

MEDIA STATEMENT
Kuala Lumpur, 18 January 2018

FOURTEENTH KHAZANAH ANNUAL REVIEW (“KAR 2018”)

Khazanah delivers strong all-round performance in 2017

Portfolio value rises RM13.4 billion (+13.2%) to a record RM115.6 billion, Profit Before Tax increases 84.7% to RM2.89 billion

Highlights:

- **Portfolio Net Worth Adjusted (“NWA”)** rose by RM13.4 billion or 13.2% to a record RM115.6 billion in 2017 (2016: RM102.1 billion). Long-term value creation remains on an uptrend with NWA growing at a compounded annual growth rate (“CAGR”) of 9.6% per annum, or 3.5x, since 14 May 2004
- **Realisable Asset Value (“RAV”)** grew 8.2% to RM157.2 billion (2016: RM145.3 billion), while RAV cover, a key prudential ratio, increased to 3.1x
- **Unaudited Profit Before Tax (“PBT”)** increased 84.7% to RM2.89 billion (2016: RM1.57 billion)
- **Sustained progress in long-term strategic value creation, including the launch of a programme to boost innovation in Khazanah’s companies (TIDE)¹. There were ongoing transformation and value creation effects in our core companies, and catalytic development domestically, while international investments continue to gather pace, especially in the technology sector and in China**
- **Sustained performance in delivering societal value, with highlights including RM233.5 million spent on Corporate Responsibility by Khazanah and Yayasan Hasanah, further progress in the Taman Tugu Project, the roll-out of Hari Hasanah and the Hasanah Bersama Rakyat programme**
- **Institutionalisation work continued in 2017, including improving governance and establishing international partnerships on governance standards², implementing a management succession plan and ongoing talent development**

Khazanah Nasional Berhad (“Khazanah”) today presented its 14th Khazanah Annual Review (“KAR 2018”), demonstrating continued progress and sustained performance in long-term value creation and delivering financial, strategic and societal returns.

¹ See pg3, under section 2(a). Embracing innovation and disruption

² See pg5, under section 3(d). Strengthening the institution

Tan Sri Datuk Wira Azman Hj. Mokhtar, Managing Director of Khazanah said: “We are grateful to have delivered a strong financial performance in 2017, with the portfolio NWA rising 13.2% or RM13.4 billion to RM115.6 billion. This represents a long-term growth of 3.5x (or 9.6% per annum) increase in portfolio value since 2004, delivered on a secure portfolio asset cover of 3.1x (assets over liabilities). Further, PBT jumped 84.7% to RM2.89 billion while good progress was made across all other aspects of our mandate – strategic, societal and institutional.”

1. Financial Performance

a. Continued portfolio growth and long-term value creation

Khazanah’s portfolio value as measured by its Net Worth Adjusted (“NWA”) stood at a record RM115.6 billion as at 31 December 2017, increasing RM13.4 billion or 13.2% from RM102.1 billion as at 31 December 2016. Since 14 May 2004, at the start of the Khazanah revamp, portfolio NWA has grown at a compounded annual growth rate (“CAGR”) of 9.6% per annum (“p.a.”).

Realisable Asset Value (“RAV”) increased by RM11.9 billion or 8.2% to RM157.2 billion as at 31 December 2017, from RM145.3 billion as at 31 December 2016. Over the period from 14 May 2004, RAV rose RM106.3 billion from RM50.9 billion (or CAGR of 8.6% p.a.). RAV cover (assets/liabilities) increased to 3.1x as at 31 December 2017 (2016: 2.9x).

For 2017, Khazanah registered an unaudited Profit Before Tax (“PBT”) of RM2.89 billion, an increase of 84.7% (2016: RM1.57 billion), bringing the cumulative PBT since 14 May 2004 to RM27.98 billion. Khazanah also declared dividends of RM1.0 billion for 2017. Since 14 May 2004, cumulative dividends declared amount to RM10.11 billion.

Khazanah made a total of 14 discrete new investments totaling RM6.3 billion and 12 divestments in 2017, providing proceeds amounting to RM6.4 billion, with gains on divestments totaling RM2.5 billion. From 2004 to 2017, Khazanah has made a total of 175 investments worth RM87.9 billion and 102 divestment, with proceeds amounting to RM59.2 billion, and overall gains on divestments totaling to RM27.4 billion.

Khazanah's investments in Malaysia represented approximately 55.5% of RAV by geographic exposure in 2017, while overseas investments accounted for 44.5%. By domicile of investee companies, Malaysia accounted for approximately 78.0%.

