

MEDIA STATEMENT
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KHAZANAH ANNUAL REVIEW 2020

Khazanah delivers strong performance in 2019

Record profits of RM7.36 billion, expenses down 28.2%, debt reduced by 17.0%

Khazanah Nasional Berhad (“Khazanah”), in the first full year of its refreshed mandate, reported a turnaround in overall performance for 2019 with record profits from operations contributed by higher divestment gains and lower impairments, and robust portfolio returns.

Khazanah achieved solid progress across multiple areas, including generating returns in line with long-term targets for its Commercial Fund, delivering financial and strategic outcomes for assets in its Strategic Fund, and strengthening its financial position through operating expenditure (“OPEX”) reduction and debt repayment.

Khazanah Managing Director, Shahril Ridza Ridzuan said: “Our 2019 performance was achieved against a backdrop of uncertainties in the global landscape, which saw a prolonged Brexit process as well as the heightening of the US-China trade war. This was made more challenging by the continued low returns environment and generally slower economic growth. Despite these challenges, we managed to achieve significant progress in delivering on our mandate to grow Malaysia’s long-term wealth.”

Khazanah achieved profit from operations of **RM7.36 billion**, compared to a loss from operations of RM6.27 billion in 2018. Gains on divestments increased to RM9.9 billion compared to RM1.4 billion, while impairments were at RM4.9 billion from RM7.3 billion the previous year. Khazanah declared a dividend of RM1.0 billion for 2019.

Khazanah strengthened its financial position with expenses reduced by 28.2% to RM484 million, compared to RM674 million in 2018. This equates to 35 basis points¹ (“bps”) as a percentage of assets, compared to 50bps the previous year.

¹ *Operating Expenditure over Realisable Asset Value*



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Debt was reduced by 17.0% to RM45.8 billion from RM55.2 billion in 2018, while Realisable Asset Value cover² improved to 3.0 times from 2.4 times.

The Commercial Fund, which is an inter-generational wealth fund, generated a time-weighted rate of return of **8.3%**, surpassing the long-term targeted rate of return equivalent to the Malaysian Consumer Price Index (“CPI”) + 3% on a five-year rolling basis. The Commercial Fund’s Net Asset Value (“NAV”) stood at RM73.1 billion, as at 31 December 2019.

One year into its portfolio rebalancing exercise, Khazanah has progressed significantly towards diversifying the Commercial Fund under the refreshed mandate and is well positioned to increase its investment activities in 2020.

The Strategic Fund achieved financial and strategic outcomes for specific assets despite the sluggish market in 2019. Khazanah conducted regular engagement with the Government to enhance the regulatory landscape, refreshed and strengthened the leadership bench at investee companies, and commenced restructuring initiatives to improve financial performance and unlock value. The Strategic Fund generated an overall return of 2.9%³, versus its targeted rate of return of the 10-year Malaysian Government Securities (“MGS”) yield⁴ on a five-year rolling basis.

Khazanah successfully achieved a resolution on the PLUS Malaysia (“PLUS”) toll restructuring, which sees an 18% reduction in toll rates on PLUS highways and savings to the Government totaling RM42 billion over the new concession period ending 2058, as well as Khazanah and the Employees Provident Fund (“EPF”) remaining as PLUS shareholders. This restructuring is now at the stage of discussions with stakeholders to put into place the necessary amendments to existing agreements.

Khazanah also evaluated options to resolve key issues facing Malaysia Airlines (“MAB”) and launched a process to evaluate potential partners for the airline in 2019. A total of nine proposals were received, of which four were shortlisted. For 2020, Khazanah will continue to work closely with the Government and MAB to further review the proposals and finalise a decision on the appropriate strategic option moving forward.

² *Realisable Asset Value over Total Debt*

³ *Aggregate Net Profit over Net Tangible Asset, excluding MAS. Full year estimate as at 31 December 2019*

⁴ *10-year MGS yield was 3.3% as of 31 December 2019*



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Looking ahead, Shahril added: “This year will be particularly challenging as an already uncertain global economy is harmed by the ongoing Covid-19 spread. While our government’s stimulus package is a welcome response, we nevertheless are preparing for a period of global economic slowdown.

“The current uncertainties will affect countries and companies alike. Nevertheless, we are comfortable that our diversified portfolio and strategies are robust while accepting that it will be extremely difficult to achieve the same levels of success as 2019.”

Khazanah will continue to focus on further diversifying the Commercial Fund, while working with the Government to enhance relevant regulatory frameworks, embedding Environment, Social and Governance (“ESG”) considerations across all investment activities, and engaging investee companies on value creation initiatives.

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For further information on Khazanah, please visit www.khazanah.com.my or contact Mohd Raslan Md Sharif at +603 2034 0000, or e-mail at raslan.sbarif@khazanah.com.my.

About Khazanah Nasional Berhad

Khazanah Nasional Berhad (“Khazanah”) is the sovereign wealth fund of Malaysia entrusted with growing the nation’s long-term wealth via distinct commercial and strategic objectives. Khazanah’s commercial objective is to grow financial assets and diversify revenue sources for the nation, while its strategic objective is to hold strategic assets that bring long-term economic benefits. Khazanah is guided by its investment philosophy which emphasises attaining appropriate risk-adjusted financial returns, generating sustainable returns, and integrating ethical and responsible investing considerations. For more information on Khazanah, please visit www.khazanah.com.my .