

**MEDIA STATEMENT**  
Kuala Lumpur, 13 January 2016

**TWELFTH KHAZANAH ANNUAL REVIEW (“KAR 2016”)**

**Khazanah delivers resilient performance amidst a volatile 2015**

**Highlights:**

- **Resilient financial performance in a volatile and uncertain 2015:**
  - Portfolio Realisable Asset Value (“RAV”) increased 3.2% to RM150.2 billion in 2015 from RM145.5 billion in 2014 with RAV Cover (Assets/Liabilities) at 3.1x.
  - While Portfolio Net Worth Adjusted (“NWA”) decreased slightly by 1.6% to RM109.0 billion in 2015 (RM110.7 billion in 2014), it was in line with FBM KLCI’s 1.0% decline (in Total Shareholder Return) and outperformed six of seven reference market indices. Long-term uptrend remains intact as NWA grew at a compounded annual growth rate (“CAGR”) of 10.7% for the period from May 2004 to 31 Dec 2015
  - Profit Before Tax (Unaudited) of RM1.18 billion (2014: RM3.22 billion)
  - 23 investments totaling RM8.7 billion and 10 divestments worth RM5.3 billion made, with gains on divestments amounting to RM2.9 billion
  
- **Continued delivery of strategic performance, with several milestones achieved in 2015 including:**
  - Graduation of the 10-year Government-Linked Companies (“GLC”) Transformation Program in August 2015, which delivered a 10.5% CAGR or almost threefold increase in market capitalisation.
  - Khazanah continues to play its catalytic role in developing Iskandar Malaysia, which as of November 2015 entered the tenth year since its launch. Iskandar Malaysia has secured a reported cumulative RM187 billion of committed investments, generating over 600,000 jobs.
  - The first 16 months to December 2015 of the five-year MAS Recovery Plan has been rolled out, on track and on schedule.
  - Catalysing domestic growth and development through core Khazanah companies in established sectors such as telecommunications, energy, infrastructure, airports, and banking, and also through investments in newer industries including in healthcare, life sciences, information technology, leisure and tourism, creative industry, wellness, sustainable development, and food and agriculture.

- In support of the Government's Proactive Economic Measures first announced in September 2015, Khazanah accelerated or added a total of RM9.27 billion of investment projects in various sectors. This is on top of the rollout of several large projects by core Khazanah companies including by Tenaga Nasional Berhad, Telekom Malaysia Berhad, Malaysia Airports Holdings Berhad and IHH Healthcare Berhad totaling more than RM25 billion.
- Continued roll-out of Khazanah's internationalisation strategy, with the opening of its fifth overseas office, Khazanah Europe Investment Limited in London in August 2015. Strong focus on increasing the innovation and technology component of the portfolio especially through Khazanah's San Francisco, London, Beijing and Mumbai offices.
- Continued progress in Institution and Nation-Building initiatives
  - Continued commitment to value distribution through Corporate Responsibility ("CR") initiatives, principally through the RM3 billion endowment-funded Yayasan Hasanah with a focus on education; community development; environment; arts, heritage and culture; and knowledge development
  - Knowledge development and policy support through the Khazanah Research Institute, and multiple knowledge events and publications
  - Continuous improvement in corporate governance, risk management, talent development and institutional integrity.
  - Continued support of Malaysia as a centre for Islamic Finance and ethical financial innovation. In June 2015, the world's first ringgit-denominated Sustainable and Responsible Investment ("SRI") Sukuk was issued to fund the rollout of the Trust School Programme to additional schools.

Khazanah Nasional Berhad ("Khazanah") today presented its 12<sup>th</sup> Khazanah Annual Review ("KAR 2016"), demonstrating resilience and sustained progress in its financial and strategic performance, societal and distributional activities, and ongoing capacity building and institutionalisation.

