

MEDIA STATEMENT

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ELEVENTH KHAZANAH ANNUAL REVIEW (“KAR 2015”)

Khazanah’s steady performance in 2014

Portfolio up 9% year-on-year to RM110.8 billion; up RM77.5bn or 3.3x since 2004

Highlights:

- Steady progress posted in 2014 in spite of a challenging year
 - Net Worth Adjusted (“NWA”) increased to RM110.8 billion from RM101.5 billion in 2013, up 9.2% versus FBM KLCI’s total return of - 2.6%
 - Unaudited Profit Before Tax (“PBT”) of RM3.2 billion for 2014
 - Strong contributions from Tenaga Nasional Berhad (“TNB”), Alibaba Group, IHH Healthcare Berhad (“IHH”) and the telecommunications sector from Telekom Malaysia Berhad (“TM”) and Axiata Group Berhad (“Axiata”)
- Sustained value creation and distribution performance over the last 10 years of Khazanah’s Revamp Programme:
 - Net Worth Adjusted (“NWA”) increased by RM77.5bn or 3.3x from RM33.3 billion in May 2004. This translates to an annualised growth rate of 12.0% per annum over the period.
 - Since May 2004 when the Khazanah transformation mandate started, cumulative Profit Before Tax (“PBT”) amounted to RM22.3 billion, and total dividends and taxes paid totaled RM8.6 billion. This is an increase of 4.5x and 12x, respectively, when compared to the approximate corresponding period between 1994 and 2003. In addition, Shareholders Funds grew by 4.6x to RM35.1 billion between May 2004 to December 2014.
 - Key drivers for the performance have been, inter alia, the active investment management under the new Khazanah mandate, the Government-Linked Companies (“GLC”) Transformation Programme, regionalisation, mergers and acquisitions, restructuring and transformative transactions, and investments in New Economy Investments (“NEI”).
 - Yayasan Hasanah established to further enhance and institutionalise Khazanah’s Corporate Responsibility (“CR”) efforts, with an endowment of RM3 billion positioned to provide a target annual funding of approximately RM150 million to fund CR and Knowledge Development activities under the foundation.

- **Khazanah enters a challenging macro-economic outlook in 2015 from a position of relative strength with Realisable Asset Value (“RAV”) cover (assets/liabilities) of 3.7x.**

Khazanah Nasional Berhad (“Khazanah”) today presented its 11th Khazanah Annual Review (“KAR 2015”), demonstrating steady progress and consistent results in its mandated areas of focus, including financial and strategic performance, societal and distributional activities, and ongoing capacity building and institutionalisation.

1. Financial Performance

Khazanah’s portfolio value as measured by its Net Worth Adjusted (“NWA”) stood at RM110.8 billion as at 31 December 2014, increasing RM9.3 billion or 9.2% from RM101.5 billion as at 31 December 2013. Since May 2004 at the start of the Khazanah revamp, NWA has increased RM77.5 billion or 233% from RM33.3 billion. This translates into a 12.0% per annum compounded annual growth rate (“CAGR”) over the period concerned. 2014 has been a challenging and volatile year which has seen Khazanah’s NWA ranging from RM95 billion to RM116 billion, ending the year at the upper end of the range.

Meanwhile, Realisable Asset Value (“RAV”) increased by RM10.5 billion or 7.8% to RM145.6 billion as at 31 December 2014, from RM135.1 billion as at 31 December 2013. Over the period from May 2004, RAV rose RM94.7 billion or 186% from RM50.9 billion, for a CAGR of 10.4% per annum. RAV cover (assets/liabilities) stood at 3.7x as at 31 December 2014.

Khazanah’s NWA increase of 9.2% outperformed the FBM KLCI (-2.6% year-on-year) and the MSCI Emerging Markets Index (4.4% year-on-year).

For 2014, Khazanah registered an unaudited Profit Before Tax (“PBT”) of RM3.2 billion. Khazanah’s cumulative Profit Before Tax (“PBT”) since May 2004 amounted to RM22.3 billion.

2. Strategic and Operational Performance

In 2014, Khazanah made a total of 12 investments totaling RM7.2 billion and six divestments with a gain on divestment of RM3.0 billion. Between 2004 and 2014, Khazanah made 121 investments worth RM65.3 billion and 67 divestments valued at RM42.8 billion, with overall gains on divestments of RM19.4 billion.

2014 was a busy and eventful year, which saw several of Khazanah’s investee companies posting robust operating performances. Khazanah’s NWA was boosted by Tenaga Nasional Berhad (“TNB”) which contributed RM4.9 billion, Alibaba Group’s IPO (RM3.9 billion), IHH

Healthcare Berhad (RM3.6 billion) and the telecommunication sector comprising Telekom Malaysia Berhad (“TM”) and Axiata Group Berhad (“Axiata”) (RM2.9 billion).

