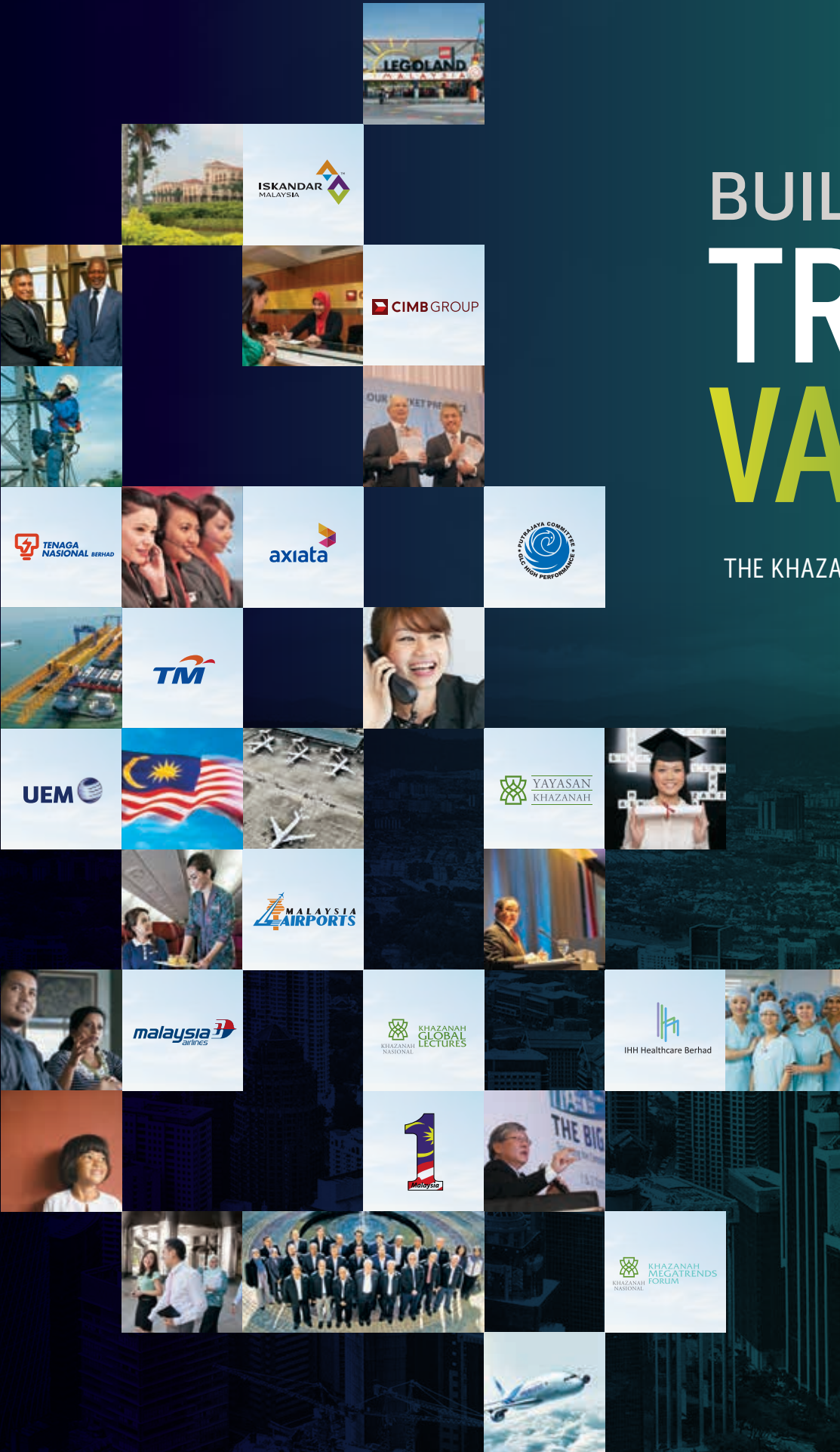




KHAZANAH NASIONAL

BUILDING TRUE VALUE

THE KHAZANAH REPORT 2012



The Khazanah Report 2012 outlines the goals, strategies, and vision embraced by Khazanah Nasional Berhad (Khazanah) in our role as the strategic investment fund of the Government of Malaysia as we seek to catalyse economic growth for the benefit of all Malaysians.

This is depicted on the cover of this report, which showcases the activities and developments of our core companies and key initiatives against the backdrop of the Kuala Lumpur skyline. The graphic design symbolises the collaborative efforts we undertake in partnership with our companies to build true value for the nation and its people.

This report is available online at www.khazanah.com.my



KHAZANAH
NASIONAL



“KALAU ASAL BENIH YANG BAIK, JATUH KE LAUT MENJADI PULAU”

is a Malay saying that literally means, “Good seed, even if it fell into the sea, would become an island.” Its essence is echoed by the English proverb, “Great oaks from little acorns grow”; fundamentally, the saying means that which is quintessentially good—be it a fertile seed, a noble idea, or a worthy plan—will prevail, and eventually produce great success. The ultimate wisdom contained in these proverbs resonates deeply with us at Khazanah. It reflects the thought and effort that we put into our work and the positive outcomes that we strive for towards nation-building. Indeed, with a clear vision, good preparation, and precise execution, initiatives of every form—an idea, a blueprint, an investment, an innovation, a commitment—can result in exceptional outcomes, driving great change and profoundly improving the quality of life of a family, a city, and a nation.

The process of transforming Malaysia into a fully developed nation, to achieve Vision 2020, is taking place at many levels, across many fields, and with many active participants—each contributing to the greater whole in driving national growth and progress, and putting in place the building blocks of prosperity for current and future generations.

At Khazanah, we are committed to building true and lasting value for the nation. True value has a strong financial foundation that encompasses strategic growth, human capital and social development dimensions. Every day, we strive to channel our energy and resources toward supporting the aspiration of making Malaysia globally competitive by 2020.

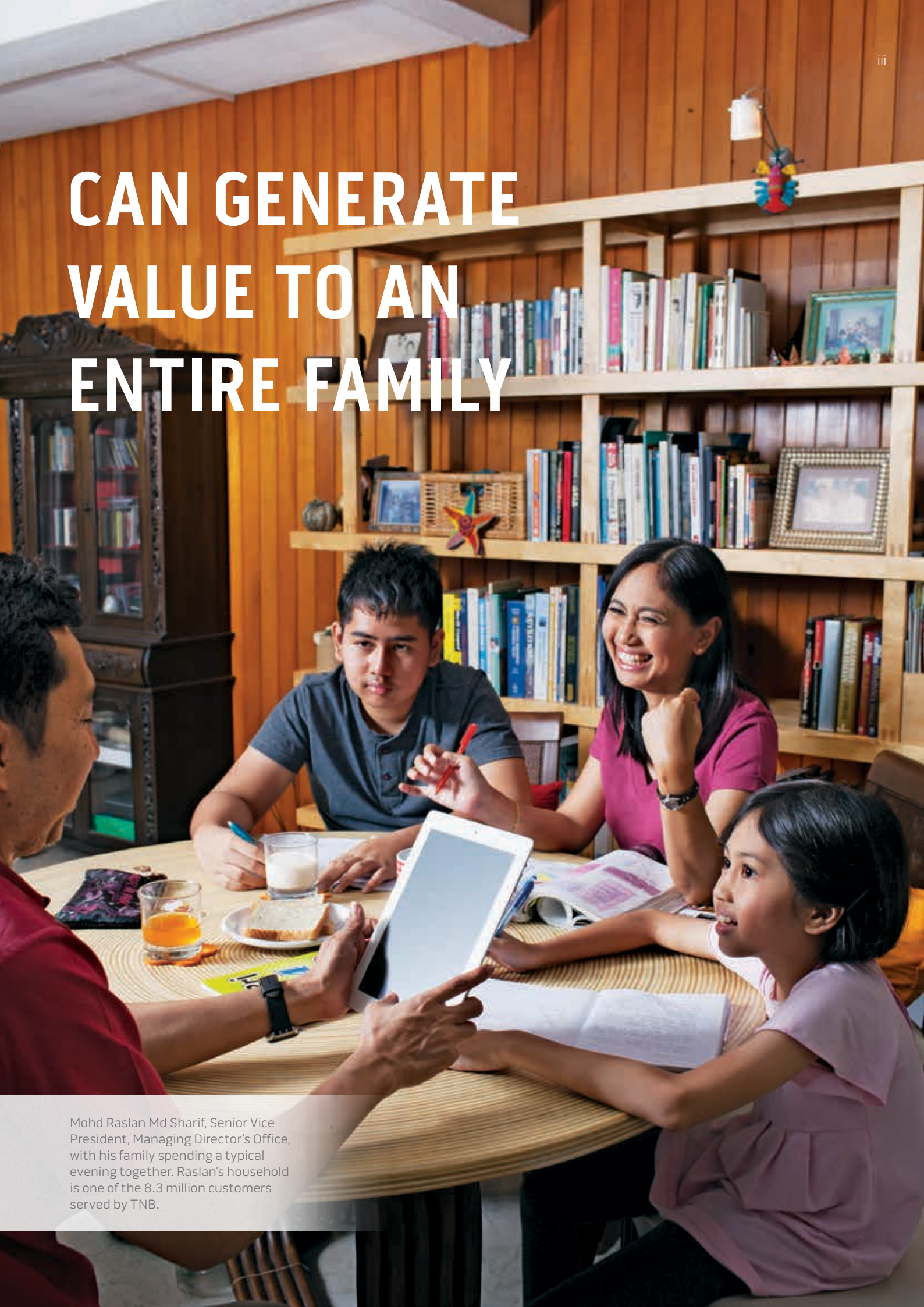
A SINGLE LIGHT BULB



Khazanah owns 34% of Tenaga Nasional Berhad (TNB), Malaysia's largest utility company. Along with TNB, we also have an 18% stake in Shuaibah Water and Electricity Company of Saudi Arabia, which supplies electricity and water to Jeddah and the holy city of Makkah.



CAN GENERATE VALUE TO AN ENTIRE FAMILY



Mohd Raslan Md Sharif, Senior Vice President, Managing Director's Office, with his family spending a typical evening together. Raslan's household is one of the 8.3 million customers served by TNB.



A SINGLE COMMITMENT

PINTAR Foundation was established in 2008 to spearhead the PINTAR Programme, a school adoption effort led by the Government-Linked Companies (GLCs) to assist children from low-income families in under-served communities in improving their academic performance. Seen here are students at Sekolah Kebangsaan Mohd Khir Johari, Kampung Melayu Majidee, Johor Bahru. The school was adopted under the PINTAR Programme on 16 March 2013 by Iskandar Investment Berhad, a Khazanah investee company. To date, 309 schools and 542,783 students have benefited from the programme since its inception in 2006.

A young woman with dark hair, wearing a black graduation cap and a white lace-trimmed graduation gown, smiles warmly at the camera. She is holding a rolled-up white diploma tied with a red ribbon. The background is a blackboard with a crossword puzzle. The words 'STEPHANIA' and 'SHULS' are visible in the top row, 'VISHA' in the second row, 'WANI' in the third row, and 'ZANI' in the fourth row. The woman's name 'CHRISTINA' is partially visible in the crossword grid.

CAN NURTURE VALUE IN THE NEXT GENERATION

Christina Leong Hui Yee graduated with distinction from University of Melbourne with a bachelor's degree in commerce (accounting and finance). She was selected to undergo Khazanah's Graduate Trainee programme and is now an Associate at Khazanah.

A SINGLE TREATMENT



Dr Omar Pervez of IMU Healthcare, treating a patient by using Instrumental Traction Therapy, an innovative non-invasive procedure for lower-back pathologies. IMU Healthcare is wholly-owned by IHH Healthcare Berhad, in which Khazanah has a 45.7% stake.



IHH Healthcare Berhad



CAN BREATHE VALUE INTO A HEALTHY NATION

Malaysians celebrating Merdeka
(Independence) Day on 31 August
2012 at Merdeka Square.

A SINGLE CONNECTION

Khazanah's investments in telecommunications encompass providers of fixed-line, cellular, and data. Its holdings in this sector include a 29% stake in Telekom Malaysia Berhad, the country's leading high-speed broadband service provider, as well as a 39% share in Axiata Group Berhad, which serves 215 million mobile phone users across Asia.





CAN DELIVER VALUE ACROSS BORDERS

Chen Wei Jia (left) and Addeno Abdul Rasyid, both Associates in Investments, at our KLCC office video conferencing with colleagues Kenneth Woo Zhi Ying, Vice President, and Vivienne Chen Yi Wei, Associate, both from the Investments team at Khazanah's Beijing Regional Office.



**A SINGLE
BLUEPRINT CAN
CATALYSE VALUE
IN A NEW AND
COMPETITIVE
ECONOMY**

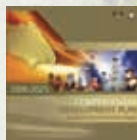


The Comprehensive Development Plan for Iskandar Malaysia was developed by Khazanah and launched on 6 November 2006 by His Royal Highness Almarhum Sultan Mahmud Iskandar Alhaj Ibni Alharhum Sultan Ismail al-Khalidi, the late Sultan of Johor. By the end of 2012, a total of RM100 billion of committed investments has been achieved, of which 41% is already implemented, with the remainder at varying stages of implementation.

Khazanah's interest in Iskandar Malaysia is led by its 60% stake in Iskandar Investment Berhad to undertake catalytic investments and its 64.89% stake in UEM Land, now the largest listed property company on Bursa Malaysia with a market capitalisation of RM9.09 billion (USD2.98 billion) as at 31 December 2012.



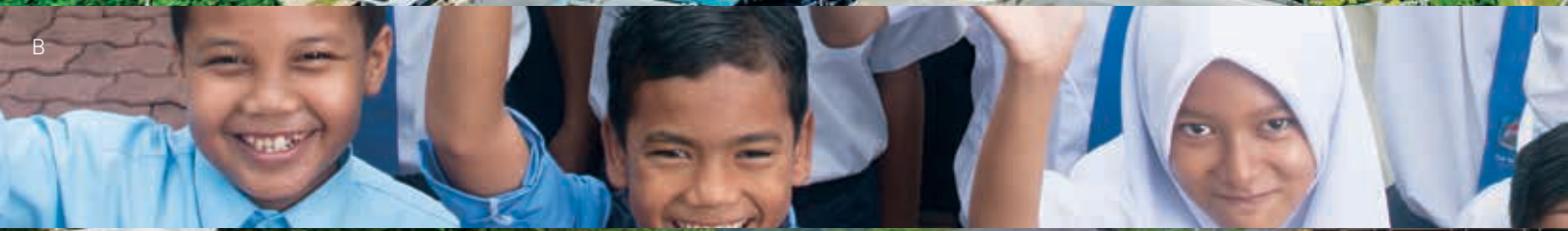
A member of UEM Group





A

xii



B



C



D

**A SINGULARITY OF PURPOSE
CAN UNITE A NATION TO BUILD
TRUE AND LASTING VALUE**



E

- A:** PLUS Rest and Service Area at Sungai Perak, Perak
- B:** Students from Sekolah Kebangsaan Mohd Khir Johari, Kampung Melayu Majidee, Johor Bahru
- C:** The Datai Langkawi, Langkawi
- D:** Operating theatre nurses from Gleneagles Hospital
- E:** Mohd Fuad Ahmad, Senior Vice President, Managing Director's Office
- F:** Satellite Terminal at the Kuala Lumpur International Airport, Sepang
- G:** Teluk Datai, Langkawi



F



G





TRUEVIEW

Khazanah's head office is in Tower 2 of the iconic Petronas Twin Towers of Kuala Lumpur City Centre. Peering over the Kuala Lumpur skyline, the Petronas Twin Towers signify the ambition and determination of our young country to build a developed nation in the truest sense of the word, in line with Vision 2020. Khazanah aims to play its part by building true value through its investments.



KHAZANAH
NASIONAL

BUILDING

VALUE

TABLE OF CONTENTS

Who We Are **3**
 Our Journey Thus Far
 2012 In Review **4**
 Our Mandate **6**

AN OVERVIEW OF A NATION-BUILDING INSTITUTION **8**

Chairman's Message **10**
 Our Governance and
 Accountability Framework **14**
 The Khazanah
 Board of Directors **16**
 Message from
 the Managing Director **18**
 The Senior Leadership Team **26**

FINANCIAL REVIEW **28**

Realisable Asset Value **30**
 Net Worth Adjusted **30**
 Key Portfolio and Other
 Indicators **31**
 Portfolio Relative Performance **32**
 Portfolio Movement Analysis **32**
 Total Shareholder Returns **33**
 Aggregate Earnings **33**
 Independent Auditors' Report **34**
 Selected Financial Indicators **35**
 Capital and Liability
 Management and
 Islamic Finance **37**

CREATING TRUE VALUE THROUGH OUR INVESTMENTS **38**

Investing in Growth and
 Development **40**
 Empowering Our Companies **44**
 Driving Performance and
 Charting New Paths **46**
 Investment Holding Structure **48**
 Building a Regional Footprint **58**
 Transforming GLCs **60**

Special Features and Case Studies:

Telekom Malaysia Demerger **66**
*The Role of Strategic
 Investments in
 National Development* **74**
Iskandar Malaysia **80**

DELIVERING BENEFITS TO STAKEHOLDERS **90**

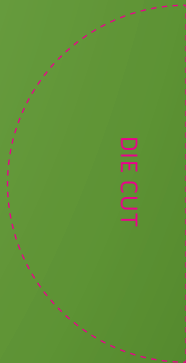
Sharing Gains with
 Stakeholders **92**
 Being a Responsible
 Corporate Citizen **96**
 Selected Highlights of
 Corporate Responsibility
 Activities in 2012 **98**

BUILDING AN INSTITUTION **100**

Khazanah as a Learning
 Organisation **102**
 Supporting National
 Transformation **106**
 Our People, Our Values **108**

Khazanah is
the strategic
investment fund of
the Government
of Malaysia.

See Our Journey Thus Far



WHO WE ARE

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 on behalf of the nation. In this capacity, we are involved in strategic sectors such as power, telecommunications, banking, healthcare, aviation, and property development, amongst others. The key listed companies in our portfolio include Axiata Group Berhad, CIMB Group Holdings Berhad, Tenaga Nasional Berhad, IHH Healthcare Berhad, UEM Group Berhad, Telekom Malaysia Berhad, Malaysia Airports Holdings Berhad, and Malaysian Airline System Berhad.

We play a catalytic role in driving various strategic industries and national initiatives in Malaysia, nurturing their development with the objective of pursuing Malaysia's long-term economic interests. We are also the key agency mandated to drive shareholder value creation, heighten efficiency gains, and enhance corporate governance in companies controlled by the Government, commonly known as Government-Linked Companies, or GLCs, in our capacity as the secretariat to the Putrajaya Committee on GLC High Performance (PCG).

Khazanah was incorporated under the Companies Act 1965 on 3 September 1993 as a public limited company and commenced operations a year later.

Except for one share owned by the Federal Land Commissioner, all the share capital of Khazanah is owned by the Minister of Finance Incorporated, a body incorporated pursuant to the Minister of Finance (Incorporation) Act 1957.

In 2004, Khazanah went through a strategic revamp and was given its current mandate. Tan Sri Dato' Azman Hj Mokhtar, the current Managing Director of Khazanah, was appointed to the position in that year. Khazanah is governed by a nine-member Board of Directors chaired by Malaysia's Prime Minister and Minister of Finance, Dato' Sri Mohd Najib Tun Hj Abdul Razak.

Khazanah is a Malay word of Arabic origin, meaning "treasure." The same word can also be found in many other languages and carries the same meaning. The name Khazanah Nasional, meaning "national treasure," and the design of Khazanah's logo, which is inspired by the cembul, a traditional Malay jewellery box, represent the organisation's role as one of the trustees of the nation's commercial assets. The criss-cross of lines represents our investments across multiple sectors and geographies, and highlights our role as a catalyst for new and strategic ventures. Seen as a whole, the logo embodies the dual and holistic role Khazanah plays as the commercial and strategic investment fund for the nation.

Khazanah Nasional Berhad

Level 33, Tower 2, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia
T +603 2034 0000 • F +603 2034 0001 • Email: info@khazanah.com.my

www.khazanah.com.my



KHAZANAH
NASIONAL



'94 — '03 '04

- Khazanah commences operation in August 1994 under the leadership of Tun Dr Mahathir Mohamad, as the first Chairman of Khazanah
- Tan Sri Dato' Mohd Sheriff Mohd Kassim is appointed the first Managing Director of Khazanah

- Dato' Anwar Aji is appointed the second Managing Director of Khazanah
- Tun Abdullah Ahmad Badawi becomes the second Chairman of Khazanah

- Tan Sri Dato' Azman Hj Mokhtar is appointed the third Managing Director of Khazanah
- The start of Khazanah's strategic revamp, when it receives a new mandate from the Government to be an active shareholder and to drive the transformation of GLCs
- Injection of shares in public listed companies held by the Government into Khazanah
- PLUS exchangeable bond—Khazanah issues its first bond

BUILDING ON THE STRONG FOUNDATIONS SET SINCE INCEPTION IN 1994, THE KHAZANAH STRATEGIC REVAMP WAS LAUNCHED IN 2004

DIE CUT





'05

- Launch of the GLC Transformation Programme
- Khazanah moves to new headquarters in the Petronas Twin Towers
- Khazanah makes its first wave of overseas investments in Indonesia, China, India, and Saudi Arabia, expanding its investment footprint into the region
- Khazanah is given the task of conducting a feasibility study on the development of a special economic zone in south Johor, now known as Iskandar Malaysia
- Launch of the Blue Book on Intensifying Performance Management, the first of the "coloured books" to guide GLCs in implementing best practices

'06

- Launch of the PINTAR school adoption programme, involving the participation of GLCs in improving educational outcomes of students in under-served communities, mainly in rural areas
- Yayasan Khazanah established to provide scholarships to outstanding students to pursue studies at leading universities around the world
- Launch of the Graduate Employability Enhancement Programme (GREEN)
- The first annual Khazanah Megatrends Forum is held, bringing together leading personalities to explore thoughts and ideas on how emerging megatrends will shape world business and government policies
- Investment in Pantai Holdings Bhd paves the way for Khazanah's strategic investment in healthcare
- Telekom Malaysia Berhad (TM) exchangeable sukuk, the first-ever shariah-compliant exchangeable sukuk, issued by Khazanah
- Launch of Iskandar Malaysia by His Royal Highness Almarhum Sultan Mahmud Iskandar Alhaj Ibni Almarhum Sultan Ismail al-Khalidi, the late Sultan of Johor ([see page 80 for a Special Feature on Iskandar Malaysia](#))
- Completion of CIMB's takeover of Southern Bank, positioning it as a major player in the local banking sector

'07

- Establishment of Khazanah Koridor Utara (KKU) Office to enhance Khazanah's developmental efforts in the Northern Corridor Economic Region
- Middle-Eastern investment in Medini, the first large-scale international investment in Iskandar Malaysia
- Divestment of RHB to streamline Khazanah's investments in the financial sector
- PLUS exchangeable sukuk issued by Khazanah, the largest equity-linked sukuk, attracting the highest-ever subscription
- Khazanah Merdeka Series is held in conjunction with Malaysia's 50th anniversary of independence, comprising Khazanah Global Lectures, Khazanah Megatrends Forum, and Khazanah National Development Seminar. The lectures feature former Prime Minister Tun Abdullah Ahmad Badawi and three Nobel Prize winners—former United Nations Secretary-General Kofi Annan, Grameen Bank founder Dr Muhammad Yunus, and economist Joseph Stiglitz

STRATEGIC 4





'08

'09

'10

- Establishment of China and India offices extends Khazanah's footprint into two of the world's largest economies
- TM and Telekom Malaysia International (TMI) demerge to unlock the potential of Khazanah's holdings in the telecommunications sector (see page 66 for a Special Feature on the demerger)
- Bank Lippo-Bank Niaga merger, which consolidates Khazanah's Indonesian banking assets under CIMB, creating the sixth-largest bank in Indonesia
- Time dotCom restructuring, which involves a pioneering earn-out structure for local entrepreneurs
- UEM undergoes major restructuring, which also results in the initial public offering of UEM Land
- Commencement of Malaysia's High-Speed Broadband (HSBB) project, involving a public-private partnership between Telekom Malaysia Berhad and the Government to build a national high-speed broadband network
- Parkson exchangeable sukuk issued by Khazanah, the first sukuk to offer investors exposure to China's retail consumption growth
- Khazanah Global Lectures continues, with lectures by Carlos Ghosn, Chairman and CEO of both Nissan and Renault, and Dr A.P.J. Abdul Kalam, former President of India

- Prime Minister Dato' Sri Mohd Najib Tun Hj Abdul Razak becomes the third Chairman of Khazanah
- Launch of Yayasan Sejahtera, a social initiative under the auspices of the Putrajaya Committee on GLC High Performance (PCG) and Khazanah that focuses on addressing extreme poverty in rural areas
- Launch of Graduate Employability Management Scheme (GEMS) to enhance graduate employability in Malaysia
- Opening of Khazanah Sentral Office, Khazanah's satellite office in KL Sentral
- Khazanah Global Lecture by Sir John Bond, Chairman of Vodafone Group Plc
- Signing of agreement with Pinewood Shepperton plc to develop Pinewood Iskandar Malaysia Studios, a state-of-the-art integrated media production studio facility in Iskandar Malaysia
- Acquisition of a 21% stake in Fajr Capital Limited, an Islamic investment firm based in Dubai
- Investment in Small Bone Innovations, Inc., a leading US-based specialised orthopaedics company paving the way for the setting up of Small Bone Innovations in Asia Pacific

- New Economic Model (NEM) launched by Prime Minister Dato' Sri Mohd Najib Tun Hj Abdul Razak (see page 74 for a Special Feature on how Khazanah's role as a strategic investor supports the NEM)
- Malaysia-Singapore Points of Agreement (POA) settlement, a landmark agreement between Malaysia and Singapore that paves the way for greater strategic and economic collaboration between the two countries, including in Iskandar Malaysia
- Launch of Yayasan Amir, a public-private partnership initiative for improving school performance and education outcomes in Malaysia via the Trust School Programme
- Launch of Teach for Malaysia, a Khazanah-supported programme that involves a two-year fellowship for Malaysian graduates and young professionals to teach in selected high-need schools nationwide
- Incorporation of IHH Healthcare Berhad (IHH), another key development in Khazanah's healthcare portfolio
- General offer for Parkway Holdings, resulting in the takeover of Parkway by Khazanah
- Khazanah issues inaugural Singapore dollar (SGD) sukuk, the largest sukuk in Singapore
- Launch of the Teluk Datai master development plan, an investment in the leisure and tourism sector in Langkawi
- Khazanah publishes "Opportunities and Risks Arising from Climate Change for Malaysia," a study to identify opportunity and risks related to carbon reduction in major emitting sectors
- Khazanah Global Lecture by Dr Manmohan Singh, Prime Minister of India





