



KHAZANAH  
NASIONAL

# Media Briefing - Annual Review 2006/2007

1<sup>st</sup> June 2007



*“... 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 Management

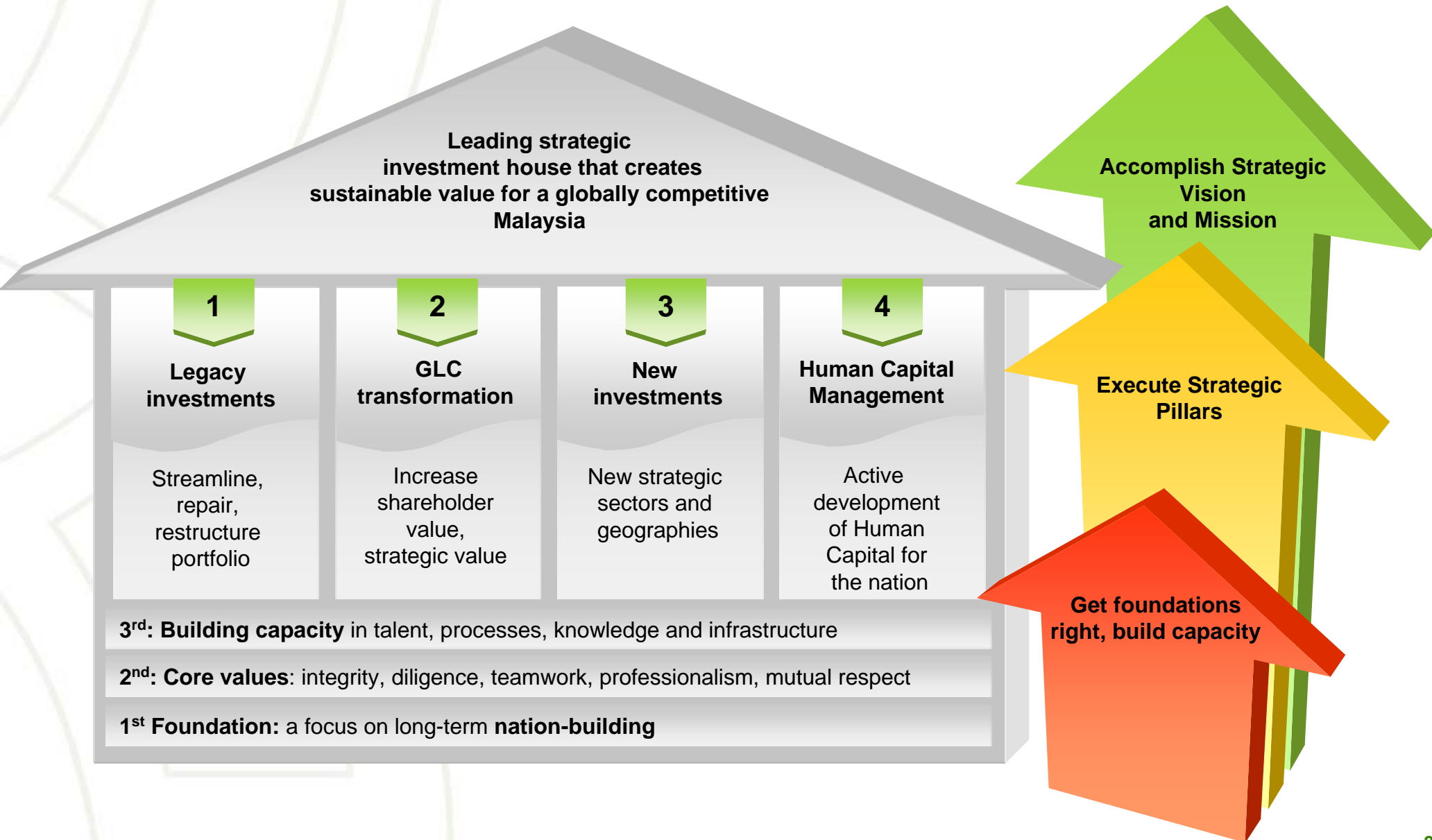
Active leadership development

## and success measured by KPIs

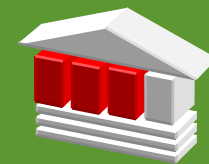
**Financial metrics as primary KPI:**  
TSR and economic profit, ROE, Net Worth

**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



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- Financial and Portfolio Performance
  - Strategic Performance
  - Capacity Building
  - Conclusion and Outlook
-



Portfolio Performance	Value at 14 May 2004 (RM bn)	Value at 31 May 2007 (RM bn)	Increase in value (RM bn)	% change	CAGR % p.a.
Net Worth	33.3	62.2	28.9	86.8%	22.8%
RNAV	50.9	88.8	37.9	74.3%	20.1%

New investments	No. of investments made	Investment Amount (RM m)	Capital Gains plus Dividends (RM m)	HPR* (%)
Domestic	16	15,243	6,721	44.1%
Foreign	12	5,808	2,199	37.9%
<b>Total</b>	<b>28</b>	<b>21,050</b>	<b>8,920</b>	<b>42.4%</b>

\* HPR: Holding Period Return is the total return received in capital gains and dividend income from investing in an asset



## RNAV Cover and Funding Profile

- RNAV / Liabilities cover improved from 2.9x in May 2004 to 3.3x in May 2007
- Significantly diversified sources of funding
- Debt maturity profile restructured and better spread out