There was also progress in the catalytic projects in Iskandar Malaysia, notably the launch of Pinewood Iskandar Malaysia Studio. In addition, Khazanah’s investments in theme parks – LEGOLAND Malaysia and Puteri Harbour Family Theme Park in Iskandar Malaysia, and Kidzania Kuala Lumpur – have collectively recorded attendance of approximately 6.6 million since they opened. Overall, cumulative committed investments in Iskandar Malaysia since 2006 now total RM156.4 billion¹. Our core portfolio companies also delivered on several critical national projects in 2014, including, inter alia, the Penang Second Bridge by UEM Group Berhad, klia2 by Malaysia Airports Holdings Berhad (“MAHB”), and the National High Speed Broadband (“HSBB”) Project by TM.

Khazanah also continued to oversee the Government Linked Companies (“GLC”) Transformation Programme, now in its tenth and final year, and support key national initiatives under the National Transformation Programme.

Overall, Khazanah investee companies² under the GLC Transformation Programme have fared well, with Total Shareholder Returns (“TSR”) growing 12.6% per annum (CAGR) since May 2004, outperforming the FBM KLCI (11.9%). Specifically, TSR for UEM Sunrise grew 20.1% per annum (“p.a.”), TM 19.8% p.a.³, MAHB 18.7% p.a., CIMB Group Holding 11.3% p.a., and Axiata 6.6% p.a.⁴. The 10-year GLC Transformation Programme will formally end in August 2015.

Significant milestones were also achieved in the restructuring of Malaysian Airline System Berhad (“MAS”) with the unveiling of the 12-point MAS Recovery Plan to rebuild the national carrier and restore it to sustained profitability. An inaugural quarterly progress report was announced on 28 November 2014, and progress continues to be on track and on schedule.

The regionalisation and internationalisation of our companies continue to move forward. Highlights include MAHB acquiring stakes to take its holdings to 100% of Turkey’s Istanbul Sabiha Gokcen International Airport. Also in 2014, Axiata completed the takeover of PT Axis Telekom in Indonesia, while UEM Sunrise Berhad successfully launched its Aurora Melbourne Central project.

¹ Source: Iskandar Regional Development Authority (“IRDA”)

² Telekom Malaysia Berhad, Tenaga Nasional Berhad, CIMB Group Berhad, UEM Group Berhad, Axiata Group Berhad, Malaysia Airports Holdings Berhad, and Malaysian Airline System Berhad

³ Based on demerger reference price

⁴ Based on demerger reference price

Khazanah also made its maiden foray into the Philippines in 2014, by becoming a cornerstone investor in the country's mass housing developer, 8990 Holdings Inc., which gives Khazanah exposure to the country's growth story.

Meanwhile, the Permanent Court of Arbitration in The Hague ruled that M+S Pte Ltd, a joint investment company of Khazanah and Temasek Holdings (Pte) Ltd, would not be required to pay development charges on three parcels of land in Singapore.

3. Sharing stakeholder returns and distributions

Since 2004, Khazanah has declared dividends amounting to RM7.4 billion, with a dividend of RM900 million declared for 2014. In addition, Khazanah has paid a total of RM1.2 billion in taxes since 2004. In comparison, in the ten years from Khazanah's formation in 1994, PBT amounted to RM4.9 billion, dividends declared totaled RM335 million, while taxes paid amounted to RM383 million.

Khazanah continues to enhance and institutionalise its Corporate Responsibility ("CR") efforts through the establishment of Yayasan Hasanah, which focuses on five core areas: Education, Community Development, Environment, Arts, Heritage & Culture, and Knowledge. Khazanah has provided a RM3 billion endowment to Yayasan Hasanah, with the endowment positioned to provide a targeted RM150 million in annual funding for the foundation. The Board of Directors of Khazanah has also appointed Tan Sri Dato' Md Nor Yusof to be the Chairman of Yayasan Hasanah.

Overall, Khazanah has spent RM468 million on CR initiatives, including under Yayasan Hasanah, since 2006. The amount includes RM10 million spent in 2014 for disaster preparedness initiatives. This year, Khazanah committed RM20 million for flood relief and disaster preparedness efforts.

4. Sustainability and Institutionalisation

Khazanah will continue to build capacity and institutionalise in order to further create and distribute value, as well as provide support to the broader national development agenda. This includes continuous support for government policy formation and deepening of linkages across global knowledge networks. Key milestones in 2014 in this regard were the annual Khazanah Megatrends Forum which focused on scaling efficiencies through institutions, innovation and inclusion; the annual Khazanah Global Lecture which featured the Mayor of London Boris Johnson; and the publication of "The State of Households" by the Khazanah Research Institute, which analyses the state of households and household incomes, the Malaysian workforce, and related trade and investment policy.

5. Outlook for 2015

2014 was a challenging year, with Khazanah recording steady and consistent performance. 2015 will see Khazanah continuing its efforts to build sustainable progress, entering the year from a position of relative strength in the midst of a challenging outlook.

This year will see several milestones which will have an impact on Khazanah, namely the “graduation” of the GLC Transformation Programme, launch of the 11th Malaysia Plan, and Malaysia assuming the Chair of the Association of Southeast Asian Nations (“ASEAN”).

Overall, Khazanah will continue to stay the course with enhanced emphasis on the on-going and sustained rollout of investment strategies, institutionalisation, and focus on innovation and inclusivity.

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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.sbarif@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.