

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

For immediate publication

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

1. Tun Mahathir claims that “PetroSaudi did not pay a single cent” in a joint venture with 1MDB.

- PetroSaudi, via a subsidiary company, owned assets, comprising rights to oil fields in Turkmenistan and Argentina, worth approximately USD2.7 billion. These assets were sold by PetroSaudi to another subsidiary, “JV Co”, which at the time of the asset sale, was a company formed by and initially 100% owned by PetroSaudi for the purposes of a proposed joint venture with 1MDB.
- In return for the USD2.7 billion asset transfer, JV Co had to pay PetroSaudi USD700 million. This indebtedness resulted from the asset transfer. Accordingly, there was no loan made or “to settle”.
- On 29 September 2009, 1MDB executed a joint-venture agreement with PetroSaudi. Upon completion of an independent valuation, 1MDB contributed USD1 billion of cash in return for 40% ownership of JV Co, and PetroSaudi was left with a 60% stake in the JV Co. In effect; 1MDB’s contribution was in cash, whereas PetroSaudi’s contribution was in independently valued assets worth USD2.7 billion.
- It was part of the joint-venture agreement that, of the USD1 billion from 1MDB, USD700 million would be used to pay PetroSaudi for the initial asset transfer to JV Co (see above) whereas USD300 million would remain in JV Co. Upon satisfaction with the independent valuation, as per the joint-venture agreement, 1MDB made a payment of USD700 million to a subsidiary of PetroSaudi, and obtained legal title to 40% share of JV Co, a company with independently valued assets worth USD2.7 billion at the time.
- Accordingly, PetroSaudi had full rights to the USD 700 million paid by 1MDB and these funds were for PetroSaudi to use, at its discretion.

2. Tun Mahathir claims: “suddenly, USD 300 million of the payment by 1MDB is converted to a Murabaha loan”. He further claimed “We really don’t know where it is”.

- The joint venture with PetroSaudi was terminated in March 2010, with PetroSaudi assuming 100% ownership of JV Co. 1MDB converted its USD1 billion of equity in JV Co to murabaha notes issued by JV Co, under the terms of a Murabaha Financing Agreement. PetroSaudi, as 100% owner of JV Co, fully guaranteed JV Co’s obligations under the murabaha notes.
- 1MDB then made further investments of USD500 million and USD330 million in additional murabaha notes issued by JV Co.
- In total, 1MDB invested USD1.83 billion cash in murabaha notes issued by JV Co, a company that, by then, was 100% owned by PetroSaudi following the termination of the joint venture in March 2010.
- In June 2012, the entire USD1.83 billion amount invested by 1MDB in murabaha notes was repaid, by way of conversion into shares of Petrosaudi Oil Services Limited, for a value of USD2.22 billion.
- In September 2012, 1MDB sold its shares in PetroSaudi Oil Services Limited for USD2.318 billion and received fund units in a Cayman registered fund. The Cayman registered fund is managed by Bridge Partners, a Hong Kong-based fund manager. These fund units were owned by 1MDB via its 100% subsidiary, Brazen Sky, and held through BSI Bank Singapore as custodian.
- Accordingly, 1MDB invested a total of USD1.83 billion with PetroSaudi (initially as equity, then as murabaha notes), and ultimately owned USD2.318 billion of fund units i.e. a gain over time of USD488 million.
- The facts detailed above can be verified by reference to the notes to the audited financial statements of 1MDB dated 31.03.2010, 31.03.2011, 31.03.2012, 31.03.2013 and 31.03.2014.

3. Tun Mahathir has stated: “Arul Kanda said he saw the cash there and Prime Minister said the money was there. It was not brought back because Bank Negara would ask too many questions. But Bank Negara must get the approval of the Minister according to the law for approving or disapproving any transaction. And the Minister is the effective head of 1MDB. So what is so difficult about getting Bank Negara’s approval?”

