



KHAZANAH
NASIONAL

Media Briefing - One-Year Review

1st June 2005

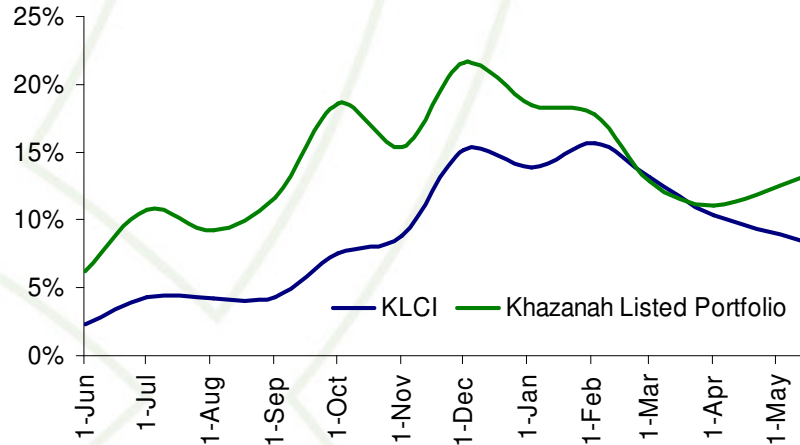


Agenda

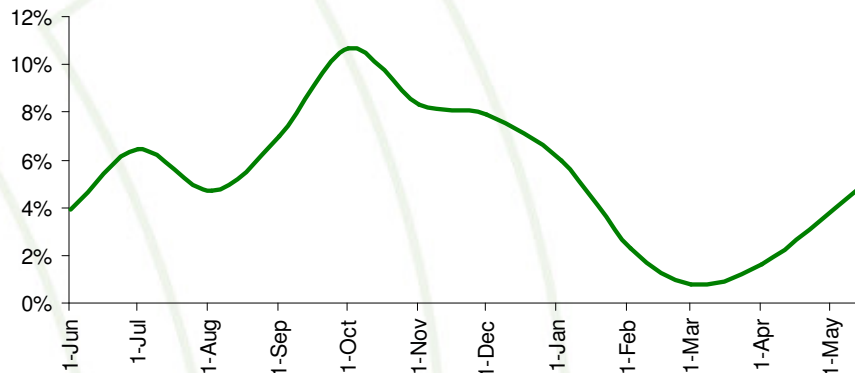
-
- Performance to date
 - Strategic Mandate
 - Restructuring & Reorganisation
 - GLC Transformation
 - Investment & Funding
 - Capacity Building
-



Absolute Performance of Khazanah Listed Portfolio vs. KLCI since 14 May 2004



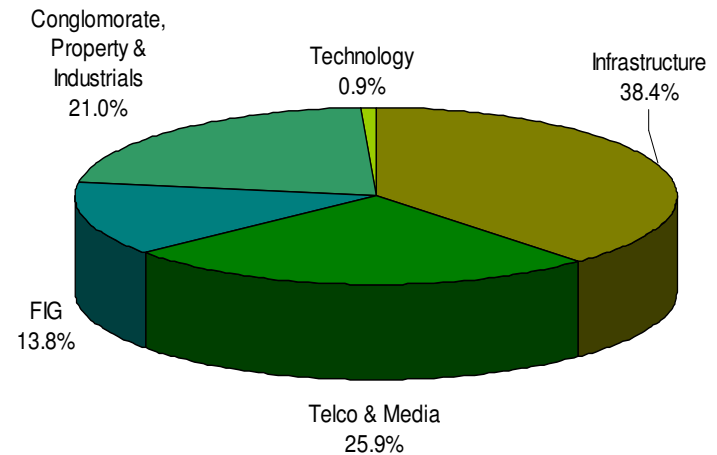
Relative Performance of Khazanah Listed Portfolio vs. KLCI since 14 May 2004



Khazanah Investment Portfolio Performance since 14 May 2004

	14 May 2005	31 May 2005
RNAV (RMbn)	61.3	59.1
Absolute Return (RMbn)	+6.6	+4.5
Absolute Performance (%)	+17.9	+13.2
Relative Performance to KLCI (%)	+5.7	+4.8
Total Shareholders Return (TSR) (%)	+20.3	+15.6

Khazanah Investment Portfolio by Sector (Market Value of RM59.1bn as at 31 May 2005)



Khazanah – 2004 Financial Position

Financial Position (RM million)	2003	2004	difference	% chg. Yoy
Total Assets at book value	26,208	30,836	4,628	18%
Total Liabilities	18,825	17,633	(1,192)	-6%
Paid-up Capital	3,063	5,404	2,341	76%
Shareholders Funds*	7,383	13,202	5,820	79%
Gross Debt	17,771	16,722	(1,049)	-6%
Net Debt	17,329	16,083	(1,246)	-7%
RNAV	50,121	60,459	10,338	21%
Net Worth	32,792	44,376	11,584	35%

Key Ratios	2003	2004
Net Debt to Book Equity (%)	234.7	121.8
RNAV/Liabilities (x)	2.7	3.4
Asset/Debt Cover (x)	1.5	1.8

* Includes new issued shares of RM5,641bn in Oct and Dec 2005
 "RNAV" = Realisable Net Asset Value
 "Net worth" = RNAV-Net Debt



Agenda

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 - **Strategic Mandate**
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A new Mandate and Framework for Khazanah

“... decisive action requires nothing less than a remaking of Malaysia Inc...”
“The Government would like to see Khazanah emerge as one of the biggest and most dynamic investment houses in the region... emerge stronger, more nimble and able to create more value”

*Dato' Seri Abdullah Ahmad Badawi,
Prime Minister of Malaysia
14 May 2004*

Key themes of our Mission...

- Strategic investment house
- Sustainable value creation
- Nation-building and national competitiveness
- Performance culture

... via four Strategic Pillars ...

Legacy investments	Streamline, restructure
GLC transformation	Increase value: shareholder + strategic
New investments	New sectors, cross border
Human Capital Mgmt	Active leadership development

and success measured by KPIs

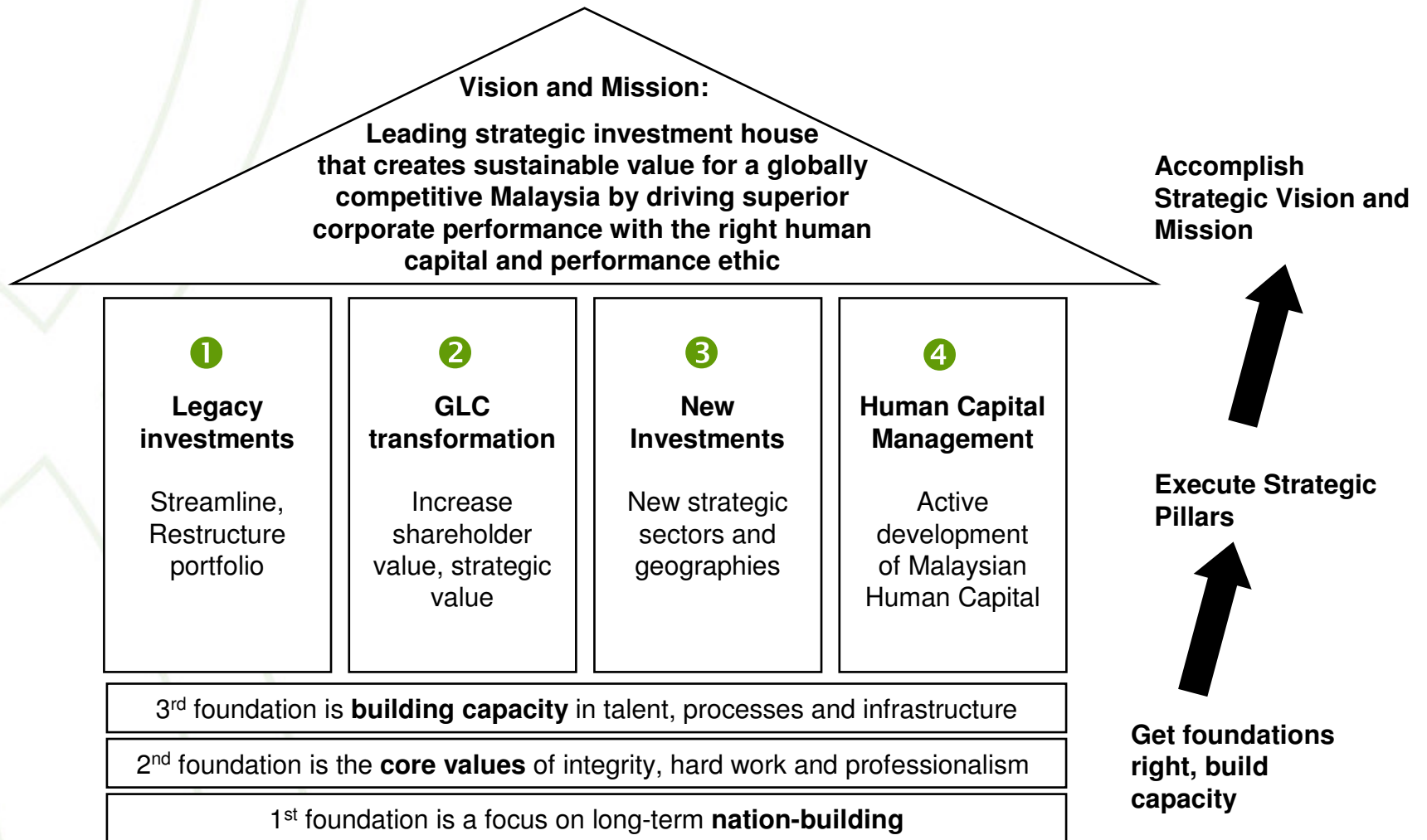
Financial metrics as primary KPI: TSR and economic profit, ROE