## USD414m PLUS Exchangeable Bonds

- Khazanah's maiden foray into international capital markets, exchangeable into PLUS Expressway shares
- Largest exchangeable offering out of Malaysia in 2004
- Oversubscribed by 6x

## RM10bn Musyarakah CP/MTN Programme

- First Musyarakah CP/MTN Programme issued in Malaysia in December 2006
- Major structural shift away from Murabaha to globally acceptable Musyarakah structure

## USD750m TM Exchangeable Sukuk

- World's first Islamic Exchangeable Sukuk , exchangeable into TM shares in October 2006
- Largest equity-linked transaction in ex-Japan Asia in 2006
- Has won 14 awards to date for innovative in Islamic Finance and structuring



Deal of the Year (Malaysia)

The **Banker**

Deal of the Year (Malaysia)

Most Innovative Deal  
Best Deal (Malaysia)  
Sovereign of the Year

**Islamic Finance** news

Best Sukuk Deal

**EUROMONEY**

Best Equity Linked Deal  
Best Islamic Finance Deal

**FinanceAsia**

Best Deal (Malaysia)  
Best Equity Linked  
Deal

**THE ASSET**

Best Equity  
Linked Deal

**asia  
money**

Most Innovative  
Product

**KLIFF** 2006

Best Equity Linked Deal  
Best Cap Market Deal

**IFR**  
INTERNATIONAL FINANCING REVIEW

## Offering Summary

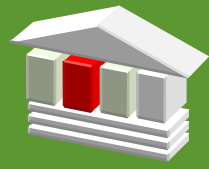
Issuer	Rafflesia Capital Limited
Obligor	Khazanah Nasional Berhad
Underlying shares	Ordinary Shares of RM1.00 par each of Telekom Malaysia Berhad
Issue Size	USD750 million
Issue Date	4 October 2006
Maturity	5 yrs (4 October 2011)
Issuer Call Option	At end of yr 3 (5 October 2009)
Issue price	100%
Periodic Payments	1.25%
Yield-to-Scheduled Dissolution	5.07% (annual)
Scheduled Dissolution Amount	121.14%
Exchange premium	19%
Initial Conversion Price	MYR10.85 per share (based on a fixed exchange rate)
Initial Reference Share Price	MYR9.1143 (VWAP at Sept 27 2006)
Listings	Labuan Int'l Financial Exchange Hong Kong Stock Exchange

## Execution Highlights

- Bookbuilding commenced on 21 Sept 06 with initial size of USD500 million and **upsized due to strong demand**. Book closed on 27 Sept 2006.
- Book was over 2x covered on opening day with little impact on TM's share price despite longer bookbuilding period. **Subscription rate approx. 6x** at price range and initial size of launch
- Successfully distributed to **excellent mix of quality investors** from Middle East and global investors including financial institutions, asset managers, insurance companies, pension funds and high net worth individuals
- Strong demand from Middle Eastern investors despite lack of familiarity with exchangeable instruments
- Certificates immediately traded up after pricing
- **World's first Shariah-compliant** exchangeable bond
- **Largest exchangeable instrument issued out of Asia ex Japan** in the year 2006 to date
- **Largest ever exchangeable bond out of Malaysia**, surpassing Khazanah's own USD414.5 million exchangeable bond into PLUS Expressways Berhad

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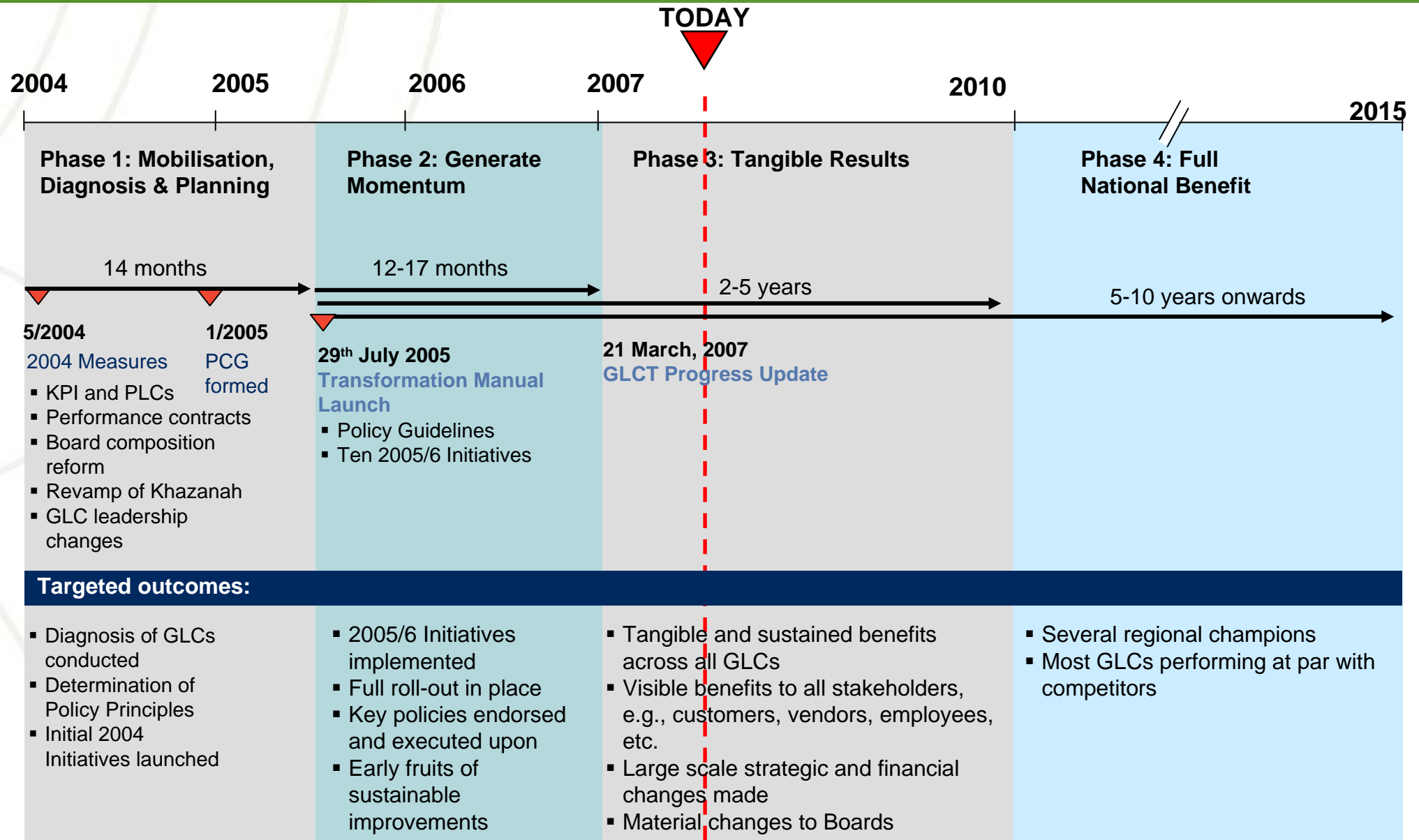
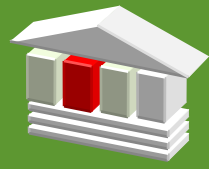
## Resolved