'11

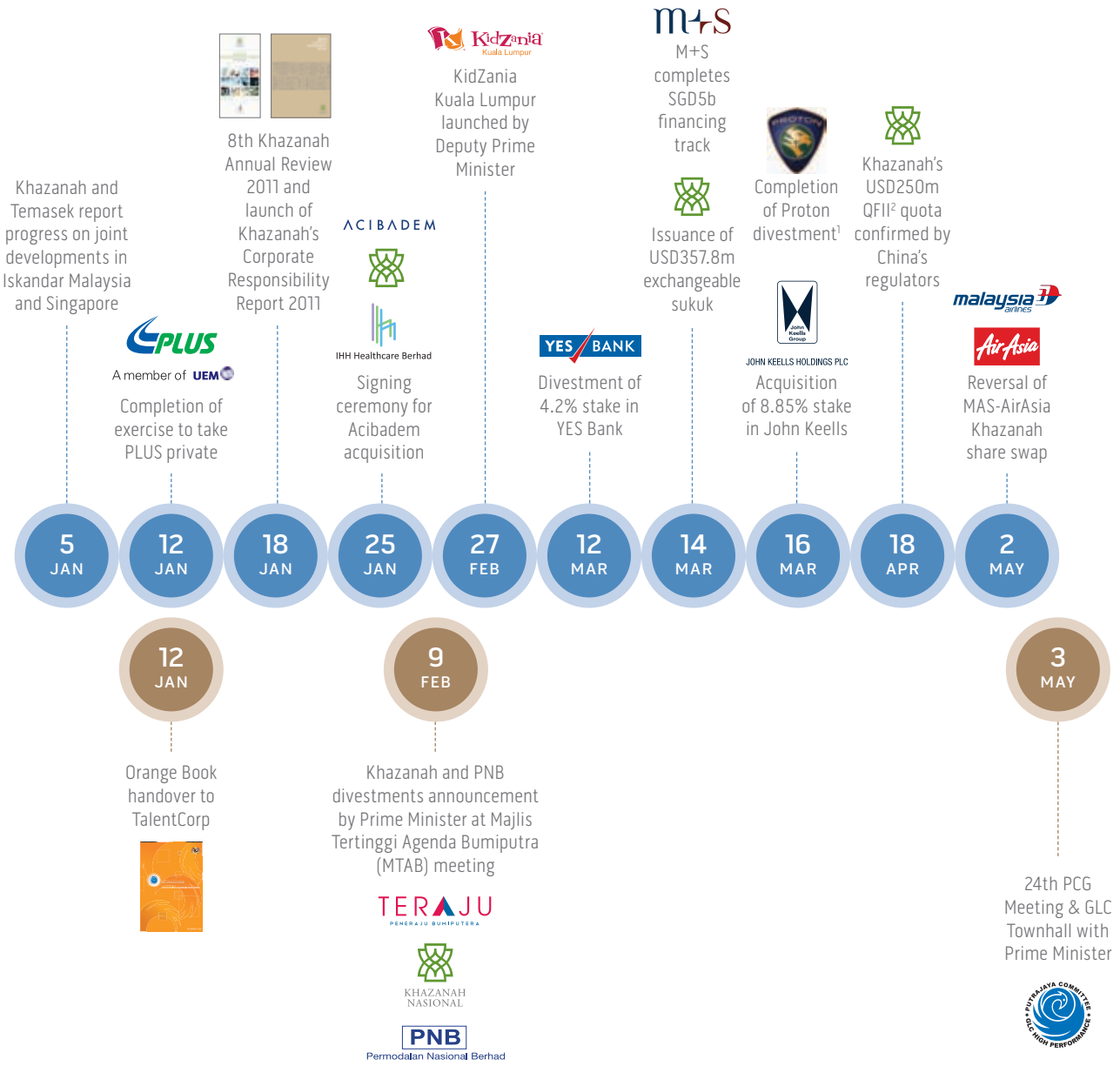


- Iskandar Malaysia reaches five-year milestone, with significant progress on the ground
- UEM Land and Sunrise merger, making UEM Land the largest property developer in Malaysia
- Mitsui invests in IHH, a strategic partnership that further strengthens Khazanah's positioning within the healthcare industry
- Strategic divestment of POS Malaysia, the national postal company
- Announcement of Khazanah-Temasek joint investments to undertake projects in Iskandar Malaysia and Singapore, beginning with the establishment of M+S Pte Ltd, owned 60:40 by Khazanah and Temasek Holdings (Private) Limited, respectively, and Pulau Indah Ventures Sdn Bhd, a 50:50 joint venture
- MAS-AirAsia share swap and launch of Comprehensive Collaboration Framework
- Khazanah launches inaugural renminbi (RMB) sukuk, the world's first RMB offshore sukuk
- GLC Open Day is held to enhance public awareness of the roles played by GLCs
- Khazanah Global Lecture by Mary Robinson, former President of Ireland



2012 IN REVIEW

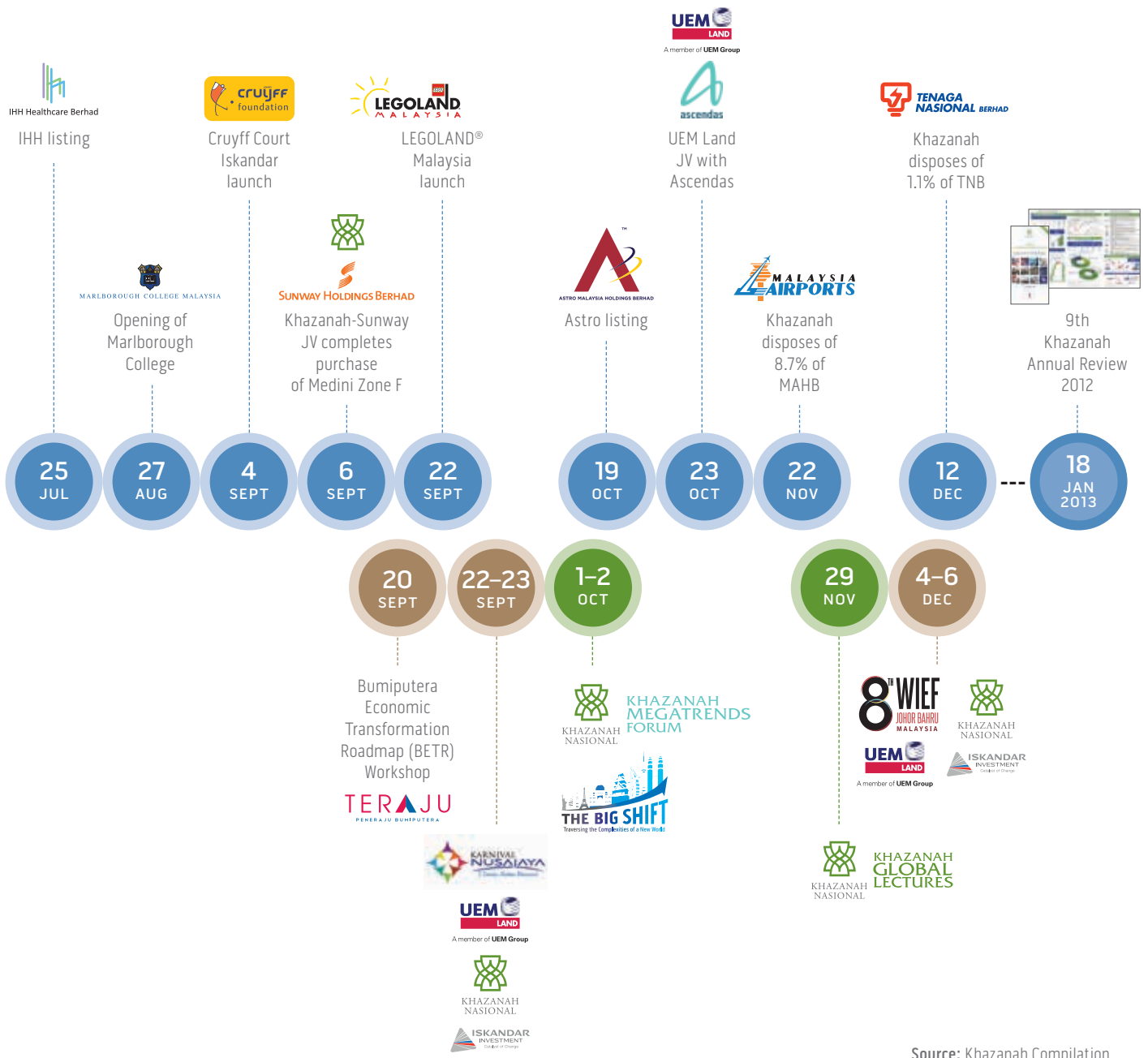
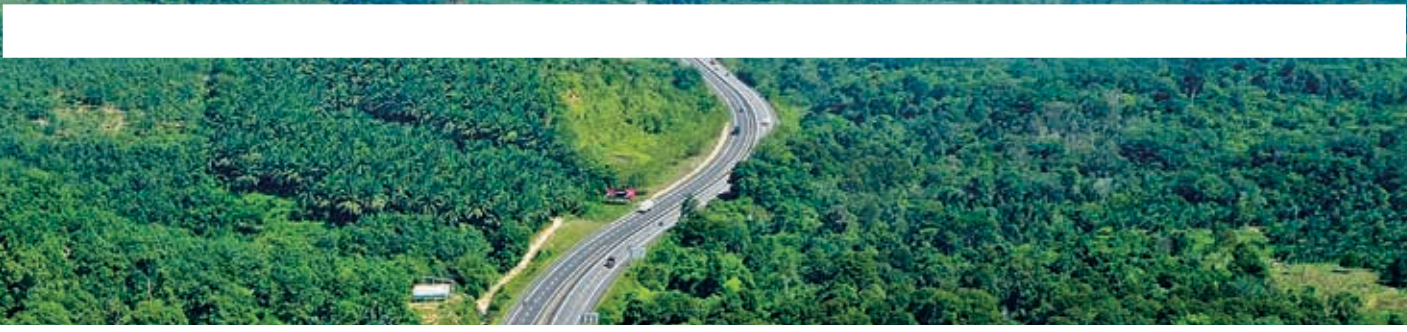
2012 saw several key transactions that underlined our role as a strategic investment fund. They included corporate exercises and strategic divestments to support national development objectives, acquisitions to tap into new growth areas, initial public offerings (IPOs) involving key investee companies, and the completion of key catalytic projects.



- KEY KHAZANAH-RELATED TRANSACTIONS AND EVENTS
- KNOWLEDGE EVENTS
- NATIONAL INITIATIVES

¹ Khazanah is a former shareholder in national automaker Proton Holdings Berhad. We undertook a strategic divestment of our entire stake in the company to DRB-Hicom Berhad in January 2012
² QFII is defined as Qualified Foreign Institutional Investor





Source: Khazanah Compilation



Our Mandate

As an active and strategic investor, we are focused on creating sustainable value in all that we do, raising national competitiveness, and cultivating a high-performance culture, as underpinned by our mandate.

We have a proactive investment style which includes the management of our existing investments and driving the GLC Transformation Programme through the Putrajaya Committee on GLC High Performance (PCG). We seek new economy investments and sectors, as well as new geographies that are deemed important to Malaysia's future. Part of our mandate is also the active development of human, social, and knowledge capital for the country. Ultimately, Khazanah's vision is to be the leading strategic investment house, creating sustainable value for a globally competitive Malaysia.

14 MAY 2004

"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... stronger, more nimble and able to create more value."

Tun Abdullah Hj Ahmad Badawi
Fifth Prime Minister of Malaysia

30 JUNE 2009

"... the Government is committed to ensure that the GLC Transformation Programme continues to be implemented, if anything, with greater urgency and focus. The continued drive for high performance is critical to ensure that Malaysia is able to unlock its full growth potential."

Dato' Sri Mohd Najib Tun Hj Abdul Razak
Prime Minister of Malaysia



This illustration encapsulates Khazanah's mandate, with the roof representing our Vision, supported by four pillars that define our work and are anchored on our core foundations.

The four strategic pillars of our mandate encompass the broad thrusts of the multifaceted work that we do.

LEGACY INVESTMENTS

Streamlining and restructuring our companies

As an active shareholder, we nurture our investee companies into highly competitive entities that are capable of delivering sustainable value.

1

GLC TRANSFORMATION

Increasing shareholder and strategic value for the nation

The GLC Transformation Programme is overseen by the PCG, of which Khazanah is the secretariat. The success of the GLCs is a critical factor in the country's journey towards achieving Vision 2020. The programme's ultimate aspiration is to have resilient and competitive GLCs performing at par with top peers and competitors and becoming regional if not global champions in their respective sectors.

2

NEW INVESTMENTS

New sectors and geographies that are strategic to the nation

Khazanah invests in new sectors and new economy areas, as well as in geographies that catalyse growth and have a transformative impact on the national economy, including creating cross-border linkages that build the nation's long-term competitiveness.

3

HUMAN CAPITAL MANAGEMENT

Actively developing human capital for the nation

Our mandate calls for the active development of human capital for the nation through a broad range of knowledge and social platforms, anchored in the culture of high performance and a long-term focus on nation-building.

4

AN OVERVIEW OF A NATION-BUILDING INSTITUTION

In 2004, Khazanah embarked on a new set of challenges as an institution, one that would contribute towards Malaysia achieving a developed and high-income nation status. Our efforts move in tandem with the country's transformation agenda, as we strive to contribute towards building Malaysia's long-term competitiveness and capacity for growth and prosperity.

Our Board of Directors, led by our Chairman, Dato' Sri Mohd Najib Tun Hj Abdul Razak, guides the efforts of our Managing Director and the senior leadership team in executing the new mandate that we have been entrusted with, underpinned by a robust governance and accountability framework that ensures our operations are conducted in a responsible, transparent, accountable, and sustainable manner.

Since the start of our new mandate, we have continued to grow and progress as an institution. We have achieved much in strengthening our organisation, in driving our investee companies forward, in delivering on our roles in key national initiatives, and in growing the value of our portfolio overall. Through our efforts, we aspire to making contributions that have a significant impact, and that will play a meaningful part in the Malaysian journey that continues to unfold.

CONTENTS

Chairman's
Message
10

Our Governance
and Accountability
Framework
14

The Khazanah
Board of Directors
16

Message from the
Managing Director
18

The Senior
Leadership Team
26

CHAIRMAN'S MESSAGE



Dato' Sri Mohd
Najib Tun Hj Abdul Razak
Chairman
Khazanah Nasional Berhad

EMBRACING NEW IMPERATIVES



Official launch of the GLC Open Day 2011

These are times of great progress and achievement for Malaysia. In each state and in every corner of the country, people are coming together as they set out to build better lives for themselves and their families. We are on a journey that is transforming Malaysia into a more prosperous and inclusive nation.

This transformation that Malaysia is undergoing has its roots in and is founded upon the New Economic Model (NEM), which the Government introduced in 2010 to move the country further forward in achieving the goals of Vision 2020. One of the key pillars of the NEM is the Economic Transformation Programme (ETP), which is driving the positive changes that we can see unfolding before us, bringing us closer towards becoming a developed nation with a high-income economy that is sustainable and inclusive. More importantly, Malaysians are already benefiting from these changes, both through the emerging outcomes of recently introduced initiatives and through the results of other ongoing efforts initiated earlier by the Government.





While this is a period of achievement and progress for Malaysia, it is also a very challenging time. Business as usual will not be enough to deliver on the goals of high income, inclusiveness, and sustainability. Malaysia is at a critical point in its economic development. There has been a tempering of growth momentum over the past decade, and it has become increasingly clear that the historical drivers of growth can no longer be relied on to deliver strong economic outcomes. In an increasingly competitive global economy, it is more difficult to generate high rates of economic growth. Growth can no longer be taken for granted, but needs to be earned if we are going to achieve our goal of a developed-nation status by 2020.

The Government will continue to steer and guide the country towards that goal. As one of the nation's important economic institutions, Khazanah contributes to the collective effort

that is propelling Malaysia onward, specifically in fulfilling the mandate it has been given, to play a comprehensive nation-building role as the Government's strategic investment fund. Khazanah is an institution that is reflective of Malaysia's ambitions, while at the same time embracing new economic imperatives. Its track record demonstrates that. In 2004, with a new mandate in hand, Khazanah began laying the foundations of its role as a strategic investment fund as well as its stewardship of the Government-Linked Company (GLC) Transformation Programme. The transformation of GLCs towards greater efficiency and competitiveness is well underway and has produced strong results thus far, with several GLCs now being regarded as regional champions.

Over the years, the reach and spread of Malaysia's business and economic interests have further expanded into new markets,



Khazanah Chairman, Dato' Sri Mohd Najib, at various Khazanah-related events: **A:** Keynote Address at the Khazanah Megatrends Forum 2012 **B:** Launch of IHH Healthcare Berhad Prospectus in 2012 **C:** Tour of the Khazanah booth at the GLC Open Day 2011 **D:** Launch of Friends of Iskandar Ramsar initiative at the Khazanah Megatrends Forum 2012 **E:** Khazanah Megatrends Forum 2012 **F:** With Board and Senior Leadership Team members, as well as other senior management, at the Khazanah Board Retreat 2012

sectors, and geographies. Khazanah has played a significant role in spurring economic activities and growth through significant inroads into several strategic sectors. Geographically, it has created new opportunities for Malaysia by expanding its investment portfolio into some of the world's most vibrant economies, such as China and India, as well as by driving its investee companies towards greater regionalisation. At the same time, the growth and progress of the southern economic corridor that is Iskandar Malaysia are forging ahead at an encouraging pace, with Khazanah being one of the primary drivers in its continuing development.

This strong economic contribution has helped to deliver significant benefits and improved the quality of life for Malaysians. As Khazanah moves forward in executing its roles and responsibilities, we see a domestic, regional, and global business environment that holds

tremendous opportunities for Malaysia. We will continue to make the decisions and investments we believe will be necessary to build true value for the 29 million Malaysians who are our ultimate stakeholders.

As Chairman of Khazanah, I would like to take this opportunity to thank everyone who has played a role in Khazanah's success for their passion, perseverance, and hard work. I would also like to thank my fellow Board members for their collective efforts. There is still much work to be done in the Malaysian journey of transformation, but our country and Khazanah have made great progress, and for that we should all be proud.

Thank you.

**Dato' Sri Mohd
Najib Tun Hj Abdul Razak**

Chairman
Khazanah Nasional Berhad

Our Governance and Accountability Framework

As the strategic investment fund of the Government of Malaysia, Khazanah upholds rigorous standards of transparency and accountability. We are guided by a governance and accountability framework that establishes a clear responsibility, authority, and governance structure for the ongoing oversight of our operations. This is strengthened by internal systems and controls in the form of policies, procedures, and guidelines on matters ranging from risk management and investment approvals to corporate values and ethical standards.

We also make appropriate disclosures of our performance and operations, be they disclosures required by law and the relevant authorities or voluntary dissemination of information to our stakeholders, including the public, across a variety of platforms and forums. We are audited by the Auditor-General's Office, through the Ministry of Finance, and are answerable to the Malaysian Parliament, where we have appeared before the Public Accounts Committee. We submit our audited financial statements to the Companies Commission of Malaysia every year.

We provide comprehensive information regarding our structure, our roles and responsibilities, and our work, through our official website and publications. These publications include the annual Khazanah Corporate Responsibility

Report, Iskandar Malaysia Five-Year Progress Report, the annual Government-Linked Companies (GLC) Transformation Programme Progress Review—through our role as secretariat to the Putrajaya Committee on GLC High Performance (PCG)—as well as The Khazanah Report.

We operate within the framework of a clearly defined mandate that is aligned with the national development objectives of the Government, our ultimate shareholder. Our mandate guides our investment and operational approach, ensuring that it is consistent with the objectives set by our shareholder.

Khazanah taps into international capital markets from time to time, and in the process our security and financial investments are rated. To this end, we provide adequate and frequent disclosure of our financial position through rating

agencies and market participants. We comply with statutory public disclosure requirements concerning our investments, divestments, and capital-raising exercises. We also disclose financial data to our shareholder (Minister of Finance, Inc.), Bank Negara Malaysia, and the Department of Statistics on a regular basis. In addition, we make public our financial and strategic performance through the Khazanah Annual Review, which has been held every year since 2004.

We are governed by a Board of Directors comprising representatives from the Government and the corporate sector with diverse professional backgrounds and expertise. Dato' Sri Mohd Najib Tun Hj Abdul Razak, the Prime Minister of Malaysia and Minister of Finance, is the Chairman of our Board.

The Board is ultimately accountable and responsible for the overall governance and performance of Khazanah. A Board Charter has been developed, which sets

KHAZANAH WAS INCORPORATED IN SEPTEMBER 1993 AS A PUBLIC LIMITED COMPANY UNDER THE COMPANIES ACT 1965, AND HELD ITS FIRST BOARD MEETING IN MAY 1994. ALL OF ITS EQUITY, WITH THE EXCEPTION OF ONE SHARE THAT IS OWNED BY THE FEDERAL LAND COMMISSIONER, IS OWNED BY MINISTER OF FINANCE, INC.

out the roles and responsibilities of the Board in overseeing the management of Khazanah.

The Board meets once every quarter to review specific key decisions and any other matters that have been reserved for its approval as submitted by the Management of Khazanah.

The Board is assisted by two sub-committees, namely the Executive Committee (EXCO) and the Audit and Risk Committee (ARC), in the discharge of its duties and responsibilities. The three-member EXCO comprises two Non-Executive Directors and an Executive Director, while the ARC consists of two Independent Directors. Both committees are governed by their respective terms of reference, as approved by the Board.

The Board has adopted a Governance and Risk Management Framework to serve as a guide for the effective management of risks and to inculcate and embed a

culture of good corporate governance and risk management throughout Khazanah. The framework comprises five areas:

- A Risk Management Policy, which sets out the key principles, processes, and responsibilities in managing risks
- The Schedule of Matters for the Board, which provides a comprehensive governance and authority structure for the Board and its sub-committees
- The Limits of Authority, which defines the limits of authority applicable to the Management
- A Code of Conduct and Procedures for raising concerns, which defines standards of ethical business practice
- The Policies, Processes, and Procedures, which serve as a guide to employees on compliance with internal controls and applicable laws

The Khazanah Board of Directors

DATO' SRI MOHD NAJIB TUN HJ ABDUL RAZAK
Since 7 May 2009
Chairman

TAN SRI DATO' NOR MOHAMED YAKCOP
Since 12 November 2002
Deputy Chairman (effective 3 June 2013)

DATO' SERI AHMAD HUSNI HANADZLAH
Since 18 May 2009

TAN SRI MD NOR YUSOF
Since 1 April 2006
EXCO member (Chairman)

RAJA TAN SRI DATO' SERI ARSHAD RAJA TUN UDA
Since 1 April 2006
ARC member (Chairman)

TAN SRI MOHAMED AZMAN YAHYA
Since 1 June 2004
ARC member

DATO' MOHAMMED AZLAN HASHIM
Since 1 June 2004
EXCO member

TAN SRI ANDREW SHENG
Since 22 July 2008

TAN SRI DATO' AZMAN HJ MOKHTAR
Since 1 June 2004
EXCO member

The Khazanah Board of Directors



**DATO' SRI MOHD NAJIB
TUN HJ ABDUL RAZAK**
Chairman

Dato' Sri Mohd Najib is the Prime Minister of Malaysia and Minister of Finance. He previously held various ministerial posts including Minister of Culture, Youth and Sports, Minister of Defence, and Minister of Education, as well as being Deputy Prime Minister from 2004 to 2009. He also served as the Chief Minister of Pahang from 1982 to 1986.



**TAN SRI DATO' NOR
MOHAMED YAKCOP**
Deputy Chairman
(effective 3 June 2013)

Tan Sri Nor was Minister in the Prime Minister's Department in charge of the Economic Planning Unit. He had previously served as Minister of Finance II and Special Economic Adviser to the Prime Minister. Additionally, Tan Sri Nor spent over 30 years with the Bank Negara Malaysia in various capacities.



**DATO' SERI AHMAD
HUSNI HANADZLAH**

Dato' Seri Husni is Minister of Finance II. He was formerly Deputy Minister of Finance I and Deputy Minister of International Trade and Industry.



TAN SRI MD NOR YUSOF

Tan Sri Md Nor Yusof is the Chairman of CIMB Holdings Group Berhad and sits on various boards, including those of Malaysian Airline System Berhad and Pelaburan Hartanah Berhad. He is also a Trustee of Yayasan Khazanah and was formerly the Executive Chairman of the Securities Commission and Adviser to the Minister of Finance. He is also the Chairman of the Executive Committee (EXCO) of Khazanah.

THE KHAZANAH BOARD OF DIRECTORS

Our Board of Directors provides guidance and direction to our senior leadership team and oversees the execution of our mandate.

The Board has nine members who represent the public and private sectors. It is chaired by Dato' Sri Mohd Najib Tun Hj Abdul Razak, the Prime Minister of Malaysia and Minister of Finance.



RAJA TAN SRI DATO' SERI ARSHAD RAJA TUN UDA

Raja Tan Sri Arshad is the Chairman of Maxis Berhad, Ekuiti Nasional Berhad, ACR Retakafu SEA Berhad, Asia Capital Reinsurance Malaysia Sdn Bhd, and Yayasan Raja Muda Selangor. He was formerly the Executive Chairman and Senior Partner of PwC Malaysia for 18 years. He also chairs the Audit and Risk Committee (ARC) of Khazanah.



TAN SRI MOHAMED AZMAN YAHYA

Tan Sri Azman Yahya is the founder and Group Chief Executive of Symphony House Berhad, and Executive Chairman of Bolton Berhad. He also sits on the boards of Ekuiti Nasional Berhad and several Khazanah investee companies. He was formerly the CEO of Danaharta and Chairman of the Corporate Debt Restructuring Committee.



DATO' MOHAMMED AZLAN HASHIM

Dato' Mohammed Azlan is chairman and board member of several public listed companies and government-related organisations. Dato' Mohammed Azlan was also formerly Chief Executive of Bumiputra Merchant Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad, and Executive Chairman of Bursa Malaysia Berhad.



TAN SRI ANDREW SHENG

Tan Sri Andrew is the Chief Adviser to the China Banking Regulatory Commission and a board member of Qatar Financial Centre Regulatory Authority. He is also the President of Fung Global Institute. His previous senior appointments include Chairman of the Securities and Futures Commission of Hong Kong, Deputy Chief Executive of Hong Kong Monetary Authority, and Chief Economist and Assistant Governor of Bank Negara Malaysia.



TAN SRI DATO' AZMAN HJ MOKHTAR

Tan Sri Azman Mokhtar is the Managing Director of Khazanah and chairs and sits on the board of several key Khazanah investee companies. He is also the co-founder and former Managing Director of BinaFikir Sdn Bhd, was Director and Head of Research at Salomon Smith Barney, and worked at Union Bank of Switzerland in Malaysia.

MESSAGE FROM THE
MANAGING DIRECTOR



Tan Sri Dato'
Azman Hj Mokhtar
Managing Director
Khazanah Nasional Berhad

INTRODUCING
THE KHAZANAH REPORT 2012 —
**BUILDING
TRUE VALUE**



Welcome to *The Khazanah Report 2012*.

Our theme this year, “Building True Value,” is both an aspiration and a promise. Thankfully, in large part, it is also, we believe, an accurate reflection of our delivery to date. Nonetheless, it is not a coincidence that the three words are in the present tense; our project is indeed still a work in progress.

The primary aim of *The Khazanah Report 2012* (TKR 2012) is to inform our many stakeholders, especially the 29 million citizens of Malaysia, of how we have done in the past year and on our journey to date. The report builds upon the strong tradition of reporting that dates back to the pre-2004 Khazanah with its Annual Reports and the post-2004, post–new mandate Khazanah, with the *Khazanah Annual Review* now in its ninth year. We hope you will find the contents of TKR 2012 useful and informative, as a matter of both public record and private understanding. It is our aim that *The Khazanah Report*, with its audited financial information, marked-to-market portfolio values, and various corporate information including selected case studies of our work, will henceforth be issued on an annual basis. It is intended to be an integrating platform for the other disclosure and accountability reports that Khazanah produces annually, including the *Khazanah Annual Review* (every January), the *Khazanah Corporate Responsibility Report* (April), *Statutory Financial Accounts* (April), and *GLC Transformation Programme Progress Review* (June).

The year 2012 was, thankfully, a good one overall and a very good year in many of its parts. It was a year in which our portfolio grew significantly, by 12% to RM121.4 billion in terms of its realisable asset value and, more importantly, by 24% to RM86.9 billion in terms of net worth adjusted (NWA), significantly outstripping our benchmark indices. Indeed, as I write, our NWA is hovering around RM100 billion, signalling a threefold portfolio increase since May 2004. For the year 2012, we made RM6 billion in investments and RM4.8 billion in divestments, generating gains of RM2.1 billion and posting a profit before tax of RM2.0 billion for the year. It was also a year of landmark transactions and quite a few milestones: from the large IPOs of IHH Healthcare Berhad (IHH) and Astro Malaysia Holdings Berhad, and the initial “tipping point year” for Iskandar Malaysia, to completing several





SINCE 2004

KHAZANAH

HAS GROWN ITS PORTFOLIO NWA BY 2.6 TIMES TO RM 86.96BN

large corporate transactions including the strategic divestment of Proton and the restructuring and privatisation of PLUS Malaysia Berhad (PLUS). On the international front, we continue to make headway with the acquisition of Acibadem in Turkey, the continuing expansion of the regional footprints of CIMB Group Holdings Berhad, Axiata Group Berhad, IHH, PLUS, and Malaysia Airports Holdings Berhad, and the issuance of another landmark Islamic exchangeable sukuk for Parkson Retail Group Limited.

Good as it was, 2012 was nonetheless just one year in the life of an institution. An institution that is preparing for its 20th anniversary in 2014 and a ninth year of the strategic programme launched in 2004 to revamp Khazanah into an institution with a more active and international mandate. In this regard, TKR 2012 also documents our record to date, especially over the years since 2004 when the strategic revamp of Khazanah was initiated. Thankfully, the picture that emerges is one where we have been able to grow on all the key dimensions. Since the start of the programme in May 2004, we have been able to grow the portfolio RAV by 2.4 times to RM121.4 billion and the portfolio NWA by 2.6 times to RM86.9 billion, or 11.8% per annum compounded. We have also been able to deliver and support multiple key national programmes including the Government-Linked Companies (GLC) Transformation Programme (from 2005), the development of Iskandar Malaysia (from 2006), and regionalisation of our portfolio and key companies (since 2005), as well as supporting the development of the New



Photo: A: CIMB Bank staff in Thailand promoting a newly launched campaign for new customers of its priority banking service **B:** An artistic rendition of DUO, a 1.73mil sq ft development located in the heart of Singapore's arts and cultural district by M+S Pte Ltd, a company 60:40 owned by Khazanah and Temasek Holdings (Private) Limited, respectively **C:** Axiata and XL provide assistance in the form of IT equipment for 138 children at the SOS Children Village in Jakarta **D:** Acibadem Kozyatagi Hospital in Turkey. In December 2011, IHH acquired a 60% stake in Acibadem, one of Turkey's leading private healthcare services provider



C



D

3.3x ASSET COVER

Economic Model (2010), the Government Transformation Programme (2010), and the Economic Transformation Programme (2010). This period also saw the launch and execution of numerous Corporate Responsibility programmes at both Khazanah and the GLC network level. At the Khazanah level alone, some RM255 million was spent on Corporate Responsibility programmes over the period since 2004, including RM62.4 million in 2012.