2. Strategic Performance

a. Embracing innovation and disruption

The year also saw the sustained execution of Khazanah’s strategic mandate, with a broad range of initiatives to further catalyse long-term growth and value creation. This includes the introduction of the TIDE Programme (Trending, Innovation, Disruption, Entrepreneurship), which is a multi-year programme to further drive growth and performance in our investee companies, by creating awareness and encouraging the adoption of innovation, disruption and entrepreneurship.

Khazanah also launched Khazanah Nasional Entrepreneurship Outreach (“KNEO”) programme in 2017. KNEO³ is an initiative to help unearth entrepreneurial talent among Malaysians, while equipping them with training and industry knowledge via a series of bootcamp and accelerator programmes.

b. Core investments continue to deliver results

Our core portfolio companies delivered several major achievements and milestones in 2017, including Tenaga Nasional Berhad (“TNB”) which increased its dividend policy to between 30% and 60%; Telekom Malaysia Berhad’s (“TM”) TM One launched Iskandar Puteri Data Centre at Nusajaya Technology Park, Johor; joint venture between Malaysia Airports Holdings Berhad (“MAHB”) and Cainiao Smart Logistics Network to develop an e-commerce hub in KLIA Aeropolis; the opening of Gleneagles Hong Kong and Acibadem Altunizade hospitals by IHH Healthcare Berhad (“IHH”); completion of US\$700 million private placement by edotco Group Sdn Bhd, a subsidiary of Axiata Group Berhad (“Axiata”); and partnership between Touch n’ Go, a subsidiary of CIMB Group Berhad (“CIMB”), with Alipay for mobile wallet solutions. There was also continued progress in the restructuring of Malaysia Airlines Berhad (“Malaysia Airlines”), which saw the appointment of Capt Izham Ismail as Group CEO in October 2017. Malaysia Airlines has also started taking delivery of Airbus A350-900 aircraft, with the A350-900 service from Kuala Lumpur to London commencing recently. The airline remains on track to return to profitability in 2018.

The long-term performance of our core companies remained intact, with strong total shareholders’ return (“TSR”), including TM (15.2% p.a.), CIMB (10.9% p.a.), TNB (9.9% p.a.), IHH Healthcare (14.9% p.a.) and MAHB (17.3% p.a.).

c. Investing further in growth companies and harvesting value

Khazanah continued to make new investments in growth companies especially in the innovation and technology sector, while at the same time harvesting value through strategic divestments. The new investments included edotco Group Sdn Bhd, Sigfox, and Koubei, an Alibaba affiliate company; while divestments included VeloCloud, Networks Inc., Tech Mahindra and China Huarong Asset Management Co., Ltd.

³ For more information, visit the KNEO website at www.khazanahneo.com.my

2017 also saw the completion of the DUO development project in Singapore, which is developed by M+S Pte Ltd (“M+S”), owned 60:40 by Khazanah and Temasek Holdings (Private) Limited. The Prime Ministers of Malaysia and Singapore recently launched DUO and Marina One, which is another project successfully developed by M+S. The two projects are worth a combined S\$11 billion in gross development value.

3. Value Distribution and Institutionalisation

a. Delivering societal returns

In 2017, a total of RM233.5 million was spent by Khazanah and Yayasan Hasanah on Corporate Responsibility (“CR”) initiatives, bringing the total spent to RM1.2 billion since 2006. Khazanah also issued a second tranche of RM100 million seven-year Sustainable and Responsible Investment (“SRI”) Sukuk, of which RM5 million was designated as a retail portion. The proceeds were used to fund the further roll out of the Yayasan AMIR (“YA”) Trust School Programme. Khazanah was awarded the Islamic Social Responsibility Award 2017 in recognition of the SRI Sukuk.

A key CR project by Khazanah is the Taman Tugu Project, which recorded a new milestone in 2017 with the establishment of Amanah Warisan Negara (“AWAN”), a national trust under which Taman Tugu will be placed. Furthermore, an additional 25 acres of adjacent land will be allocated by the Government for the Taman Tugu Project, bringing the total land area to 91 acres.