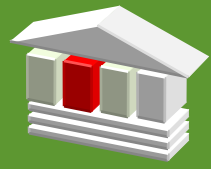
Company	Progress to date
	<ul style="list-style-type: none"> <li>MAS recorded third consecutive quarter of profits in 1Q2007 on the back of Business Turnaround Plan</li> </ul>
	<ul style="list-style-type: none"> <li>Khazanah is in the process of divesting its stake in RHB Bank</li> </ul>
	<ul style="list-style-type: none"> <li>EBITDA positive</li> </ul>
	<ul style="list-style-type: none"> <li>Profitability has increased, with increased focus on bio-technology</li> </ul>
	<ul style="list-style-type: none"> <li>Khazanah is now sole shareholder pending sale back to the Government</li> </ul>
	<ul style="list-style-type: none"> <li>Under receivership; lenders have proposed plan to resolve issues</li> </ul>
	<ul style="list-style-type: none"> <li>Khazanah has exited from its holdings in CCT completely</li> </ul>
	<ul style="list-style-type: none"> <li>Restructuring by major shareholder</li> </ul>

## In progress

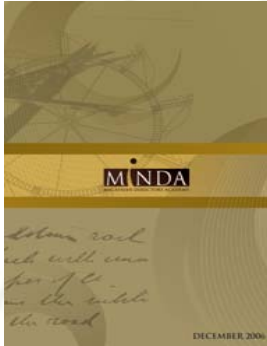
Company	Progress to date
	<ul style="list-style-type: none"> <li>Improvement efforts yet to yield significant results. Need to come to a landing on strategic alliance</li> </ul>
	<ul style="list-style-type: none"> <li>Evaluating options with a view to arriving at sustainable business model</li> </ul>
	<ul style="list-style-type: none"> <li>Awaiting the outcome of the proposed restructuring from the government</li> </ul>

**Targeted to be completed this year**





1 Enhancing Board Effectiveness **(GREEN)**, Apr 2006



2 Strengthening Directors Capabilities **(MINDA)**, Dec 2006



3 Enhancing GLIC Monitoring & Management Functions, Dec 2006



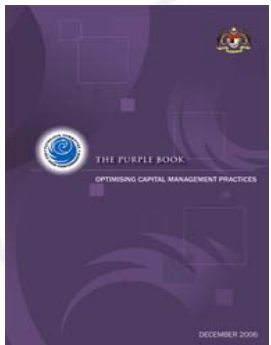
4 Improving Regulatory Environment, Sep 2006



5 Achieving Value Through Social Responsibility **(SILVER)**, Sep 2006



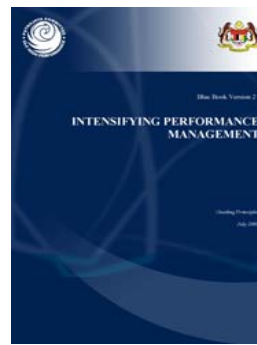
6 Reviewing and Revamping Procurement Practices **(RED)**, Apr 2006



7 Optimising Capital Management Practices **(PURPLE)**, Dec 2006



8 Strengthening Talent Management Practices **(ORANGE)**, Dec 2006



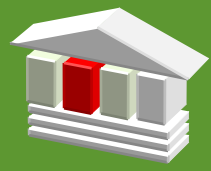
9 Intensifying Performance Management Practices **(BLUE)**, Aug 2005