Strategic value creation: capability building in customer acceptance, sectoral and geographic exposure, market penetration, human and knowledge capital, technology

Institution building: processes, charter, systems and controls, work culture, brand equity



Khazanah's Strategic Mandate



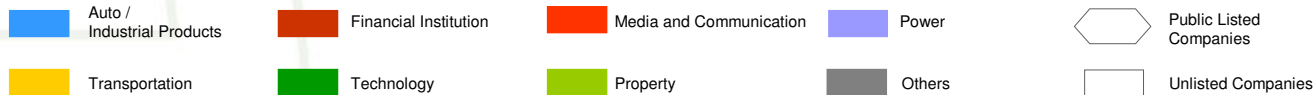
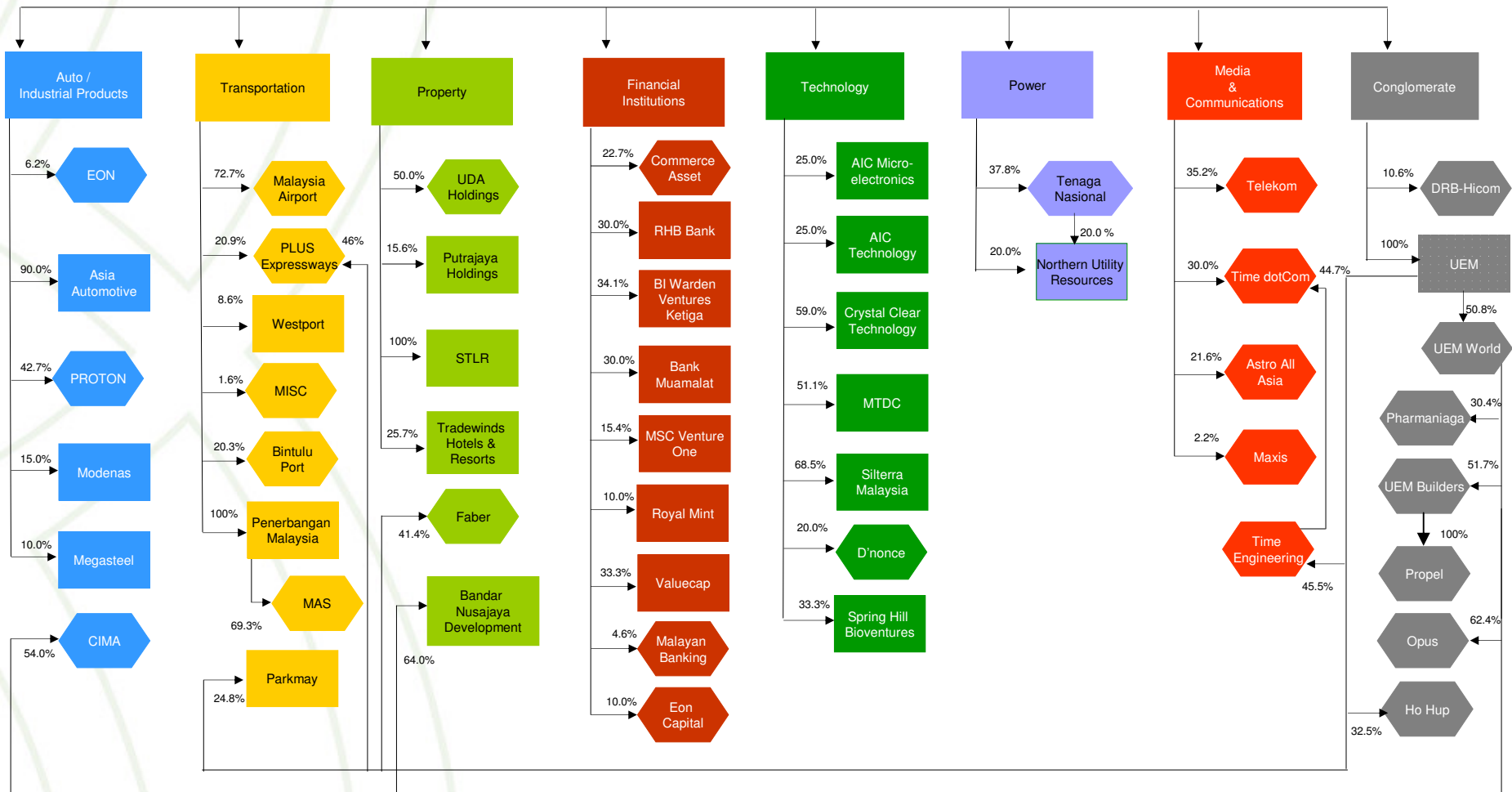


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Khazanah's Investment Holding Structure – as at 31st May 2005

Khazanah Nasional Berhad



Silterra

Company EBITDA positive since 2004. Comprehensive review on operations and strategy. Execution of new strategy has begun

Malaysia Airports

Financial restructuring commenced. Review of lease payment structure and rates

Time/TimeDotCom

Khazanah, UEM and management studying options

UDA Holdings

Challenge is in unlocking and realising value. New management team appointed (May '05). New strategies to realise inherent valuations vs. current market price

MTDC

Have turned around, reporting a net profit of RM12m in 2004, board and management changes made. MBC development positive to chart industry direction.

Northern Utilities

Decision made to allow for company to go into receivership. Receivers & Managers now running the company

**Tradewinds
Hotels & Resorts**

New operator for hotel chain (Inter Continental-Crowne Plaza) appointed. Sale of a number of the hotel properties being pursued

CCT

Installed new chairman, business plan reviewed and revised. Operating improvements



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-
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Bench

- Performance contract for top managers – all companies
- Board revamp – TM, TNB, Proton, MAS, Silterra
- New managements – TM, TNB, MAS, MAHB, UDA, Silterra

Strategy, Growth & Programs

- Debt restructuring – TNB, PLUS
- Capital management – TNB, TM
- Dividend policy – TM, PLUS
- Debt & receivables mgmt. – TNB
- VSS - TM
- Re-branding – TM, MAS
- Strategic tie up with VW – Proton
- New market, Shoaiba - TNB
- TM ventures into Excelcomindo & IDEA
- Expansion program - PLUS

Systems & Controls

- Implementation of KPI and PLC schemes – all
- Working capital management – TNB, TM
- Enhancing procurement processes & systems – TM, TNB, Proton

