	(11,279)	2,646
- recognition of deferred tax assets	-	-	-	41,000
	<u>(20,871)</u>	<u>(5,298)</u>	<u>(50,968)</u>	<u>350</u>

(b) The effective tax rate of the Group for the financial periods is higher than the statutory tax rate in Malaysia of 25% mainly due to certain expenses which were not tax deductible.

17 Sales of unquoted investments and/or properties

Other than as disclosed in Note 9(a) above, there were no sales of unquoted investments and/or properties during the current quarter and financial year-to-date.

18 Purchase or disposal of quoted securities

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

19 Status of corporate proposals

(a) 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 ("TNB") 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.

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In relation to the above, the Company had on 10 July 2009 announced that the Company and TNB have entered into a Share Sale Agreement with Sime Darby Energy Sdn Bhd to acquire the 100% of the issued and paid-up shares in Sime Darby Power Link Sdn Bhd (“SDPLSB”). SDPLSB is a special purpose vehicle established to undertake the development and operation of transmission facilities to supply electricity from Sarawak to East Malaysia and Peninsular Malaysia. On 21 July 2009, the Company further announced that the acquisition has been completed. SEB holds 50% of the issued and paid-up capital of SDPLSB. The details of the acquisition were as disclosed in the said announcements.

- (b) On 19 October 2009, the Company announced the receipt of a notice of voluntary offer from AmInvestment Bank Berhad and Newfields Advisors Sdn Bhd. The details of which were described in Note 8(b) above.
- (c) Other than the above, there are no other corporate proposals which have been announced that have not been completed as at the date of this announcement.

20 Group borrowings and debt securities

Total group borrowings and debt securities as at 30 September 2009 were as follows:-

	Ringgit Borrowings RM'000
Short-term borrowings	
- unsecured	284,248
- secured	2,689
Current portion of long-term borrowings	
- unsecured	55,000
- secured	45,000
	<u>386,937</u>
Long-term borrowings	
- unsecured	524,827
- secured	860,000
	<u>1,384,827</u>

21 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.

22 Material litigation

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

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23 Proposed dividend

The Board does not recommend any interim dividend for the financial year-to-date ended 30 September 2009. No dividend was recommended for the preceding year corresponding period as well.

24 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)	50,413	85,558	147,347	234,956
(a) Basic Earnings Per Share				
Weighted average number of ordinary shares in issue (in thousands)	1,527,500	1,524,906	1,527,474	1,521,278
Basic earnings per share for Profit for the period (sen)	3.30	5.61	9.65	15.44
(b) Diluted Earnings Per Share				
Weighted average number of ordinary shares in issue (in thousands)	1,527,500	1,524,906	1,527,474	1,521,278
Weighted average of shares under option (in thousands)	14,822	13,016	14,822	13,016
Number of shares that would have been issued at fair value (in thousands)	(14,618)	(11,808)	(14,618)	(11,808)
Adjusted weighted average number of ordinary shares (in thousands)	1,527,704	1,526,114	1,527,678	1,522,486
Diluted earnings per share for Profit for the period (sen)	3.30	5.61	9.65	15.43

25 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 30 November 2009.

BY ORDER OF THE BOARD

AISAH EDEN

Company Secretary

Date: 30 November 2009