In addition to the various segments describing our governance framework and financial and corporate information, at the heart of TKR 2012 are three segments that reflect the holistic nature of our work, which aims to build not just financial value, but indeed the multifaceted, true value of financial, socio-economic, and strategic value for the nation. In this regard, the segment on page 38 about "Creating True Value Through Our Investments" outlines our holistic investment philosophy and style, and covers, among other things, how we work in collaboration with our portfolio companies and how we are charting new pathways in both sectors and geographies. There are also three case studies by members of our senior leadership team highlighting the Telekom Malaysia (TM)—Axiata demerger, the role of strategic investments in national development, and Iskandar Malaysia. Collectively, these cases do give a good and fairly representative summary of the breadth of our work. We hope you will find them useful.

Recently, I was asked to speak about Khazanah's journey since 2004 to a group of institutional investors at a major investor

3RD LARGEST IPO

The RM6.3b IHH Healthcare IPO in July was the world's third-largest at the time and was oversubscribed 132 times



conference in Hong Kong. The organisers wanted to hear about our "war stories" as much as about numbers and transactions. I decided to talk about neither, to avoid overloading them with more numbers or being indiscreet with too many "war stories." I thought it would be more relevant to decode our journey in terms of "ideas"—ideas conceived and, thankfully, ideas executed. These 10 ideas that I outlined are perhaps worth repeating here; they have been the key ideas, duly executed, that have shaped what we are through what we have done, especially since 2004:

Idea 1: Performance, transformation, and execution focus. The Khazanah and GLC revamp programme kicked off in 2004 with an initial focus on, inter alia, Key Performance Indicators, performance-based compensation and contracts, as well as programme—not just project management.

Idea 2: Khazanah as "Macro-Manager," GLCs as Micro-Manager. The notion that it's a partnership between an active major shareholder and an empowered investee company was a critical understanding underpinning the GLC Transformation Programme.

Idea 3: Sovereign Development Fund > Sovereign Wealth Fund. An early recognition was that Khazanah was and is not a classical SWF; our funding structure is much narrower, our mandate and investment style broader and more holistic.

Idea 4: Sensible finance, Islamic finance. Even prior to the global financial crisis of

2008, a key element of our work was to anchor our finances and our liability management sensibly, and in particular using Islamic finance instruments.

Idea 5: Cities and economic density. In collaboration with various national and international agencies, we were able to plan and execute the central idea that economic density and geographical agglomeration matter, most visibly in the case of Iskandar Malaysia.

Idea 6: Complementary advantage and collaboration. We try hard to embrace the notion that we cannot do everything ourselves and we need to partner and collaborate judiciously. Whether it is an M&A transaction or collaboration between companies or helping to unlock complementarities between two nations such as the work on joint investments in Singapore and Iskandar, collaboration and cooperation remain a very key strategy and indeed philosophy in our work.

Idea 7: "Regional championship." Integral to the new Khazanah mandate is a recognition that we needed to build scale beyond Malaysia with regional and eventually global footprints. Embedded within this idea is the requirement to benchmark our companies against the best in the region and indeed the world.

Idea 8: Malaysia Inc. v.3.0. Building on its earlier Malaysia Inc. incarnations, we analysed and then executed the notion that a proper political-economic balance is one that is premised on the dynamic and evolving nature of the domestic and international economy,



RM2
BILLION PROFIT
BEFORE TAX

PROFIT BEFORE TAX OF RM2 BILLION IN 2012

	CAGR ¹
G-20 Index	14.2%
FBM KLCI ex G-20	13.5%
K-7 Index	14.4%
FBM KLCI ex K-7	13.4%

¹Compounded annual growth rate for the period 14 May 2004 to 31 December 2012

214.9%
GROWTH IN TOTAL
SHAREHOLDER RETURNS

FBM KLCI—FTSE Bursa Malaysia Kuala Lumpur Composite Index
 K-7 Index—FTSE index of K-7 companies
 FBM KLCI ex K-7—FTSE Bursa Malaysia Kuala Lumpur Composite Index excluding Khazanah Companies
 G-20 Index—FTSE index of G-20 companies
 Source: Bloomberg, Khazanah analysis



TOTAL SHAREHOLDER RETURNS

From 14 May 2004 to 31 Dec 2012

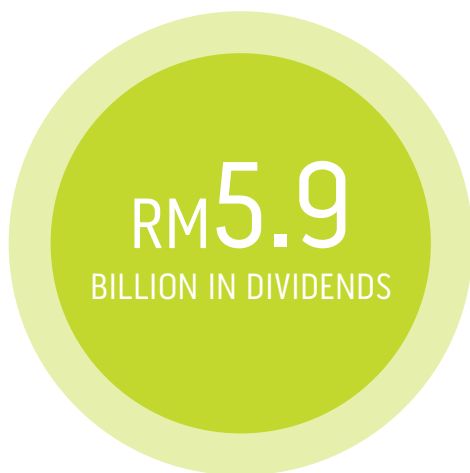
K-7—comprise of Khazanah investee GLCs within the scope of GLC Transformation Programme (GLCT), namely Axiata Group Berhad, CIMB Group Holdings Berhad, Malaysia Airports Holdings Berhad, Malaysian Airline System Berhad, Telekom Malaysia Berhad, Tenaga Nasional Berhad and UEM Group Berhad

G-20—comprise of the K-7 plus non-Khazanah investee GLCs within the scope of GLCT, namely Affin Holdings Berhad, BIMB Holdings Berhad, Boustead Holdings Berhad, Chemical Company of Malaysia Berhad, Malayan Banking Berhad, Malaysia Building Society Berhad, Malaysian Resources Corporation Berhad, Sime Darby Berhad, TH Plantations Berhad and UMW Holdings Berhad

business cycles, capacity-building, and getting the balance between the state and markets right. Underpinning all this is the fundamental principle of performance, good governance, and national development. Khazanah plays an active role in redressing the balance by, for example, divesting non-core and non-competitive assets while investing, incubating, and catalysing new growth areas.

Idea 9: A focus on talent development and nurturing the right culture. It has become a cliché, but it is nonetheless most certainly a truism that our ability to achieve and execute lies in our ongoing capacity to have the right people and the right culture. A lot of our work goes into this, and these pages are intended to reflect some of these attributes. Every picture of a person or persons in these pages is genuine; they are either our staff, the staff of our units, or the participants in our activities—authentic and true!

Idea 10: Building an Institution. To us, building an institution means continuously creating and upgrading the organisation to be able to deliver its mandate efficiently, judiciously, and with great consistency and repeatability. Institutions deliver all this regardless of individuals and the vagaries of economic, business, and political cycles, domestic or international. This remains our major work in progress, as the idea to be executed that will secure all the others.



SINCE 2004

 KHAZANAH HAS PAID TOTAL DIVIDENDS
 OF RM5.9 BILLION

Indeed, this is where TKR 2012 ends, on page 115, where we pledge to continue to build an institution in order to live up to our mandate to build true and lasting value for our existing and future shareholders and stakeholders.

On that note, it gives me great honour and pleasure to give thanks to the very many who have contributed to this collective journey thus far: to our Board of Directors, and especially to our Chairman, Dato' Sri Mohd Najib Tun Hj Abdul Razak, for the support, guidance, and indeed occasional challenge; to our stakeholders in both Khazanah and GLCs, in Malaysia and in other countries that we operate in; to our employees, business partners, suppliers, and customers; and, most of all, to the ultimate stakeholders of Khazanah Nasional—the more than 29 million citizens today and the many more millions of future generations. We hope TKR 2012 and its future manifestations will help to inform us all better, provide for greater accountability, and, insya'Allah, drive us to continue to build true value.

Thank you.

Tan Sri Dato' Azman Hj Mokhtar
 Managing Director
 Khazanah Nasional Berhad
 23 May 2013

RM100 billion (announced December 2012)

TOTAL CUMULATIVE COMMITTED INVESTMENTS IN ISKANDAR MALAYSIA

SINCE ITS LAUNCH IN 2006, ISKANDAR MALAYSIA HAS ATTRACTED KEEN INTEREST FROM BOTH DOMESTIC AND FOREIGN INVESTORS. ABOUT 41% OF THE COMMITTED INVESTMENTS HAVE BEEN REALISED



A section of Miniland showcasing Malaysian landmarks at LEGOLAND Malaysia. Miniland features models of some of Asia's best-known landmarks, made entirely of LEGO bricks.

The Senior Leadership Team

(as at May 2013)

We draw on the broad experience and capabilities of our senior leadership team for the work that we do. The team is led by Tan Sri Dato' Azman Hj Mokhtar, who has served as Managing Director since his initial appointment to the post in June 2004.

PHOTO FROM LEFT TO RIGHT

Ben Chan,
Joseph Dominic Silva,
Mohd Izani Ashari,
Kenneth Shen,
Shahazwan Harris,
Mohd Izani Ghani,

Ganen Sarvananthan,
Tan Sri Dato' Azman Hj Mokhtar,
Tengku Dato' Sri Azmil
Zahrudin Raja Abdul Aziz,
Rohayati Othman,
Hisham Hamdan,

Dr Nungsari Ahmad Radhi,
Dato' Noorazman Abd Aziz,
Jiv Sammanthan,
Ahmad Farouk Mohammed

BEN CHAN

Executive Director, Investments
Head of China Operations

Ben joined Khazanah in 2005. Prior to that, Ben was Director of Research at several investment houses in Malaysia, covering Malaysia and Singapore. Previously, he was head of China research with Cazenove & Co and ING Barings, based in Hong Kong. Ben is also a Chartered Accountant.

JOSEPH DOMINIC SILVA

Executive Director, Investments
Head of India Operations

Dominic joined Khazanah in 2008, having served 18 years in the banking sector, 12 of which were spent with ABN AMRO in several regional and international capacities. Prior to that, Dominic worked with a major Japanese group's Corporate Finance division in Asia.

MOHD IZANI ASHARI

Executive Director,
Managing Director's Office
Head of Special Projects Office

Izani joined Khazanah in 2009 and is responsible for leading Khazanah's work on the GLC Transformation Programme. Izani spent a considerable number of years with multinationals and large corporates, including Shell, Maybank, Sime Darby, Petronas, and Malaysian Airline System Berhad.

KENNETH SHEN

Executive Director, Investments

Kenneth joined Khazanah in 2011 from Qatar Investment Authority (QIA), where he held several senior positions, including Adviser to the Chief Executive Officer and member of the Board of Qatar Holding LLC. Prior to QIA, Kenneth was with Salomon Brothers in Hong Kong and Lehman Brothers in New York.

ROHAYATI OTHMAN

Director, Managing
Director's Office
Chief Risk Officer

Rohayati joined Khazanah in 2009. She was previously with Barclays Capital in London, and prior to that with Arthur Andersen and KPMG. Rohayati is a Fellow of the Association of Chartered Certified Accountants and an Associate Business Continuity Professional.

HISHAM HAMDAN

Executive Director, Investments

Hisham joined Khazanah in 2011 from Sime Darby Berhad, where he served in various senior capacities, covering strategy and business development, healthcare, energy & utilities, and China. Hisham also has significant prior experience in equity research and investment banking.

DR NUNGSARI AHMAD RADHI

Executive Director,
Khazanah Research and
Investment Strategy (KRIS)
Head of KRIS

Dr Nungsari joined Khazanah in 2007. Dr Nungsari previously served a considerable number of years as an academic, Member of Parliament, newspaper columnist, consultant, and policy advocate. Dr Nungsari is trained in economics and mathematics.

DATO' NOORAZMAN ABD AZIZ

Executive Director, Investments

Dato' Noorazman joined Khazanah in 2010 from Fajr Capital Ltd, based in Dubai, where he was the Managing Director. Prior to that, Dato' Noorazman held a succession of international banking and finance positions, including with Citigroup, Bank Islam, Kuala Lumpur Stock Exchange, and Labuan Offshore Financial Services Authority.



SHAHAZWAN HARRIS

Executive Director, Investments

Shahazwan joined Khazanah in 2005. Prior to Khazanah, Shahazwan was with Tenaga Nasional Berhad, then with PA Consulting and Boston Consulting Group covering primarily the energy, infrastructure, and government sectors.

MOHD IZANI GHANI

Executive Director, Finance
Chief Financial Officer

Izani joined Khazanah in March 2005 and was appointed Chief Financial Officer in May 2010. Prior to joining Khazanah, Izani was with Putrajaya Holdings Sdn Bhd and Renong Group. Izani is a Fellow of the Association of Chartered Certified Accountants.

GANEN

SARVANANTHAN

Executive Director, Investments
Head of Investments

Ganen is head of Khazanah's Investments division. Prior to joining Khazanah in 2004, Ganen was Director, Equity Capital Markets at UBS in Hong Kong, and before that with the bank's Investment Banking / Corporate Finance departments in London, Singapore, and Hong Kong. Ganen qualified as Barrister-at-Law, England and Wales.

TENGGU DATO' SRI
AZMIL ZAHRUDDIN
RAJA ABDUL AZIZ

Executive Director, Investments

Tengku Azmil joined Khazanah in 2011 from Malaysian Airline System Berhad, where he was Managing Director and Chief Executive Officer. Prior to that, he was Managing Director and Chief Executive Officer of Penerbangan Malaysia Berhad. He has also worked at PricewaterhouseCoopers in London and Hong Kong. Tengku Azmil is a Chartered Accountant and member of the Association of Corporate Treasurers.

JIV SAMMANTHAN

Executive Director,
Managing Director's Office
Head of Managing
Director's Office

Jiv joined Khazanah in 2010. He was previously a Partner at PricewaterhouseCoopers, where he had spent 18 years, both in Kuala Lumpur and London. Jiv is a Chartered Accountant.

AHMAD FAROUK MOHAMMED

Executive Director,
Managing Director's Office
Head of Strategic
Management Unit

Farouk joined Khazanah in 2006 after a number of years with a strategic advisory firm in Kuala Lumpur. He started his risk analysis work in London before returning to Kuala Lumpur to work for an actuarial consultancy firm.

We would like to express our gratitude to the following former senior leadership team members for their contributions to Khazanah:

- Dato' Mohammad Zainal Shaari, Executive Director, Managing Director's Office, and Chief Operating Officer—until February 2013
- Michael Jude Fernandes, Executive Director, Investments—until September 2012

FINANCIAL REVIEW

At Khazanah, we recognise the importance of strong financial capability and sustainability in driving our commercial and strategic mandate. To this end, two numbers stand out in tracking and assessing our financial performance over the years—realisable asset value (RAV) and net worth adjusted (NWA).

Our RAV, which represents the total value of all of our investments on a marked-to-market basis, has grown from RM50.9 billion in 2004 to RM121.4 billion as at 31 December 2012, which corresponds to an annual compounded growth rate of 10.7%.

Related to this, the measure of value created in our portfolio is the NWA, which strips out liabilities as well as net transfers to the Government. Our NWA has witnessed a compounded growth of 11.8% per annum, from a starting value of RM33.3 billion in 2004 to end the 2012 financial year at RM86.9 billion. For 2012, the NWA increased by 24.1%, or RM16.9 billion, from the previous year, attributable mostly to the successful initial public offerings of two of our investee companies and the strong appreciation in value of other investments.

We prepare and file audited financial statements with the Companies Commission of Malaysia every year. For the 2012 financial year, we delivered a profit before tax of RM2.1 billion and declared a total dividend of RM1.0 billion. Since we commenced operations in 1994, we have declared almost RM6.0 billion in dividends to the Government.

We have demonstrated a robust capital position over the years, whether in regard to our asset cover which currently stands at 3.3x, or to the quality of our balance sheet. The capital structure in place—a combination of shareholders' funds, which have increased from RM2.8 billion in 1994 to RM27 billion in 2012, and a tightly-controlled liabilities account of RM38.0 billion—ensures that we satisfy the requirements of our various stakeholders, including the Government, rating agencies, and capital markets.

CONTENTS

Financial Highlights
30

Independent
Auditors' Report
34

Selected Financial
Indicators
35

Capital and Liability
Management and
Islamic Finance
37

The exquisitely carved receptacle, known as the cembul, is traditionally used to store valuables or used as part of the components of tepak sirih, a traditional Malay betel set used during ceremonial occasions. Made with copper, silver or gold-plated metal, the container is adorned with intricate carvings. The cembul is also the inspiration behind the design of Khazanah's logo, reflecting our role as a treasury of strategic assets for the nation.

RM 121.4 b

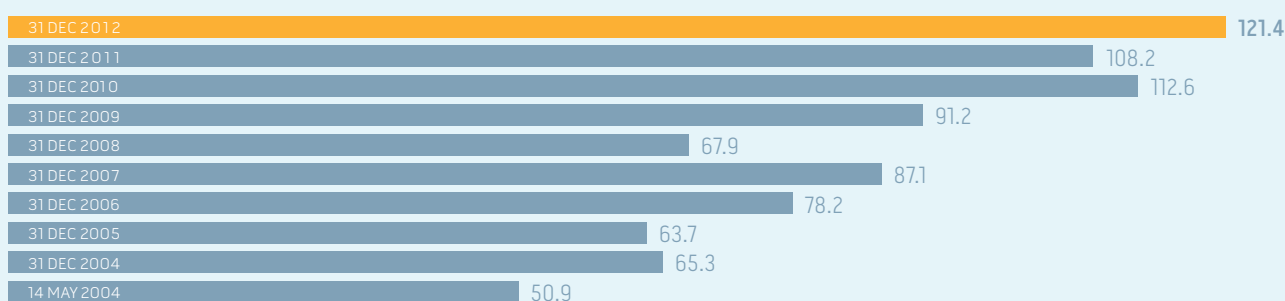
Realisable Asset Value (RAV)

RM 86.9 b

Net Worth Adjusted (NWA)

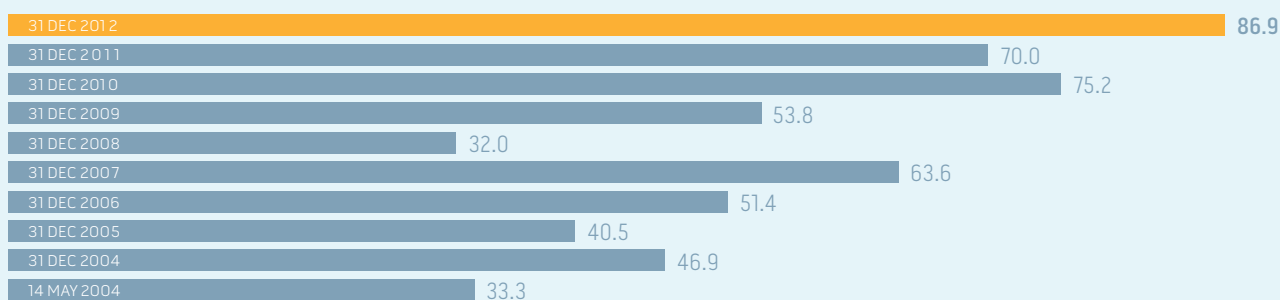
RAV (RMb)

Movement in RAV over the Period Since 2004



NWA (RMb)

Movement in NWA over the Period Since 2004

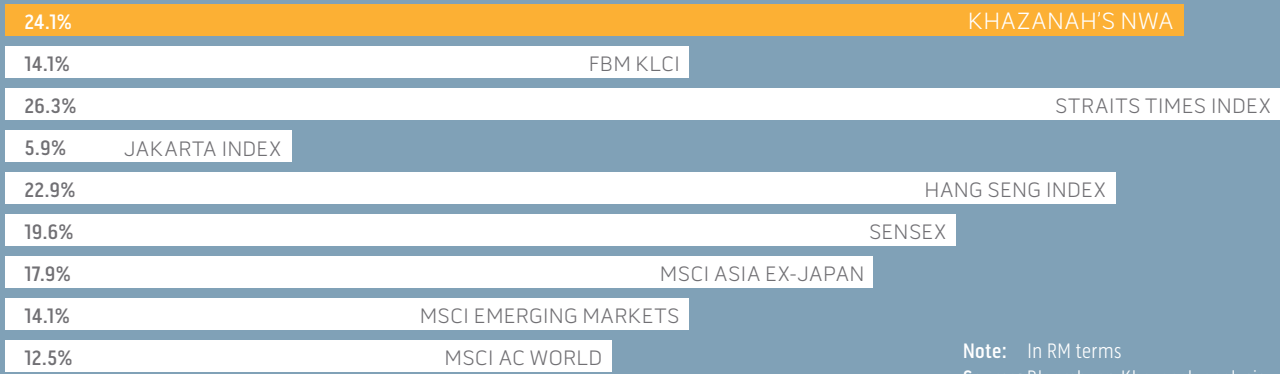


KEY PORTFOLIO AND OTHER INDICATORS

	31 DEC 2012	31 DEC 2011	31 DEC 2010	31 DEC 2009	31 DEC 2008	31 DEC 2007	31 DEC 2006	31 DEC 2005	31 DEC 2004	14 MAY 2004
RAV (RMm)	121,439	108,194	112,624	91,224	67,908	87,071	78,212	63,731	65,323	50,939
NWA (RMm)	86,874	69,957	75,223	53,770	31,955	63,611	51,437	40,549	46,868	33,274
Shareholders' Funds (RMm)	26,980	25,625	21,409	17,638	17,139	17,866	13,041	12,244	13,202	7,653
RAV / Liabilities (x)	3.29	2.85	2.92	2.39	1.86	3.62	2.91	2.74	3.53	2.88
Number of Employees	419	411	373	320	296	256	203	126	53	33
Number of Offices	5	5	5	5	4	2	1	1	1	1

PORTFOLIO RELATIVE PERFORMANCE

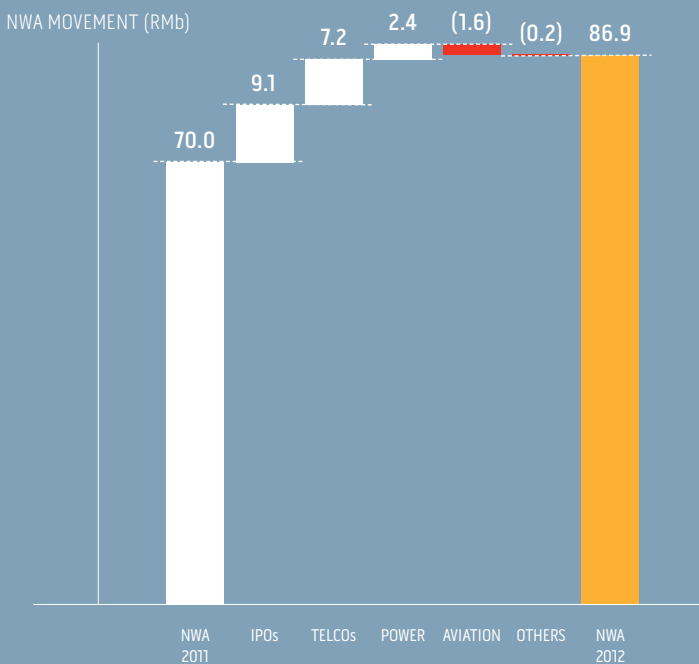
Performance Against Major Reference Asian Markets



Note: In RM terms
Source: Bloomberg, Khazanah analysis

PORTFOLIO MOVEMENT ANALYSIS

NWA Movement



Note: In RM terms
Source: Bloomberg, Khazanah analysis

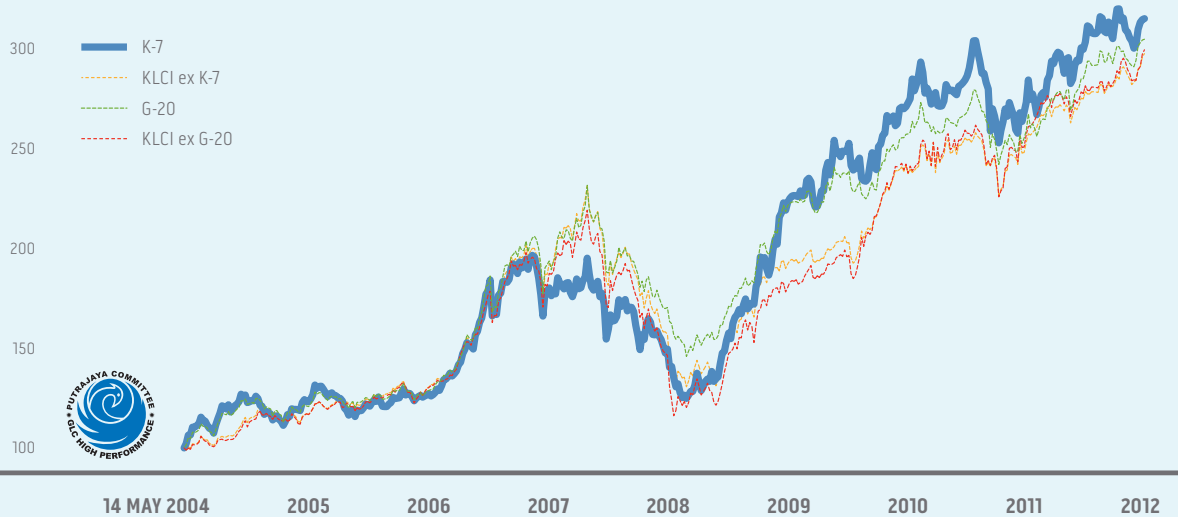
TOTAL SHAREHOLDER RETURNS

From 14 May 2004 to 31 Dec 2012

The G-20 and K-7 have outperformed the KLCI by 0.7% and 1.0%, respectively

	CAGR*
G-20 Index	14.2%
FBM KLCI ex G-20	13.5%
K-7 Index	14.4%
FBM KLCI ex K-7	13.4%

* Compounded annual growth rate for the period 14 May 2004 to 31 December 2012



Source: Bloomberg, Khazanah analysis

FBM KLCI — FTSE Bursa Malaysia Kuala Lumpur Composite Index

K-7 Index — FTSE index of K-7 companies

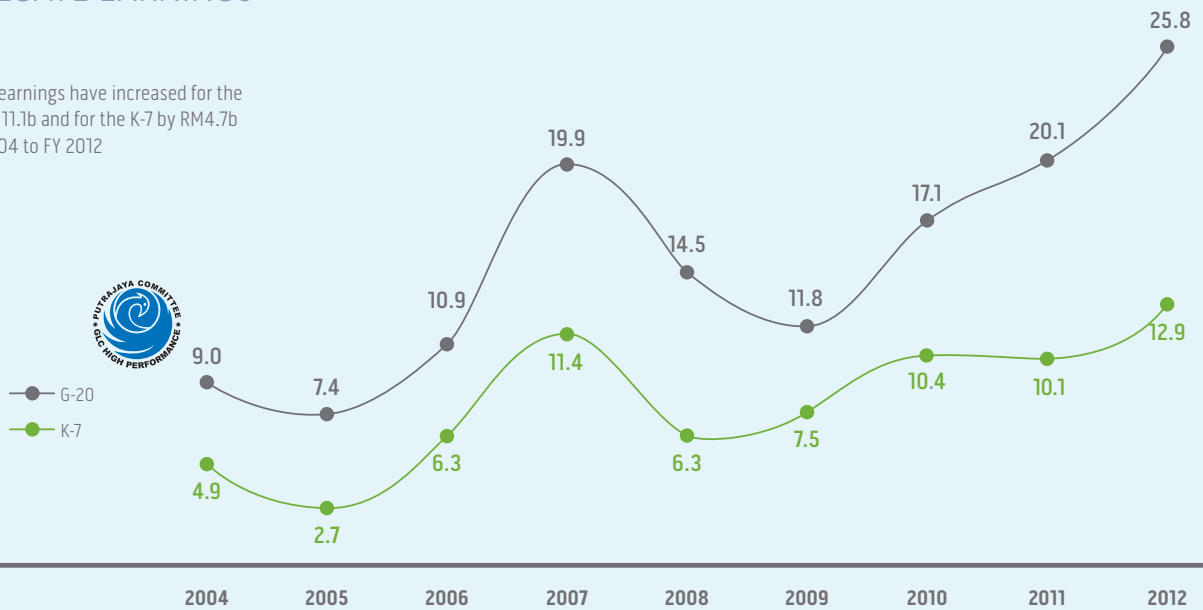
FBM KLCI ex K-7 — FTSE Bursa Malaysia Kuala Lumpur Composite Index excluding Khazanah Companies

G-20 Index — FTSE index of G-20 companies

AGGREGATE EARNINGS

(RMb)

Aggregate earnings have increased for the G-20 by RM11.1b and for the K-7 by RM4.7b from FY 2004 to FY 2012



Source: Bloomberg, Khazanah analysis

K-7 — comprise of Khazanah investee GLCs within the scope of GLC Transformation Programme (GLCT), namely Axiata Group Berhad, CIMB Group Holdings Berhad, Malaysia Airports Holdings Berhad, Malaysian Airline System Berhad, Telekom Malaysia Berhad, Tenaga Nasional Berhad and UEM Group Berhad

G-20 — comprise of the K-7 plus non-Khazanah investee GLCs within the scope of GLCT, namely Affin Holdings Berhad, BIME Holdings Berhad, Boustead Holdings Berhad, Chemical Company of Malaysia Berhad, Malayan Banking Berhad, Malaysia Building Society Berhad, Malaysian Resources Corporation Berhad, Sime Darby Berhad, TH Plantations Berhad and UMW Holdings Berhad

Independent Auditors' Report

TO THE DIRECTORS OF KHAZANAH
NASIONAL BERHAD

(Incorporated in Malaysia)

The accompanying summary financial information set out on page 35 and page 36, which comprises the summary balance sheets as at 31 December 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004 and 2003, the summary income statements for the years then ended, and the related notes, are derived from the audited financial statements of Khazanah Nasional Berhad and the management accounts for the years ended 31 December 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004 and 2003. We expressed an unqualified audit opinion on those financial statements in our reports for the respective years. Those financial statements, and the summary financial information, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial information does not contain all the disclosures required by Malaysia Financial Reporting Standards applied in the preparation of the audited financial statements of Khazanah Nasional Berhad. Reading the summary financial information, therefore, is not a substitute for reading the audited financial statements of Khazanah Nasional Berhad.