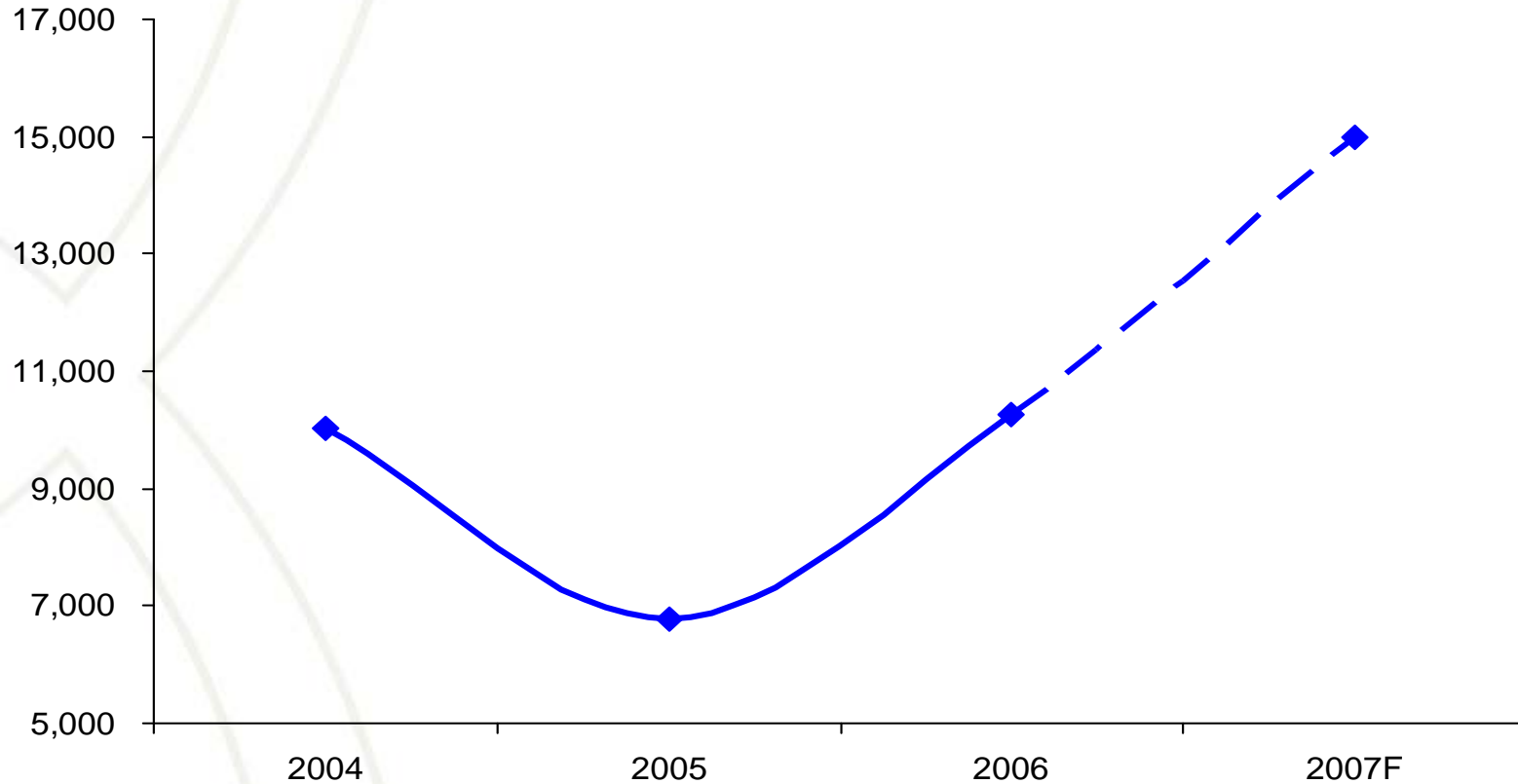
9 Programme for Implementing Value-Based Performance Management, Dec 2006