Industry Structure

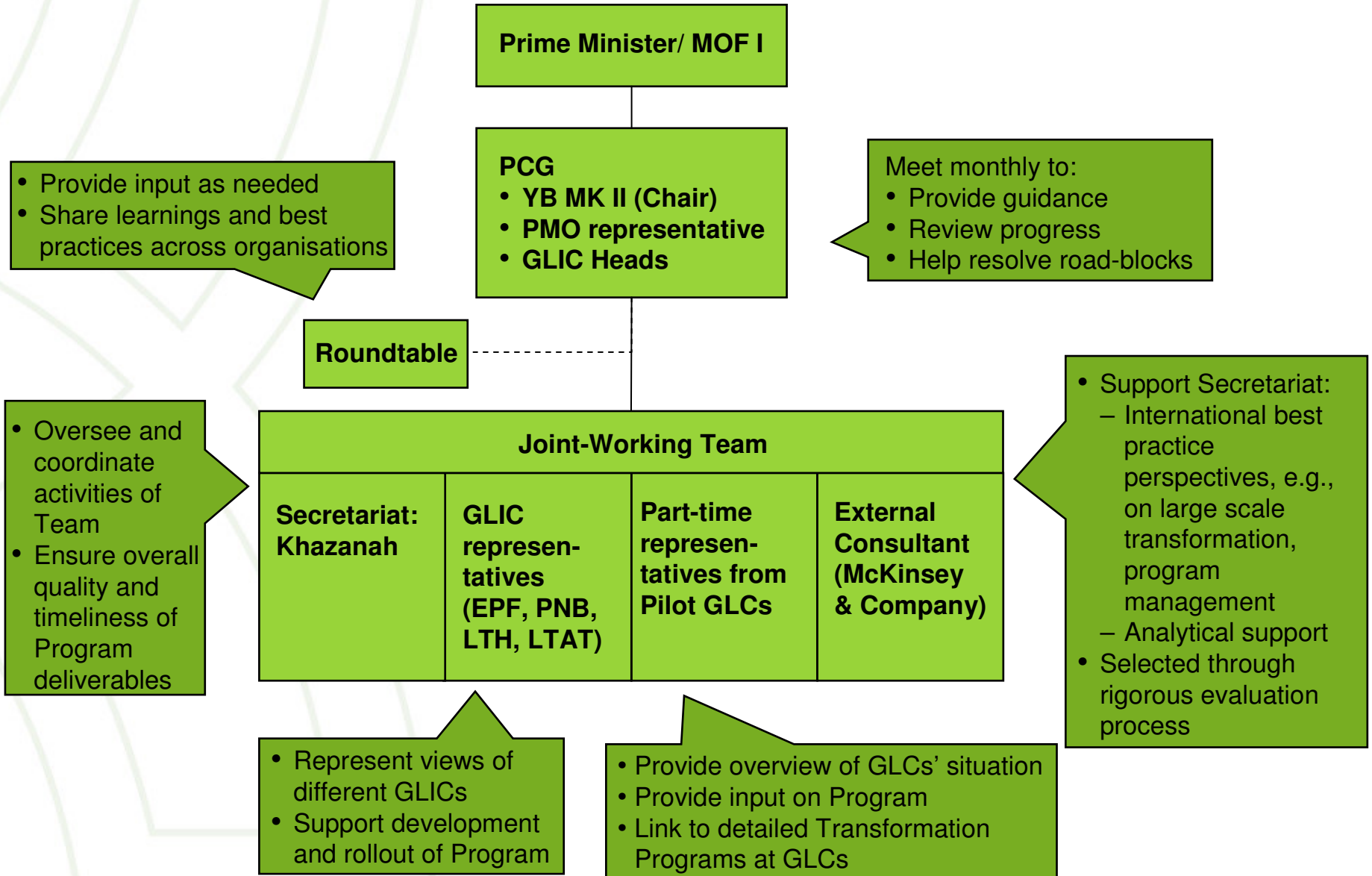
- New IPP framework post 2010 – TNB
- Grants on SESB subsidy – TNB
- New tariff framework proposed – TNB
- Aviation and hub policy – MAS, MAHB
- National Auto Policy - Proton

Macro Manage

- Co-participation in regional expansion – TM, TNB, PLUS
- PCG - program management office for all GLCs



Effort driven by PCG with Khazanah as Secretariat





- Putrajaya Committee on GLC High Performance (PCG) was established in January 2005
- PCG is chaired by FM II and meets on a monthly basis
- PCG membership includes all key Government Linked Investment Companies (GLICs)
- Khazanah is secretariat to PCG, and assisted by external consultants
- GLC transformation program is being project managed centrally with participation by all key GLICs
- Stakeholder management includes the need to engage customers, labour, suppliers, government and the private sector



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New investments

- Transfer of listed equity portfolio from MoF – TM, TNB, PMB/MAS, MAHB, UDA, Bintulu Port, DRB
- Increasing strategic stakes in CAHB, EON Capital, Proton

Divestments

- Divestment of non-strategic stakes – YTL Power, Jardine C&C, Bintulu Port
- Partial disposal of large holdings through Exchangable Bond structure - PLUS

Establishing Pipeline

- New investment pipeline – Shoaiba IWPP, Saudi
- Execution in 2H 2005

Support for GLCs

- Co-investment with TNB into Shoaiba
- Co-investment via financial support of TM into Excelcomindo

Funding

- Expanding sources of funding, beyond domestic markets (Govt. Guaranteed Bonds, Khazanah Bonds, EPF loans) to maiden Exchangable Bond issue
- Largest ever issuance of Malaysian exchangeable Bonds at USD414.5m, which was well received and oversubscribed
- Well priced transaction, paving way for strong support for future Khazanah issuance

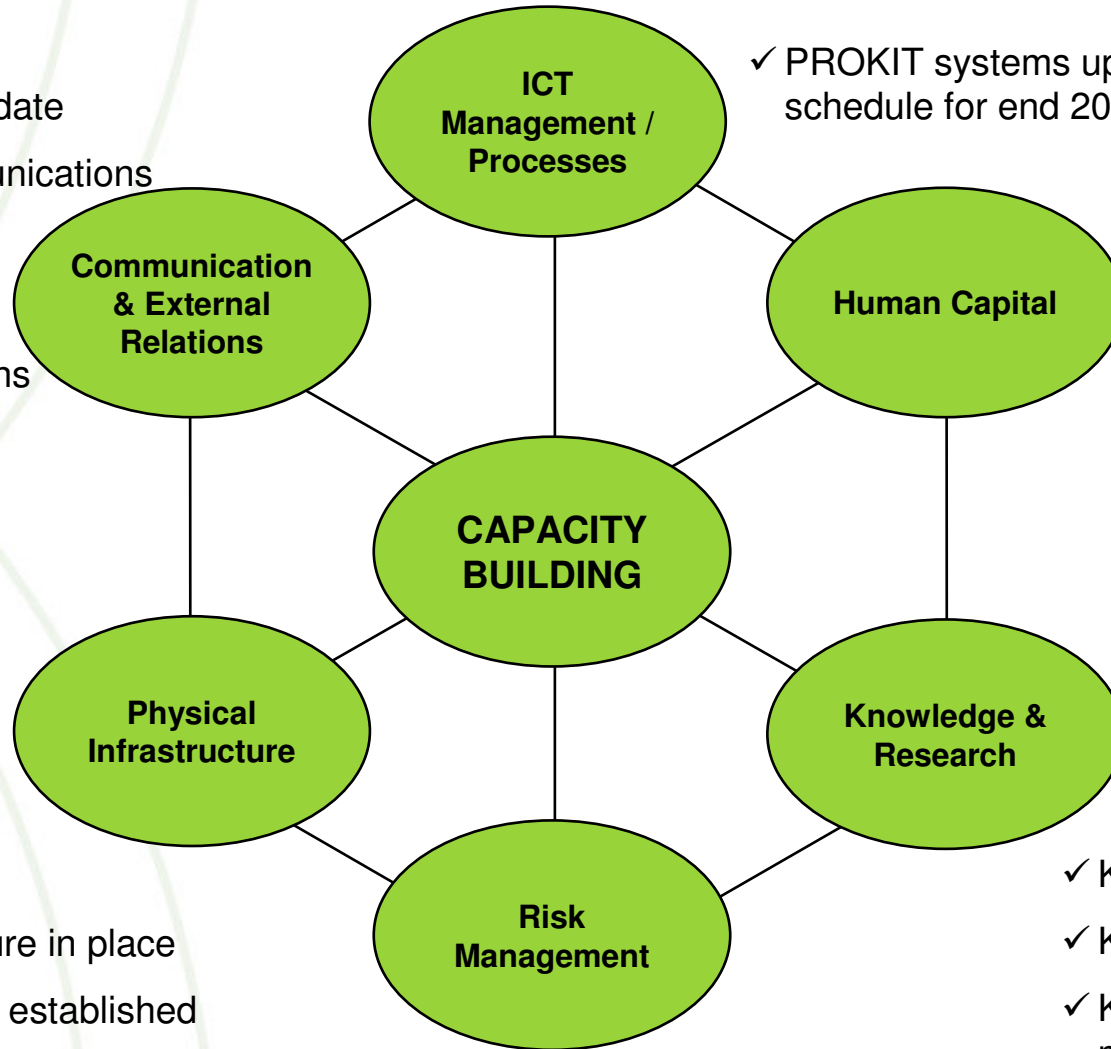


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- ✓ Syndication of mandate
- ✓ Stakeholder communications
- ✓ Media relations
- ✓ Investor relations
- ✓ International relations
- ✓ State visits



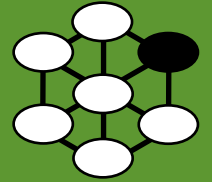
- ✓ PROKIT systems upgrade on schedule for end 2005 completion