Khazanah also launched the inaugural Hari Hasanah on 4 September 2017 to encourage Malaysians to contribute time and effort to do good deeds for others, as part of Khazanah’s “Negeraku, Negara Kita” campaign. Over 30,000 people were impacted through more than 300 initiatives under Hari Hasanah. 2017 also saw the roll-out of Hasanah Bersama Rakyat, a Hari Hasanah outreach programme for B40 communities in selected regions, with the first one held in Johor Bahru, Johor last year, and followed by Kuching, Sarawak recently.

b. Developing human capital and promoting social inclusion

In the education sector, a total of 110 scholarships were awarded in 2017 by Yayasan Khazanah under its various scholarship programmes, bringing the total to 756 scholarships awarded since 2006. Under the Khazanah-Skim Latihan 1Malaysia (“SL1M”) programme, approximately RM78 million was spent in 2017 with 4,220 graduates trained. This brings the total graduates trained under the programme to 9,380 since 2015. In addition, another 64 schools were identified for the rollout of the Trust School Programme in 2017, bringing the total to 147 to-date. As of 2017, the programme has impacted 8,000 teachers and 110,000 students. Other social inclusion initiatives implemented in 2017 included the commitment of RM24.0 million towards the execution and delivery of social development initiatives in affordable housing, entrepreneurship development, capacity building and liveability enhancement within Iskandar Malaysia, Johor.

c. Contribution to the national agenda

Khazanah continues to support the broader national development agenda. This includes continuous support for government policy formation and deepening of linkages across global knowledge networks, including through Khazanah Research Institute (“KRI”). In 2017, KRI issued several publications including “Why Trade Matters: Trade Issues in Non-communicable Diseases, Essential Medicines and Education”, the third in a series of reports on international trade and trade policy. KRI also published “Building Social Capital: The George Town Experiment”, which highlights the benefits of a community development fund in alleviating the pressures of social displacements in top-down urban regeneration development.

d. Strengthening the institution

As part of its strategic mandate, Khazanah is driving responsible investing initiatives, specifically through Project Chronos, which seeks to measure the societal impact of our investments in addition to their financial and economic value. Internationally, Khazanah became a signatory of United Nations-supported Principles for Responsible Investment and a member of FCLTGlobal (Focusing Capital on the Long Term), a not-for-profit organisation that works to encourage a longer term focus in business and investment decision-making. Khazanah has also been selected as a Strategic Partner of the World Economic Forum (“WEF”), and is currently a member of several WEF bodies, including the Stewardship Board of the System Initiative on the Future of Economic Progress and ASEAN Regional Steering Group. In addition, Khazanah was also recognised by The Bretton Woods-Leaders List as among the top 25 Most Responsible Asset Allocators in 2017.

Khazanah continued to enhance efforts in strengthening corporate governance, risk management, talent development, and institutional integrity both internally and across its investee companies. A key development in 2017 was the approval of Khazanah’s succession plan by the Board of the Directors at its meeting in December. The implementation of the succession plan saw the appointment of two Deputy Managing Directors, Tengku Dato’ Sri Azmil Zahrudin Raja Abdul Aziz and Ahmad Zulqarnain Onn, effective on 1 January 2018. In addition, Tengku Dato’ Sri Azmil has assumed responsibilities as Co-Head of Investments with Datuk Ben Chan and leads the TIDE Programme, while Ahmad Zulqarnain Onn is the Head of Secretariat for Transformation 2.0.

5. Outlook for 2018

Overall, Khazanah will continue to stay the course with a focus on delivering long-term financial and strategic performance amidst cautious investment outlook.

2018 will see the roll-out of Transformation 2.0, which is an initiative aimed at raising performance and value creation initiatives, including the adoption of innovation, disruption and entrepreneurship in company cultures to improve the resilience of investee companies. In addition, Khazanah will focus on driving sustainable and responsible business landscape, and the development of national talent capacity.

END

For further information on Khazanah, please visit www.khazanah.com.my or contact Mohd Raslan Md Sharif at +603 2034 0000, or e-mail at raslan.sharif@khazanah.com.my.

About Khazanah Nasional Berhad

Khazanah Nasional Berhad (“Khazanah”) is the strategic investment fund of the Government of Malaysia entrusted to hold and manage the commercial assets of the Government and to undertake strategic investments. Khazanah is involved in various sectors such as power, telecommunications, financial institutions, healthcare, aviation, infrastructure, leisure & tourism, property, creative & media, education, and innovation & technology. Some of the key listed companies in Khazanah’s investment portfolio include Telekom Malaysia Bhd, Tenaga Nasional Bhd, CIMB Group, Axiata Group Bhd, IHH Healthcare Bhd, Malaysia Airports Holdings Bhd and UEM Sunrise Bhd. For further information on Khazanah, please visit www.khazanah.com.my.