**Tan Sri Azman Hj. Mokhtar, Managing Director of Khazanah**, said: "In spite of volatile, uncertain and challenging conditions in 2015, Khazanah was able to deliver another year of resilient and profitable financial performance. We have also been able to deliver many strategic milestones such as the graduation of the 10-year GLC Transformation Programme, ongoing rollout of catalytic projects in Iskandar Malaysia, and increased domestic investments to support the Government's proactive economic measures."

“Further, we have been able to complete the network of international investment offices while also playing an important role in institution and nation-building through various programmes including Yayasan Hasanah, knowledge development and policy support, talent development and strengthening corporate governance and institutional integrity.”

## 1. Financial Performance

Khazanah recorded steady and resilient financial performance in a volatile and uncertain 2015. Khazanah’s portfolio value as measured by its **Realisable Asset Value<sup>1</sup> (“RAV”)** increased **RM4.7 billion or 3.2%** to RM150.2 billion as at 31 December 2015, from RM145.5 billion as at 31 December 2014. **RAV cover (assets/liabilities) stood at 3.1x**, enabling Khazanah to enter an expected challenging 2016 from a position of relative strength.

Portfolio **Net Worth Adjusted<sup>2</sup> (“NWA”)** stood at **RM109 billion** as at 31 December 2015, decreasing RM1.8 billion or 1.6% from RM110.7 billion as at 31 December 2014. Against reference Asian markets (in terms of Total Shareholder Returns (“TSR”) in local currencies), NWA slightly underperformed the FBM KLCI (2015 TSR: -1.0%) but **fared better against several key benchmark market indices**, including the Straits Times Index (-11.4%), Jakarta Composite Index (-10.5%), Hang Seng Index (-4%), SENSEX Index (-3.7%), Philippines Index (-2%), and Bursa Istanbul Index (-14.1%).

Despite the challenging year, the **overall uptrend in Khazanah’s portfolio since May 2004 remains intact**. RAV increased RM99.3 billion from RM50.9 billion in May 2004 to RM150.2 billion as at 31 December 2015, while NWA increased RM75.7 billion from RM33.3 billion to RM109.0 billion over the same period. This translated into a NWA CAGR of 10.7% p.a.

Khazanah registered an unaudited **Profit Before Tax (“PBT”)** of **RM1.18 billion**, compared to RM3.22 billion for 2014, with cumulative PBT since May 2004 amounting to RM23.52 billion. Khazanah **declared dividends of RM1.05 billion**, with total dividends declared since May 2004 amounting to RM8.46 billion. In addition, taxes paid amounted to RM136 million in 2015, with a total of RM1.44 billion in taxes paid since 2004.

In 2015, Khazanah made **23 investments totaling RM8.7 billion** and **10 divestments providing proceeds amounting to RM5.3 billion**, with gains on divestments totaling RM2.9 billion. From 2004 to 2015, Khazanah has made a total 144 investments worth RM74.7 billion and 77 divestments providing proceeds amounting RM48.1 billion, with overall gains on divestments totaling RM22.3 billion.

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<sup>1</sup> Market value of all equities, securities and cash held. Where no market price is available, a conservative estimate of value is used

<sup>2</sup> RAV less Total Liabilities, and adjusted to measure value created

## 2. Strategic and Operational Performance

The resilient portfolio performance enabled the **sustained execution of Khazanah’s strategic mandate** to further catalyse growth, create and distribute value. This includes continuing to drive greater performance in investee companies and catalysing further domestic growth, balanced with the further expansion of its international footprint and that of investee companies.

2015 saw Government-linked Investment Companies (“GLICs”) and Government-linked Companies (“GLCs”) **“graduating”<sup>3</sup> from the 10-year GLC Transformation Programme**, after a decade of transformative progress focused on enhancing financial performance, institutionalising good governance, and delivering broader, impactful contributions to national socioeconomic development. GLCs have delivered significant financial results and are today more dynamic, performance driven and well-governed organisations. Since May 2004, G20<sup>4</sup> market capitalisation grew almost three times, with GLCs delivering a TSR CAGR of 10.5% p.a.

