

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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	333,497	327,589	653,340	618,025
Operating expenses	(294,591)	(259,541)	(550,554)	(508,294)
Other income	30,263	62,989	57,609	91,945
Finance costs	(9,281)	(8,790)	(18,562)	(17,424)
Share of profits of associates	1,496	1,625	2,386	2,093
Profit before taxation	61,384	123,872	144,219	186,345
Taxation	22,320	(17,360)	5,648	(34,683)
Profit after taxation	83,704	106,512	149,867	151,662
Results of asset held for sale				
Share of profit of an associate	-	16,253	-	16,799
Net fair value less carrying value	-	9,681	-	9,681
	83,704	25,934	149,867	26,480
Profit for the period	83,704	132,446	149,867	178,142
Attributable to:				
Equity holders of the parent	83,422	132,034	149,398	177,781
Minority interest	282	412	469	361
	83,704	132,446	149,867	178,142
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	5.49	8.69	9.83	11.70
Diluted (sen)	5.47	N/A	9.80	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 JUNE 2008

	Unaudited	Audited
	As at 30.6.2008 RM'000	As at 31.12.2007 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,531,636	4,341,983
Prepaid land lease payments	128,505	129,800
Investment in associates	35,915	35,279
Deferred tax assets	41,000	-
	<u>4,737,056</u>	<u>4,507,062</u>
Current assets		
Inventories	277,229	249,761
Development properties	100,273	100,273
Receivables	291,821	274,189
Short-term deposits	680,396	637,199
Cash and bank balances	177,403	272,316
	<u>1,527,122</u>	<u>1,533,738</u>
	<u><u>6,264,178</u></u>	<u><u>6,040,800</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	1,523,763	1,518,949
Reserves	1,191,873	1,077,045
	<u>2,715,636</u>	<u>2,595,994</u>
Minority interest	<u>16,616</u>	<u>16,147</u>
Total equity	<u>2,732,252</u>	<u>2,612,141</u>
Current liabilities		
Payables	592,993	481,065
Short-term borrowings	95,192	89,984
Current tax liability	2,998	11,547
	<u>691,183</u>	<u>582,596</u>
Non-current liabilities	<u>2,840,743</u>	<u>2,846,063</u>
Total liabilities	<u>3,531,926</u>	<u>3,428,659</u>
	<u><u>6,264,178</u></u>	<u><u>6,040,800</u></u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.78	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 JUNE 2008

	Attributable to Equity Holders of the Parent							Minority interest	Total Equity	
	Share Capital	Share Premium	Capital reserves	Capital Redemption reserve	Share Option reserve	General reserves	Retained profits			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	4,814	5,535	-	-	-	-	-	10,349	-	10,349
Share options granted under ESOS	-	-	-	-	16,274	-	-	16,274	-	16,274
Dividend	-	-	-	-	-	-	(56,379)	(56,379)	-	(56,379)
Profit for the period	-	-	-	-	-	-	149,398	149,398	469	149,867
Balance at 30 June 2008	1,523,763	5,535	85,355	73,128	17,178	94,147	916,530	2,715,636	16,616	2,732,252
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	-	-	-	-	-	-	177,781	177,781	361	178,142
Balance at 30 June 2007	1,518,949	-	85,355	73,128	-	94,147	665,830	2,437,409	14,767	2,452,176

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 JUNE 2008

	For the current period ended 30.6.2008 RM'000	For the preceding corresponding period ended 30.6.2007 RM'000
Net cash from operating activities	215,543	250,817
Net cash used in investing activities	(227,612)	(208,716)
Net cash (used in)/from financing activities	<u>(39,647)</u>	<u>307,499</u>
Net change in cash and cash equivalents for the period	(51,716)	349,600
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>857,799</u></u>	<u><u>1,018,300</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

There were no significant changes in the estimates of amounts reported in previous quarters, which have a material impact on the interim financial statements.

7 Debt and equity securities

- (a) During the financial period ended 30 June 2008, the Company issued 4,813,500 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 had issued the debts securities of RM45 million in relation to its RM950 million Sukuk Mudharabah Programme.
- (c) During the current quarter, 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

No dividend was paid by the Company in the current quarter and financial year-to-date.

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.

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

The Company had on 1 July 2008 announced that the wholly-owned subsidiary, Syarikat SESCO Berhad has executed a Power Purchase Agreement ("PPA") with Press Metal Berhad in connection to the increase of power supply to 600MW.

The details of the above PPA were also announced on 1 July 2008.

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

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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 June 2008, a total sum of RM639.0 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 June 2008, a total sum of RM8.8 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.

15 Review of performance

The Group recorded higher revenue during the current quarter and financial year-to-date due to the increase in the demand of electricity and the increase in tariff rate which came into effect from 1 April 2007. However, these were offset by the increase in the operating expenses, especially the higher fuel costs resulting from higher consumption and price.

For the current quarter and financial year-to-date ended 30 June 2008, the Group has recorded a lower profit before taxation as compared to the preceding year corresponding periods. The higher profits recorded in the preceding year corresponding periods were mainly the result of the write-back of impairment in value of investment in Encorp Berhad amounting to RM36 million.

16 Material changes in the quarterly results

The Group recorded a profit before taxation of RM61.4 million in the current quarter as compared to a profit before taxation of RM82.8 million for the preceding quarter. This is mainly due to the higher fuel costs incurred resulting from higher consumption and price in the current quarter.

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17 Current year prospects

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

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	13,319	13,817	33,541	27,598
- Over provision in prior years	(1)	-	(1,524)	-
Deferred tax				
- relating to origination and reversal of temporary differences	5,362	3,543	3,335	7,085
- recognition of deferred tax assets	(41,000)	-	(41,000)	-
	<u>(22,320)</u>	<u>17,360</u>	<u>(5,648)</u>	<u>34,683</u>

(b) During the current financial period, the Group recognized a previously unrecognized deferred tax assets amounting to RM41 million as it has become probable that future taxable profit will be available for the deferred tax assets to be recovered.

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 June 2008 were as follows:-

	Ringgit Borrowings RM'000
Short-term borrowings	
- unsecured	2,429
- secured	6,763
Current portion of long-term borrowings	
- unsecured	55,000
- secured	31,000
	<u>95,192</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)	83,422	132,034	149,398	177,781
(a) Basic Earnings Per Share				
Weighted average number of ordinary shares in issue (in thousands)	1,519,838	1,518,949	1,519,441	1,518,949
Basic earnings per share for Profit for the period (sen)	5.49	8.69	9.83	11.70
(b) Diluted Earnings Per Share				
Weighted average number of ordinary shares in issue (in thousands)	1,519,838	1,518,949	1,519,441	1,518,949
Weighted average of shares under option (in thousands)	15,360	-	15,360	-
Number of shares that would have been issued at fair value (in thousands)	(11,082)	-	(11,082)	-
Adjusted weighted average number of ordinary shares	1,524,116	1,518,949	1,523,719	1,518,949
Diluted earnings per share for Profit for the period (sen)	5.47	N/A	9.80	N/A

BY ORDER OF THE BOARD

AISAH EDEN
Company Secretary
Date: 29 August 2008