10 Enhancing Operational Efficiency and Effectiveness **(YELLOW)**, Sep 2006



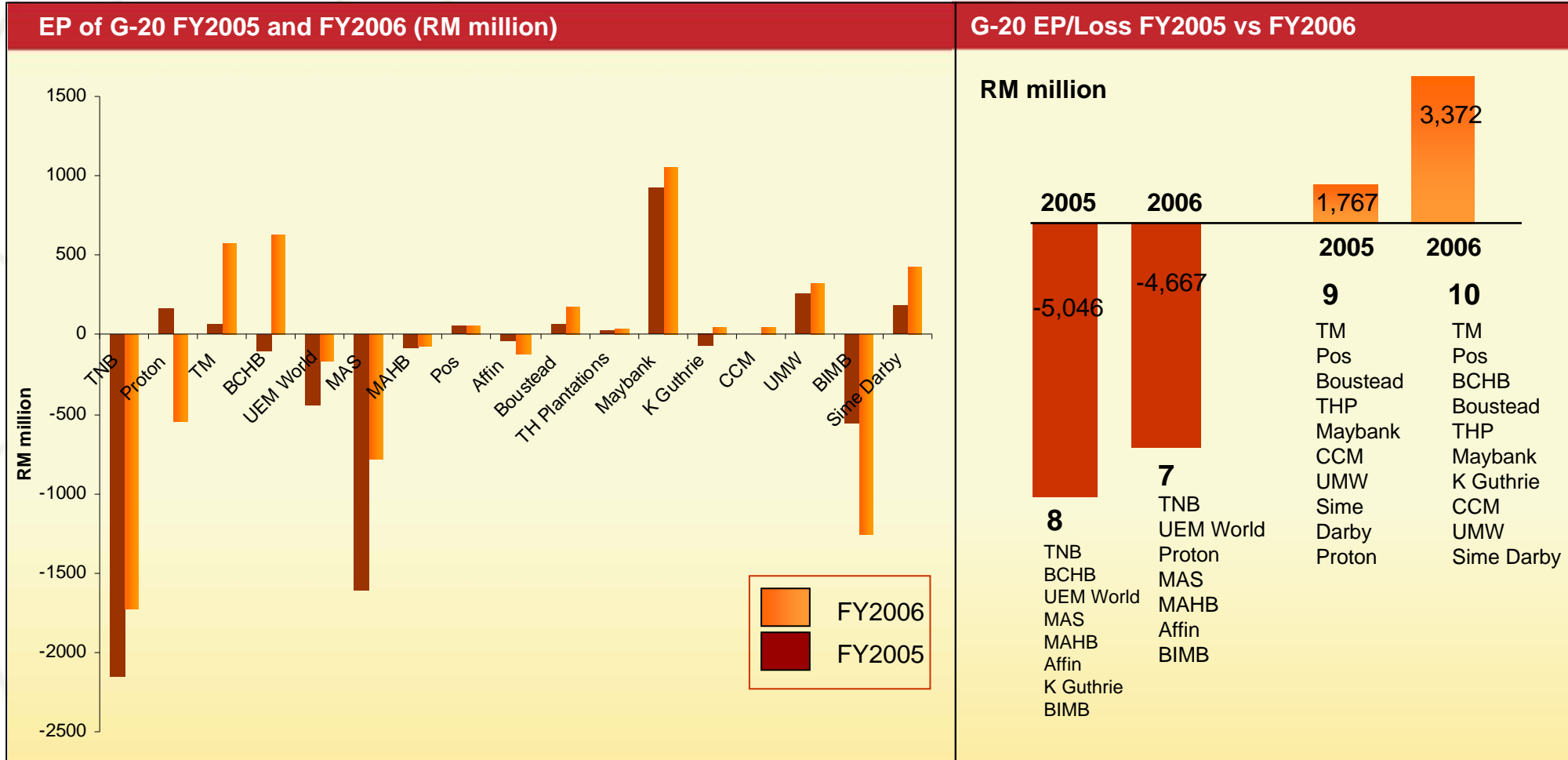
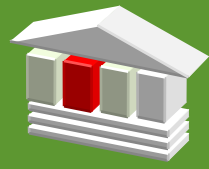
Net Profit (RM m)



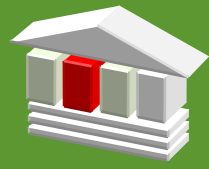
Notes:

1. 2007F numbers are based on consensus IBES estimates for companies with research coverage
2. For companies without coverage, we have assumed flat earnings growth