There was also **further progress in the development of Iskandar Malaysia**, which overall has received cumulative committed investments totaling RM187 billion<sup>5</sup> and created over 600,000 jobs since 2006. Pinewood Iskandar Malaysia Studios (“PIMS”) saw work on several international productions, including “Asia’s Got Talent” and “Lost in the Pacific”. More than 2,100 jobs have been created through PIMS’ operations since 2014. In addition, the Afiniti Medini wellness development and the capital restructuring of Iskandar Investment Berhad were also successfully completed.

Meanwhile, there was also **steady and continued progress in the rollout of the five-year 12-point MAS Recovery Plan**, which after 16 months of implementation is on track and on schedule. Key milestones in 2015 include the appointment of Christoph Mueller to helm Malaysia Airlines Berhad (“MAB”), the smooth transition from Malaysian Airline System Berhad (“MAS”) to MAB, and the passing of the Malaysian Aviation Commission Act by Parliament.

Further on the domestic front, in support of the Government’s proactive measures to strengthen the country’s economic fundamentals and address the impact of financial turbulence, **investments and initiatives amounting to RM9.27 billion** involving Khazanah were announced in 2015. This includes **accelerated and additional domestic investments totaling**

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<sup>3</sup> The term “graduation” is used to signify that GLICs and GLCs will continue to deliver the GLC Transformation Programme’s three underlying principles -- performance focus, nation building, and governance and providing benefits to all stakeholders.

<sup>4</sup> G20 is a selection of large GLCs, controlled by GLICs under the GLCT Programme and is used as a proxy for the performance of the GLCs. It currently consists of 17 GLCs (from the original 20) due to various mergers, demergers, divestments and other corporate exercises over the years.

<sup>5</sup> Source: Iskandar Regional Development Authority

**RM6.77 billion**<sup>6</sup> in several key sectors to be delivered by Khazanah through relevant investee companies and development partners over the immediate and medium term. The sectors are leisure and tourism, healthcare and health tourism, export-oriented creative industries, innovation and technology and Business Process Outsourcing (“BPO”). In addition, Khazanah is setting up a RM500 million New Economy Investments Venture Fund for local entrepreneurs, and together with Permodalan Nasional Berhad (“PNB”) and Kumpulan Wang Persaraan (Diperbadankan) (“KWAP”), is providing additional funding for ValueCAP Sdn Bhd to invest in the equity market, as announced by the Government last year.

**Core portfolio companies also delivered** on several major transactions and projects in 2015, including the completion of Malaysia Airports Holdings Berhad’s (“MAHB”) 100% acquisition of Istanbul Sabiha Gokcen airport (MAHB is also undertaking the development of the KLIA Aeropolis announced in 2015); IHH Healthcare Berhad’s acquisition of a 51% stake in Continental Hospitals and 73.4% stake in Global Hospitals, both in India; Tenaga Nasional Berhad’s acquisition of a 70% stake in Jimah East Power and a 30% stake in Turkish power company Gama Enerji AS; Axiata Group Berhad’s acquisition of a 75% stake in Digicel Myanmar Tower Company and an 80% stake in NCell, Nepal’s leading mobile operator; UEM Group Berhad subsidiary PLUS Expressways International’s completion of the Cikopo-Palimanan toll road in Indonesia; and the High Speed Broadband Phase 2 (“HSBB2”) and Sub-Urban Broadband (“SUBB”) projects undertaken by Telekom Malaysia Berhad.

Khazanah continued to roll out its internationalisation strategy in 2015, with the setting up of a London office by wholly owned subsidiary Khazanah Europe Investment Ltd. The London office is Khazanah’s fifth regional office after Beijing, Mumbai, San Francisco and Istanbul. In addition, there was a strong focus on deepening the innovation and technology component of Khazanah’s portfolio, via several investments in various geographies including India, United States, United Kingdom, China and Malaysia.