MANAGEMENT'S RESPONSIBILITY FOR THE SUMMARY FINANCIAL INFORMATION

Management is responsible for the preparation of the summary financial information in accordance with the basis described on page 35 and page 36.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial information based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

OPINION

In our opinion, the summary financial information derived from the audited financial statements of Khazanah Nasional Berhad and the management accounts for the years ended 31 December 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004 and 2003 are consistent, in all material respects, with those audited financial statements and management accounts.



Ernst & Young
18 April 2013
Kuala Lumpur

SELECTED FINANCIAL INDICATORS

INCOME STATEMENTS

For the years ended 31 December

	2012 RM Million	2011 RM Million
Revenue	5,324	9,445
Profit / (loss) before taxation	2,077	5,342
Taxation	(188)	(66)
Net profit / (loss) for the year	1,889	5,276
Dividends declared	(1,000)	(3,000)
Net profit / (loss) for the year after dividends	889	2,276

BALANCE SHEETS

As at 31 December

	2012 RM Million	2011 RM Million
Current assets	7,784	8,795
Non-current assets	56,571	56,377
Total assets	64,355	65,172
Current liabilities	7,731	9,352
Non-current liabilities	29,644	30,195
Total liabilities (Note A)	37,375	39,547
Share capital	8,444	8,444
Share premium	3,840	3,840
Retained profits	13,084	12,194
Other reserves	1,612	1,147
Shareholders' funds	26,980	25,625
Total equity and liabilities	64,355	65,172

Note A: Included in total liabilities are borrowings as follows:

BORROWINGS

	2012 RM Million	2011 RM Million
Khazanah's Government-guaranteed bonds	12,128	8,833
Other bonds and notes	16,106	18,240
Term loans	5,754	6,052
Exchangeable sukuk	1,293	1,889
Commercial papers	—	—
Revolving credit facilities	917	952
	36,198	35,966

The above income statements and balance sheets are derived from Khazanah's Proforma Financial Statements which refers to consolidation of the financial statements of Khazanah Company and its Special Purpose Vehicles ("SPVs"). These SPVs are wholly-owned subsidiaries of Khazanah which have been set up to actively hold investments or as funding vehicles of the Company.

SELECTED FINANCIAL INDICATORS

INCOME STATEMENTS

For the years ended 31 December

	2010 RM Million	2009 RM Million	2008 RM Million	2007 RM Million	2006 RM Million	2005 RM Million	2004 RM Million	2003 RM Million
Revenue	6,237	3,594	5,087	7,683	2,269	2,267	3,395	1,131
Profit / (Loss) before taxation	2,081	791	127	5,110	1,014	(831)	282	(1,385)
Taxation	(28)	25	(350)	(195)	(225)	(126)	(73)	(111)
Net profit / (loss) for the year	2,053	816	(223)	4,915	789	(957)	209	(1,496)
Dividends declared	(500)	(100)	(100)	(1,000)	(100)	(30)	(30)	(30)
Net profit / (loss) for the year after dividends	1,553	716	(323)	3,915	689	(987)	179	(1,526)

BALANCE SHEETS

As at 31 December

	2010 RM Million	2009 RM Million	2008 RM Million	2007 RM Million	2006 RM Million	2005 RM Million	2004 RM Million	2003 RM Million
Current assets	3,381	4,656	6,871	3,225	6,817	4,822	4,030	4,699
Non-current assets	56,050	50,883	46,560	38,758	33,605	31,136	26,104	21,509
Total assets	59,431	55,539	53,431	41,983	40,422	35,958	30,134	26,208
Current liabilities	6,852	7,900	8,002	5,813	10,116	7,634	760	6,922
Non-current liabilities	31,170	30,001	28,290	18,304	17,265	16,080	16,172	11,903
Total liabilities (Note A)	38,022	37,901	36,292	24,117	27,381	23,714	16,932	18,825
Share capital	5,444	5,444	5,444	5,444	5,404	5,404	5,404	3,063
Share premium	3,840	3,840	3,840	3,840	3,300	3,300	3,300	—
Retained profits	10,016	8,553	7,837	8,060	4,245	3,511	4,498	4,320
Other reserves	2,109	(199)	18	522	92	29	—	—
Shareholders' funds	21,409	17,638	17,139	17,866	13,041	12,244	13,202	7,383
Total equity and liabilities	59,431	55,539	53,431	41,983	40,422	35,958	30,134	26,208

Note A: Included in total liabilities are borrowings as follows:

BORROWINGS

	2010 RM Million	2009 RM Million	2008 RM Million	2007 RM Million	2006 RM Million	2005 RM Million	2004 RM Million	2003 RM Million
Khazanah's Government-guaranteed bonds	8,442	8,313	7,452	7,943	8,106	8,994	7,738	8,516
Other bonds and notes	14,151	9,600	7,312	6,969	4,963	1,177	915	886
Term loans	6,064	8,821	8,545	1,600	6,900	9,227	8,069	8,369
Exchangeable sukuk	6,117	7,815	8,528	6,149	3,604	1,568	—	—
Commercial papers	—	—	489	—	994	—	—	—
Revolving credit facilities	1,613	2,698	3,460	—	2,118	1,885	—	—
	36,387	37,247	35,786	22,661	26,685	22,851	16,722	17,771

The above income statements and balance sheets are derived from Khazanah's Proforma Financial Statements which refers to consolidation of the financial statements of Khazanah Company and its Special Purpose Vehicles ("SPVs"). These SPVs are wholly-owned subsidiaries of Khazanah which have been set up to actively hold investments or as funding vehicles of the Company.

Capital and Liability Management and Islamic Finance

Our investment activity, both locally and regionally, has increased significantly as we continue to grow over the years, which necessitates strategic and prudent capital and liability management.

Khazanah is unique in that we do not receive regular infusions of capital from the Government. We utilise proceeds from the monetisation of value created in our portfolio by way of a systematic divestment programme, as well as raising funds from the capital markets. In tandem with this, we play an active role in supporting Malaysia's growth and development as an international centre for Islamic finance through the Malaysia International Islamic Financial Centre (MIIFC).

Since 2005, our fundraising activities have been predominantly in the form of innovative sukuk issuances that continue to push the envelope in Islamic finance. Our exchangeable sukuk serves as a funding instrument as well as allowing us to gradually divest the underlying securities in a uniform manner over the tenure of the sukuk.

We actively manage our capital and liabilities. Our strategy in this regard can be described in two broad terms:

Matching of assets and liabilities

We ensure our borrowings or sukuk issuances are matched with investment assets. As an example, we issued SGD1.5 billion in Trust Certificates via Danga Capital Berhad's multicurrency programme in 2010 to fund our acquisition of Parkway Holdings Limited in Singapore. This reduces our exposure to foreign currency risk by creating a natural hedge.

Extending the funding duration to match the long gestation periods for certain strategic assets

As part of our mandate, we are also tasked to nurture the growth and development of selected industries in Malaysia, with the aim of pursuing the nation's long-term economic interests. These industries typically require a longer gestation period before any value can be realised. We manage this unique challenge by acquiring long-term funding to match the borrowing period with the nature of the investments where returns are only likely to be realised on the medium- to long-term horizon.

SELECTED INTERNATIONAL AWARDS AND RECOGNITIONS RECEIVED FOR OUR SUKUK ISSUANCES ARE HIGHLIGHTED BELOW

2012 Exchangeable Sukuk into Parkson USD357.8 million Periodic Payment Exchangeable Certificates *World's First Negative-Yield Sukuk*

- EMAS Sukuk – MIFC

2011 Danga Capital Berhad CNY500 million Trust Certificates *World's First CNY Sukuk*

- The Best Local Currency Bond Deal of the Year – Alpha Southeast Asia (Alpha SEA)
- Cross-Border Deal of the Year – *Islamic Finance News* (IFN)
- Best Borrower of the Year in Southeast Asia 2011
- Outstanding Issuer – *The Asset Triple A Regional Awards 2011*
- Most Innovative Deal – *The Asset Triple A Islamic Finance Awards 2012*
- The Most Outstanding Sukuk Product – Kuala Lumpur Islamic Finance Forum (KLIF)

2010 Danga Capital Berhad SGD1.5 billion Trust Certificates *World's First SGD Sukuk*

- Most Outstanding Islamic Finance Product – KLIF Awards
- Best Corporate Sukuk (2011) – *The Asset Triple A Islamic Finance Awards*
- Deals of the Year 2011: Islamic Finance – *The Banker*
- Corporate Finance & Singapore Deal of the Year (2010) – IFN
- Most Innovative Deal / Innovative Islamic Deal 2010 – *Alpha SEA*

2008 Exchangeable Sukuk into Parkson USD550 million Periodic Payment Exchangeable Certificates

- Most Innovative Islamic Finance Deal – *The Asset Triple A Islamic Finance Awards*
- Top 10 Asia Deals – *CFO Asia*
- Best Malaysian Deal – KLIF
- The Best Equity-Linked Deal of the Year – *Alpha SEA*
- Sukuk Deal of the Year – *Euromoney*
- Best Islamic Financial Service or Product – *The Halal Journal*
- Best Islamic Deal of the Year – *The Banker*

2007 Exchangeable Sukuk into PLUS USD850 million Periodic Payment Exchangeable Certificates

- Best Equity & Cross Border Deal 2007 – *Islamic Finance news*
- Best Equity-Linked Deal of the Year 2007 – *Alpha SEA*

2006 Exchangeable Sukuk into TM and Axiata USD750 million Periodic Payment Exchangeable Certificates *World's First Exchangeable Sukuk*

- Best Sukuk Deal – *Euromoney*
- Best Equity-Linked & Islamic Finance Deal – *Finance Asia*
- Best Equity-Linked Deal – *International Financing Review* (IFR) Asia
- Most Innovative Product – Kuala Lumpur Islamic Finance Forum (KLIF)
- Top 10 Deals of the Decade – *The Asset*
- Most Innovative Deal – IFN
- Deal of the Year (Malaysia) – *The Banker*
- Best Equity-Linked Deal – *Asiamoney*
- Best SE Asia Deal – Southeast Asia Law Awards

2006 Rantau Abang Capital Berhad RM10 billion Islamic Commercial Paper (ICP) / Islamic Medium Term Note (IMTN) Programme

- Malaysian Innovation of the Year 2006 – RAM

CREATING TRUE VALUE THROUGH OUR INVESTMENTS

At Khazanah, we recognise that to create lasting value requires a clear strategy and purpose that translate into everything that we do, and in every industry sector and geography in which we invest. We focus on supporting Malaysia's aspiration for a high-income nation. We create value through our active and collaborative macro-management stance that we adopt in shaping our investee companies, and through an investment approach that digs deep, looks far and wide, and strives hard to generate transformative results.

We help our investee companies go further, seek opportunities in new fields, and collaborate with public- and private-sector entities to catalyse growth and development for the country. The value created through these efforts—financial and strategic—can be seen directly or indirectly in the outcomes that have been delivered for the stakeholders in the nation's progress.

UEM 

Photo right: UEM Group Bhd, a wholly-owned company of Khazanah, is the main contractor for the Penang Second Bridge via its subsidiary UEM Builders Bhd. The bridge spans 24km and connects Batu Maung on Penang Island to Batu Kawan on the mainland of Peninsular Malaysia. It is the longest bridge in Southeast Asia and is scheduled to open in September 2013.

CONTENTS

Investing in
Growth and
Development
40

Investment
Holding
Structure
48

Empowering
Our Companies
44

Building a
Regional
Footprint
58

Driving
Performance
and Charting
New Paths
46

Transforming
GLCs
60

**Special Features and
Case Studies:**
Telekom Malaysia Demerger **66**
*The Role of Strategic
Investments in National
Development* **74**
Iskandar Malaysia **80**



Investing in Growth and Development

Our investment strategy is guided by our mandate, which is aligned with the national development agenda of the Government. In aiming to create sustainable value for a globally competitive Malaysia, our investments range from small to large and cut across different types of transactions, from corporate exercises to large-scale development projects.

35%

More than a third of our portfolio is located outside Malaysia, in terms of attributable value by its market footprint of investments

Our Investments

Our investments are broadly categorised into Core Investments and New Investments.

Regional Presence

A key driver of our investment approach is regionalisation, which enables us to tap into growth in markets outside Malaysia.

Strategic Divestments

We undertake strategic divestments to enhance private-sector participation and build entrepreneurial capacity in key economic sectors.

Active Investor

Since 2004, we have made discrete new investments amounting to RM51.4 billion through a total of 95 transactions.

Right: At the launch of the New Economic Model (NEM) on 30 March 2010, Khazanah, as the secretariat of the GLC Transformation Programme, resolved to support and enable the execution of the NEM through five key roles as indicated. This has been and continues to be the guiding beacon for Khazanah and GLCs in driving Prime Minister Dato' Sri Mohd Najib Tun Hj Abdul Razak's NEM of a high-income and developed nation by 2020, while simultaneously creating sustainable shareholder and stakeholder value.

GLIC / GLC ROLES IN THE NEW ECONOMIC MODEL

1. Stay the course in executing the 10-year GLC Transformation Programme



2. Maintain a relentless drive to become regional champions



3. Pursue new economy investments in line with NEM and the National Transformation Programme



4. Collaborate and co-invest with the private sector



5. Continue to focus on core operations, level the playing field, and exit non-core assets



Investing in Growth and Development

We adhere to strict criteria regarding the potential returns on our investments, and go through a rigorous process before any investment decision is made and ultimately submitted to the Board for its consideration and approval.

Khazanah's investments are principally commercial in nature with an emphasis on both financial value creation and economic contribution to the nation in terms of job creation, technological content, societal contribution and other forms of economic multipliers.

Our investment strategy can be seen in the approach we take to strengthening our Core Investments, which are primarily the commercial assets of the Government that we hold and manage. Our investee companies in this category are some of the largest players in their respective sectors and have significant roles in Malaysia's socio-economic landscape.

We play an active shareholder role in proactively collaborating with these companies and supporting them where necessary to put them on a more solid footing and to help set their strategic direction.

We also contribute towards restructuring exercises in instances where we can unlock the value and potential of our Core Investments and push our investee companies to strive for market leadership, helping these "local champions" to explore regional growth strategies in the pursuit of becoming regional and global champions.

Besides managing and enhancing our Core Investments, we also invest—both directly and through investee companies—in new sectors and geographies that we have identified as offering strong potential to help build the country's overall long-term competitiveness, which we term New Investments. These include investments that we believe will be future winners and those that provide strategic linkages, and enable the nation to tap into new growth areas. This approach is closely tied to the objectives of the Government's New Economic Model, which seeks to develop a high-income economy that is sustainable and inclusive.

Our New Investments include, among others, investments outside Malaysia that leverage the strength of our domestic investments in a particular sector, catalytic investments in a particular sector or geography, and participation in large-scale national development projects.

Our overall investment strategy has allowed us to have a strong and resilient investment portfolio that is balanced and well-positioned for growth. The net worth adjusted of our portfolio stands at RM86.9 billion, having grown 11.8% per annum since 2004. This growth has been achieved through an approach that balances an appropriate risk appetite and return-on-investments outlook with the national strategic imperative of having strong, sustainable, and inclusive economic growth.



Photo right: Two of the many international tourists who have visited LEGOLAND® Malaysia, Kitti Piriyaikulchai (right) and his son, Anakin Piriyaikulchai. LEGOLAND® Malaysia has received over 1 million visitors since its launch in September 2012



STRONG

OUR OVERALL INVESTMENT STRATEGY HAS ALLOWED US TO HAVE A STRONG AND RESILIENT INVESTMENT PORTFOLIO THAT IS BALANCED AND WELL-POSITIONED FOR GROWTH

RESILIENT

Empowering Our Companies

Driven by our mandate, we have evolved a collaborative investment style in the management of our investee companies. We partner with our investee companies in value creation. This partnership involves clear terms of engagement for Khazanah and our investee companies through our Five-Point Engagement Framework.

At the board and management levels, we help to ensure that there is strong and capable leadership within each company that will execute the appropriate business strategies to propel the company forward. We work with the companies to implement key systems and controls such as governance and risk management frameworks and talent and performance management, which help enable them to become high-performing entities.

In addition, we contribute towards the optimal development of regulatory structures and competitive environments, while promoting collaborations and synergies between our companies. With these elements in place, our companies are empowered to pursue and execute their business strategies, with Khazanah closely monitoring their performance.



Photo right: The multi-award winning Kuala Lumpur International Airport satellite terminal services international flights. The airport is the 14th-busiest in the world by international passenger traffic movement

5

OUR FIVE-POINT
ENGAGEMENT FRAMEWORK**LEADERSHIP
BENCH**

Assist in ensuring the presence of a professional, capable, and experienced board of directors and senior management team

STRATEGY

In collaboration with our companies and through their boards, help drive high-quality business strategy and implementation through boards and management

**SYSTEMS &
CONTROLS**

Through the boards of the investee companies, help put key systems and controls in place to underwrite growth and value creation through governance, risk management, performance management, talent management, procurement, internal audit, and investor relations

**INDUSTRY
STRUCTURE**

Leverage synergies within the company and contribute towards optimal competitive environment and regulatory structure

**MONITOR
PERFORMANCE
MANAGEMENT
& EMPOWER**

Provide for continuous monitoring, performance management through KPIs, and endorsement of management

Driving Performance and Charting New Paths

OUR INVESTMENTS

Our investee companies are involved in a wide range of economic and business activities. We have interests in more than 50 major companies, either directly or indirectly through ownership of shares.

Our investments, locally and abroad, cut across multiple sectors and industries. In totality, our diverse portfolio reflects the work that we do to create value and economic impact and linkages for Malaysia.

Nearly 90% of our portfolio is in Malaysia, as calculated by the value of investments by the country of company domicile.

TOTAL INVESTMENTS

	NO. OF TRANSACTIONS ¹	INVESTMENT AMOUNT (RMb)
2004–2011	88	45.2
2012	7	6.2
TOTAL	95	51.4

TOTAL DIVESTMENTS

	NO. OF TRANSACTIONS	DIVESTMENT PROCEEDS (RMb)	GAINS ON DIVESTMENTS (RMb)
2004–2011	45	30.9	13.6
2012	10	4.8	2.1
TOTAL	55	35.7	15.7

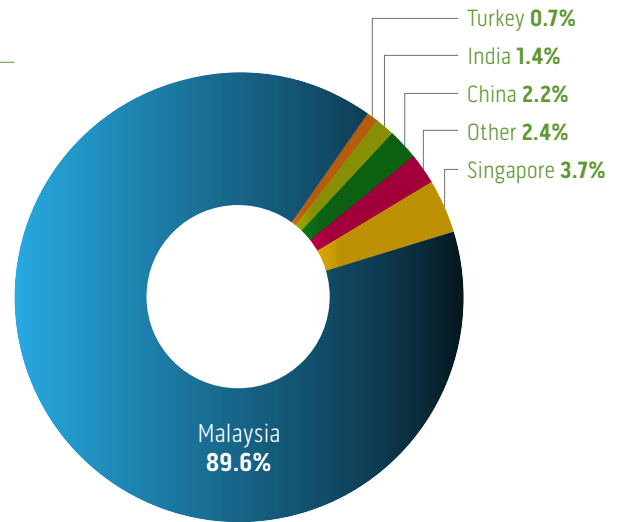
¹ Number of discrete new investments

² Value of investments is allocated by country of domicile of holding company. We estimate attributable value by exposure as 65% invested in Malaysia and 35% invested overseas

Source: Bloomberg; companies' financial reports; analyst consensus estimates (as at 31 December 2012); Khazanah analysis

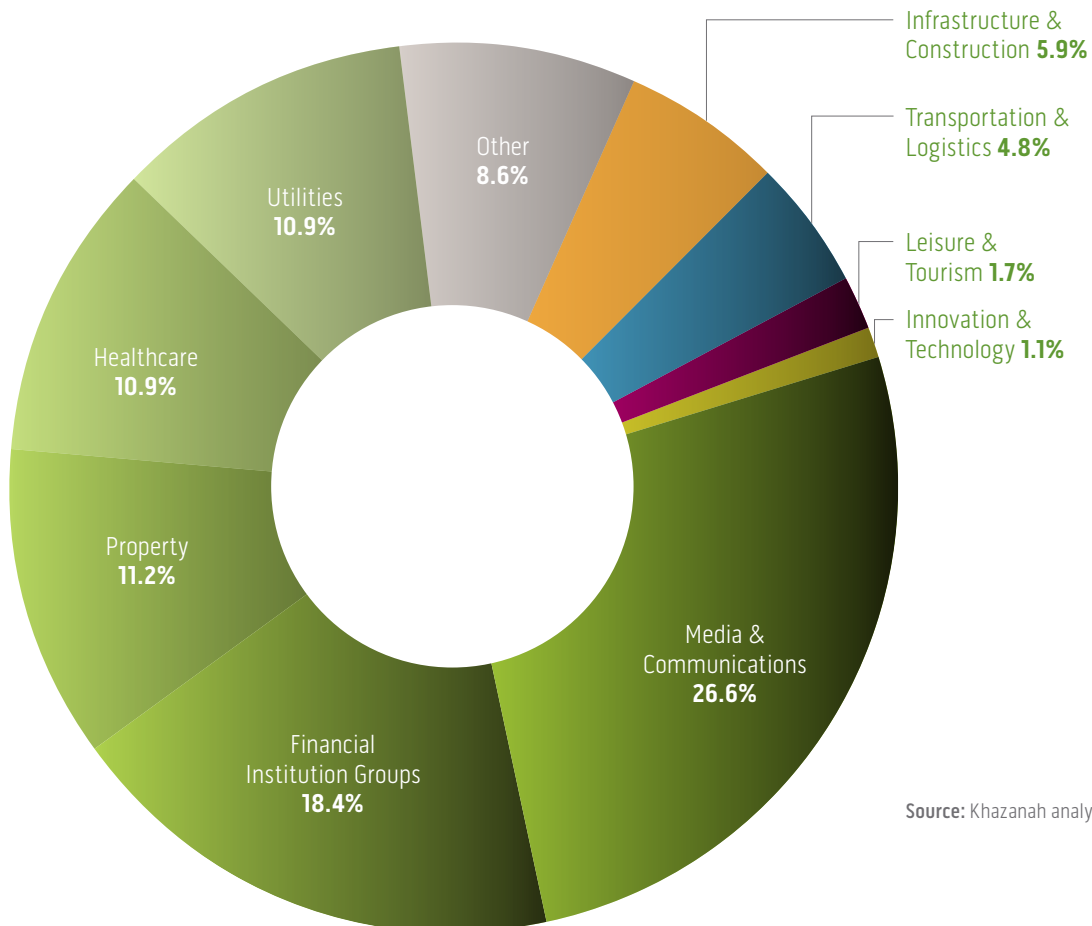
**PORTFOLIO SEGMENTATION
BY DOMICILE OF COMPANIES²**

As at 31 December 2012



**PORTFOLIO SEGMENTATION
BY MAJOR SECTORS**

As at 31 December 2012



Source: Khazanah analysis

INVESTMENT HOLDING STRUCTURE

As at 31 December 2012

AGRICULTURE	FINANCIAL INSTITUTION GROUPS	HEALTHCARE	INFRASTRUCTURE & CONSTRUCTION	LEISURE & TOURISM	MEDIA & COMMUNICATIONS
 <p>MAFC 100%</p> <hr/>  <p>Blue Archipelago 100%</p> <hr/>  <p>Biotropics 100%</p>	<p> CIMB GROUP</p> <p>▲ CIMB Group 29.9%</p> <hr/> <p> IDFC</p> <p>▲ IDFC 10%</p> <hr/> <p> ACR ACR Capital Holdings</p> <p>ACR Capital 24.51%</p> <hr/> <p> ACR Asia Capital Reinsurance Malaysia</p> <p>ACR Malaysia 70%</p> <hr/> <p> ACR ACR ReTakaful Holdings</p> <p>ACR ReTakaful 40% *Also 20% owned by ACR Capital</p> <hr/> <p> Jadwa Investment</p> <p>Jadwa Investment 10%</p> <hr/> <p> Bank Muamalat</p> <p>Bank Muamalat 30%</p> <hr/> <p> ValueCAP</p> <p>Valuecap 33.33%</p> <hr/> <p> fajr Fajr Capital</p> <p>Fajr Capital 21%</p>	 <p>IHH Healthcare Berhad 45.7%</p> <hr/> <p>ACIBADEM</p> <p>Acibadem 60% owned by IHH Healthcare Berhad *Also 15% directly owned by Khazanah</p> <hr/> <p> Parkway Pantai</p> <p>Parkway Pantai 100% owned by IHH Healthcare Berhad</p> <hr/> <p> IMU</p> <p>IMU Health 100% owned by IHH Healthcare Berhad</p> <hr/> <p> Apollo HOSPITALS TOUCHING LIVES</p> <p>▲ Apollo 10.85% owned by IHH Healthcare Berhad</p>	<p> PLUS</p> <p>A member of UEM PLUS Malaysia 51% owned by UEM Group</p> <hr/> <p> UEM</p> <p>UEM Group 100%</p> <hr/> <p> UEM BUILDERS</p> <p>A member of UEM Group UEM Builders 100% owned through UEM Group</p> <hr/> <p> OPUS</p> <p>A member of UEM Opus Group 96.39% owned through UEM Group</p> <hr/> <p> CIMA</p> <p>A member of UEM CIMA 100% owned by UEM Group</p>	<p> THEMED ATTRACTIONS MALAYSIA</p> <p>Themed Attractions & Resorts 100%</p> <hr/> <p> LEGOLAND MALAYSIA</p> <hr/> <p> KidZania Kuala Lumpur</p> <hr/> <p> HELLO KITTY TOWN</p> <hr/> <p> Leat's Place PUTERI HARBOUR • MALAYSIA</p> <hr/> <p> BIG CLUB Puteri Harbour, Malaysia</p> <hr/> <p> DRH Destination Resorts and Hotels</p> <p>Destination Resorts & Hotels Sdn Bhd 100%</p>	<p> axiata</p> <p>▲ Axiata 39.06%</p> <hr/> <p> TM</p> <p>▲ Telekom Malaysia 28.73%</p> <hr/> <p>ASTRO Holdings Sdn Bhd 29.34%</p> <hr/> <p> ASTRO Malaysia Holdings</p> <p>▲ ASTRO Malaysia Holdings 70.8% owned by ASTRO Holdings Sdn Bhd</p> <hr/> <p> PINEWOOD ISKANDAR MALAYSIA STUDIOS</p> <p>Pinewood Iskandar Malaysia Studios 100%</p> <hr/> <p> TIME</p> <p>▲ Time dotCom 11.41% *31.5% owned by Pulau Kapas Ventures</p> <hr/> <p> teb</p> <p>▲ Time Engineering 45.03%</p>



PROPERTY	UTILITIES	SUSTAINABLE DEVELOPMENT	INNOVATION & TECHNOLOGY	TRANSPORTATION & LOGISTICS	VARIOUS
<p> A member of UEM Group ▲ UEM Land 64.89%</p> <hr/> <p> Iskandar Investment Berhad 60%</p> <hr/> <p> M+S Pte Ltd 60%</p> <hr/> <p> Sunway Iskandar 62%</p> <hr/> <p> Pulau Indah Ventures 50%</p> <hr/> <p> Putrajaya Holdings 15.59%</p> <hr/> <p>STLR 100%</p>	<p> ▲ Tenaga Nasional 34.0%</p> <hr/> <p> The first IWPP in the Kingdom Shuaibah Water and Electricity 12% *Also 6% owned by Tenaga Nasional</p>	<p> ▲ Camco Clean Energy 23.08%</p> <hr/> <p> Camco South East Asia 39.89%</p> <hr/> <p> KCS Green Energy 80%</p> <hr/> <p> A member of UEM Group UEM Environment 100% owned through UEM Group</p>	<p> SilTerra Malaysia 100%</p> <hr/> <p>Atlantic Quantum 100%</p> <hr/> <p> MTDC 100%</p> <hr/> <p> Springhill Bioventures 33.33%</p> <hr/> <p> Xeraya Capital 100%</p>	<p> ▲ Malaysia Airports 40.33%</p> <hr/> <p> ▲ MAS 69.37%</p> <hr/> <p> Penerbangan Malaysia 100%</p> <hr/> <p> Westport 8.55%</p>	<p> ▲ John Keells 8.76%</p> <hr/> <p> ▲ Parkson Retail 7.83%</p> <hr/> <p> ▲ Acquity Group 22.6%</p> <hr/> <p> LeapEd 100%</p> <p>▲ Listed Company</p>

Driving Performance and Charting New Paths

CORE INVESTMENTS

Our portfolio includes some of the most significant companies in Malaysia, as measured by their strategic importance to the nation. They include GLCs in sectors such as aviation, utilities, banking, power, and telecommunications.