- ✓ On track 100 staff by mid 2005
- ✓ New TCS, New org. structure

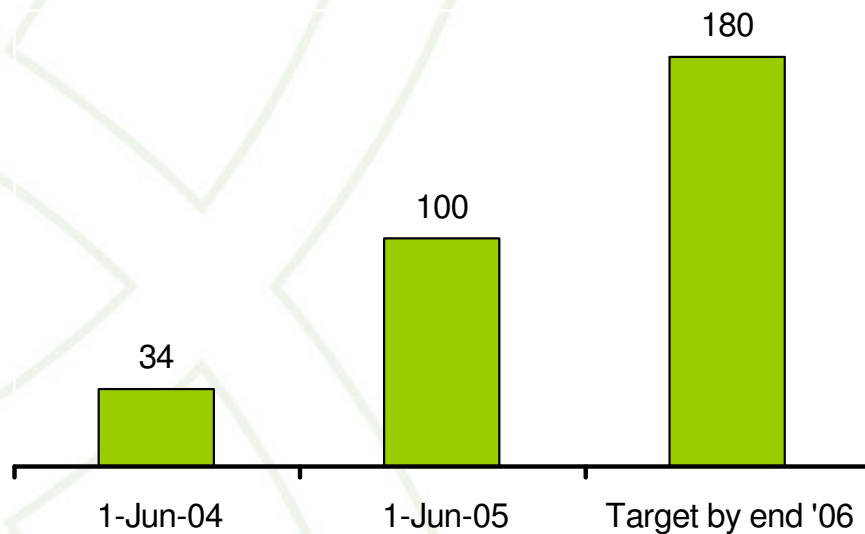
- ✓ New office
- ✓ New IT infrastructure in place
- ✓ Knowledge Centre established

- ✓ KRIS formed
- ✓ Knowledge Events
- ✓ Knowledge management system

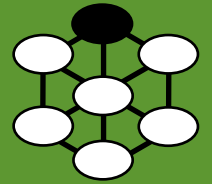
- ✓ Risk Management framework established



Khazanah Staff Strength



- Build up of staff numbers to fulfill mandate progressing well
 - Staff strength increased by 3 fold in last 1-year
 - On track to achieve target capacity of 180 by end of 2006
- Increase in numbers also reflected in increase in diversity and specialized experience

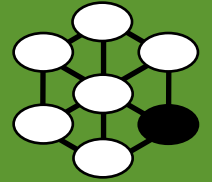


Key ICT Enablement Areas

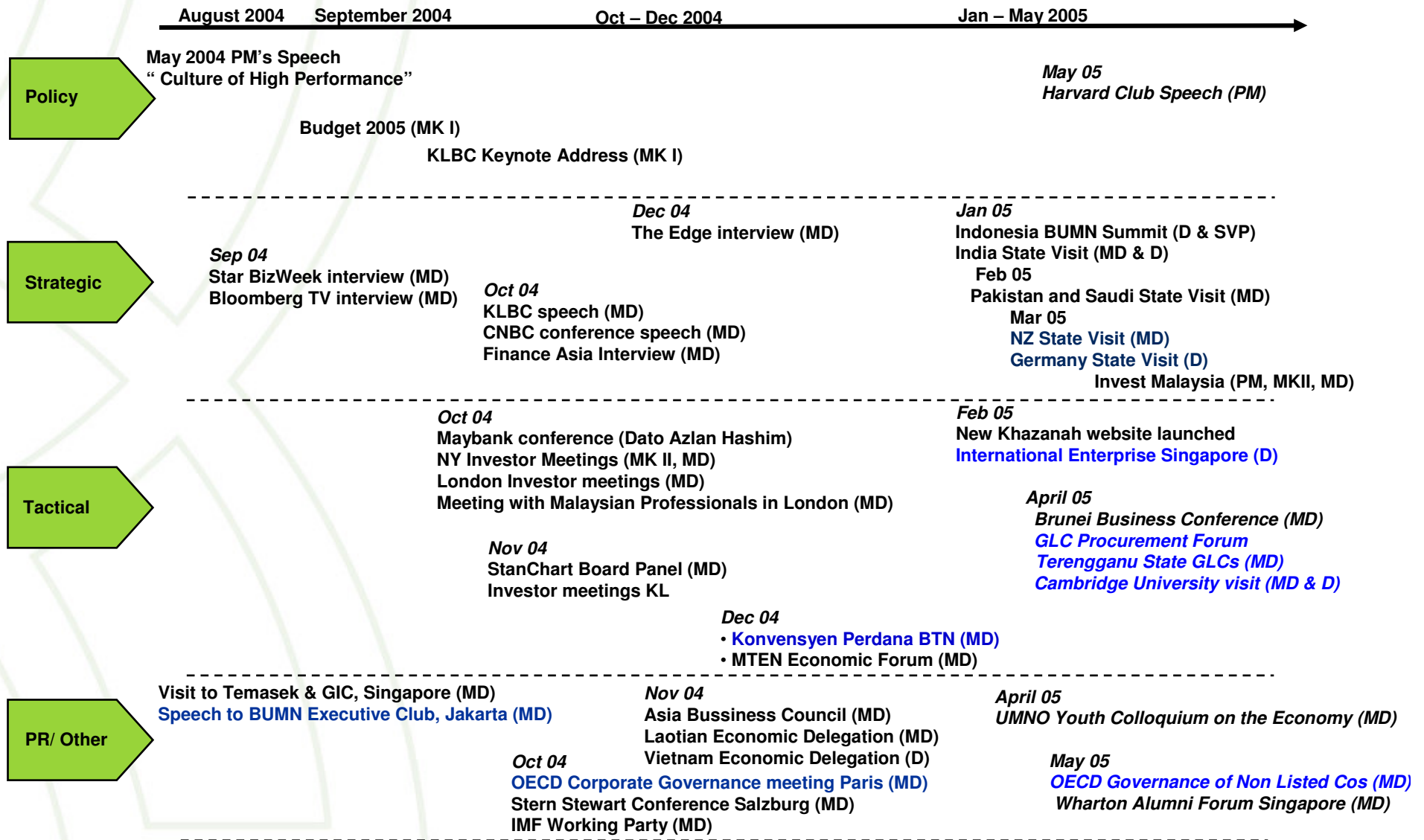
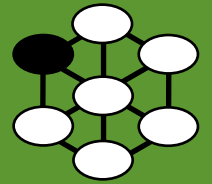
- 1 Infrastructure
- 2 Finance
- 3 Investment and Treasury Management
- 4 Knowledge Management and Business Intelligence
- 5 Office Automation
- 6 Human Capital Management

Projects

1	K-3P	Khazanah Policies, Procedures and Processes
2	K-Infra	Khazanah Infrastructure
3	KiFS	Khazanah integrated Financial System
4	KITS	Khazanah Investment and Treasury System
5	K-Edge	Khazanah KnowEdge Management and Business Intelligence
6	K-Auto	Khazanah Office Automation
7	K-HCM	Khazanah Human Capital Management



- Khazanah Research & Investment Strategy (KRIS) set up
- Systems and processes currently being developed (e.g. coding and tracking system, access system, etc)
- State Visits & International Relations
 - Indonesia
 - India
 - Pakistan
 - New Zealand
 - Australia
 - Brunei
 - China
 - Germany
- Knowledge sharing activities underway with 7 'Tea-time Talk' held since Feb 2005
 - 'The Dollar Crisis' by Richard Duncan, author, ABN Amro
 - 'The Telefonica Transformation' by Rolando Balsinde, McKinsey & Co.
 - 'The New Zealand Transformation Journey' by Andrew Grant, McKinsey & Co.
 - 'Visual FX and Animation' by Shahril Ibrahim, Animation Specialist
 - 'Emerging trends in Silicon Valley' by Sabeer Bhatia, founder of Hotmail
 - 'Leading Change & Transformation' by Vijay Sathe, Prof at Drucker School of Management
 - 'Negotiation skill workshop' by Shahzad Bhatti, SABB Consultants former Harvard Law School instructor



KEY
GLC related Market/ KNB related



Strategic Mandate

- Legacy investments
- New investments
- GLC Transformation
- Human Capital Management

Capacity Building

- Staff build-up on track
- Research unit up and running
- Risk management framework in place
- Physical infrastructure upgrade completed
- Communications plan underway
- ICT & process upgrade

Restructuring & Reorganisation

Commenced

- Silterra
- Malaysia Airports
- Northern Utilities
- Tradewinds

In the pipeline

- Time/TimeDotCom
- Commerce/BCB
- UDA Holdings

Investment & Divestment

- Deal pipeline established
- New investments
 - ✓ Shoaiba 3
 - ✓ Excelcomindo
 - ✓ Proton
 - ✓ CAHB
 - ✓ EON Cap
- Divestment
 - ✓ PLUS YTL Power
 - ✓ Jardine C&C

GLC Transformation

- Quick wins to date**
- Implementation of 2004 measures
 - Drilling down on financial management
 - Efficiency gains
 - Tackling structural changes
 - New opportunities for growth

Performance to Date

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Relative Perf. to KLCI (%)	+5.7	+4.8
TSR (%)	+20.3	+15.6



-
- Telekom
 - Tenaga
 - PLUS
 - Malaysia Airlines
 - Proton
 - Malaysia Airports
 - CAHB
 - UEM Group
-

- Board & management changes
- Overseas expansion
 - PT Excelcomindo Pratama
 - IDEA Cellular Limited
- Rationalization program
 - VSS
 - Re-branding
- Recycling of investments
 - Sale of Telkom SA
 - Listing of MTN Networks (Private) Limited in Sri Lanka
- Enhancing procurement systems
- Increasing dividend payout policy