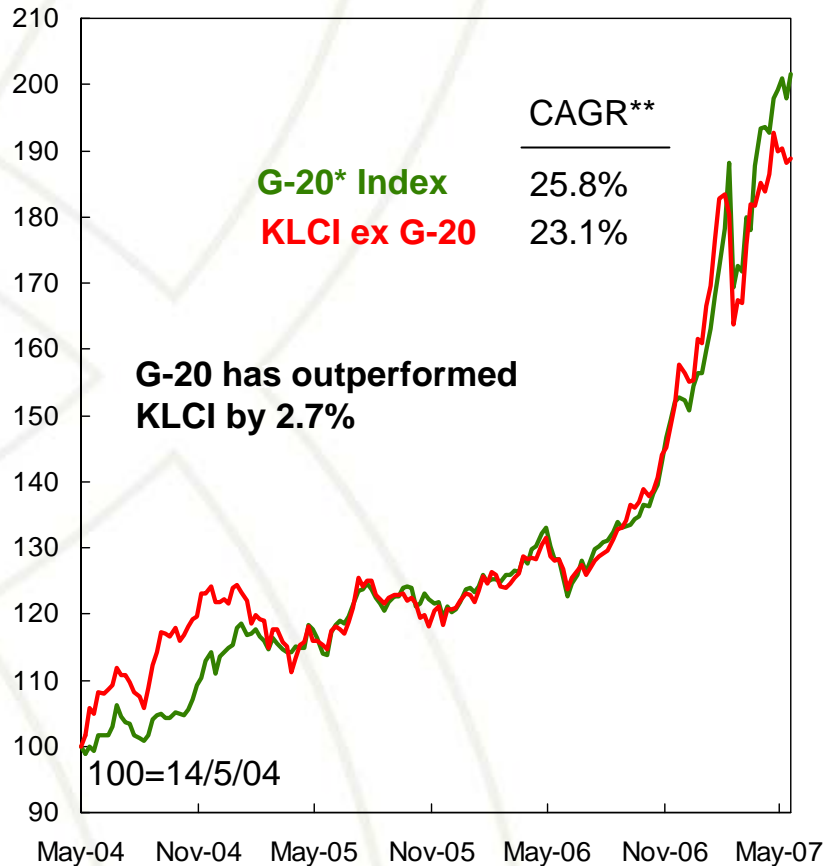
Source: Khazanah analysis



Source: Company data and Joint Working Team of PCG

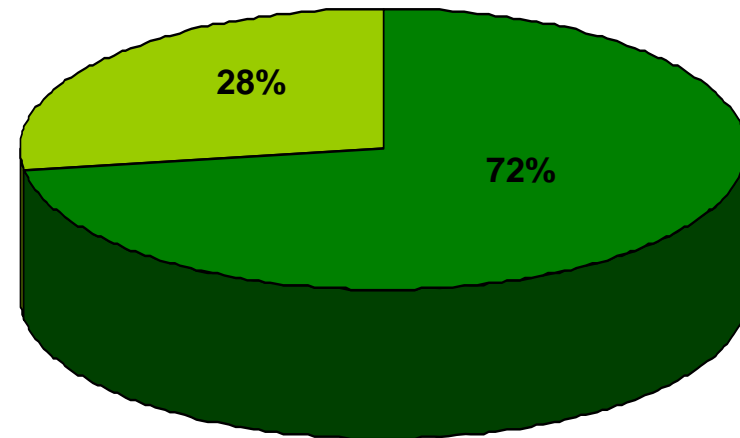


## Total Shareholders Return (TSR) Index



## Total number of KPIs met by G-20 in FY 2006

**G-20 met or exceeded 72% of their collective headline KPIs**



**28%**  
Missed KPIs (16 KPIs, 28%)

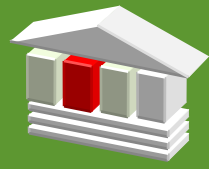
**72%**  
Met KPIs (42 KPIs, 72%)

\* A selection of 20 GLCs controlled by the GLIC constituents of PCG

\*\* Compounded Annual Growth Rate for the period 14 May 2004 to 31 May 2007

Source: Bloomberg

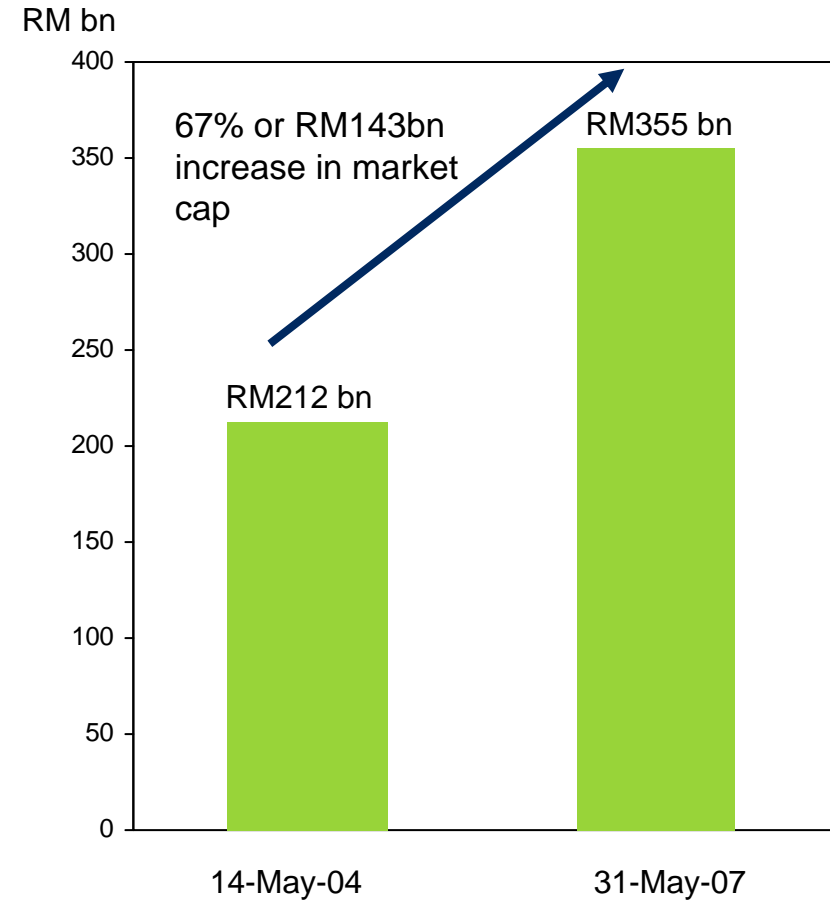
Note: % increase in market cap calculated based on reweighted market cap of the GLCs in which GLICs are the controlling stakeholders