FINANCIAL INSTITUTION GROUPS

Our investments in this sector comprise holdings in companies involved in a range of financial activities, including banking, Islamic banking, infrastructure financing, insurance, takaful, reinsurance, and retakaful.

CIMB Group, Malaysia's second-largest financial services provider, is a leading ASEAN universal bank, the largest Asia Pacific (ex-Japan) investment bank, and one of the world's largest Islamic banks, operating in 17 markets around the globe. CIMB Group operates across ASEAN under several corporate entities including CIMB Investment Bank, CIMB Bank, CIMB Islamic, CIMB Niaga, CIMB Securities, and CIMB Thai. Its main markets of Malaysia, Indonesia, Singapore, and Thailand primarily focus on Consumer Banking, Corporate & Institutional Banking & Markets, and Group Asset Management & Insurance.
www.cimb.com

ACR Capital Reinsurance Group is one of the world's top 50 reinsurers. It has an exclusive focus on providing reinsurance solutions for large and specialist risks in the pan-Asian region. Headquartered in Singapore, ACR has a regional presence in Hong Kong, India, Taiwan, Japan, Malaysia, Bahrain, and Dubai.
www.acrcapitalre.com



Axiata has over 20,000 employees serving more than 215 million subscribers across Asia



CIMB Group operates in nine out of the 10 ASEAN countries, with over 42,000 employees in 1,100 branches across the region



Tenaga Nasional Berhad generated electricity totalling 96,257.2GWh in 2012, enough to power 180 million light bulbs for a year



Telekom Malaysia's UniFi high-speed broadband service has over 500,000 subscribers nationwide



IHH Healthcare Berhad

IHH is now the second-largest and fastest growing listed hospital services and healthcare group in the world. The RM6.3 billion IHH IPO in July 2012 was the world's fifth-largest in 2012



Malaysia Airports handled a total of 67 million passenger movements in 2012, or an average of 184,000 passengers a day



Malaysian Airline System Berhad carried 16.6 million passengers and flew more than 244 million kilometres in 2012



Iskandar Investment Berhad is the developer of EduCity, an education hub in Iskandar Malaysia comprising world-class universities, international schools and colleges, and accommodation and recreational facilities



UEM Group Berhad is one of Malaysia's leading conglomerates, with several core businesses including property development and construction. Among the key companies under the Group are UEM Land, the master developer of Nusajaya in Iskandar Malaysia, and UEM Builders, which is involved in the construction of the Penang Second Bridge and KLIA2 low-cost carrier terminal



A member of UEM

PLUS Malaysia operates a total of 987km of expressways in Malaysia including the North-South Expressway and is the largest toll road operator in Southeast Asia

Driving Performance and Charting New Paths

INFRASTRUCTURE & CONSTRUCTION

Our investee companies in this sector are involved in, among other things, highway operation, bridge construction, and property development. They play an important role in the development of the nation's critical infrastructure and the growth of the property sector in special economic zones.

UEM Group Berhad is Malaysia's leading conglomerate, with four core businesses: expressways, township and property development, engineering and construction, and asset and facility management. Among the key companies in the group are PLUS Malaysia Berhad, UEM Builders Berhad, and UEM Land Holdings Berhad, which is listed on Bursa Malaysia.
www.uem.com.my

PLUS Malaysia is the biggest highway concessionaire in Malaysia. It operates the longest highway in the country, the North-South Expressway, which spans the length of Peninsular Malaysia from Bukit Kayu Hitam in the north near the Thai border to the southern city of Johor Bahru, which borders Singapore.
www.plus.com.my

MEDIA & COMMUNICATIONS

We are a shareholder in some of the most dynamic media and communications companies with regional presence. They comprise home-grown entities that have gone on to expand into markets abroad.

Axiata is one of Asia's largest telecommunications companies, focusing on high-growth, low-penetration emerging markets. The company has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh, and Cambodia, and significant strategic stakes in India and Singapore. Axiata serves more than 215 million subscribers across the region. It also has a stake in mobile telecommunications operations in Thailand.
www.axiata.com

Telekom Malaysia Berhad (TM) is Malaysia's leading integrated information and communications group. It offers a comprehensive range of communication services and solutions in broadband, data, and fixed-line. TM has over 2 million subscribers for its broadband services and 4.3 million fixed-line customers.
www.tm.com.my

Astro Malaysia Holdings Berhad is a leading integrated consumer media entertainment group in Malaysia and Southeast Asia with operations in four key areas: pay-TV, radio, publications, and digital media. It has approximately 50% penetration of Malaysian TV households, serving over 3 million residential customers.
www.astro.com.my

TRANSPORTATION & LOGISTICS

Our investments in this sector include holdings in the country's largest airport operator and the national airline.

Malaysia Airports Holdings Berhad (MAHB) manages and operates 39 airports in Malaysia—five international and 16 domestic airports, and 18 short takeoff and landing (STOL) ports. It also provides airport management and technical services for the development, operation, maintenance, and management of several airports



NEARLY
90% OF OUR
ASSETS ARE
IN MALAYSIA



Photo right: LEGOLAND® Malaysia employees Nur Atiqah bt Md Husaini (left) and Mohamad Najib Abd Manan (right)



Driving Performance and Charting New Paths

in India and Turkey, where MAHB has minority shareholdings. MAHB employs approximately 8,600 staff, and served 86 airlines and 67 million passengers in 2012. MAHB is listed on the main market of Bursa Malaysia with a market capitalisation of RM6.25 billion (as at 31 December 2012). It was also the first airport company to be listed in Asia, in November 1999.

www.malaysiaairports.com.my

Malaysian Airline System Berhad is one of Asia's largest airlines, with over 60 destinations in 30 countries across four continents. As part of its oneworld membership alliance, Malaysian Airline System Berhad now offers guests seamless travel to over 800 destinations in more than 150 countries worldwide. In 2012, Malaysian Airline System Berhad was awarded Skytrax's 5-star airline rating, winning the "World's Best Cabin Staff" award again (seven times since 2002), and "Best Airline Signature Dish" for its satay.

www.malaysiaairlines.com

UTILITIES

We are the largest shareholder of Tenaga Nasional Berhad, the country's main electricity company, with over 8.3 million customers.

Tenaga Nasional Berhad is the largest electricity utility company in Malaysia, with almost RM88 billion worth of assets and more than 33,500 employees. It serves an estimated 8.3 million customers nationwide.

www.tnb.com.my

Shuaibah Water and Electricity Company is involved in the Shuaibah Phase 3 Independent Water and Power Project in Saudi Arabia. The project supplies 900MW of power and 880,000 cubic metres of water per day to several cities in Saudi Arabia.

www.shuaibahiwpp.com

ISKANDAR MALAYSIA

Iskandar Malaysia spans an area of more than 2,217 square kilometres in the state of Johor, in the south of Peninsular Malaysia bordering Singapore. The development of this economic corridor is aimed at boosting the socio-economic growth and viability of the area through a comprehensive approach that comprises regulatory, social, infrastructure, and commercial components. Khazanah is a key participant in the development of Iskandar Malaysia, with involvement across multiple sectors.

www.iskandarmalaysia.com.my

Iskandar Investment Berhad (IIB), a 60%-owned subsidiary of Khazanah, is a major catalytic developer in Nusajaya, the Flagship Zone B of Iskandar Malaysia. IIB promotes investments in key identified sectors, and facilitates the development of infrastructure in Nusajaya. One of IIB's focus areas is the development of EduCity, a fully integrated education hub located within Nusajaya that covers the entire education spectrum—pre-school, primary, secondary, and tertiary levels—as well as offering student accommodation and facilities for recreation and sports.

www.iskandarinvestment.com

HEALTHCARE

With our investments in this sector, Khazanah has built an integrated healthcare services platform with leading positions in various markets. Through IHH Healthcare Berhad, we provide premium-quality healthcare to the communities in our respective markets and aim to develop local expertise and capability across the full spectrum of healthcare services.

IHH Healthcare Berhad operates a global healthcare network of 33 hospitals as well as medical centres, clinics, and ancillary healthcare businesses across eight countries.

www.ihh-healthcare.com

IMU Health Sdn Bhd owns and operates the International Medical University (IMU), Malaysia's premier private healthcare university, offering medical, dental, pharmacy, nursing, health sciences, and complementary medicine programmes. IMU is also involved in healthcare services, and medical and healthcare research.

www.imu.edu.my

NEW INVESTMENTS—EXPLORING NEW SECTORS AND GEOGRAPHIES

We explore and invest in new sectors and geographies to support the transformation of the economy as envisaged by the Government's New Economic Model. The strategic investments that we make in this regard offer the potential to build new industry linkages, leverage complementarities, and act as catalysts for further sectoral and national growth and progress.

LEISURE & TOURISM

Our leisure and tourism investments complement the development of Iskandar Malaysia and other areas in the country by catalysing new value-added services and promoting further growth in a sector that relies largely on the country's diverse natural attractions. Apart from the high-multiplier effect of creating jobs and boosting tourism, the sector will also generate incidental benefits to other sectors such as healthcare and property development.

Themed Attractions and Resorts Sdn Bhd (Themed Attractions) is involved in the development of themed attractions and resorts in Kuala Lumpur, Iskandar Malaysia, Johor, and Singapore. Themed Attractions' current portfolio comprises catalytic projects namely LEGOLAND® Malaysia Resorts, Kidzania Kuala Lumpur and Sanrio Hello Kitty Town, The Little Big Club and Lat's Place Themed Restaurant at Puteri Harbour, Nusajaya, and Kidzania Singapore.
www.tar.com.my

Destination Hotels and Resorts Sdn Bhd (DRH) is involved in the development and operations of destination resorts and hotels, and owns a hotel management company. DRH currently owns and manages The Datai Langkawi, a premier and internationally-recognised home-grown Malaysian resort associated with luxury and excellent service, located at Teluk Datai. DRH is also the developer of Desaru Coast, Teluk Datai, and Puteri Harbour destination resorts.
www.drh.com.my



Sanrio Hello Kitty Town is one of the three themed attractions at Puteri Harbour Family Theme Park in Iskandar Malaysia, attracting over 50,000 visitors in its opening month of December 2012

Driving Performance and Charting New Paths

EDUCATION

Education is a sector that is critical for the delivery of our human capital development mandate. In line with the national effort to drive the services sector and education-related objectives of the Government's Economic Transformation Programme, we aim to catalyse a system-wide change in human capital outcomes for the nation by improving the quality of the public schools in Malaysia via the Yayasan AMIR Trust Schools Programme (YATSP) and improving access to quality education.

LeapEd Services Sdn Bhd (LeapEd), a wholly-owned subsidiary of Khazanah, is the first Malaysian education services provider to undertake the nation's pioneer public school transformation programme via the YATSP. Currently being implemented across 13 public schools spanning Johor, Sarawak, and the Klang Valley, the YATSP is a comprehensive and scalable school transformation model that sustainably transforms student outcomes through the achievement of four strategic goals (focusing on school leadership, teachers, holistic student outcomes, and parents / community) by promoting enhanced school management practices and championing improvements to curriculum and education delivery. www.leapedservices.com

INNOVATION & TECHNOLOGY

We explore opportunities in innovation and technology that can complement the strengths of our existing investee companies. We aim to make investments that have strategic value to Malaysia and also enhance our existing portfolio investments.

Xeraya Capital is a private equity and venture investor in life sciences that focuses on medical technologies, healthcare biotechnology, bio-renewables, and bio-industrials. www.xeraya.com

SilTerra Malaysia Sdn Bhd is a leading wafer foundry provider that offers state-of-the-art Complementary Metal-Oxide Semiconductor (CMOS) wafer technology to global semiconductor customers. It was established in 1995 to promote front-end semiconductor manufacturing and, to be a catalyst for high-technology investments in Malaysia. www.silterra.com

SUSTAINABLE DEVELOPMENT

Given the nascent sustainable development market in Malaysia and Southeast Asia, there is a strategic opportunity for Khazanah to create a regional platform to capture market share in the clean / renewable energy space. As such, Khazanah has made selected investments in the emission-reduction and clean-energy sub-sectors with the aim of strengthening knowledge transfer and capacity-building in the sector through its investee companies.

Camco South East Asia develops clean-energy projects and provides advisory services, with a focus on palm biogas and energy-efficiency projects in Malaysia and Southeast Asia. www.camcocleanenergy.com/seasia

Camco Clean Energy, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange, is a developer of clean-energy projects in the US and Africa. www.camcocleanenergy.com

CREATIVE INDUSTRIES

We view creative industries as essential towards nation-building and to establishing Malaysia as a knowledge-based economy. Apart from complementing the development of Iskandar Malaysia, our participation in this sector offers the opportunity to build local capabilities, raise Malaysia's profile as an international creative-industry hub, and provide spill-over economic benefits to the local tourism, financial, and education industries.



Yayasan Amir's Trust School Programme to improve school performance and educational outcomes has positively impacted a total of 7,881 students over a two-year period



ISKANDAR MALAYSIA
STUDIOS

Pinewood Iskandar Malaysia Studios is a state-of-the-art integrated-media production studio facility with 100,000 sq. ft. of film stages, 24,000 sq. ft. of TV studios, and post-production facilities. This facility is scheduled to open in 2013



Camco South East Asia's 2MW biogas plant in Pahang, which uses palm oil mill effluent as a methane source, will be the largest of its type to generate electricity for supply to the Malaysian national electricity grid



Xeraya Capital is Khazanah's holding company and investment fund for its interests in life sciences and biotechnology. Xeraya Capital's portfolio of companies includes Small Bone Innovations Inc., which develops devices and instruments specifically designed for small-bone and joint surgery

Building a Regional Footprint

We reach beyond Malaysia's borders to seek investments that will create value for us and our investee companies. Our presence in key markets abroad allows us to tap into regional economic growth and to identify opportunities that enhance the regionalisation of our investee companies and contribute towards building the nation's long-term competitiveness.



INDIA

Logos for India: Khazanah Nasional, axiata, IHH Healthcare Berhad, UEM, PLUS, and Malaysia Airports.

INDONESIA

Logos for Indonesia: PLUS, axiata, CIMB GROUP, and UEM.

MIDDLE EAST

Logos for Middle East: Khazanah Nasional, Tenaga Nasional Berhad, CIMB GROUP, and UEM.

CHINA

Logos for China: Khazanah Nasional and IHH Healthcare Berhad.

BANGLADESH

Logo for Bangladesh: axiata.

THAILAND

Logos for Thailand: axiata and CIMB GROUP.

CAMBODIA

Logo for Cambodia: axiata.

BRUNEI

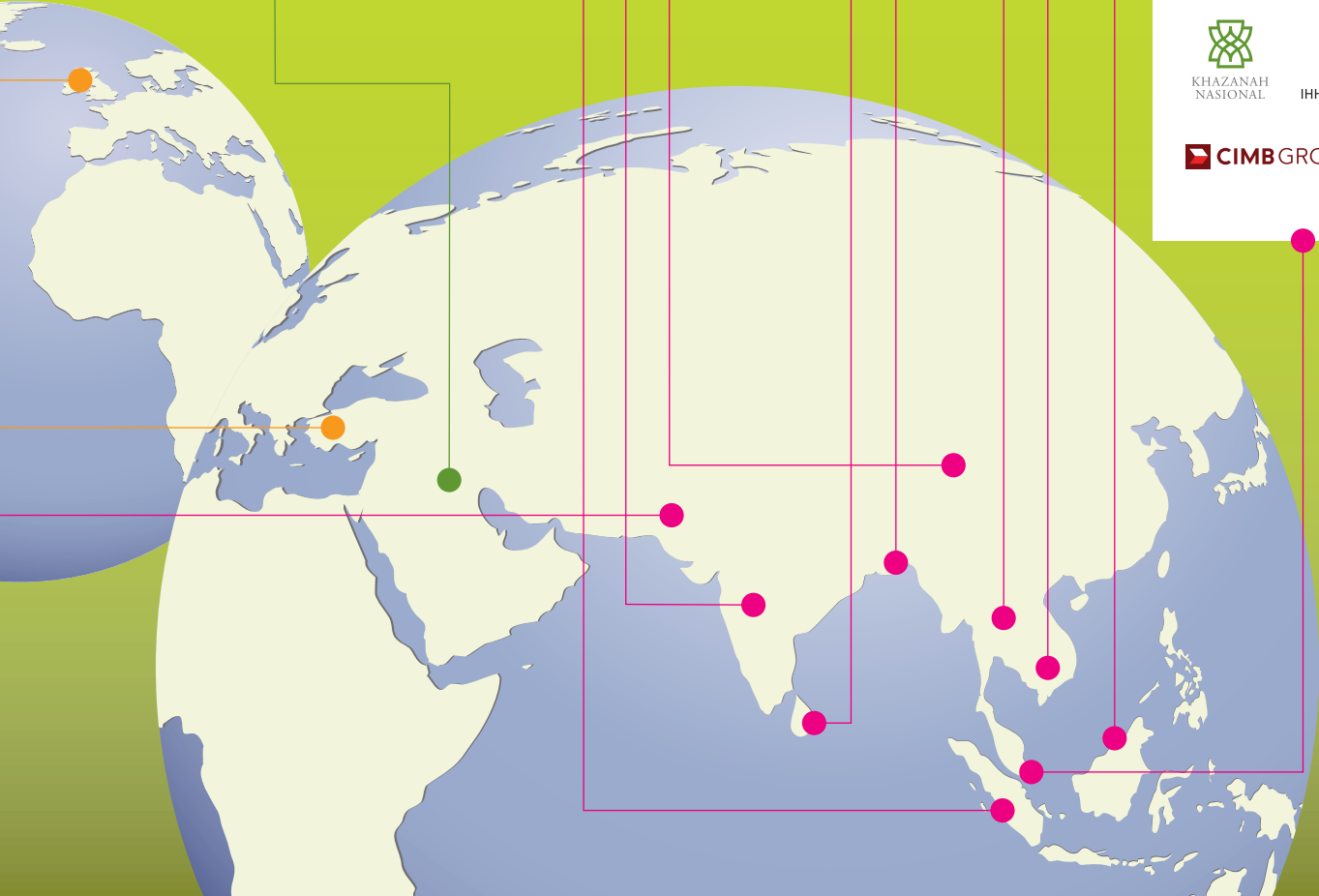
Logos for Brunei: UEM and IHH Healthcare Berhad.

SINGAPORE

Logos for Singapore: Khazanah Nasional, IHH Healthcare Berhad, CIMB GROUP, and axiata.

SRI LANKA

Logos for Sri Lanka: Khazanah Nasional, CIMB GROUP, and axiata.



Transforming GLCs

Government-Linked Companies (GLCs) play an important role in creating value for stakeholders by providing critical services to the public and businesses, catalysing developments in strategic sectors, generating jobs at multiple levels of employment, and providing opportunities for local businesses.

The GLC Transformation Programme was established with the aim of transforming GLCs into high-performing entities, in line with the aspirations of the New Economic Model (NEM) of transforming Malaysia into a developed nation with a high-income, sustainable, and inclusive economy.

The 10-year programme was launched in 2004, with the introduction of key performance indicators (KPIs) for the GLCs, initiatives to refresh their respective boards, a revamp and new mandate for Khazanah, and changes to revitalise the management of a number of GLCs.

In 2005, the Putrajaya Committee on GLC High Performance (PCG) was formed to further catalyse, guide, and monitor the implementation of the programme. The PCG is chaired by the Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Hj Abdul Razak, and consists of the heads of the Government-Linked Investment Companies (GLICs), including Khazanah, and Chairmen and CEOs of GLCs, as well as representatives from the Government. Khazanah is the secretariat of the PCG. The programme encompasses four phases which reflect the transformation undergone by the GLCs.



**KHAZANAH IS THE
SECRETARIAT
TO THE PUTRAJAYA
COMMITTEE ON
GLC HIGH
PERFORMANCE
(PCG)**

The programme is anchored in three underlying principles.

1. Performance Focus

To create economic and shareholder value through improved performance at GLCs

2. National Development Foundation

To align with broader national development strategies, aiming for growth with equity while improving total factor productivity and developing human capital and the Bumiputera community

3. Governance and Stakeholder Management

To practice good governance by fully observing the rights of shareholders while appropriately engaging and managing other stakeholders

RM191b

142% increase in K-7* market capitalisation from RM79 billion to RM191 billion over the period May 2004 to December 2012

*The K-7 comprises the largest and most significant GLCs controlled by Khazanah within the scope of the GLC Transformation Programme.

Our K-7 companies are: Axiata Group Berhad, CIMB Group Holdings Berhad, Malaysia Airports Holdings Berhad, Malaysian Airline System Berhad, Telekom Malaysia Berhad, Tenaga Nasional Berhad, and UEM Group Berhad



Tenaga Nasional technicians conduct maintenance work at a power transmission tower



CIMB Bank's branch staff attending to a customer at the main consumer branch located in Menara Bumiputera Commerce, Kuala Lumpur

The principles are further bolstered by five policy thrusts that set the framework to guide GLICs and GLCs under the programme:

- i. Clarify the GLC mandate in the context of national development
- ii. Upgrade the effectiveness of boards and reinforce the corporate governance of GLCs
- iii. Enhance GLIC capabilities as professional shareholders
- iv. Adopt corporate best practices within GLCs
- v. Implement the GLC Transformation Programme

Transforming GLCs



The early years of the programme in Phase 1 saw board composition and leadership changes, the introduction of target-setting via key performance indicators (KPIs), and performance-linked compensation and performance contracts for senior management.

This was followed in Phase 2 by the introduction of best practices guidelines via the 10 GLC Transformation Initiatives. This phase also saw the introduction of the two-part Transformation Manual, which contained overall policy guidelines and details of the 10 GLC Transformation Initiatives, now embodied in what is informally known as the “coloured books.”

The books serve to guide GLCs in implementing a broad array of best practices ranging from board effectiveness and the capabilities of directors to performance management and social responsibility.

Nine books were launched in the period from August 2005 to December 2006, and the tenth book was introduced in September 2008.

In the third phase, GLCs began to show sustainable and tangible results arising from the implementation of the programme. These have carried through into the fourth phase, which calls for reaping full national benefit, with regard to the GLCs’ delivering financial and strategic value, distributing value and sharing gains with stakeholders,

contributing comprehensively to nation-building, and supporting national transformation initiatives. In this final phase, GLCs are expected to perform at par with the private sector, with several emerging as regional champions.

The final phase of the GLC Transformation Programme coincides with the introduction of the New Economic Model (NEM) in 2010. To this end, the programme has identified five key roles for GLCs in supporting the aspirations of the NEM.

In particular, the drive to develop regional champions is a key component of the creation of a globally competitive Malaysia. Under the programme, GLCs will further intensify efforts to pursue regional championship and continue to execute regionalisation strategies.

As it stands, a number of GLCs have established a presence in markets abroad and have become regional champions—companies like CIMB Group Holdings Berhad in the banking sector and Axiata Group Berhad in telecommunications—while others are building capacity to reach this level in the short to medium term.

A comprehensive explanation of the progress of the GLC Transformation Programme is detailed in the annual progress report issued by the PCG.

1

Stay the course in executing the GLC Transformation Programme, which is now approaching its 10th year

PHASE 1

MOBILISATION, DIAGNOSIS & PLANNING

5/2004

2005

14 MONTHS



5/2004

- Key Performance Indicators

- Performance-linked compensation
- Performance contracts
- Board composition reform
- Revamp of Khazanah
- GLC leadership changes



1/2005

PCG FORMED

TARGETED OUTCOMES

- Diagnosis of GLCs conducted
- Determination of policy principles
- Initial 2004 initiatives launched

2

Maintain a relentless drive towards regionalisation and becoming regional champions

3

Pursue new economy investments in line with the NEM

4

Collaborate and co-invest with the private sector

5

Continue to focus on core operations, level the playing field, and exit non-core / non-competitive assets

GLC TRANSFORMATION PROGRAMME IS NOW IN PHASE 4

PHASE 2

GENERATE MOMENTUM

PHASE 3

TANGIBLE RESULTS

PHASE 4

FULL NATIONAL BENEFIT

2006

2007

2010

2015

12-17 MONTHS

2-5 YEARS

5-10 YEARS ONWARD

29 JULY 2005

TRANSFORMATION MANUAL LAUNCH

- Policy guidelines
- 10 2005 / 2006 initiatives

- 2005 / 2006 initiatives implemented
- Full roll out in place
- Key policies endorsed and executed upon
- Early fruits of sustainable improvements

- Tangible and sustained benefits across all GLCs
- Visible benefits to all stakeholders, e.g., customers, vendors, employees
- Large-scale strategic and financial changes made
- Material changes to boards

- Several regional champions
- Most GLCs performing on a par with competitors



10
TRANSFORMATIONAL
INITIATIVES

The inaugural GLC Open Day held in 2011 saw the participation of five GLICs and 18 GLCs and attracted over 30,000 visitors

INITIATIVES	DESCRIPTION	
Enhance Board Effectiveness	Raise the overall effectiveness of GLC boards by revamping practices to ensure that they fulfill their fundamental roles and responsibilities	Green Book
Strengthen Directors' Capabilities	Enhance board performance by equipping directors of GLCs with the necessary world-class knowledge, skills, and mind-set through the Malaysian Directors Academy (MINDA), established in December 2006	MINDA
Enhance GLIC Monitoring & Management Functions	Reinforce the ability of GLICs as active shareholders in driving GLC performance towards enhanced value creation, based on the respective GLICs' mandate and investment strategy	GLIC
Create Value Through Regulatory Management	Encourage best-practice engagement among GLCs, policymakers, regulators, and other related stakeholders and build GLC knowledge and capability in regulatory management	White Book
Achieve Value Through Social Responsibility	Guide GLCs to become socially responsible corporate citizens while creating value for their shareholders and stakeholders	Silver Book
Review and Revamp Procurement	Enhance the effectiveness and efficiency of procurement practices in GLCs, including their role in developing local suppliers	Red Book
Optimise Capital Management Practices	Enhance capital efficiency and optimise capital structure through improved capital management among GLCs	Purple Book
Strengthen Leadership Development	Strengthen and institutionalise leadership and talent management in GLCs to ensure long-term robustness	Orange Book
Intensify Performance Management Practices	Develop a performance culture to improve the financial and operational performance of GLCs	Blue Book
Framework for Continuous Improvement	Enhance operational effectiveness and efficiencies to achieve continuous improvements	Yellow Book

THE 10 TRANSFORMATIONAL INITIATIVES



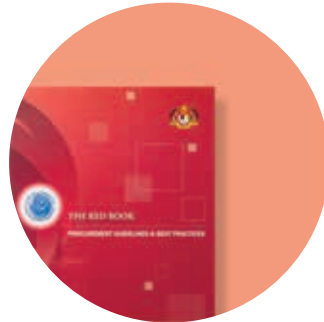
Blue

JULY '05 Intensifying Performance Management



Green

APR '06 Enhancing Board Effectiveness



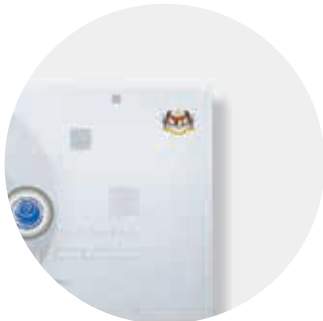
Red

APR '06 Reviewing and Revamping Procurement Practices



Yellow

SEP '06 Framework for Continuous Improvement



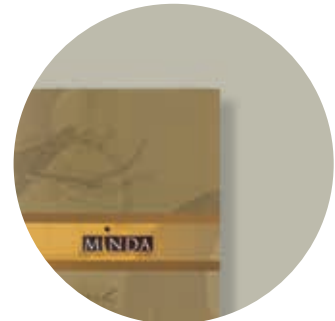
Silver

SEP '06 Achieving Value Through Social Responsibility



GLIC

DEC '06 Enhancing GLIC Monitoring & Management Functions



MINDA

DEC '06 Malaysian Directors Academy — Strengthening Directors' Capabilities



Purple

DEC '06 Optimising Capital Management Practices



Orange

DEC '06 Strengthening Leadership Development



White

SEP '08 Creating Value Through Regulatory Management



**SPECIAL
FEATURE /
CASE STUDY**

**TELEKOM
MALAYSIA
DEMERGER**

By Ganen Sarvananthan,
Executive Director, Head of Investments

UNLOCKING POTENTIAL

One of the tasks we undertake as an active shareholder is to facilitate the restructuring of our investee companies to unlock their potential and provide them with the necessary strategic positioning to take advantage of market opportunities.