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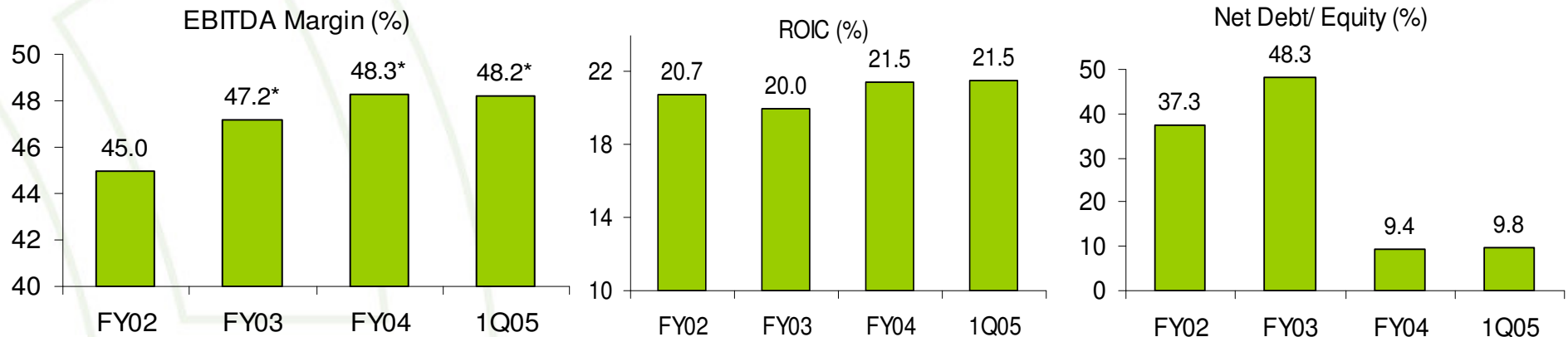
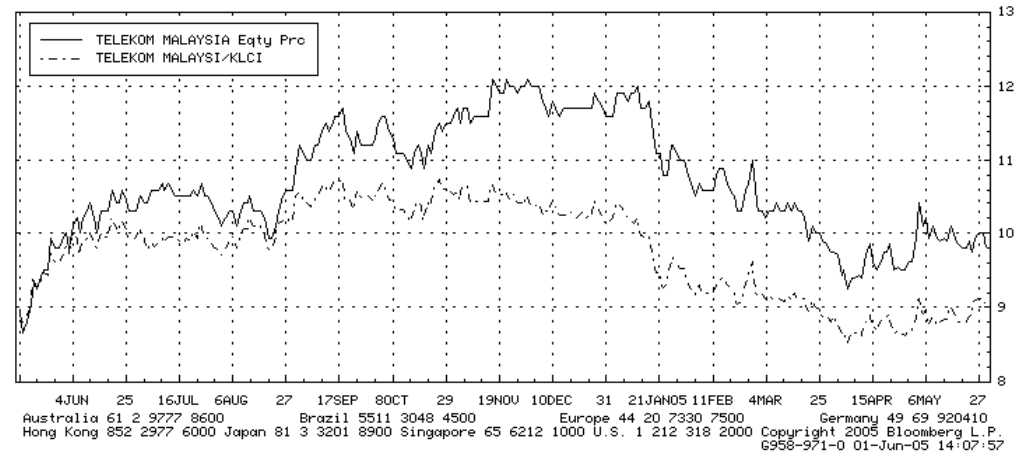
P167 Equity RG

Page 1/20

Range **5/14/04** - **5/31/05** Period Daily 382 Day Period

Securities	Crncy	#1 Rel To	Prc Appr	Total Ret	Annual Eq
1 T MK Equity	MYR		9.50 %	9.50 %*	9.06 %
2 KLCI Index	MYR	1.00 %	8.41 %	8.41 %*	8.02 %
3					*

(* = No dividends or coupons)



Source: Bloomberg, Bursa Malaysia

* Normalised

- Board & management changes
- Rationalization of operations
 - Receivable collection
 - Refinancing of high cost debts
- Expansion into new markets
 - Jointly bid together with Khazanah and Malakoff for the Shoaiba Phase 3 Independent Water & Power Project
- Government to offset part of SESB cost
- Divestment of existing investments in IPP's
- New framework for IPPs post 2010
- Targeting cost reduction of RM825m in FY05

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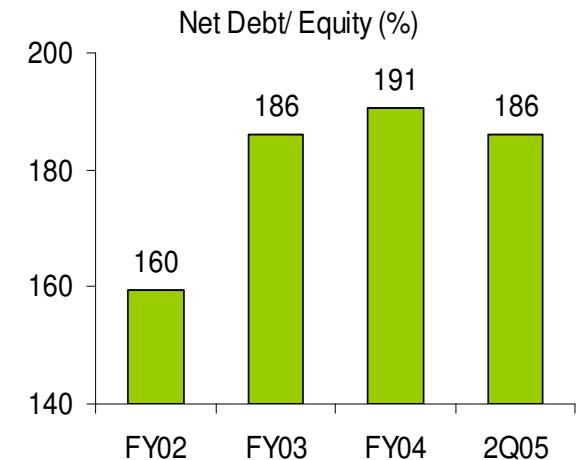
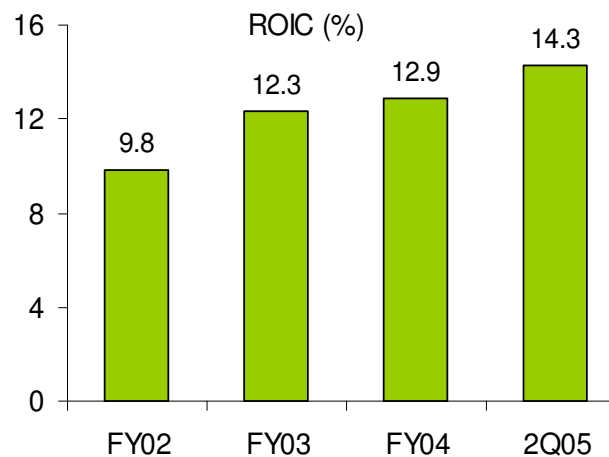
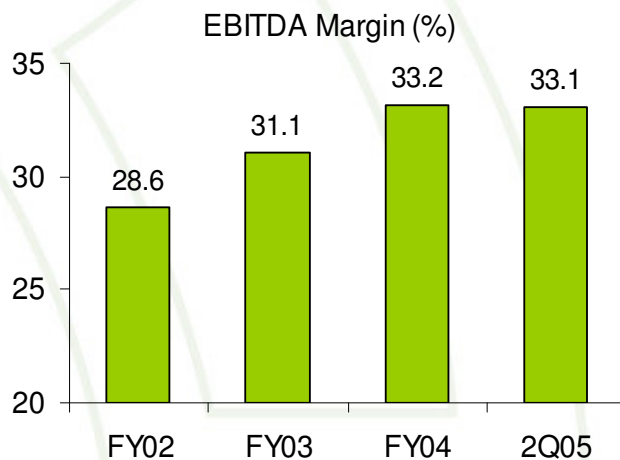
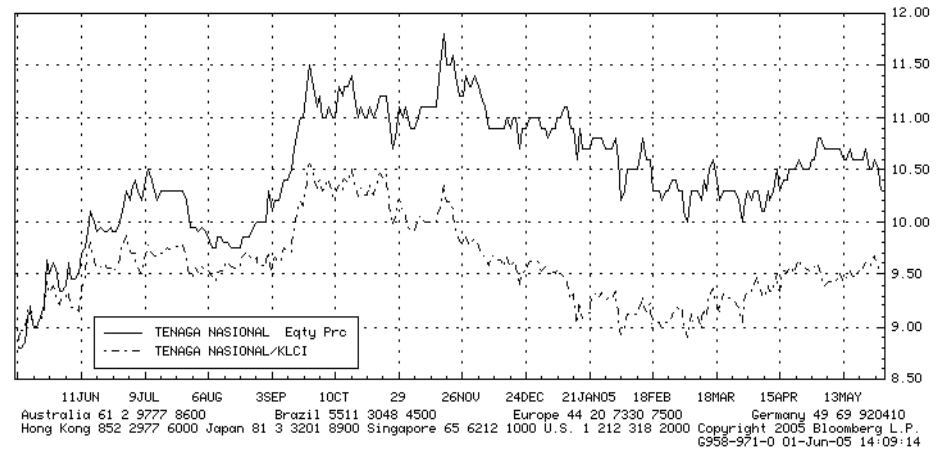
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Page 1/20

Range 5/14/04 - 5/31/05 Period Daily 382 Day Period

Securities	Cncy	#1	Rel To	Prc Appr	Total Ret	Annual Eq
1 TNB MK Equity	MYR			17.05 %	17.05 %*	16.23 %
2 KLCI Index	MYR		7.97 %	8.41 %	8.41 %*	8.02 %
3					*	