## Market Capitalisation of G-20

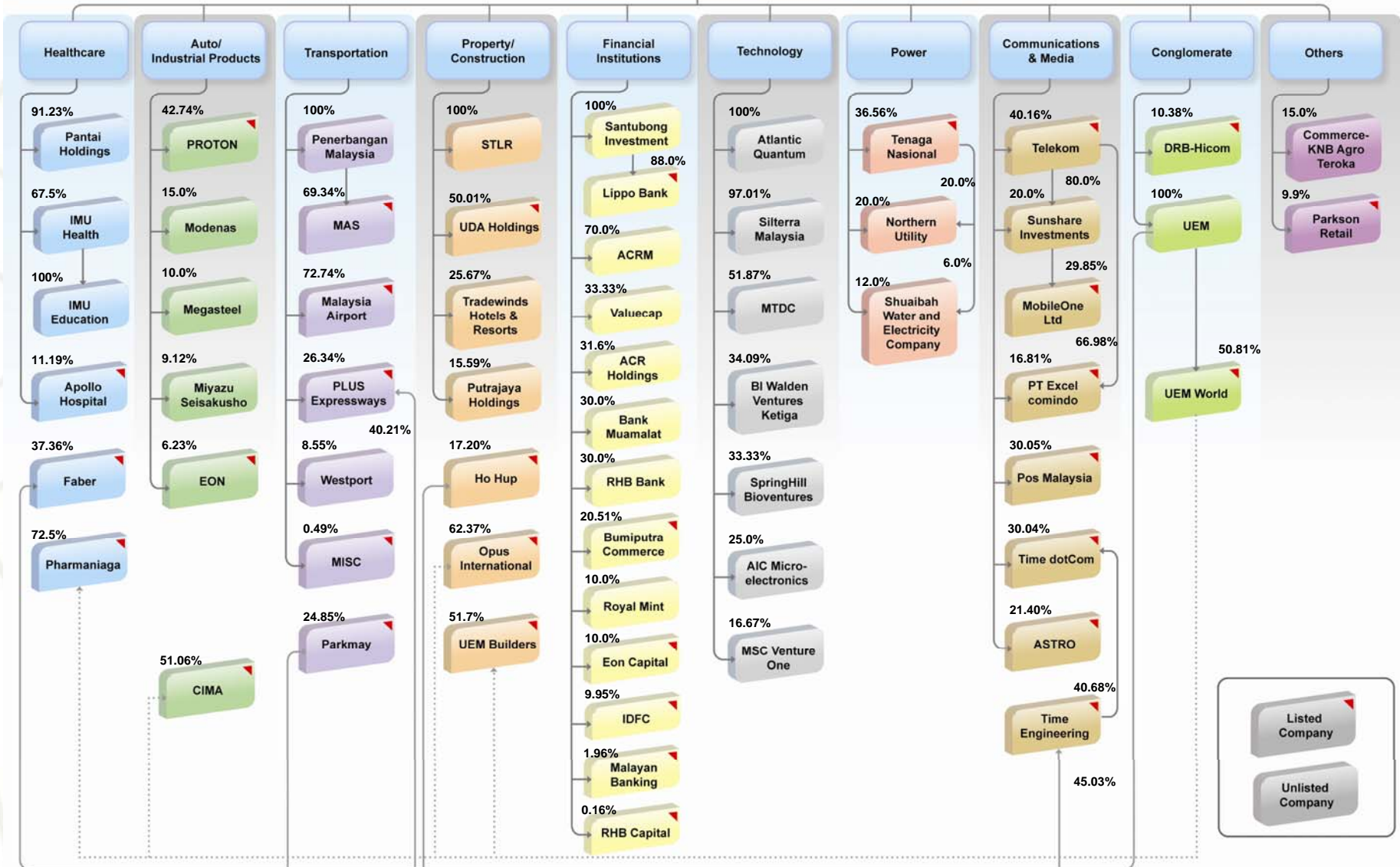


## Market Capitalisation of G-47



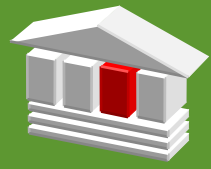
## Khazanah Nasional Berhad

As at 30 April 2007







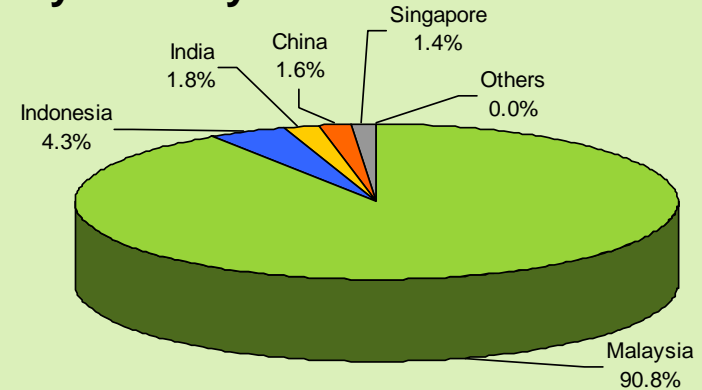
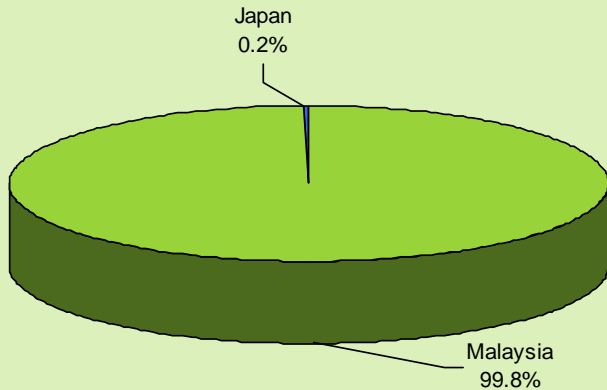




