

**Media statement issued by 1Malaysia Development Berhad on 16 June 2015**

*For immediate publication*

Facts in relation to blog posting entitled “the 1MDB Story” by Tun Dr. Mahathir Mohamad

**1. Tun Mahathir claims that there was “the attempt to hijack the Terengganu Investment Authority (TIA) money” and that “Terengganu accordingly withdrew as it cannot let its oil wells be put at risk”.**

- There was no attempt to hijack TIA money.
- In 2009, various discussions were held between the Federal Government and the state government of Terengganu on how each party would provide its share of funding for the TIA. A number of options were discussed in this regard.
- Eventually, the Federal Government’s contribution consisted of it guaranteeing a RM5 billion sukuk issuance by the TIA. This happened on 29 May 2009, prior to the TIA being federalised.
- Subsequently, the state government of Terengganu decided to withdraw from the TIA which led to the entity being federalised in July 2009.

**2. Tun Mahathir claims, in relation to the RM5 billion government guarantee for the sukuk, that “there is no evidence that a cabinet paper was prepared and presented for approval despite the amount being unusually big”.**

- Contrary to Tun Mahathir’s claim, a Cabinet paper on this matter was prepared and approved by Cabinet, in line with standard practice and as required for all government guarantees.
- Furthermore, the government guarantee is not “off budget” as claimed. It is a clear and acknowledged liability of the federal government, which is ultimately the 100% shareholder of 1MDB.

**3. Tun Mahathir claims “Goldman Sachs which was entrusted with raising the loan” and “Goldman Sachs would get RM500 million as commission”.**

- The entire premise of this statement is incorrect as the sukuk was arranged by AmBank, not Goldman Sachs.
- AmBank fully underwrote the sukuk issuance (i.e. it took the risk to provide RM5 billion to 1MDB) and, therefore, earned any commission it received for doing so.

**4. Tun Mahathir claims “Loans taken by Government... would normally carry 3% interest of less. But the 1MDB loan cost almost 7% interest”.**

- It is a fact, verifiable by a check on the relevant Bank Negara Malaysia webpage, that on 29 May 2009 (the date the RM5 billion sukuk was issued), yields for Government bonds were 2.82% (3 years maturity), 3.56% (5 years maturity) and 4.27% (10 years maturity). It is clear that for every additional year of maturity, the yield is higher.
- The RM5 billion sukuk issued by 1MDB has a 30-year maturity, i.e. it would mature at a date three times later than the 10-year government bond, which was the longest maturity period for a bond at that time. There were no 30-year government bonds in issuance for comparison purposes.
- The 1MDB sukuk was issued at a discounted price of approximately 88, i.e. a discount to face value of 100, which is common for a fixed income instrument. The discount represents the additional yield benefit to sukuk investors. This discount, when added to the coupon of 5.75%, results in a yield of approximately 6.15% - not 7% as incorrectly claimed by Tun Mahathir.
- Based on the logic outlined above, 1MDB achieved 30-year financing for its sukuk at a yield of 6.15%. By contrast, 10-year government bonds had a yield 4.27%. Given the difference in the maturity period, this was a good outcome by any yardstick in the fixed income markets.

**5. Tun Mahathir claims “In all RM42 billion were borrowed.... But interest on RM42 billion must come to almost RM3 billion a year”.**

- The figures being quoted by Tun Mahathir are incorrect. To be clear; the interest cost on RM42 billion of debt by 1MDB as of 31.03.2014 was RM2.4 billion, i.e. a significant 20% less than what Tun Mahathir claims.

**6. Tun Mahathir claims “...everyone knows Ananda Krishnan had to make RM2 billion to pay the interest”.**

- 1MDB did indeed borrow RM2 billion as arranged by a subsidiary of Tanjong PLC. These proceeds were used to repay a RM2 billion loan provided by a syndicate of domestic lenders. It was not used to pay interest, as claimed by Tun Mahathir.
- As for the rationale behind why Tanjong PLC arranged the financing for 1MDB, we make reference to note 41 (iii) (h) on page 170 of 1MDB’s financial statements dated 31 March 2014.
- The note states “On 7 August 2014, PIH (i.e. Powertek Investment Holdings), a subsidiary of the Company (i.e. 1MDB), entered into a Subscription Agreement with Tanjong under which Tanjong agreed to subscribe for equity in PIH, of up to RM2.0 billion on the occurrence of certain events... which proceeds shall be used solely for the repayment or prepayment by PIH of any amount owing under the RM5.5 billion loan facility arranged by Maybank Investment Bank Berhad and RHB Investment Bank Berhad...”
- From the above, it is a clear fact that Tanjong had an obligation to subscribe to RM2.0 billion of equity in PIH, the proceeds of which would be used for repayment of the loan facility.
- Regretfully, as previously explained, 1MDB is bound by confidentiality agreements and cannot elaborate further on why the RM2.0 billion equity investment was subsequently agreed by the parties to become an RM2.0 billion loan but we trust that the facts shared above provides some clarity on this matter.

**7. Tun Mahathir claims, in relation to 1MDB’s purchase of IPPs that “Why 1MDB did not wait until the expiry of the license is a mystery”.**

- It is important to note that 1MDB purchased 13 different power plants with a generating capacity of approximately 5,500 Megawatts (MW).
- Of the above purchase, contrary to Tun Mahathir’s suggestion, only 2 plants had a near term “expiry of licence” i.e. a 440 MW Powertek plant in January 2016 and the KLPP (Genting) plant in February 2016.
- The “licence” of the KLPP plant was subsequently extended for 10 years, thereby proving it was a good asset purchased by 1MDB.
- Furthermore, 1MDB is awaiting a decision from the Energy Commission for extension of the Powertek 440 MW plant.

**8. Tun Mahathir claims in relation to land on Jalan Tun Razak “the Government sold the 70 acres to 1MDB for RM320 million”. “Land close by had been sold at RM7000 psf.” “1MDB should pay at least RM3000 to RM 4000 psf.”**

- It is important to note that 1MDB is ultimately 100% owned by the Government of Malaysia.
- Accordingly, any transfer of land to 1MDB and any subsequent benefit in land value increase is ultimately 100% for the Government of Malaysia.
- In reference to the figures quoted by Tun Mahathir, he is again incorrect. The fact is that 1MDB paid RM230 million, not RM320 million, to acquire this parcel of land.
- 1MDB is the master developer and has an obligation to fund infrastructure and strategic assets on the land. The cost of this infrastructure that 1MDB is contractually obligated to deliver in TRX is at least RM1,500 psf. This is a direct benefit to any land buyer and forms part of the purchase price paid.

**9. Tun Mahathir claims, in relation to 1MDB’s assets that “no explanation has been given as to how these assets are valued”.**

- The financial statements of 1MDB clearly provide the basis for asset valuations. Furthermore, independent valuations have been conducted by professional valuers. This is a requirement by the auditors of 1MDB who have signed off on the accounts with no qualifications.

**About 1MDB**

*1MDB is a strategic development company wholly-owned by the Government of Malaysia. 1MDB drives market-driven initiatives to help transform Malaysia into a thriving economy – one that is highly competitive, inclusive and sustainable. 1MDB forges international partnerships through joint ventures focused on high-impact projects. For more information about 1MDB, please visit [www.1mdb.com.my](http://www.1mdb.com.my).*