In 2006, we conducted a study of the Malaysian telecommunications industry to assess our role in the sectoral landscape with regard to achieving national objectives and maximising the value of our investments in the sector, the most significant of which was our shareholding in Telekom Malaysia Berhad (TM).



Telekom Malaysia Demerger / Unlocking Potential

TM at the time was an integrated information and communications company with fixed-line and mobile communications businesses. Within TM, the Telekom Malaysia International (TMI) division was responsible for international investments and the domestic mobile operator Celcom.

In the study we commissioned, it was clear that the fixed-line (TM) and mobile communications (TMI) businesses were two different and distinct businesses with separate needs, goals, and focus. A demerger was seen as the optimal path for charting further growth by enabling the two to be run as independent entities. In addition, the exercise would unlock the potential to create a regional telecommunications champion, in line with the regionalisation objectives of the GLC Transformation Programme. Fundamentally, TM would continue to build on its leading domestic market position by focusing on the fixed-line business and pursuing strategic initiatives such as the national High-Speed Broadband (HSBB) project, while TMI would focus on becoming a leading regional mobile operator.

THE RATIONALE FOR THE DEMERGER

There were several key factors that supported a demerger of TM's fixed-line and mobile businesses:

1

Provides the freedom to pursue distinct strategies and focus on respective core activities:

- TMI focuses on becoming a leading regional mobile operator with presence in fast-growing markets in the South / Southeast Asia region, capturing performance improvements and synergies across its footprint.
- TM focuses on becoming Malaysia's leading domestic next-generation communications provider, especially through fixed and broadband services, with the objective of stabilising revenue and growing earnings.

2

Realises the benefits of governance

Provides the opportunity for improvement in organisational focus via explicit management mandates, and improvement in execution capacity of the respective business entities through tailored talent and performance management. At the same time, transparency is enhanced, enabling the capital markets and stakeholders to ascertain the prospects of each entity.

3

Captures unique benefits

Provides the opportunity for the separate business entities to undertake tailored capital management initiatives (for example, pursuing specific dividend policies and investor relations strategies). In addition, it enhances deal-structuring capability and increases flexibility in funding.

4

Unlocks value

A listing of TMI would enhance its profile, provide direct access to equity markets and flexibility in future funding, and provide shareholders with liquidity to monetise holdings.

Teh Nor Aliaa Mohamad Nadzim, Assistant Vice President, Investments,
and Gaithiri Devi Siva Subramaniam, Vice President, Finance

Axiata touches

215,700,000

subscribers through its units
across 10 countries

1.37 million

premises passed by TM's
roll out of the country's High-Speed
Broadband (HSBB) network

35% **Unifi**

take-up rate for TM's Unifi
broadband service, which
has over 500,000 subscribers
(as at 31 December 2012)

83.7%

3G coverage in Malaysia, the widest
in the country, through Celcom,
Axiata's local cellular services provider

Telekom Malaysia Demerger / Unlocking Potential



Employees at the Telekom Malaysia call centre attending to customer calls

TRANSFORMING TO BUILD TRUE VALUE

In light of the merits of a demerger, we engaged TM to syndicate and explore the concept further, as an active shareholder working within the framework governing our engagements with investee companies. In March 2007, TM formed a team to assess the approach and impact of the demerger. The company and its advisers then developed and executed a series of transactions that involved internal structuring, the distribution of special dividends to TM shareholders, and the listing of TMI.

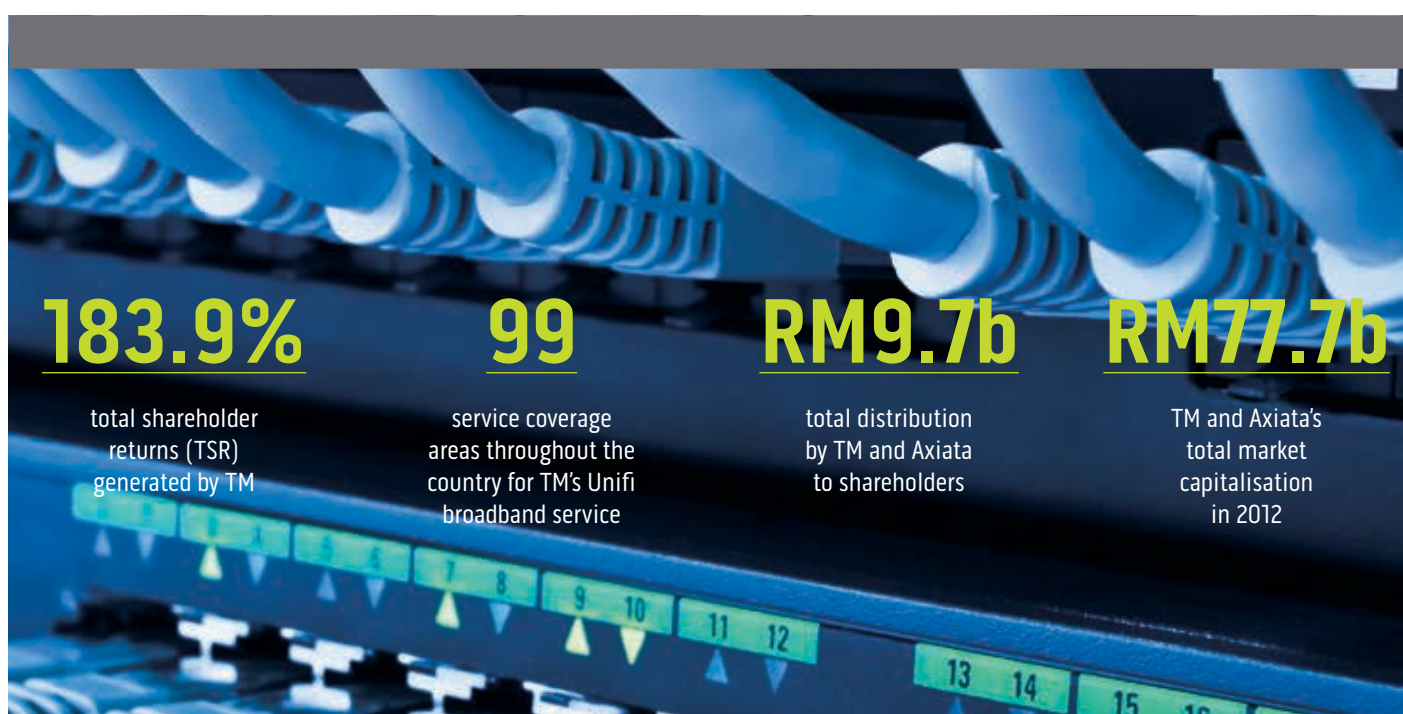
Khazanah worked closely with TM throughout the entire process, assisting in several significant areas including securing the talent and expertise, especially at the board and senior management levels, necessary to drive the company's strategic direction and performance as a regional mobile operator.

The demerger exercise was completed in April 2008, culminating in the listing of TMI on Bursa Malaysia. In March 2009, TMI underwent a rebranding exercise and changed its name to Axiata Group Berhad.

FORGING AHEAD

Both TM and Axiata have made great operational, strategic, and financial strides since the demerger.

TM stabilised its fixed-line subscriber base and, through its pioneering work in the national HSBB initiative, significantly increased the overall number of subscribers to its broadband offerings. The company's revenues, earnings, and profits are on an uptrend, built upon a solid base that developed post-demerger. The successful roll out of the HSBB project by TM has received



international recognition and exceeded initial reach and subscriber targets. In addition, the HSBB network has been opened to other broadband service providers, creating a level playing field that enhances competition and provides Malaysians with a broad choice.

Meanwhile, Axiata is now a leading regional mobile communications company, with operations in 10 countries and more than 200 million subscribers. Growth in the company's revenue and profits has also accelerated after the demerger.

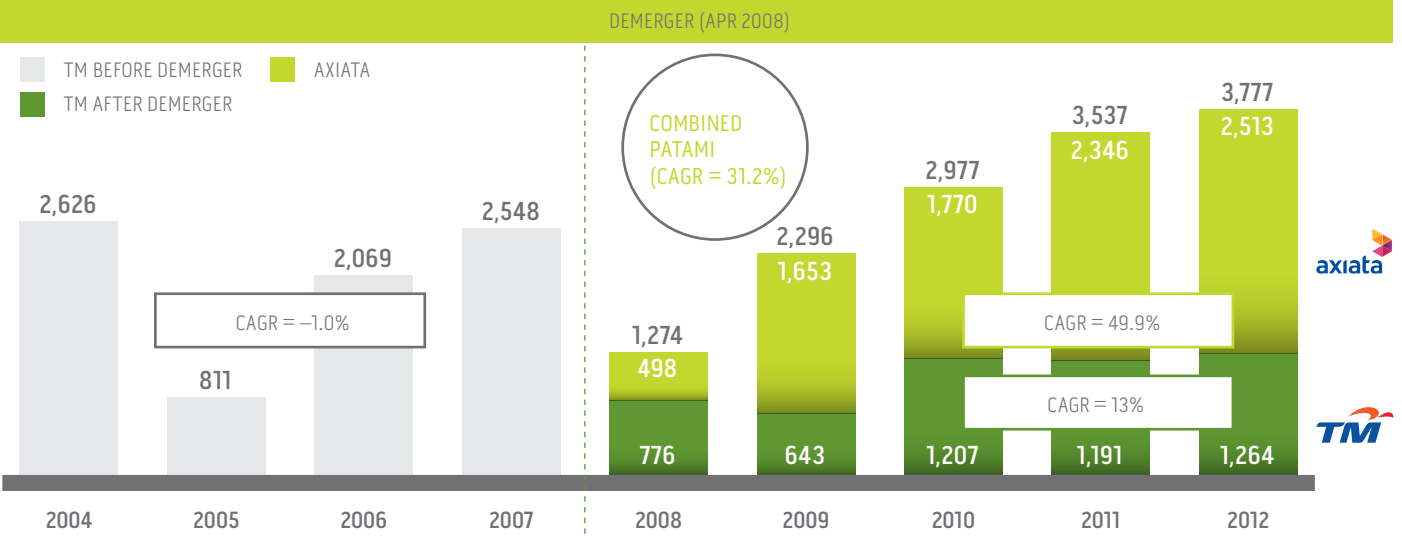
Shareholders have reaped significant benefits, with both TM and Axiata distributing a collective amount of nearly RM10 billion since the exercise. Total shareholder returns generated by TM and Axiata since the demerger stand at 183.9% and 30.2%, respectively, compared to 55.1% for TM from 2004 to the date of demerger¹. In addition, the combined market capitalisation of the two companies amounted to RM77.7b² in 2012, which is about 2.0 times the size of TM's market capitalisation in 2007.

Source: 1 Bloomberg, assumes no dividends reinvested. Data for TM from 2004 to demerger is from 2 Jan 2004 to 22 Apr 2008. Data for TM since demerger is from 22 Apr 2008 to 31 Dec 2012. Data for Axiata since demerger is from 25 Apr 2008 to 31 Dec 2012.

2 Bloomberg. Market capitalisation on last trading day of the year.

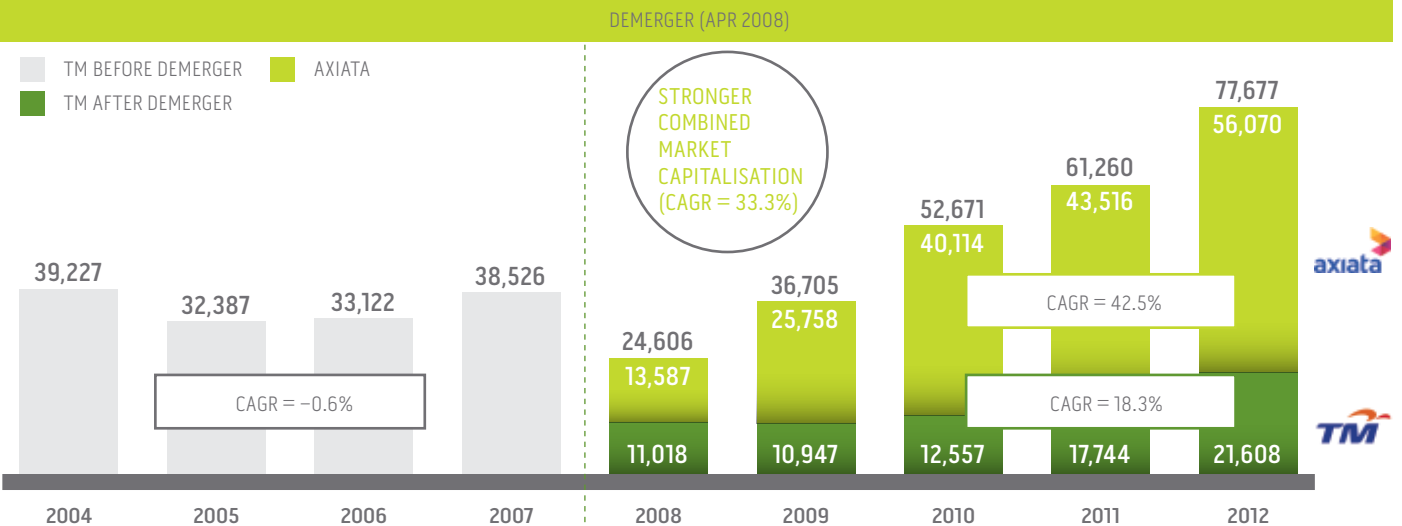
Telekom Malaysia Demerger / Unlocking Potential

Profit After Tax and Minority Interests (PATAMI) (RM '000)



Source: TM Annual Report 2004–2012; Axiata Annual Report 2008–2012

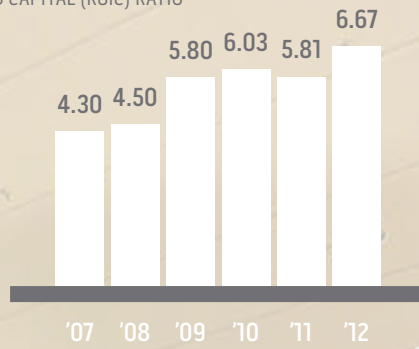
Market Capitalisation (RM '000)



Source: Bloomberg

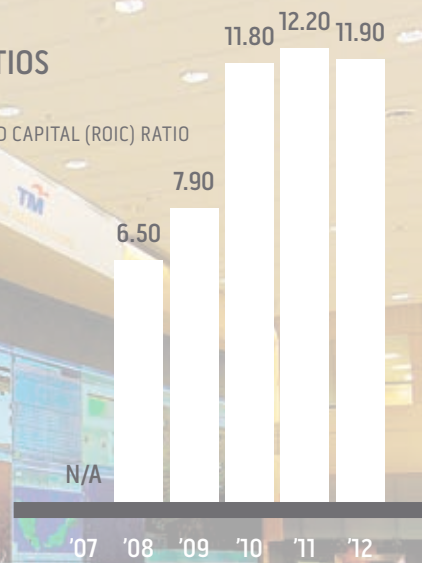
RETURNS RATIOS FOR TELEKOM MALAYSIA

RETURN ON INVESTED CAPITAL (ROIC) RATIO



RETURNS RATIOS FOR AXIATA

RETURN ON INVESTED CAPITAL (ROIC) RATIO



Telekom Malaysia's Service Assurance Centre monitors the operations of its extensive network infrastructure

**SPECIAL
FEATURE /
CASE STUDY**

**THE ROLE OF
STRATEGIC
INVESTMENTS
IN NATIONAL
DEVELOPMENT**



INVESTING FOR NATIONAL DEVELOPMENT AND COMPETITIVENESS



A Malaysian Airline System Berhad Airbus A380, one of six in its fleet

By Dr Nungsari Ahmad Radhi,
Executive Director, Head of Khazanah
Research and Investment Strategy

Managing the long-term strategic investment fund of the Government of Malaysia requires Khazanah to deliver both financial and strategic returns. Financial returns are well-defined, and sustained financial returns at the portfolio level are required to deliver the strategic returns that are specific to each investment, but share the common objective of catalysing new growth areas and restructure the micro-economic landscape of the country.



INVESTING FOR NATIONAL DEVELOPMENT AND COMPETITIVENESS

The long-term strategic investor holds a longer horizon and a higher risk appetite to effect structural changes in the economy, catalyse new investments, and develop new growth areas. As Khazanah is akin to a closed-end fund, it has to have the right balance—of risk and return, of yielding and developing assets, and of domestic and foreign markets—as it builds its balance sheet. The investments must eventually yield positive industry outcomes for Malaysia and financial returns to Khazanah.

Thus, the role of a strategic investor for the Malaysian Government also incorporates developmental goals. Khazanah has always striven to fulfill that part of its mandate. The national development strategies that Khazanah strives to fulfill include completing Malaysia's journey of privatisation, boosting the rural economy through agri-food investments, developing high-technology industries within Malaysia, building regional Malaysian champions, and pioneering regional development in Malaysia.



SILTERRA

SILTERRA WAS ESTABLISHED TO CATALYSE THE GROWTH OF HIGHER VALUE-ADD ACTIVITIES IN THE MALAYSIAN SEMICONDUCTOR INDUSTRY

COMPLETING MALAYSIA'S JOURNEY OF PRIVATISATION

Completing the privatisation journey of formerly state-owned enterprises (SOEs) is of strategic importance to the country. Often, this requires restructuring and further investments as well as divestments. Each has its own economic and commercial logic, and therefore its own trajectory forward.

Malaysian Airports Holdings Berhad (MAHB), for example, required financial restructuring before embarking on operational improvement that thereafter allowed it to grow its footprint regionally. It is now managing 39 airports in Malaysia and two in India and Turkey, respectively. The former Syarikat Telekom Malaysia underwent several rounds of restructuring that included the injection of mobile telecommunications operator Celcom, an asset facing many challenges at the time. The end result of this exercise, which included the mergers of acquired telecommunications assets in Indonesia, Singapore, India, Bangladesh, Sri Lanka, and Cambodia, is the formation of a regional company, Axiata Group Berhad (Axiata), and a streamlined Telekom Malaysia Berhad.

BOOSTING THE RURAL ECONOMY THROUGH AGRI-FOOD INVESTMENTS

Khazanah's investments in the agri-food sector, which started in 2006, are geared towards transforming agri-food industries as the backbone of rural economies in the country, which previously have been restricted to either subsistence agriculture or farming on large tracts of corporate-owned plantations. These plantations, while lucrative for their owners, have not really developed rural economies, and have distorted incentives against the development of our land-based horticulture and livestock industries.

Khazanah's entry is meant to overcome entry barriers to greater private investments in the sector and catalyse the development of key measures around production bio-security and food safety standards. The bulk of our investments have therefore been in the middle part of the agri-food supply chain. Our company, Malaysian Agrifood Corporation (MAFC) Berhad, operates both a multi-temperature food logistics and a processing and distribution centre.

Overcoming the economic distortions in the sector is difficult and requires time, but it is a necessary step in inducing greater private investments in both the production and the processing activities of agri-food businesses. Having established technical feasibility and signs of commercial viability, the next steps will require greater sharpening of focus: what we increase in intensity, and which parts we collaborate with others on or let go.

DEVELOPING HIGH-TECHNOLOGY INDUSTRIES

The establishment of SilTerra has its roots in Malaysia's foreign direct investment-driven industrialisation, which began in the 1970s and saw the development of a sizeable electrical and electronics (E&E) cluster in Penang. Apart from creating jobs at various levels, the original assembly cluster has nurtured the development of forward and backward linkages. The logistics business is one example of a forward linkage, while the machining and tooling industries are backward linkages.

The Government embarked on a strategic initiative to promote the growth of higher value-add activities in the sector. In 1995, SilTerra (then known as Wafer Technology Malaysia Sdn Bhd) was established to provide a semiconductor manufacturing facility that would be the catalyst for activities such as semiconductor design and development, and to encourage the formation of necessary industry linkages. The results thus far have been mixed: while SilTerra has developed competitive global capabilities in specific market segments and is operationally in the black, its presence has not generated the desired level of impact on the E&E ecosystem. What is needed is scale, including larger investments in manufacturing capability and capacity to keep up with the very fast pace of technological change in the semiconductor industry.

INVESTING FOR NATIONAL DEVELOPMENT AND COMPETITIVENESS

BUILDING REGIONAL MALAYSIAN CHAMPIONS

In the more developed sectors such as financial services, telecommunications, and infrastructure, Khazanah's strategic intent as an investor is to widen the footprint of our investee companies. Khazanah is very proud to have played a role in the growth of companies such as Axiata Group Berhad, CIMB Group Holdings Berhad, IHH Healthcare Berhad, and UEM Group Berhad, which have all expanded regionally. The growth of these companies is typically accompanied by investing in companies in the region.

For example, over the course of 2004 and 2005, Khazanah made significant inroads into Indonesia, investing in Lippo Bank and Excelcomindo, which have been consolidated into CIMB Group Holdings Berhad and Axiata Group Berhad, respectively, as part of the regionalisation strategy of our investments. In 2012, Khazanah continued in this vein, notably in the co-investment in Acibadem of Turkey to support IHH Healthcare's growth aspirations.

INVESTING IN REGIONAL DEVELOPMENT

Iskandar Malaysia, which began as the South Johor Economic Region in 2006, has grown into a private investment destination in the ASEAN region. A more in-depth case study of Khazanah's role in Iskandar Malaysia can be found in the subsequent section of this report. The Iskandar region is part of Malaysia's development strategy of economic corridors. Iskandar is the smallest of the economic corridors, planned to become an international metropolis, leveraging on the already vibrant growth at the southern tip of Peninsular Malaysia

and Singapore's status as one of the world's busiest logistics hubs. Khazanah assumed its investor role in one of the economic nodes within Iskandar, in the greenfield area called Medini. With the resolution by the Singapore and Malaysian governments of the status of Keretapi Tanah Melayu railway land in Singapore, Khazanah began to jointly invest with Temasek of Singapore in projects on both sides of the Tebrau Straits. Khazanah is also active in Corporate Responsibility activities in support of the Social Development Plan of Iskandar Malaysia, which covers physical and social infrastructure such as public transportation and housing, as well as education and capacity development programmes.

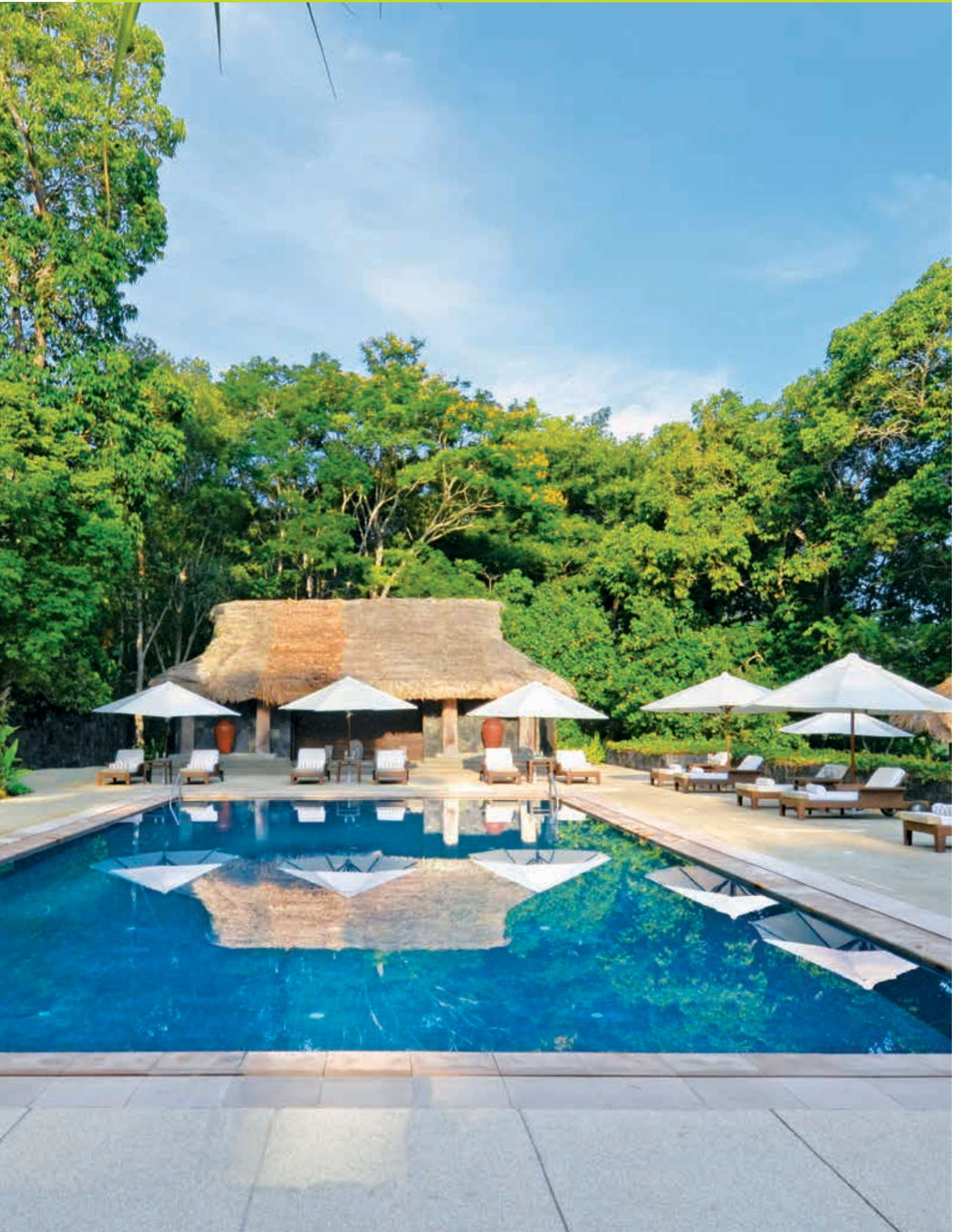
THE DATAI

LANGKAWI

Photo right: The Datai Langkawi is an international award-winning luxury hotel located at Teluk Datai in Langkawi, an island off the coast of northern Peninsular Malaysia

IN MORE DEVELOPED SECTORS,
KHAZANAH SUPPORTS THE
DEVELOPMENT OF FLAGSHIP
INVESTEE COMPANIES INTO
REGIONAL CHAMPIONS





**SPECIAL
FEATURE /
CASE STUDY**

**ISKANDAR
MALAYSIA**



Kota Iskandar in Iskandar Malaysia is the administrative centre of the Johor state government

By Hisham Hamdan,
Executive Director, Investments

ISKANDAR MALAYSIA

STRONG PROGRESS IS SET TO CONTINUE

Iskandar Malaysia has attracted more than RM100 billion of cumulative committed investments through 2012, of which 41.1% have been realised. The realised investments have resulted in strong progress achieved on the ground, including the roll out of key catalytic projects and physical infrastructure, with critical infrastructure to boost liveability and connectivity already in place. These achievements are the result of cohesive efforts by the federal government and Johor state government, federal and state authorities, and international and domestic investors, including Khazanah, which was entrusted with a specific developmental role.