(* = No dividends or coupons)



Source: Bloomberg, Bursa Malaysia



- Tariff increase by 10% and right to scheduled toll increases now gazetted
- Acquisition of Seremban-Port Dickson highway
- Amending debt covenant to allow higher dividend payout
- Lengthening of concessionaire to compensate expansion works
- Increasing dividend payout policy

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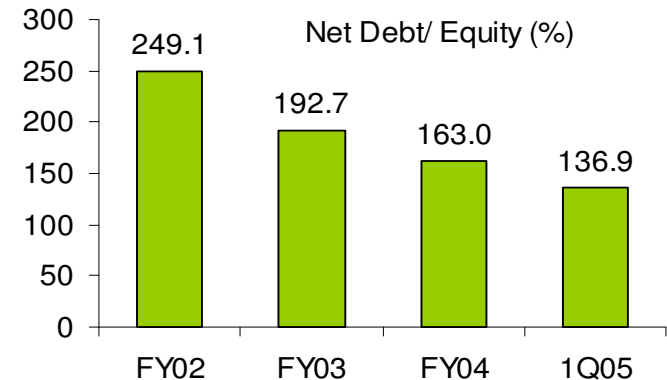
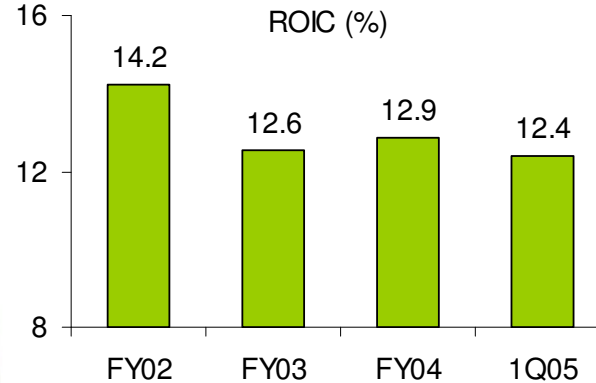
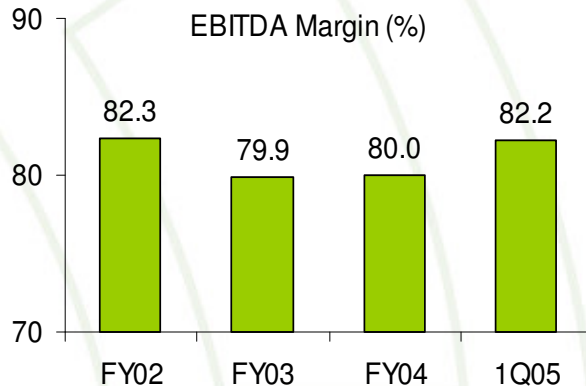
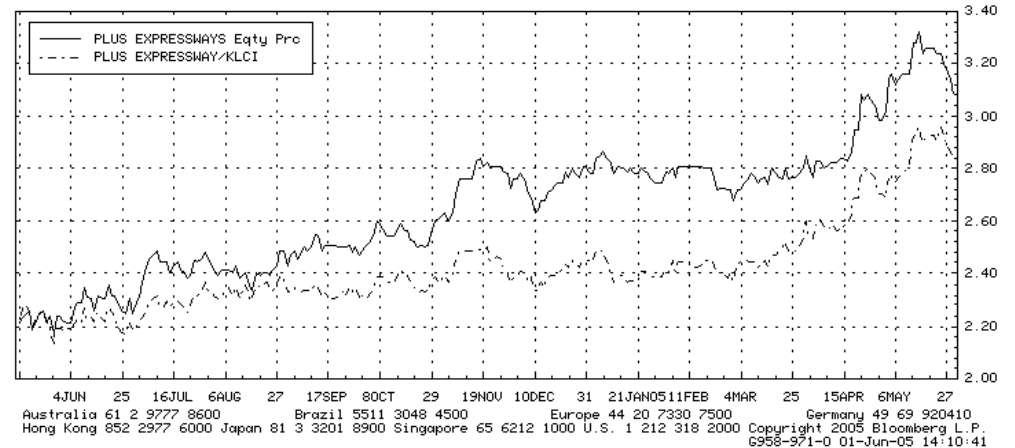
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RELATIVE GRAPHS Page 1/20

Range 5/14/04 - 5/31/05 Period Daily 382 Day Period

Securities	Cnrcy	#1 Rel To	Prc Appr	Total Ret	Annual Eq
1 PLUS MK Equity	MYR		39.37 %	39.37 %*	37.32 %
2 KLCI Index	MYR	28.56 %	8.41 %	8.41 %*	8.02 %
3					*

(* = No dividends or coupons)



Source: Bloomberg, Bursa Malaysia

- Board changes
- New routes and increase frequencies in China, India
- Fleet expansion and renewal
- Upgrading of the its first & business class cabins
- Re-branding of the front end experience

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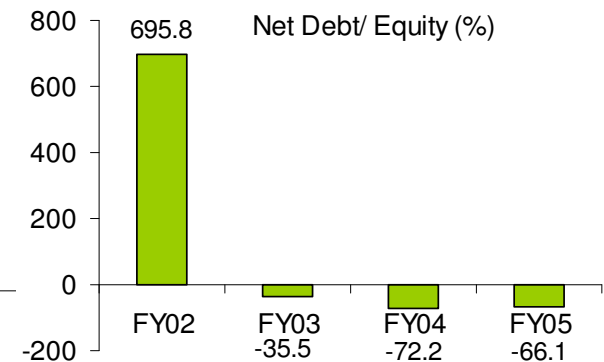
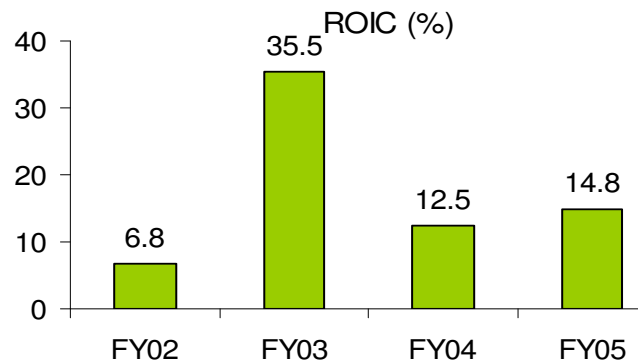
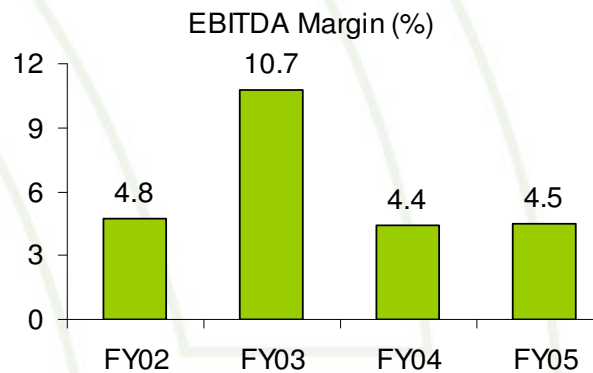
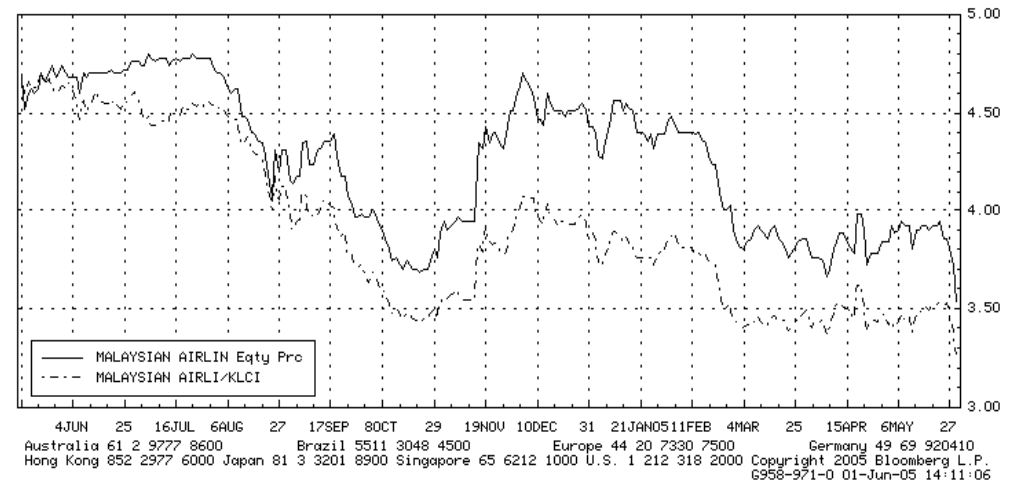
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RELATIVE GRAPHS Page 1/20