Overall, Malaysia accounted for approximately 55.1% of Khazanah’s RAV by geographic exposure<sup>7</sup> in 2015, while overseas investments accounted for the remainder.

### **3. Institution and Nation-Building Initiatives**

Yayasan Hasanah, a Khazanah foundation provided with a RM3 billion endowment, led **corporate responsibility (“CR”) efforts focused on supporting long term initiatives that emphasise measurable and actionable social impact**, through partner organisations in five core areas: Education; Community Development; Environment; Arts, Heritage and Culture; and

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<sup>6</sup> See Khazanah media statement, “*Khazanah announces additional domestic investments of RM 6.77 billion in support of Government’s proactive economic measures*”, 14 September 2015.

<sup>7</sup> An estimate of attributable value according to the countries where investee companies have operations

Knowledge Development. Among the outcomes of Yayasan Hasanah's initiatives in the year include increased participation in PINTAR Foundation's School Adoption Programme; helping to enhance the livelihood of low incomes households in rural and urban areas; various efforts to raise environmental awareness at community level and recycling initiatives at school level; as well as continued support for local and international humanitarian relief efforts. In addition, The Hasanah Report 2014, the inaugural annual report on Yayasan Hasanah's operations and activities, was released last year. Yayasan Hasanah spent RM96 million for its various CR initiatives in 2015. Overall, Khazanah has spent RM575 million on CR initiatives, including under Yayasan Hasanah, since 2006.

Meanwhile, Khazanah continued to **provide support for government policy formation and deepen linkages across global knowledge networks**. Key milestones in 2015 were Khazanah Research Institute's ("KRI") publication of "Making Housing Affordable", a report analysing the problem of supplying affordable houses to the general public from the perspectives of both institutions and firms. KRI also published "Why Trade Matters", a two-part report which examines how international trade and trade policy integrate the effects of globalisation into the domestic economy and daily lives of citizens. In addition, the Khazanah Megatrends Forum 2015, the eleventh in the annual series, was also held, focusing on exploring ways to optimally and ethically harness the power of creative disruption and inclusive innovation for continued growth. In conjunction with the forum, the 10-year commemorative book "Khazanah Megatrends Forum – Reflections on a Decade" was also launched. Khazanah also provided further support for government policy formation through various channels including boards of public service organisations in areas such as economic management, education, technology and innovation, and trade and export promotion.

Khazanah continued to enhance efforts in **further strengthening corporate governance, risk management, talent development, and institutional integrity** both internally and across its investee companies. These areas, while being necessary components of any organisation, become especially critical in environments and during times beset by volatility, uncertainty, complexity and ambiguity.

In the area of Islamic Finance, Khazanah provided further support for Malaysia as a centre for Islamic Finance and ethical financial innovation. A RM100 million seven-year Sustainable and Responsible Investment ("SRI") Sukuk, the **world's first RM-denominated SRI Sukuk**, was successfully issued, with proceeds used to fund schools under the Yayasan AMIR ("YA") Trust School Programme identified for 2015. YA is a not-for-profit foundation incorporated by Khazanah to improve accessibility of quality education in schools through a Public-Private Partnership with the Ministry of Education. Launched in 2010, the Trust School Programme has been rolled out to 62 schools thus far, 32 of which were in 2015.

## 5. Outlook for 2016

2015 was a challenging year with volatility on both the domestic and global fronts, and this is expected to continue in 2016.

With overall resiliency, Khazanah is well-positioned to continue executing its financial and strategic mandate, staying the course by focusing on delivering long-term financial and strategic performance, national development initiatives including value distribution, expanding our international presence, and strengthening institutional integrity.

**END**

*For further information on Khazanah, please visit [www.khazanah.com.my](http://www.khazanah.com.my) or contact Mohd Raslan Md Sharif at +603 2034 0000, or e-mail at [raslan.sharif@khazanah.com.my](mailto: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](http://www.khazanah.com.my).