

We've broken even on debts, 1MDB rebuts Dr Mahathir
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1Malaysia Development Bhd (1MDB) has broken even on its investment with the help of the sale of its power assets, the state-owned investment first said today in response to the latest criticism by former prime minister Tun Dr Mahathir Mohamad.

It said besides its sale of Edra Global Energy Bhd and its subsidiaries to achieve debt reduction of up to RM17 billion, the state investor has also received RM2 billion cash dividends over time throughout its ownership of the power assets.

"Accordingly, 1MDB has essentially 'broke even' on its investment, through an international tender process, despite having to sell its assets whilst under sustained and misleading attacks from the opposition and Tun Mahathir himself," the Finance Ministry-owned firm said in a statement today.

The sale of Edra and subsidiaries will bring in cash of RM9.83 billion, while the buyer, China General Nuclear Power Corp (CGN Group) was also taking over debts in Edra worth RM7.43 billion, it said.

"In total, this would help 1MDB achieve debt reduction of up to RM17 billion, which is well within the anticipated RM16 billion to RM18 billion range per the rationalisation plan."

Dr Mahathir in a blog post yesterday asked how 1MDB would be able to reduce its debts by selling Edra as the assets were bought when the ringgit was RM3.20 against the dollar, but sold when the ringgit was RM4.20

"If 1MDB had borrowed in US dollars, it stands to lose RM1 for every dollar borrowed. In other words, what 1MDB gets from the sale would not be able to pay fully the debts in US\$ raised by 1MDB," Dr Mahathir had said.

1MDB addressed this today, saying the former prime minister would have known from looking at the firm's publicly available audited financial statements that of the RM42 billion 1MDB debt, RM19.82 billion of debt is denominated in ringgit.

Another RM22 billion is denominated in US dollars.

"Accordingly there is more than enough RM denominated debt to be settled from the RM9.83 billion Edra sale cash proceeds," 1MDB said.

The firm added that it was its intention that US\$3.5 billion of its bonds guaranteed by Abu Dhabi's International Petroleum Investment Company (IPIC) would be settled via a "debt-for-asset swap".

"This envisages 1MDB transferring to IPIC, 1MDB assets comprising USD denominated cash deposits and USD denominated fund units, in return for IPIC taking

over the USD3.5 billion of bonds that it has guaranteed."

1MDB also accused Dr Mahathir of misleading people by failing to give the full picture on the IPP tariff for Edra's assets to create the impression that rates would be increased.

"The IPP tariff for the Edra assets are fixed for the life of the PPA (power purchase agreement) period. On average across all the Edra power plants, this is for the next 10 years. So, there is no question of the IPP tariff being increased for the life of the PPA, despite the change of ownership."

The firm, the brainchild of Prime Minister Datuk Seri Najib Razak who is under attack by Dr Mahathir, said it regretted the former prime minister's persistence in "issuing misleading and wrong statements on 1MDB", calling the attacks political in nature. – November 29, 2015.

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