ISKANDAR MALAYSIA

AREA	TIME FRAME	TARGET
2,217 SQUARE KILOMETRES SINGLE LARGEST DEVELOPMENT PROJECT EVER UNDERTAKEN IN MALAYSIA	20 YEARS LONG-TERM INITIATIVE UNDERPINNED BY A HOLISTIC AND SUSTAINABLE COMPREHENSIVE DEVELOPMENT PLAN	8% FORECAST ANNUAL GROWTH TO GENERATE GDP PER CAPITA OF USD31,100 WITH 1.5 MILLION JOBS FOR A POPULATION OF 3 MILLION BY 2025

ISKANDAR MALAYSIA / DEVELOPING A METROPOLIS

The rising investments have generated increased economic activity and a corresponding rising demand for workers. More than 154,000 jobs in the manufacturing and services-related sectors have been created since 2006, and it is forecasted that over the course of Iskandar Malaysia's 20-year development nearly 350,000 will have been generated in those sectors.

Over the period of its 20-year development, Iskandar Malaysia is expected to achieve GDP growth of 8% per annum, resulting in nominal GDP of USD93.3 billion, with GDP per capita of

USD31,100 in 2025. In addition, the total labour force is forecast to be 1.5 million strong, with a population expected to reach 3 million by then. To achieve these aspirations, investments totalling RM383 billion will be required.

As more investments come in and new developments are completed and launched, Iskandar Malaysia's progress and development are set to continue.

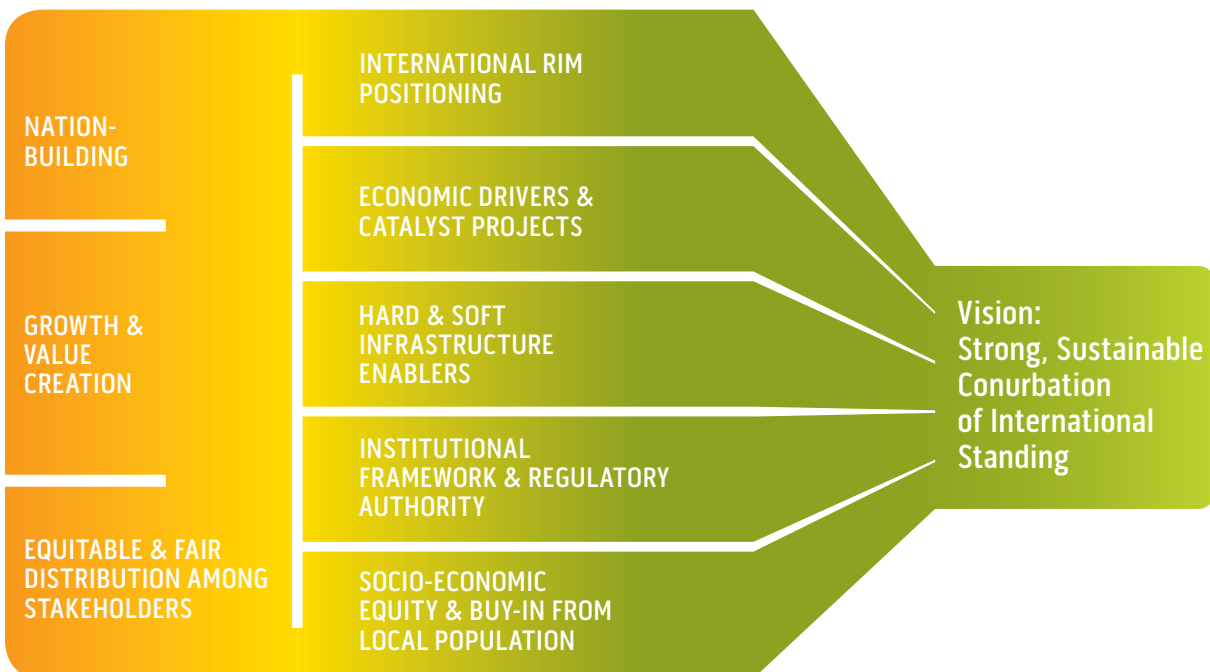
THE INCEPTION AND THE JOURNEY

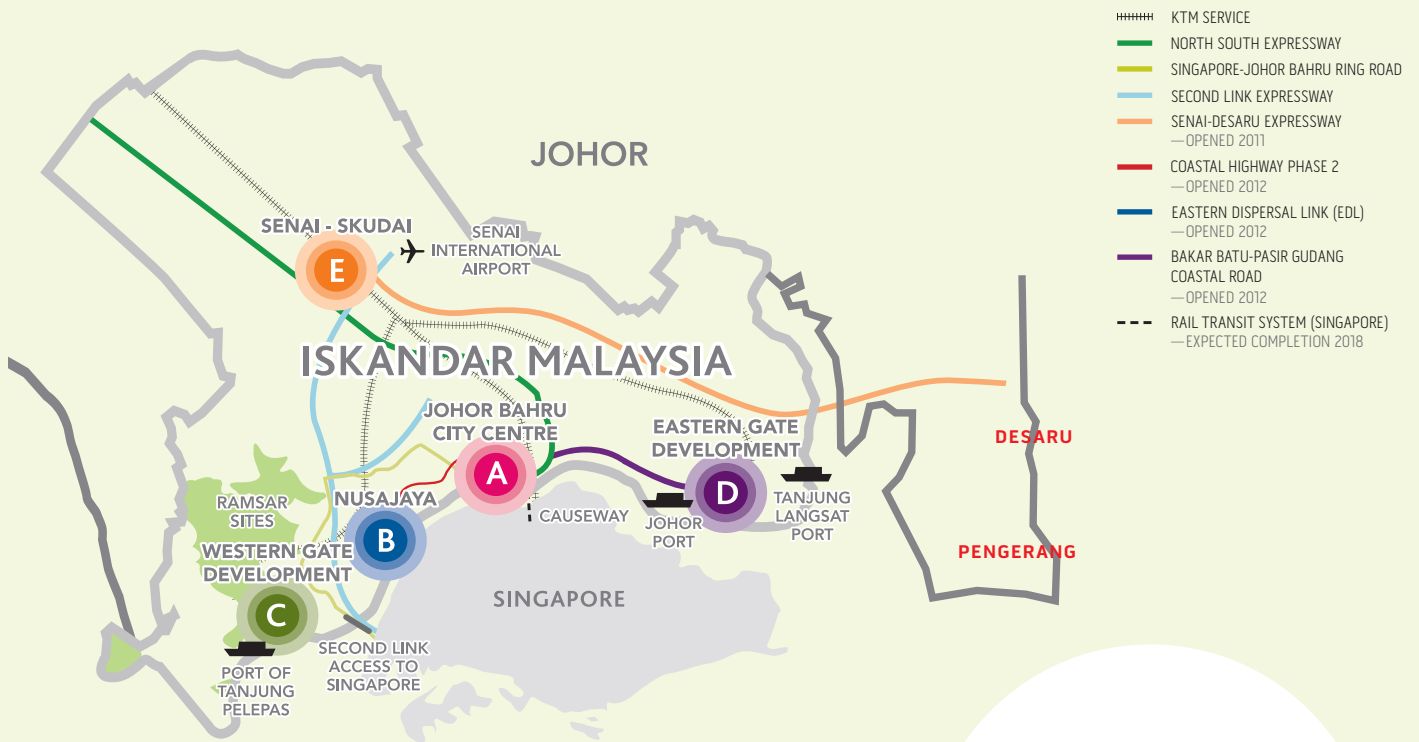
With an area of 2,217 square kilometres and a long-term development horizon, Iskandar Malaysia is the manifestation

of a plan to develop a world-class and dynamic metropolis for everyone in the southern region of Johor, Malaysia's southernmost state.

Its development as a key growth corridor for the country leverages its strategic location at the heart of the ASEAN region and its proximity to Singapore and Kuala Lumpur, as well as the historical dynamism and openness of the people residing within. Iskandar Malaysia is reflective of the Government of Malaysia's transformation agenda, which is propelling the country towards developed status.

ISKANDAR MALAYSIA WAS SET UP TO CREATE A STRONG, SUSTAINABLE METROPOLIS OF INTERNATIONAL STANDING





154,000+

More than 154,000 jobs in the manufacturing and services-related sectors have been created since 2006

Since its inception in 2006, Iskandar Malaysia has seen a slew of developments launched, with more slated for completion in the coming years.

FLAGSHIP A	FLAGSHIP B	FLAGSHIP B (cont.)	FLAGSHIP D	FLAGSHIP E
JB TRANSFORMATION PROGRAMME SG. SEGGET REHABILITATION EXPECTED COMPLETION 2015 DOUBLE TREE BY HILTON —DAIMAN GROUP EXPECTED COMPLETION 2014 SUASANA JOHOR BAHRU (MATEX) —UM LAND EXPECTED COMPLETION 2014 JBCC (KOMTAR) —DAMANSARA ASSET EXPECTED COMPLETION 2014 SKY 88—SETIA EXPECTED COMPLETION 2016 TROPEZ—DIJAYA EXPECTED COMPLETION 2014 COUNTRY GARDEN EXPECTED COMPLETION 2014 ISKANDAR WATERFRONT DEVELOPMENT EXPECTED COMPLETION 2014 KSL RESORT HOTEL OPENED 2012	COLUMBIA ASIA HOSPITAL OPENED 2010 RUMAH ISKANDAR MALAYSIA LAUNCHED 2011 EDUCATION @ ISKANDAR NEWCASTLE UNIVERSITY MEDICINE (NUMed) MALAYSIA OPENED 2011 NETHERLANDS MARITIME INSTITUTE OF TECHNOLOGY UNIVERSITY OF SOUTHAMPTON MALAYSIA CAMPUS MARLBOROUGH COLLEGE MALAYSIA COMPLETED 2012 RAFFLES UNIVERSITY ISKANDAR EXPECTED COMPLETION 2013 UNIVERSITY OF READING MALAYSIA RAFFLES AMERICAN SCHOOL EXPECTED COMPLETION 2015 LEGOLAND® MALAYSIA THEME PARK COMPLETED 2012 MALL OF MEDINI (NEXT TO LEGOLAND® MALAYSIA) PHASE 1 COMPLETED 2012 TARGET COMPLETION FOR ALL 4 PHASES 2017	LITTLE RED CUBE RETAIL EXPECTED COMPLETION 2013 SANRIO HELLO KITTY TOWN, LITTLE BIG CLUB AND LAT'S PLACE THEMED RESTAURANT AT PUTERI HARBOUR COMPLETED 2012 KOTA ISKANDAR PHASE 1 COMPLETED 2009 PINWOOD ISKANDAR MALAYSIA STUDIOS EXPECTED COMPLETION 2013 GLENEAGLES MEDINI HOSPITAL EXPECTED COMPLETION 2014 CUSTOMS, IMMIGRATION AND QUARANTINE (CIQ) COMPLEX COMPLETED 2012 FLAGSHIP C PETROCHEMICAL & MARITIME INDUSTRIAL HUB TG. BIN PHASE 2 2015 RAMSAR PORT OF TANJUNG PELEPAS COMPLETED 2012	PASIR GUDANG SPECIALIST HOSPITAL COMPLETED 2012 BANDAR SERI ALAM, CITY OF KNOWLEDGE EXPECTED COMPLETION —MASTERSKILL UNIVERSITY COLLEGE OF HEALTH SCIENCES OPENED 2010 —UNIKL MITEC OPENED 2011 —MAKTAB RENDAH SAINS MARA —MALAYSIAN ARTS SCHOOL EXPECTED COMPLETION 2013 —UNIVERSITI TEKNOLOGI MARA —EXCELSIOR INTERNATIONAL SCHOOL EXPECTED COMPLETION 2013 RENAISSANCE HOTEL PERMAS JAYA EXPECTED COMPLETION 2013 AMAN SARI HOTEL COMPLETED 2012	JOHOR PREMIUM OUTLETS® PHASE 1 COMPLETED 2011 JOHOR PREMIUM OUTLETS® PHASE 2 EXPECTED COMPLETION 2013 SENAI HI TECH PARK EXPECTED COMPLETION 2013 TELUK RAMUNIA PROJECT BEGINS 2011 DESARU COAST EXPECTED OPENING 2015

Source: Iskandar Development Regional Authority (IRDA) and Khazanah analysis

ISKANDAR MALAYSIA / DEVELOPING A METROPOLIS

Under the Ninth Malaysia Plan, the Government embarked on developing five economic corridors to promote balanced regional development and accelerate growth in designated geographic areas. Iskandar Malaysia, or what was then known as the South Johor Economic Region (SJER), is one of the economic corridors.

The Government assigned Khazanah to undertake specific tasks and roles related to Iskandar Malaysia. These tasks included conducting a feasibility study and providing input on master-planning, as well as contributing to the overall development as a strategic investor.

Khazanah's strategic investor role is unique, and this responsibility entrusted to it by the Government took into account several key factors. As a strategic investment fund, Khazanah possessed a mandate to invest in new sectors and geographies. This formed the strategic basis for Khazanah's role in Iskandar Malaysia, which focuses on catalytic developments and putting in place enablers to spark growth and facilitate further development.

In addition, Khazanah had inherited large tracts of land in Nusajaya, Johor, as a result of past corporate restructuring and de-gearing exercises involving companies that included UEM Group Berhad. This undeveloped "greenfield" area became the physical base for Khazanah's contribution towards the development of Iskandar Malaysia, with Nusajaya eventually being designated as one of the five flagship zones.

From the outset, the development of Iskandar Malaysia was to be guided by three key principles:

- Nation-building
- Growth and value creation
- Equitable and fair distribution among stakeholders

A COLLABORATIVE APPROACH

To ensure alignment with these principles, Khazanah led the formulation of a Comprehensive Development Plan (CDP) for Iskandar Malaysia. Unveiled in 2006, the CDP outlines a development approach that is aligned with national and state-level plans and aspirations. The CDP also envisions that development in Iskandar Malaysia should push for further innovation and reform in the nation-building process, as well as emphasising growth, productivity, and value creation that are consistent with the tenets of equitable growth.

In addition, the CDP calls for establishing a strong institutional and regulatory authority to oversee Iskandar Malaysia's development. In line with this, federal authorities facilitated the setting up of the Iskandar Regional Development Authority (IRDA), which was established in 2007 by an Act of Parliament.

Besides the CDP, Khazanah also helped to facilitate investments in the necessary hard and soft infrastructure in Iskandar Malaysia by the federal and state governments. Investments in infrastructure worth RM7.31 billion by the federal government included six road and highway projects, 11 drainage projects, and six river-cleaning packages, which have all been completed. In addition, important soft infrastructure such as investment incentives, initiatives to enhance safety and security, and affordable housing have been put in place. Khazanah also collaborated with Kumpulan Prasarana Rakyat Johor (KPRJ) and Employees' Provident Fund (EPF) to establish Iskandar Investment Berhad (IIB) in 2006 as a key catalytic developer, which is a good example of cooperation at the federal and state levels.



Khazanah's overall achievements to date in Iskandar Malaysia can be attributed to its efforts in successfully collaborating with various authorities and commercially-driven private global entities toward a single common objective—all-round development of Iskandar Malaysia.

ISKANDAR MALAYSIA / DEVELOPING A METROPOLIS

Another example of how collaboration has contributed to the progress in Iskandar Malaysia is the Points of Agreement (POA) settlement between Malaysia and Singapore that was reached in 2010. From the outset, Singapore's proximity to Iskandar Malaysia and the potential for the two to tap into each other's strengths were identified as factors in Iskandar Malaysia's growth and development. The POA settlement not only opened a new chapter in Malaysia-Singapore bilateral relations, but also opened doors to increased trade and investments.

Since then, the POA settlement has resulted in substantial spill-over and demonstrable effects on Iskandar Malaysia, with investments from Singapore across multiple sectors continuing to grow at a rapid pace. The strong bilateral relations have also seen the governments of the two countries driving initiatives to improve connectivity between Iskandar Malaysia and Singapore. These initiatives comprise a rail transit system that will connect Johor Bahru to Singapore's Mass Rail Transit (MRT) system, as well as a high-speed rail link between Kuala Lumpur and Singapore to be built by 2020.

MEDINI, A WELL-PLANNED MODERN URBAN CENTRE

A further example of multi-party collaboration in the development of Iskandar Malaysia is Medini, which is the centrepiece of Khazanah's strategic initiatives in the area.

Located in Nusajaya, Medini is a 2,230-acre catalytic project that is positioned as the new central business district of Iskandar Malaysia. It is envisioned as a vibrant and modern development where residents and visitors enjoy a world-class living, working, and entertainment environment.

The development of Medini began in August 2007, when IIB announced a landmark transaction for Medini that represented the first major inflow of foreign direct investment in real estate development for Iskandar Malaysia. The investment, involving consortiums led by Mubadala and Kuwait Finance House, was valued at USD1.2 billion, with a maximum gross floor area of 188 million square feet.

Since then, Medini has progressed rapidly. The area has been transformed from a sleepy plantation to a development with infrastructure that is best-in-class in the region, including utilities, roads, sewerage, and security systems. Along with the infrastructure development, there has been solid growth in investments in Medini, with the inception of various residential, commercial, and entertainment developments.

INVESTING IN CATALYTIC INITIATIVES

Besides Medini, Khazanah has also invested in other catalytic initiatives that are aimed at spurring sectoral and overall economic growth in Iskandar Malaysia. Among these projects is LEGOLAND® Malaysia theme park, which is located in Medini. Since its opening in September 2012, it has attracted more than a million visitors. IIB was involved in

the development of the theme park, while Themed Attractions and Resorts Sdn Bhd (Themed Attractions), a wholly-owned subsidiary of Khazanah, is the operator.

Themed Attractions is also the developer of indoor attractions at Puteri Harbour, namely Sanrio Hello Kitty Town, Little Big Club, Lat's Place Themed Restaurant, which was launched in December 2012, and the LEGOLAND® Hotel, located next to LEGOLAND® Malaysia, scheduled to open at the end of 2013.

IIB is also the developer of EduCity, an education enclave in Nusajaya comprising, among other things, world-class universities, international schools and colleges, and accommodation and recreational facilities. It encompasses an area of 305 acres and is located near Medini Iskandar.

The development of EduCity aims to promote Malaysia as a centre of educational excellence. It will also act as a feeder of talent to support the various economic activities in Iskandar Malaysia.

Leveraging its location, EduCity not only makes world-class education more accessible to Malaysians but is also poised to be a regional education hub within a six-hour flight radius of major Asian cities.

Other catalytic projects that Khazanah is involved in include two wellness-themed developments, the Afinity Medini urban wellness and Avira resort wellness-themed projects, both of which are

KEY PERFORMANCE INDICATORS

	CDP TARGET		
	2005	2025	CAGR
POPULATION SIZE, MILLION	1.3	3.0	4% P.A.
LABOUR FORCE, MILLION	0.62	1.46	4% P.A.
GDP (PPP), USD BILLION	20	93.3	8% P.A.
CAPITAL, RM BILLION	RM383 CUMULATIVE OVER 20 YEARS		

Night view of Puteri Harbour public marina, which is part of an integrated urban waterfront development in Iskandar Malaysia

ISKANDAR MALAYSIA / DEVELOPING A METROPOLIS



located in Medini. Afiniti Medini is being developed via Pulau Indah Ventures Sdn Bhd, which is a joint venture between Khazanah and Temasek Holdings, while the Avira resort is a project by Pulau Indah Ventures Sdn Bhd and Eastern & Oriental Berhad.

In addition, Khazanah has partnered with Pinewood Shepperton to develop Pinewood Iskandar Malaysia Studios, a catalytic project for the creative sector. The studio is a state-of-the-art integrated media production facility scheduled for completion in 2013.

Besides these investments, several of Khazanah's investee companies are also involved directly in Iskandar Malaysia, most notably UEM Land Bhd, which is the master developer for Nusajaya. UEM Land's projects include Puteri Harbour, Kota Iskandar, and several award-winning residential developments. In addition, both UEM Land and IIB have entered into joint developments with investors on several new projects in Iskandar Malaysia.

Photo left: Traders Hotel at Puteri Harbour is part of the Puteri Harbour destination resort that also houses the Little Red Cube retail store, Sanrio Hello Kitty Town, Little Big Club, and Lat's Place Themed Restaurant
Photo centre: Construction of LEGOLAND® Hotel nears completion
Photo right: A bungalow in East Ledang, a high-end resort-styled residential development in Iskandar Malaysia



TOWARDS NATION-BUILDING, GROWTH & VALUE CREATION, AND EQUITABLE & FAIR DISTRIBUTION

The success of Iskandar Malaysia thus far can be attributed to concerted efforts by, and close collaboration at multiple levels between, all parties involved—governments, authorities, and investors.

Though much progress through growth and value creation has been achieved in Iskandar Malaysia over the last six years, it has to be recognised that more effort is required to maintain the momentum.

Every growing region faces the constant challenge of ensuring the sustainability of value creation and growth for individuals and entities alike, and Iskandar Malaysia is no exception. All participants, whether public or private, will need to continue to strive for equitable and fair distribution of value among stakeholders, as it is clear that the future success of Iskandar Malaysia is inextricably linked with the socio-economic progress enjoyed by the communities residing within.

DELIVERING BENEFITS TO STAKEHOLDERS

The outcomes of our investments and the successes of our investee companies, especially the K-7, carry a positive impact not only on the national economy, but also on the broader well-being of the country's ultimate stakeholders—its people.

This progress is shared equitably through various platforms including, but not limited to, employee value propositions, enhanced delivery and quality of products and services, vendor development programmes, and the payment of taxes and dividends to fund the Government's development agenda.

Distribution of value is also reflected in our Corporate Responsibility (CR) approach. As a responsible corporate citizen, we provide leadership through advocacy and CR stewardship. We partner with civil society and the public and private sectors in several areas including education, community support, environmental protection, and human capital development. We do so as an organisation as well as individually through our employees, who participate in the various CR initiatives.



CONTENTS

Sharing Gains with Stakeholders 92	Being a Responsible Corporate Citizen 96	Selected Highlights of Corporate Responsibility Activities in 2012 98
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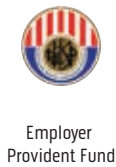
Students from Sekolah Kebangsaan Sungai Nibong waiting for their turn to check out the PINTAR Mobile Learning Unit, which provides activities aimed at encouraging exploratory learning and creative thinking among schoolchildren

Sharing Gains with Stakeholders



The GLC Transformation Programme (GLCT) has delivered benefits on many fronts, touching the lives of various stakeholders ranging from investors and shareholders to the general public and employees of the GLCs. Khazanah is the secretariat of the Putrajaya Committee on GLC High Performance (PCG), which is chaired by the Prime Minister, Dato’ Sri Mohd Najib Tun Hj Abdul Razak. The GLCT is led by five GLICs which are Khazanah Nasional Berhad, Permodalan Nasional Berhad, Employees Provident Fund, Lembaga Tabung Angkatan Tentera, and Lembaga Tabung Haji, and the G-20, a group of leading GLCs that include seven of Khazanah’s companies.

GOVERNMENT-LINKED INVESTMENT COMPANIES



GOVERNMENT-LINKED COMPANIES



DIVIDENDS PAID OUT TO SHAREHOLDERS (2004 – 2012)



VENDORS GRADUATED



The K-7 have supported 5,900 vendors through their various development programmes since 2004, of which 280 vendors (around 5% of total vendors) have graduated to compete on their own.

G-20 have supported 5,930 vendors since 2004, of which 319 vendors or around 5.4% have graduated.

Source: PCG analysis

TAXES PAID (2004 – 2012)



Through the various GLC Transformation Programme initiatives implemented, the K-7 have created substantial market value and are now on a more solid footing, having returned a total of RM38 billion in dividends to shareholders from 2004 to 2012. Besides dividends, the K-7 have also paid a total of RM23 billion in taxes within the same period, which ultimately benefits the nation.

Source: Khazanah analysis

SHARING GAINS WITH STAKEHOLDERS

THE K-7 EMPLOY A TOTAL OF 149,603 EMPLOYEES AND HAVE BEEN A NET CREATOR OF 10,815 JOBS IN 2012.

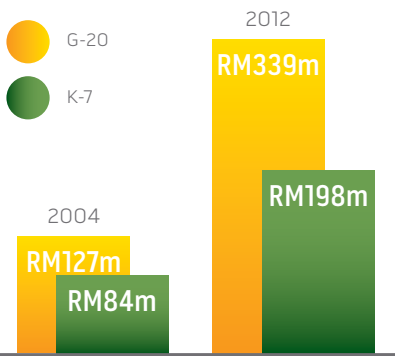
OVERALL A TOTAL 12,518 JOBS WERE CREATED BY THE G-20 IN 2012.

Source: Bloomberg, Hay Group, PCG analysis

TOTAL WORKFORCE



TRAINING AND DEVELOPMENT COSTS



Amount spent in 2012 compared to 2004

Source: Khazanah analysis

TOTAL SHAREHOLDER RETURN



Over the period from May 2004 to December 2012, total shareholder return by K-7 companies grew by 14.4% p.a., outperforming the rest of the Kuala Lumpur Composite Index (KLCI) by 1.0% p.a. G-20 total shareholder return — 14.2%

EARNINGS GROWTH



K-7 aggregate earnings grew 25.5% p.a. from RM5.2 billion in 2004 to an all-time high of RM12.9 billion in 2012

G-20 aggregate earnings grew 18.9% p.a. from RM10.1 billion in 2004 to an all-time high of RM25.8 billion in 2012

Source: Khazanah analysis

744



Giles Ching Wen-Wey, Associate, Investments

PINTAR

is a school adoption programme by GLCs and other corporates to improve educational outcomes of students in under-served communities, mainly in rural areas.



G-20 **325,857**

K-7 **207,474**

STUDENTS BENEFITED

Source: Khazanah analysis

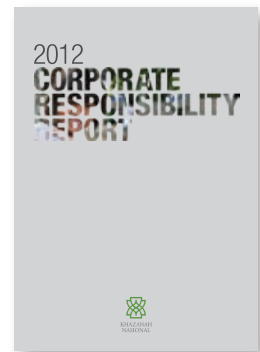
G-20 **268** K-7 **164**

SCHOOLS ADOPTED

Source: Khazanah analysis

Being a Responsible Corporate Citizen

Khazanah is about more than just financial and strategic returns; our Corporate Responsibility (CR) initiatives aim to build sustainable value by balancing our investment, social, and environmental responsibilities. While we have created value of more than RM53 billion over the past nine years, we have also touched many lives through our CR initiatives. We do this through four main programmes, namely (1) responsible investments and value creation; (2) human capital development; (3) social capital development and environmental stewardship; and (4) Silver Book and CR advocacy. These initiatives have positively affected a cross-section of society, improving livelihoods and impacting the lives of Malaysians.



In 2012, our CR funding reached RM62.4 million, benefiting various public and civil society organisations. The financial and non-financial support we provided has benefited more than 140,000 individuals across the country. On a longer horizon, since 2004, total funding for our CR initiatives amounted to RM255 million, touching the lives of over 500,000 individuals nationwide.

We collaborate with our civil society partner organisations with a view to empowering them to be more resilient and independent, and we do this through financial assistance, best-practice benchmarking, and instituting key performance measures. Ultimately we hope to enable our partners to do meaningful work and impact the lives of the communities they serve. We also support and mobilise government

grants in the areas of education, poverty alleviation, urban regeneration, and graduate employability. These efforts support several National Key Result Areas (NKRAs) under the Government Transformation Programme (GTP), namely raising the living standards of low-income households, assuring quality education, and preventing crime.

More details on these initiatives are contained in our *2012 Corporate Responsibility Report*, which can be downloaded at <http://www.khazanah.com.my/cr.htm>.



A



B

Photos from left to right:

- A:** Beneficiaries of Yayasan Sejahtera from Kampung Alor Jambu, Tawang Bachok, Kelantan tending to their crops
B: The hanging bridge at Pulau Kukup

RM255m

Total CR spend by Khazanah since 2004

RM62.4m

Total amount spent by Khazanah on CR in 2012



RESPONSIBLE INVESTMENTS AND VALUE CREATION

Sustainability Valuation Project

In 2012, we continued with Phase 2 of our study to develop a valuation model that is able to quantify the sustainability value or strategic returns of Khazanah's investment portfolio using a standardised approach. We identified economic, environmental, and social (EES) factors as a basis for the sustainability valuation model and conducted a market-based analysis using publicly available data and a benchmarking exercise.

The study concluded that although the methodology was technically and econometrically sound, an independent review of the methodology is required to test its robustness. Intuitively, sustainability (EES) factors do impact company performance, but quantification of these factors is still debatable. Nevertheless, more work is required to build a model that is both robust and applicable by the rest of the market. This work on sustainability valuation is a long-term aspiration, and will continue to be a key Khazanah work track into the future.