Range 5/14/04 - 5/31/05 Period Daily 382 Day Period

Securities	Crcncy	#1 Rel To	Prc Appr	Total Ret	Annual Eq
1 MAS MK Equity	MYR		-24.36 %	-24.36 %*	-23.41 %
2 KLCI Index	MYR	-30.23 %	8.41 %	8.41 %*	8.02 %
3				*	

(* = No dividends or coupons)



Source: Bloomberg, Bursa Malaysia

- Board changes
- Khazanah has increased stake to 42.7%
- Three new launches planned for 2005: replacement models for Satria and Tiara, and new sports car
- MoU with Volkswagen being explored as possible way forward

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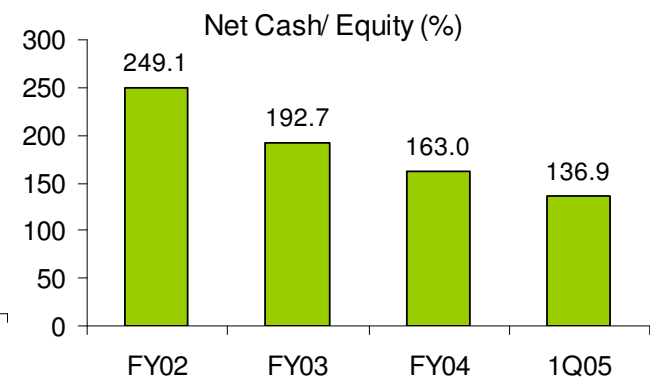
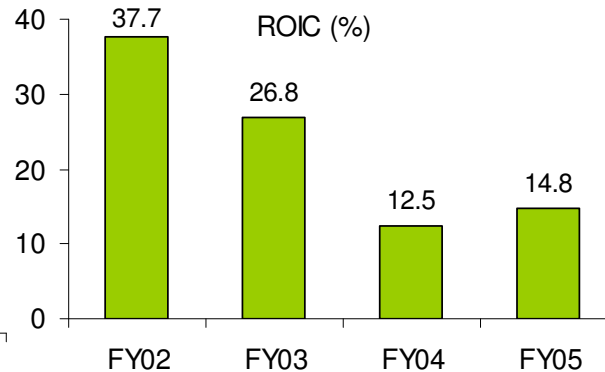
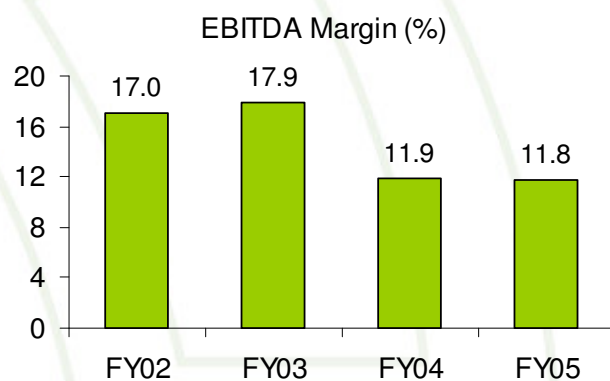
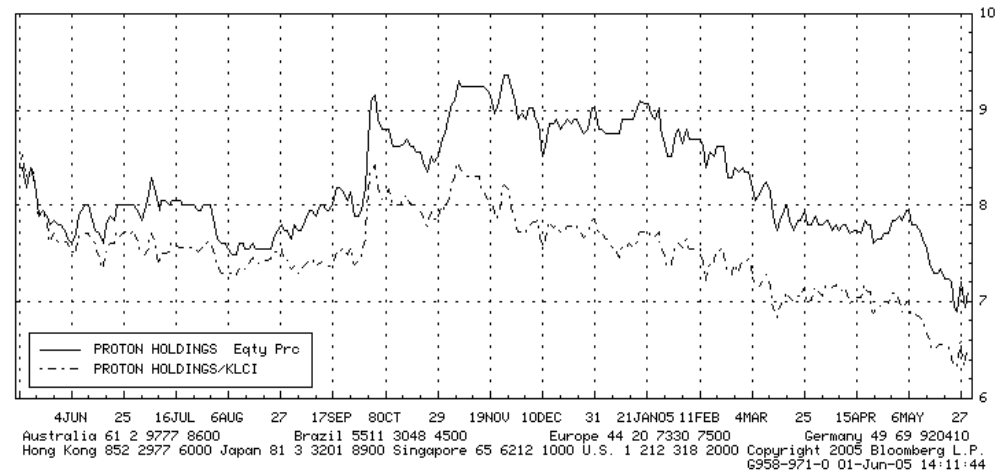
Page 1/20

RELATIVE GRAPHS

Range **5/14/04** - **5/31/05** Period Daily 382 Day Period

Securities	Crcncy	#1 Rel To	Prc Appr	Total Ret	Annual Eq
1 PROH MK Equity	MYR		-15.48 %	-15.48 %*	-14.84 %
2 KLCI Index	MYR	-22.03 %	8.41 %	8.41 %*	8.02 %
3				*	

(* = No dividends or coupons)



- Approval received for increase in Passenger Service Charges, and for sale of SIC.
- Major review of business model being undertaken by MAHB management
- Currently negotiating existing lease obligations to the government
- New low cost carrier terminal and upgrading of terminal to accommodate new A380 aircraft
- Overseas expansion

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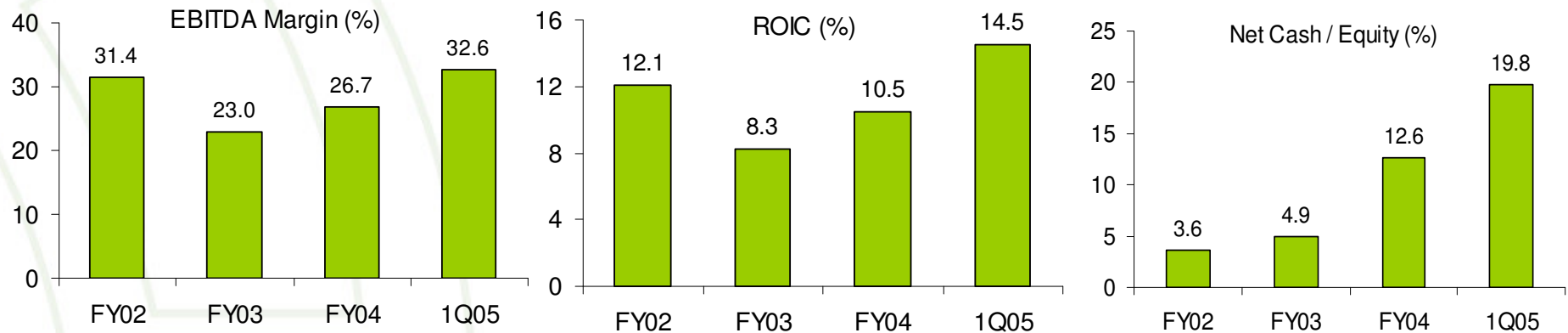
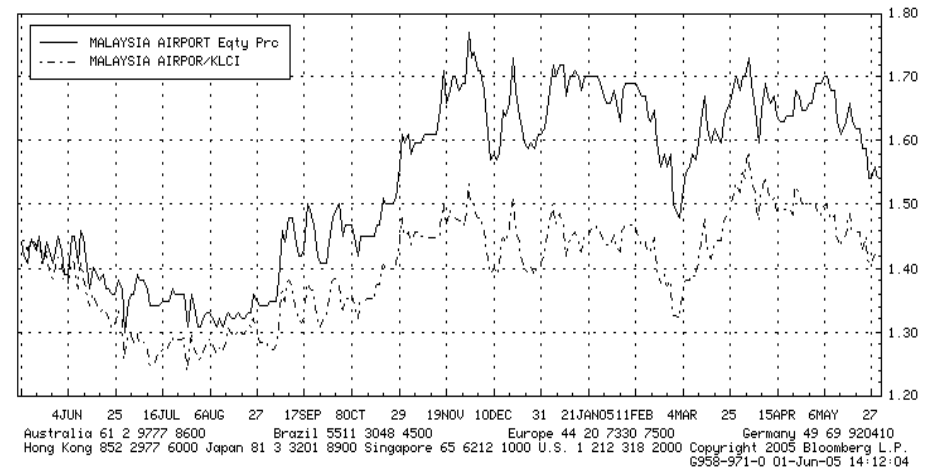
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RELATIVE GRAPHS Page 1/20

Range 5/14/04 - 5/31/05 Period Daily 382 Day Period

Securities	Crcncy	#1 Rel To	Prc Appr	Total Ret	Annual Eq
1 MAHB MK Equity	MYR		6.94 %	6.94 %*	6.63 %
2 KLCI Index	MYR	-1.35 %	8.41 %	8.41 %*	8.02 %
3				*	

(* = No dividends or coupons)



Source: Bloomberg, Bursa Malaysia

- Increased stake in Bank Niaga, Indonesia
- Acquisition of GK Goh by CIMB
- Launch of Commerce Tijari
- Increased dividend payout