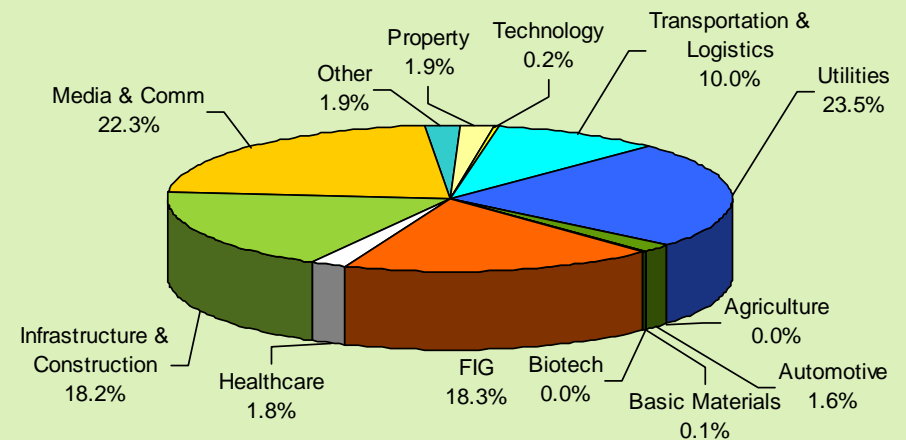
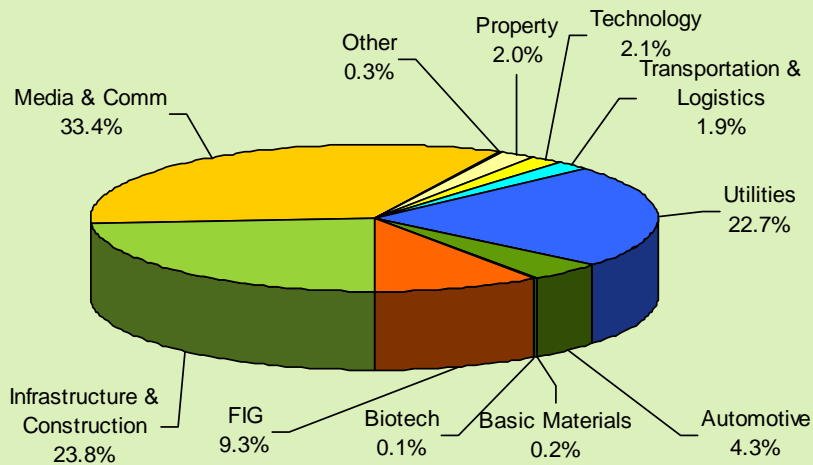
14 May 2004

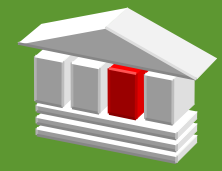
31 May 2007

## Breakdown of Portfolio by Country



## Breakdown of Portfolio by Sectors





**July  
2005**

Khazanah conducted feasibility study for development of special economic zone at South Johor

**Oct  
2005**

Khazanah presented Conceptual Outline Plan for South Johor Economic Region ("SJER")

**2 Nov  
2006**

Heads of Agreement signed to form South Johor Investment Corporation ("SJIC"), super developer for strategic initiatives in IDR

**4 Nov  
2006**

Iskandar Development Region ("IDR") officially launched

**17 Feb  
2007**

The Iskandar Regional Development Authority ("IRDA") Act 2007 came into effect

**23 Feb  
2007**

IRDA and Advisory Council inaugural meetings

**22 Mar  
2007**

IDR Incentives and Support Package

**15 May  
2007**

High level Malaysia-Singapore engagement



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## Human Capital

- 228 staff currently, vs 33 at 14 May 2004
- Staff from a diverse range of backgrounds and industries

## Systems & Processes and Risk Management

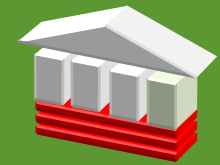
- Key Systems in place
- Risk policies, procedures and processes formalized and in place while governance structure & controls have been strengthened

## Knowledge & Research

- Khazanah Research and Investment Strategy (KRIS) established in 2005
- Multiple products – Research Reports, Alerts, Primers, Daily News, Tea Talks, Reviews, Knowledge Exchange
- Knowledge Resource Center with physical & virtual library
- Support for policy research for the Government

## Physical Infrastructure

- 5x increase in floor space to cater to increase in staff numbers
- Two satellite offices in Johor and Menara Telekom



## Selected Communications and External Relations Activities

- **Investor Relations:** *Regular investor meetings, Invest Malaysia, CLSA Investor Forum HK, CS Asia Investment Conference, Malaysia Roadshows – Singapore, London, New York*
- **International Relations:** *State Visits, JP Morgan Sovereign Wealth Funds Forum, ABC Spring Forum, SCIC Seminars*
- **Stakeholder Engagements:** *Parliamentary sessions, PAC, Backbenchers Club, GABEM*
- **Press Briefings:** *Annual Media Briefings, Economist, Euromoney, Senior Editor updates*
- **Events:** *MegaTrends, Invest Malaysia, MINDA*
- **Capacity Building:** *INSEAD, Global Leadership Forum, IMD CEO Roundtable*

GREEN

GRADUATE EMPLOYABILITY  
ENHANCEMENT PROGRAMME

- Launched in 2006; Over 6,000 application
- 197 recruited; 147 on-job-training in GLCs



YAYASAN KHAZANAH

- 17 scholars to date - 15 undergoing foundation programme and 2 to pursue degree courses at premier universities abroad



- Provide enabling support for emergency relief & recovery efforts, including Aceh tsunami disaster, Johor floods.



- Silver Book - Pan-GLC CSR
- PINTAR Program in Penang (school adoption by GLCs)

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### Financial Performance

- Net Worth up by RM28.9bn to RM62.2bn (+ 87%)
- RNAV up by RM37.9bn to RM88.8bn (+ 74%)
- Investment returns of RM8.9bn made on new investments worth RM21.1bn, total return of 42.4%

### Strategic Performance

- 8 out of 11 identified companies restructured, 3 pending resolution
- Phases 1 and 2 of GLC Transformation Programme done, all 10 initiatives launched
- Portfolio diversification on geographic and sectoral basis making significant progress
- Developmental work at IDR on track

### Capacity Building

- Significant capacity building in human resources, systems and processes, knowledge and research and physical infrastructure undertaken
- Extensive stakeholder engagement and external relations program in place
- Key CSR activities - scholarship programs, graduate employment and MERCY sponsorship

### The Next 3 Years

- Sustainability and institutionalisation
- Building and broadening on the base – greater value creation
- Increasing synergies across investments



# Thank You

Visit our website at : [www.khazanah.com.my](http://www.khazanah.com.my)