

**Dr M's claims damaging economy, says 1MDB**  
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Former prime minister Dr Mahathir Mohamad's continuous allegations against 1MDB are causing damage to the Malaysian economy, a statement issued by 1MDB today said.

Not only that, it is also hindering 1MDB from conducting their ongoing businesses, the statement read.

It added that although there were ongoing investigations by the Public Accounts Committee, Mahathir continues to repeat the same questions and falsely claim that 1MDB funds were 'lost' or 'unaccounted for' without providing any evidence.

"Such allegations and misleading statements by Mahathir and certain opposition politician significantly impacts the ability of 1MDB, a 100 percent government-owned company, to conduct its ongoing business and causes damage to the wider economy.

"Furthermore, such allegations negatively impact the implementation of the 1MDB rationalisation plan announced on May 29 which is intended to reduce the company's debt levels and ensure that maximum value is generated for our ultimate shareholder, the government of Malaysia," said 1MDB.

It said, the PAC (photo) was the lawful authority to verify whether RM42 billion has 'disappeared' from 1MDB as they have access to all information.

"1MDB trusts that the honourable members of the PAC will specifically look into this allegation and provide their judgement to conclusively resolve this matter.

In a separate statement also today, 1MDB expressed confusion as to why Mahathir kept repeating the 'same old questions' about the relationship between 1MDB and PetroSaudi International (PSI) despite the fact that the business relationship between the two companies ended in 2012 and that 1MDB had given detailed responses to these questions before.

The 1MDB statement also clarified aspects of the USD1.9 billion loan to PSI's subsidiary that Mahathir referred to.

**'Conversion option'**

"While 1MDB had invested that amount in loan (murabahah) notes in a PSI subsidiary, the entire amount was repaid in June 2012 by way of conversion into shares of PetroSaudi Oil Services Limited for a value of USD2.22 billion.

"Following that, we then sold those shares for USD2.318 billion in September 2012 and received fund units in a Cayman-registered fund. These fund units were owned by 1MDB

via its subsidiary and held through BSI Bank Singapore.

"Hence, this would represent a gain over time of USD488 million," said the statement.

According to 1MDB, the murabaha notes were guaranteed by PetroSaudi, thereby having a lower risk profile than equity and that 1MDB had an option to convert the murabaha notes into equity.

"Accordingly, 1MDB exercised caution by reducing its risk profile from equity to debt, thereby benefiting from a fixed rate of return above its cost of capital whilst having the right to participate in future equity upside through the conversion option."

Regarding Mahathir's claim that 1MDB overpaid for its Independent Power Producers (IPP), the company said they only acquired assets when they were convinced they represented 'compelling long term value'.

"In this particular case, 1MDB purchased power plants from the original private sector owners i.e. first generation IPP investors, who were granted lucrative, long term, fixed price contracts during the time Mahathir was prime minister.

#### **'Benefit to nation'**

"The values paid for the acquired assets were based on independent advice from financial, legal, accounting, tax and technical advisors. In addition, 1MDB took a long term view and considered the social and economic impact on the country in arriving at a final valuation," they said.

1MDB also claimed that they acquired their first energy assets in 2012 and had built this into the second largest independent power producer in Malaysia with a strong presence in international markets within three years.

"In total, 1MDB has successfully consolidated three independent companies with 13 power plants and 5594MW of net generating capacity.

"As such, we believe that the value we paid – which may have involved a premium in certain instances, as is common when acquiring another business – is commensurate with their future potential and overall benefit to the nation."