SELECTED HIGHLIGHTS OF CORPORATE RESPONSIBILITY ACTIVITIES IN 2012



SCHOOL ADOPTION PROGRAMME

309 schools adopted to date
542,783 students benefited from PINTAR schools since 2006



10.56% of students from PINTAR schools scored straight A's for USPR in 2012, compared to the national average of 8.94%



ADDRESSING HARDCORE POVERTY

4,911 families benefited from Yayasan Sejahtera projects since 2009



PUBLIC-PRIVATE PARTNERSHIP TO IMPROVE QUALITY OF EDUCATION

10 schools form first cohort of Trust Schools in Johor and Sarawak
7,881 students benefited since 2011



RAISING ENVIRONMENTAL AWARENESS IN OUR COMMUNITIES

4,482 visitors to the 3-day Kuala Lumpur Eco Film Festival (KLEFF), held from 12 to 14 October 2012
39 films showcased at the KLEFF



CONSERVING THE ISKANDAR RAMSAR MANGROVES

Our environmental protection initiative started in 2010 and involved the three Ramsar sites in Iskandar Malaysia, Johor: Pulau Kukup, Tanjung Piai, and Sungai Pulai. Since then, we have completed a



Ramsar management plan and three environmental studies:

- biodiversity valuation study
- coastal erosion study for Tanjung Piai
- income multiplier of ecotourism for the Iskandar Ramsar sites

In 2012, Friends of Iskandar Ramsar, a collaborative platform, was launched to bring together non-governmental organisations (NGOs), academia, local authorities, corporations, communities, and individuals to champion the importance of Iskandar Ramsar as a national heritage site.



PRODUCING CLEAN ENERGY

In August 2012, Camco South East Asia Ltd acquired its first project, a 2MW biogas plant based at a leading palm oil mill in Palong, Pahang. The plant will be the first and among the largest of its type to date to generate electricity for supply to the Malaysian national grid.



HUMAN CAPITAL DEVELOPMENT



SCHOLARSHIPS TO PREMIUM UNIVERSITIES

283
total scholarships awarded since inception in 2006, of which 137 are global scholarships

58
scholarships awarded in 2012



SOCIAL CAPITAL DEVELOPMENT AND ENVIRONMENTAL STEWARDSHIP



GRADUATE EMPLOYABILITY

8,029
graduates trained since 2009

1,149
graduates trained in 2012

54%
employment rate for graduates trained in 2012



BRINGING QUALITY EDUCATION TO HIGH-NEED SCHOOLS

47
fellows from the 2012 cohort who completed their first school year in 17 schools



FACILITATES ADOPTION OF CHILDREN AND SAVING ABANDONED BABIES

54
adoptions of babies and orphans handled by OrphanCARE (OC) since 2011



REHABILITATING DRUG USERS

1,055
drug users helped since 2008



HELPING VULNERABLE CHILDREN

310
children registered for YCK's programmes and services since 2008



EDUCATING SPECIAL-NEEDS CHILDREN


40
special-needs children taught at CADS education centre since 2011



PROTECTING THE CORAL REEFS

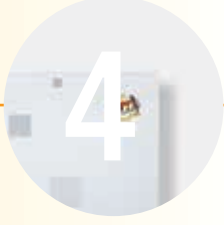
191
Reef Check surveys completed at sites in Malaysia by Reef Check Malaysia since 2011, out of a total of 259






DEVELOPING SOCIALLY AWARE AND MORALLY CONSCIOUS LEADERS

4,968
university students involved in community outreach projects since 2008

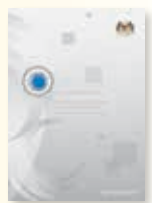


SILVER BOOK AND CR ADVOCACY



PROTECTING THE RIGHTS OF CHILDREN

Voice of the Children serves as a resource for service organisations and the legal community by providing information and promoting laws, policies, and treaties that directly affect children.



SILVER BOOK BEST PRACTICE NOTES

The *Silver Book Best Practice Notes* (BPN), published in November 2012, is designed as a supplement to the *Silver Book* launched in 2006. The BPN provides up-to-date contextual information, practical guidance, and case studies for developing and implementing robust CR programmes. It covers a number of key areas identified by stakeholders as fundamental to advancing the CR agenda: proactive environmental management, stakeholder engagement, and CR reporting.

BUILDING AN INSTITUTION

A strong nation is built on strong institutions. At Khazanah, we are dedicated to doing our part in consolidating our achievements and experiences into an institution that will continue to deliver with repeatability and consistency. The journey is ongoing and we have embarked on a specific Khazanah Institutionalisation Programme since 2010.

Our people are our key asset. It is their professionalism, knowledge, skills, experience, and diligence that enable us to achieve our goals.

We nurture an environment of integrity, trust, teamwork, and mutual respect. Khazanah is a company committed to a performance culture, diversity and balance, anchored on a common purpose of nation-building and creating sustainable value for the country, as the ultimate goal. It is this passion that drives us to deliver to the best of our ability, every day.

We recognise and appreciate our people as individuals and support their capacity for building and growth. Khazanah encourages and financially supports staff education, as part of our commitment to lifelong learning and continuous development. We are proud that so many of our people excel in spheres of life outside Khazanah, exhibiting impressive arrays of talents, as well as compassion towards the needs of others—both the need of individuals and the needs of the wider community.

To develop our key asset, we invest significantly in the processes and infrastructure required to grow and support strategic human capital. We are dedicated to building capacity in our organisation—the capacity to perform reliably and deliver outstanding results—by training our people rigorously and implementing robust internal systems which will stand the test of time. Such internal discipline—both structurally and in our people—ensures that Khazanah can be a strong institution that serves the interests of the nation and remains firm in the face of external challenges.

CONTENTS

Khazanah
as a Learning
Organisation
102

Supporting
National
Transformation
106

Our People,
Our Values
108

Khazanah as a Learning Organisation

Like individuals, organisations gain vast amounts of experience and data which can be very useful and are a valuable resource, if efficiently managed. Data properly treated can become information, and ultimately knowledge.

At Khazanah, we recognise the importance of knowledge to support our mission. Towards that end, through Khazanah Research and Investment Strategy (KRIS) Division, we undertake research activities for internal use and promote the development of the knowledge commons consistent with our national mandate.

We are committed to being a learning organisation and ensuring institutionalisation of knowledge: acquisition, classification, storage, retrieval, access, dissemination, sharing. A learning organisation promotes and supports continuous learning among its employees and stakeholders, and through active networking, both acquires knowledge from and shares knowledge with a broader community.



From left to right, Tea Talk with Bob Geldof, Harry Fear and Datuk Seri Michelle Yeoh

KHAZANAH RESOURCE CENTRE

The Khazanah Resource Centre actively manages knowledge through maintenance of a well-stocked business library, provision of leading-edge information sources, and compilation of regular news and information updates.

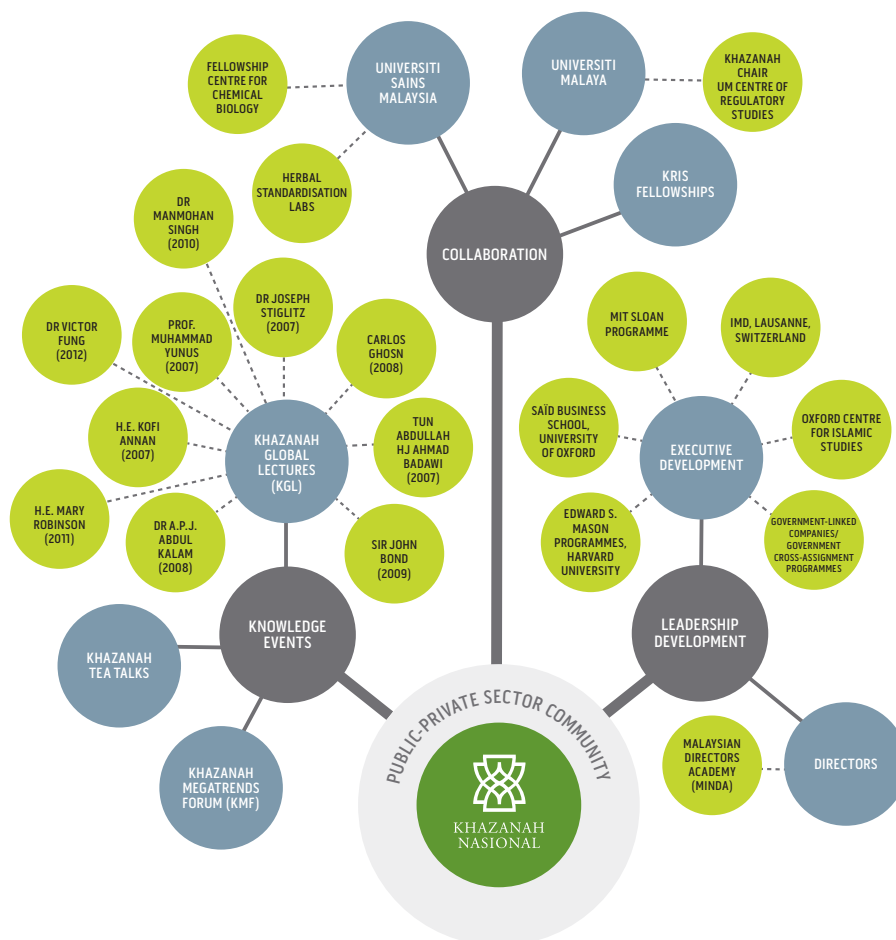
KNOWLEDGE SYSTEMS

An internal knowledge management system has been developed and is evolving to meet the knowledge and information requirements of all staff. The system can be customised by each individual to meet his or her specific requirements.

EVENTS

There are several series of events which run throughout the year.

At **Tea Talks**, we welcome visitors to address Khazanah staff on topics of interest. This is a long tradition at Khazanah dating back to 2005, and more than 90 Tea Talks have been delivered by a wide range of speakers from around the world, such as: Bob Geldof, Datuk Seri Michelle Yeoh, Johan Cruyff, Jeff Immelt, and Tan Sri Dr Jemilah Mahmood.



Corporate Responsibility Roundtable with Mary Robinson



Dr Manmohan Singh at Khazanah Global Lectures 2010



Kofi Annan at Khazanah Global Lectures 2010

Khazanah Knowledge Exchanges are monthly internal events that enable different teams or units within Khazanah to share experience, knowledge, and analysis.

The **Khazanah Megatrends Forum** is held annually, preceding Khazanah's strategy and business planning cycle. This prestigious conference brings together thought leaders from around the world—before a substantial invited audience of the most influential members of Malaysia's business, academic, and socio-political communities—and conducts fascinating in-depth discussions of current critical issues and four main megatrends: markets, firms, society, and people.

Khazanah Global Lectures are delivered by outstanding individuals of global repute who have influenced the way people live, work, and think. There is a public allocation of tickets, and each lecture is streamed live on the Web to audiences at universities all over the country. KGL started as part of the Khazanah Merdeka Series, our knowledge capacity development programme, initiated as our celebration of Malaysia's 50th year of independence in 2007.

Past speakers include Mary Robinson, Sir John Bond, Dr A.P.J. Abdul Kalam, Tun Abdullah Hj Ahmad Badawi, Carlos Ghosn, Professor Joseph Stiglitz, Dr Muhammad Yunus, and Kofi Annan.

KHAZANAH AS A LEARNING ORGANISATION

KHAZANAH CASE STUDIES

Case studies are compiled from Khazanah's business history. The experience gained from so many transactions is a valuable resource that is being distilled and made available to all Khazanah staff, present and future. As part of the knowledge management process, case studies are documented and stored on-line.

HUMAN CAPITAL AND KNOWLEDGE NETWORK

Khazanah has formed strategic partnerships and created networks with various institutions of higher learning to enhance the cross-fertilisation of knowledge, strengthen leadership, and develop talent. Various intellectual capacity-building programmes have also been conducted for the public and our staff, aimed at raising the level of discourse regarding national development.

This network includes our endowment to create the Khazanah Chair at Universiti Malaya's Centre for Regulatory Studies, and our contribution to the Sanjaya Lall Chair at the Saïd Business School, Oxford University. We founded and work closely with MINDA (the Malaysian Directors Academy) to contribute towards the development of boards, especially among GLCs.

Photos from right:

- A:** Tea Talk with Queen Rania of Jordan
- B:** Dato' Sri Mohd Najib speaking at the Khazanah Megatrends Forum 2011
- C:** Network meeting with Margaret Spelling, former US Secretary of Education
- D:** Dr Joseph Stiglitz at Khazanah Global Lectures 2007
- E:** Sir John Bond at Khazanah Global Lectures 2009
- F:** Tun Abdullah Badawi at the Khazanah Global Lectures 2007
- G:** Launch of the book "From Asian to Global Financial Crisis" by Tan Sri Nor Mohamed Yacop, Minister in the Prime Minister's office and Board Member, Khazanah Nasional Berhad, at the Khazanah Megatrends Forum 2009
- H:** Dr A.P.J. Kalam at the Khazanah Global Lectures 2008
- I:** Carlos Ghosn at Khazanah Global Lectures 2008





Photos from top:

J: Dr Victor Fung at the Khazanah Global Lectures 2012

K: Dr Muhammad Yunus at the Khazanah Global Lectures 2007

L: Dato' Sri Mohd Najib launching the book *Sandpipers and Mudskippers: A Journey through the Ramsar Mangroves of Iskandar Malaysia*, witnessed by Dato' Ghani Othman, former Chief Minister of Johor

PUBLICATIONS

Khazanah publishes in collaboration with selected authors a number of books each year, relevant to Malaysian business, education, or culture, as well as supporting pertinent documentation projects by other institutions and individuals.



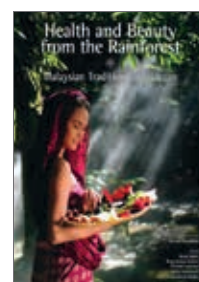
Khazanah Merdeka Series:
A Year in Pictures
2007 / 2008



Cities, People & The Economy:
A Study on
Positioning Penang
—The World Bank (2009)



Readings on Development:
Malaysia 2057 (2009)



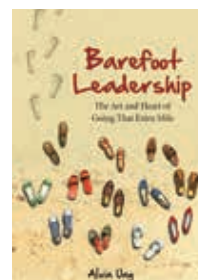
Health and Beauty from the Rainforest:
Malaysian Traditions of
Ramuan



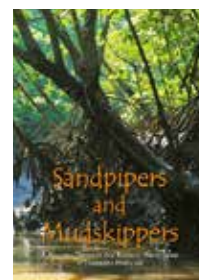
Complexity of FTAs:
A Key Issue in
Malaysian
Trade Policy (2010)



The Malaysian Art Book for Children
(2011)



Barefoot Leadership:
The Art and Heart of
Going That Extra Mile
—Alvin Ung (2011)



Sandpipers and Mudskippers:
A Journey through the Ramsar
Mangroves of Iskandar
Malaysia (2012)

Supporting National Transformation

As the strategic investment fund of the country, Khazanah supports the national transformation agenda. In particular, we support the various national transformation initiatives as called for by the New Economic Model (NEM), which was launched in 2010. Khazanah was part of the working team supporting the National Economic Advisory Council.

The NEM's holistic approach encompasses broader goals that go beyond high investments and growth, also focussing on the societal dimension of development to ensure that all Malaysians benefit from the country's economic progress, hence the NEM's high income, inclusiveness, and sustainability objectives. This strategy includes our ongoing strategic divestment programme as well as our support for Government-led divestment initiatives to encourage Bumiputera entrepreneurship and equity growth.

Khazanah also contributed to the formation of the Performance Management and Delivery Unit (PEMANDU), a unit under the Prime Minister's Department. PEMANDU was established to oversee the implementation of the Economic Transformation Programme (ETP) and Government Transformation Programme (GTP), two of the NEM's key

pillars. We also support the Bumiputera Transformation Programme managed by TERAJU via vendor development programmes at our investee companies and our own divestment activities.

Some of Khazanah's own Corporate Responsibility programmes and those undertaken by GLCs under the Putrajaya Committee for GLC High Performance (PCG) also directly contributed towards some of the National Key Result Areas (NKRA) that are related to education and raising the living standards of low-income households. As a strategic investor, Khazanah and its investee companies are involved in nine of the ETP's 12 National Key Economic Areas (NKEAs), including tourism, education, and healthcare. The GLC Transformation Programme also supports the national transformation agenda, although it precedes the NEM. We drive our investee companies to expand their footprint and become regional champions. Several of our investee companies now

have a strong regional presence, while others are building capacity for further expansion. Concomitant with this regionalisation drive, Khazanah itself has broadened its geographic focus in carrying out its mandate. We have offices in India, China, Turkey, and the United States of America to tap into the growth in those markets.

Khazanah's involvement in Iskandar Malaysia is in support of the Government's growth corridor concept. It represents an attempt to execute a spatial development model within the conurbation defined by Singapore and the southern part of Johor, which is itself one of the fastest-growing regions in the country. In doing so, we seek collaborations and co-investments with the private sector at home and abroad.



TalentCorp
MALAYSIA



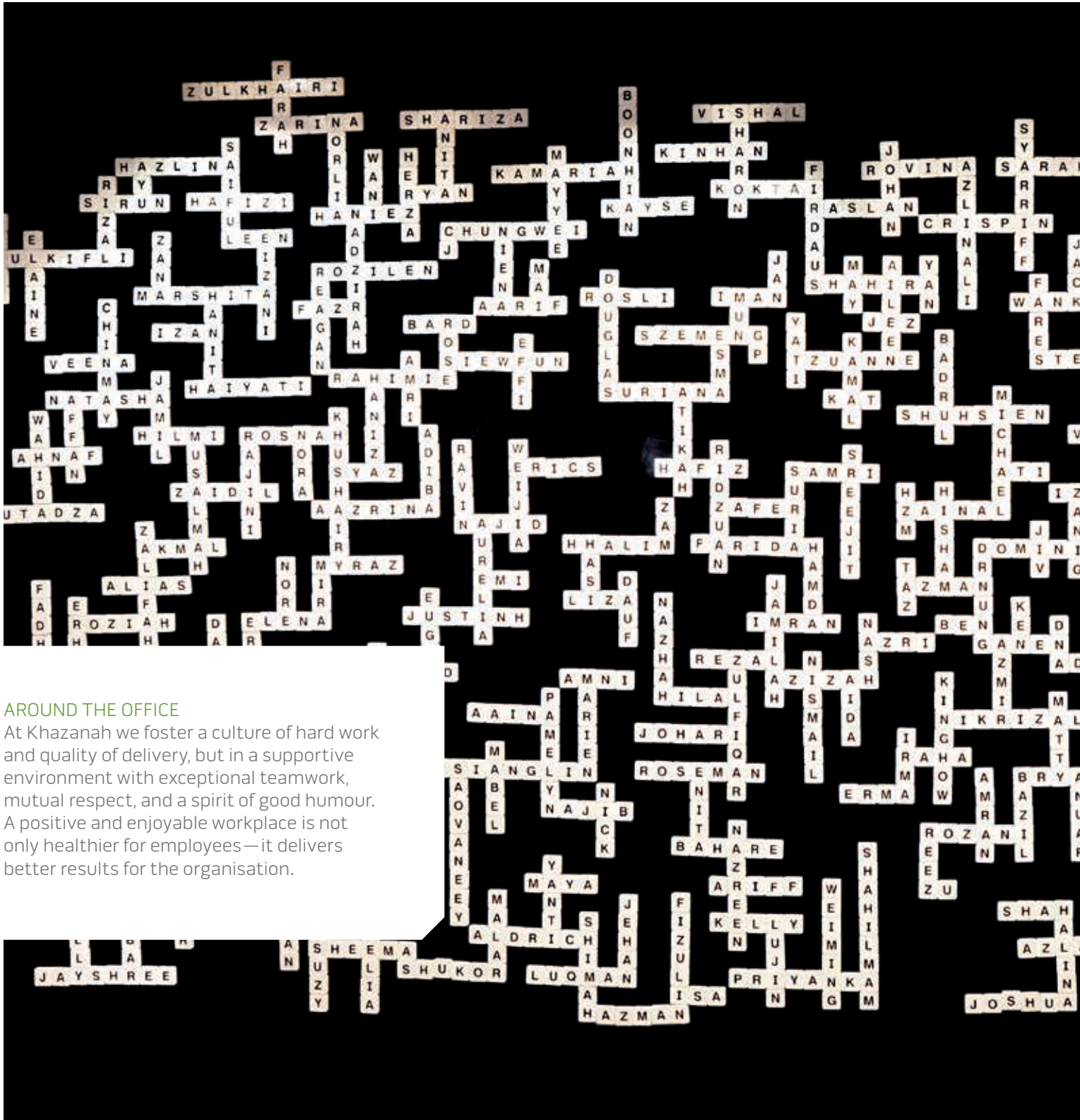
PEMANDU
PERFORMANCE MANAGEMENT AND DELIVERY UNIT



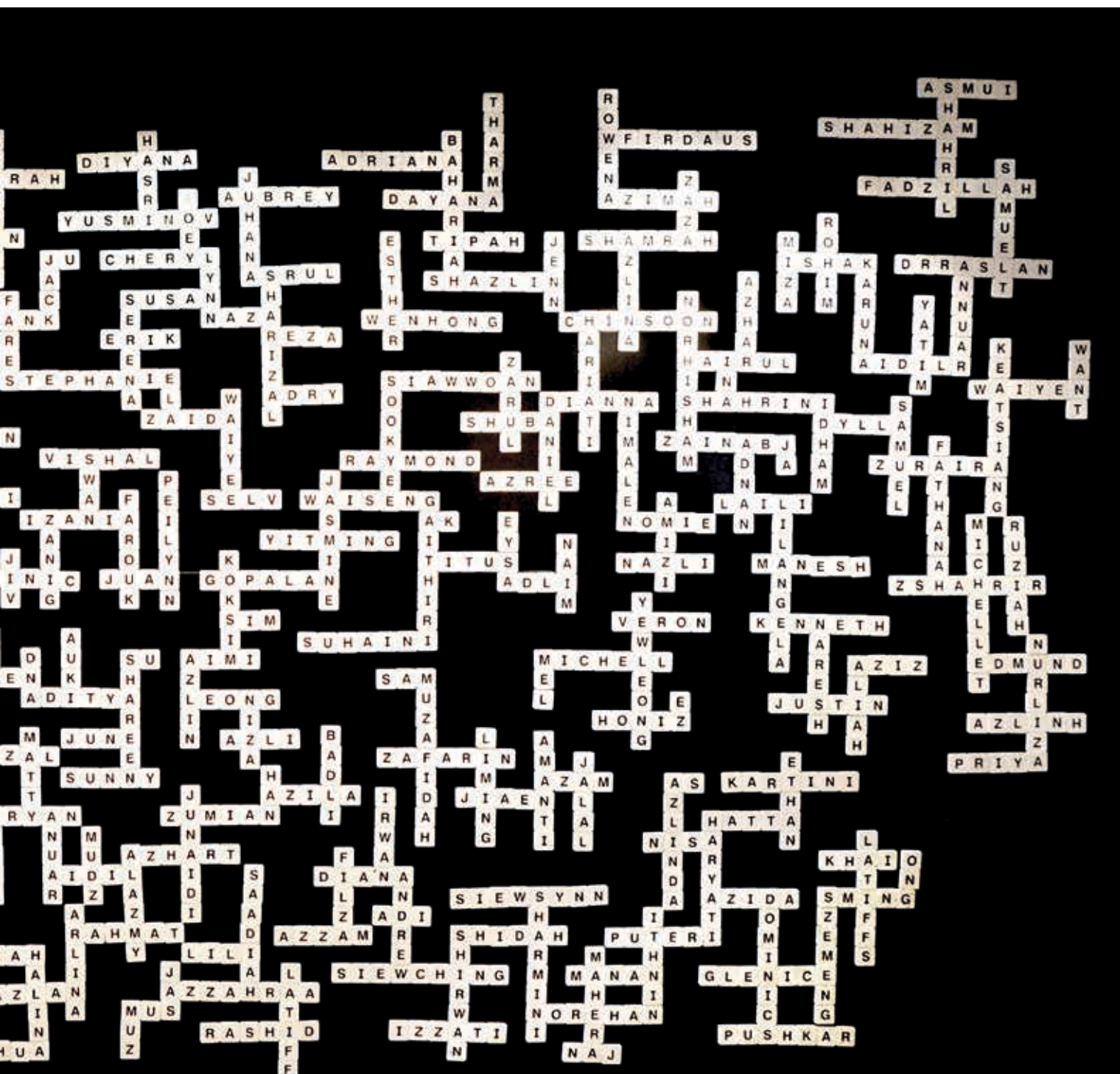
TERAJU
PENERAJU BUMIPUTERA



Our People, Our Values



AROUND THE OFFICE
 At Khazanah we foster a culture of hard work and quality of delivery, but in a supportive environment with exceptional teamwork, mutual respect, and a spirit of good humour. A positive and enjoyable workplace is not only healthier for employees – it delivers better results for the organisation.



Every employee that comes through is given a place on the big Khazanah "Scrabble Board" (Level 35, KLCC office)

OUR PEOPLE, OUR VALUES

MEETINGS AND EVENTS

A high-performance environment can make work-life balance a real challenge. At Khazanah we recognise and seek to actively address this issue. Our people do not just work for Khazanah, they help define it. Employees are encouraged to participate in shaping the culture and ethos of our company. Engagement sessions with the Senior Leadership Team are regularly scheduled, as are family days and company sports events.



A



B



C



D

Photos from top:

A: Townhall session with the senior leadership team in December 2012

B: Rosalind Tay Swee Pei, Assistant Vice President, Finance **C:** Irmayuzee Mohd Kamal, Executive Assistant, Investments

D: Our staff listening attentively at one of the Khazanah Knowledge Exchange (KKE) sessions, which take place every month

E: Sreejit M.G. Gangadharan, Vice President, Managing Director's Office

F: Saidatul Atikah Osman, Senior Vice President, Corporate Support & Services (left), and Rahimie Abdul Rahim, Executive Assistant, Strategic Human Capital Management

G: Zurianty Sudin, Executive Assistant, Khazanah Research & Investment Strategy

DILIGENCE

We strive for speed and accuracy. We give every task our full degree of care and commitment, and attend to matters with a sense of immediacy. We boldly seek out new opportunities in pursuit of our nation's economic interests while ensuring sustainability in each of our investments and initiatives.



PROFESSIONALISM

We are accountable and responsible for all that we do. Timeliness is fundamental to our work processes; we always keep to our word and promises made. To ensure the best value possible for our partners and stakeholders, we do not wait for opportunities to arise but take proactive measures to make them happen.



MUTUAL RESPECT

We value diversity and treat everyone with the same respect that we expect from others. We are fair and honest in all our dealings and always maintain confidentiality. We inspire and enable our people to achieve high performance, and we believe all individuals want to achieve their fullest potential.

OUR PEOPLE, OUR VALUES



A: Finance staff at the Khazanah's Jambo (Jamboree and Open) Day 2012 at KidZania, Kuala Lumpur

EXTRACURRICULAR ACTIVITIES

Our people are more than just employees of Khazanah—they excel in other spheres of life. We encourage them to receive continuing education and to contribute to civil-society organisations. Khazanah is blessed with individuals who have many diverse talents and actively participate in many extracurricular activities including music, writing, sports, environmental protection and community development activities.

TEAMWORK

Our strength is our people. As a group of highly motivated individuals, we are committed to working together to achieve true value. We encourage cooperative efforts across all levels and activities, and will continually share ideas and knowledge towards a common goal.



B



C



D



E



F

Photos from top:

B: Khazanah senior management team playing a friendly match of futsal against Khazanah staff **C:** The Khazanah team at Khazanah's booth at the 2011 GLC Open Day **D:** Khazanah staff member, Saovane Chan Somchit, Assistant Vice President, Khazanah Research & Investment Strategy (seated on right), playing the violin at the Special Event titled "What Can Music Do: A Musical Evening with Prof Nigel Osborne" during the Khazanah Megatrends Forum 2012 **E:** Our Managing Director and staff at a friendly football match with Standard Chartered Bank Malaysia **F:** Mohamad Shukor Ahmad, Assistant Vice President, Corporate Support & Services, taking part in the annual Rat Race, organised by The Edge and Bursa Malaysia

INTEGRITY

We do what is right without exception. We believe in good governance and operate with ethics, always staying within the letter and spirit of the law.



Photo top — Khazanah Staff,
 left to right: Lim Jia En, Associate, Khazanah Research & Investment Strategy
 Hairul Effendy Hamdan, Associate, Strategic Human Capital Management.
 Farah Syazana Jasni, Executive Assistant, Corporate Support & Services
 Rahimie Abdul Rahim, Executive Assistant, Strategic Human Capital Management



As we move forward, Khazanah is advancing, building an institution that will continue to drive strategic investments in new sectors and new markets, while managing our investment portfolio to realise its long-term potential. We are resolute in our commitment to catalyse our country's growth and live up to our mandate of building true and lasting value for our future generations.

The paper used in this report was supplied by participants of the Responsible Initiative Programs and the printing process used was UV inter deck which omits no VOC's.