- Despite Tun Mahathir’s vigorous claims, it is a fact that Arul Kanda never said he “saw the cash”. He is on the record as saying he had “seen the statements”, referring to the fund unit ownership and redemptions.

- Tun Mahathir repeats in his blog posting the original MOF answer to Parliament, but has chosen to ignore the amended answer by MOF and the clarification issued by Arul Kanda on 10 June 2015.
- There was indeed a misunderstanding on information provided by 1MDB to MOF, which required the original Parliamentary answer to be subsequently amended. This is a matter of public record and has been acknowledged by 1MDB.
- As the President of the company, Arul Kanda takes full responsibility for this misunderstanding and will ensure better communication with all stakeholders. Furthermore, as clarified by the MOF, appropriate steps have already been implemented to prevent this happening again in the future.
- We must accordingly question why must Tun Mahathir keep repeating his earlier statement, when clarification has been provided and responsibility has been accepted.
- As for Tun Mahathir's reference to Bank Negara Malaysia, it is a fact that Bank Negara Malaysia is presently conducting an investigation on 1MDB. It is only appropriate to await the outcome of this investigation instead of casting doubt and sharing half-truths in the public domain.

4. Tun Mahathir claims: "1MDB and the Prime Minister have not shown proof of the existence of the money from Cayman Islands. Is it in Singapore or has USD1 billion dollars disappeared?"

- From the answer to question (2) above, it should be clear that from September 2012, 1MDB owned, via its subsidiary Brazen Sky, fund units in a Cayman Registered Fund, with a valuation of USD2.318 billion as of 31.03.2015. These fund units were held through BSI Bank Singapore, as custodian. This has been the case since 2012.
- The existence of USD2.318 billion in fund units has never been questioned, and this value was included in the audited financial statements dated 31.03.2014, which must provide a true and fair value of the assets of the company.
- In fact, the first tranche of USD1.22 billion fund units was redeemed in cash in 2014 and the cash proceeds were used to pay for termination of options relating to the energy business, granted to Aabar, working capital and interest payments - as outlined in the company's publicly available financial accounts.
- As for the remaining USD1.1 billion of fund units, these have also been redeemed, as previously announced by 1MDB. All "documentary proof" on this redemption will be provided to auditors of 1MDB and the lawful authorities.

- Despite repeated public clarifications, Tun Mahathir chooses to ask the same question again and again. One must question the motive behind why he keeps saying that the “USD1billion is missing” when it is obvious that the funds have been accounted for and audited.
 - Furthermore, Tun Mahathir has been quoted on the record as stating “RM42 billion is missing”. He now states that “USD1 billion is missing”. This continuous change in figures is perplexing, and raises questions as to the motivation behind these ever-changing claims.
- 5. Tun Mahathir claims: “Statements without documentary proof are, as we have seen, quite useless. We need proof of all the investments and payments made by the 1MDB. But no proof has been shown accept (sic) for the acquisition of the power plants and purchase of Government land in Kuala Lumpur and private land in Penang. Until signed documentary proofs and not just statements by the Chief Executive Officer or Prime Minister, are shown, we have to assume that the money borrowed by 1MDB has disappeared.”**
- “Documentary proof” for all the assets of 1MDB, including the fund units and other financial assets of 1MDB, has been presented to the auditors of 1MDB. It is based on this that 1MDB’s accounts have been signed off by the auditors, without qualification.
 - In addition, “documentary proof” has now been presented to the Auditor-General and Bank Negara Malaysia, the lawful authorities, who we would expect to carefully scrutinise these documents.
 - We are fortunate in Malaysia to have rule of law which states a party is “innocent until proven guilty”. Due process requires that the lawful authorities first undertake investigations, establish the facts and take action accordingly.

The Prime Minister has already said, on numerous occasions, that if any wrongdoing is proven, action will be taken. 1MDB fully supports this position and is accordingly cooperating fully with the lawful authorities in their ongoing investigations.

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.