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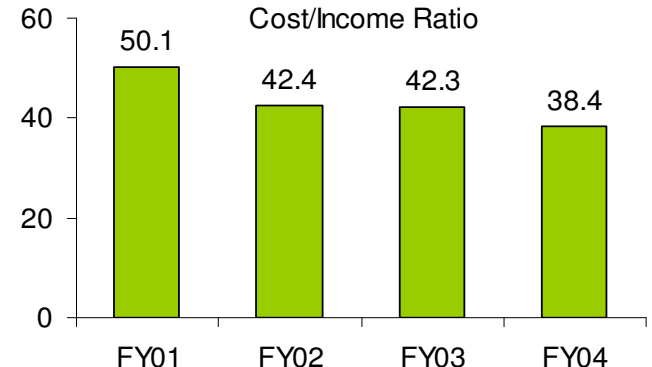
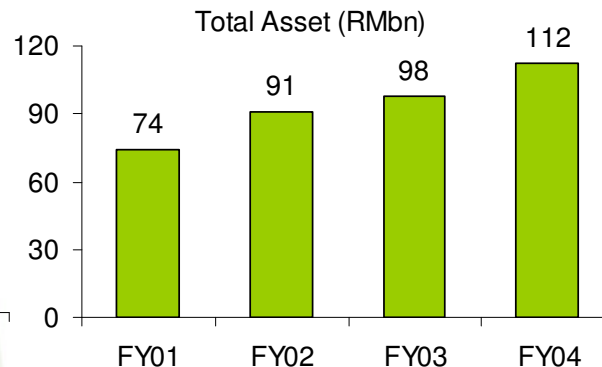
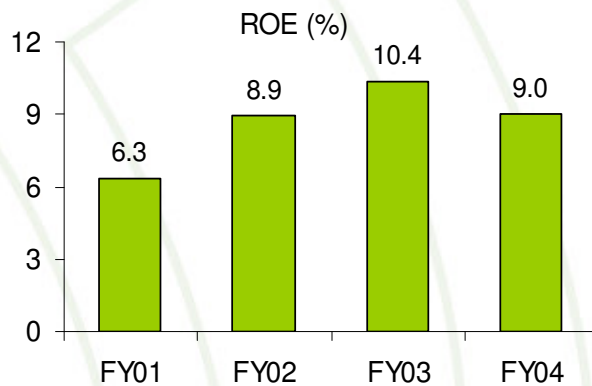
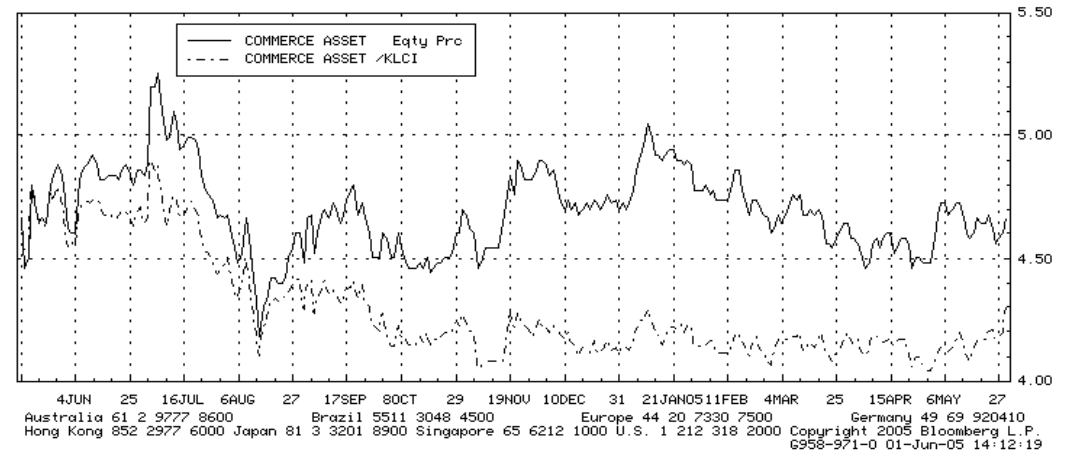
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RELATIVE GRAPHS Page 1/20

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Securities	Crcncy	#1 Rel To	Prc Appr	Total Ret	Annual Eq
1 CAHB MK Equity	MYR		.00 %	.00 %*	.00 %
2 KLCI Index	MYR	-7.76 %	8.41 %	8.41 %*	8.02 %
3				*	

(* = No dividends or coupons)



- Balance sheet now stabilised
- Continued focus on driving value at operating units, e.g. Bandar Nusajaya Prolink and developing new businesses
- Continue focus on developing new business model for TimeDotCom

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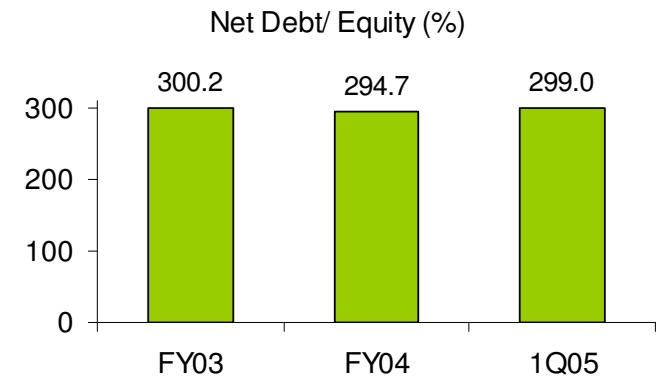
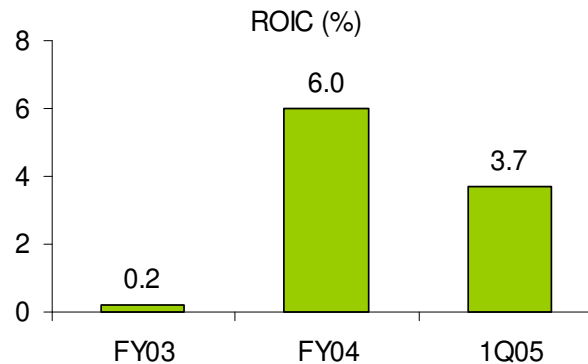
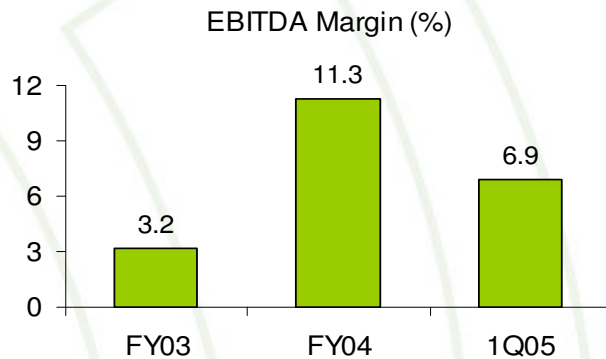
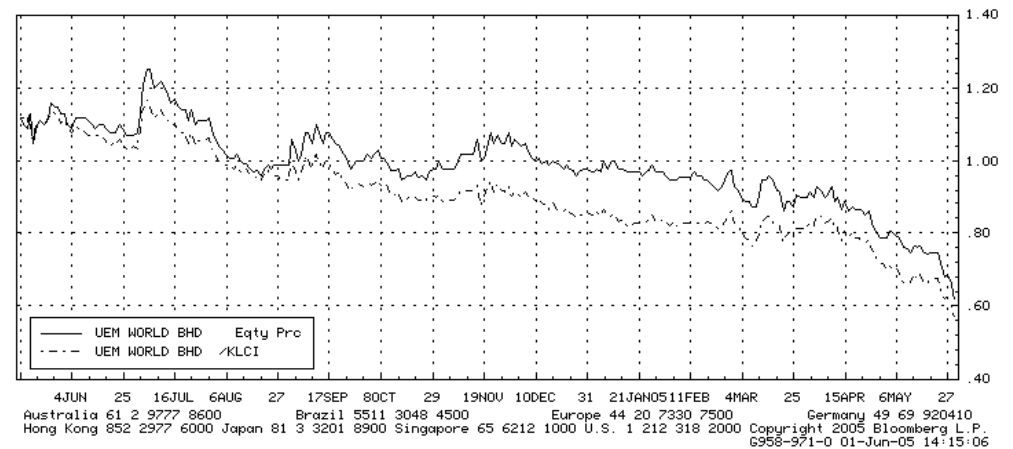
P167 Equity RG

RELATIVE GRAPHS Page 1/20

Range 5/14/04 - 5/31/05 Period Daily 382 Day Period

Securities	Crcncy	#1	Rel To	Prc Appr	Total Ret	Annual Eq
1 UEM MK Equity	MYR			-45.09 %	-45.09 %*	-43.60 %
2 KLCI Index	MYR		-49.35 %	8.41 %	8.41 %*	8.02 %
3					*	

(* = No dividends or coupons)



Source: Bloomberg, Bursa Malaysia



Thank You

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