

Media statement by 1Malaysia Development Berhad

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Limited default from the non-payment of USD50.3 million interest on the Langat Notes

1Malaysia Development Berhad (“1MDB”) states that the International Petroleum Investment Company (“IPIC”) has not made payment of USD50.3 million interest as required under the terms of a binding term sheet executed on 28 May 2015 (“Binding Term Sheet”), under which IPIC assumed the obligation to pay the interest and ultimately the principal for, amongst others, the USD1.75 billion fixed rate 5.75% notes due 2022, issued by 1MDB Energy (Langat) Limited (“Langat Notes”). Accordingly, due to a dispute between the parties, neither 1MDB, nor its subsidiary, 1MDB Energy (Langat) Limited, have made payment either, and are now in default per the terms of the Langat Notes.

Notwithstanding the dispute with IPIC, 1MDB reiterates that it will meet all of its other existing financial obligations and has ample liquidity to do so. 1MDB withheld the interest payment following claims by IPIC that certain payments and other obligations were still owed it.

1MDB has been surprised by IPIC’s comments and unequivocally asserts that it has attempted to meet all its obligations to IPIC, whereas IPIC has publicly denied receipt or knowledge of various financial transactions and/or guarantees entered into between the parties. Accordingly, whilst 1MDB has the funds to have made the interest payment, it is 1MDB’s position, as a matter of principle, that it was IPIC’s obligation to do so. Until IPIC accepts that all obligations have been met, 1MDB is obliged to withhold payments and will seek legal recourse and resolution.

Limited cross defaults

As a result of the default on the Langat Notes, 1MDB confirms that cross defaults have been triggered on the 1MDB RM5billion Sukuk due 2039 (“1MDB Sukuk”) and the RM2.4 billion Bandar Malaysia Sdn Bhd Sukuk due between 2021 and 2024 (“BMSB Sukuk”).

There is no 1MDB cross default on an RM800 million loan from the Social Security Organisation (“SOCSO Loan”). However, there is a possibility that the “material adverse effect” clause may be triggered due to the developments highlighted above.

The 1MDB Sukuk and the SOCSO Loan both benefit from guarantees issued by the Government of Malaysia.

1MDB confirms that there is no cross default on its other remaining debt, i.e. the USD1.75 billion fixed rate 5.99% 1MDB Energy Limited notes (“Energy Notes”) and the USD3.00 billion fixed rate 4.4% 1MDB Global Investments Limited notes (“GIL Notes”). 1MDB has no other debt.

Over the past week, 1MDB has proactively met with and explained the consequences of the IPIC dispute to the Trustees and investors of the 1MDB Sukuk and the BMSB Sukuk. 1MDB has also engaged with SOCSO. 1MDB trusts that the respective parties and the financial markets in general, will understand this unfortunate default as being very specific to its dispute with IPIC and is not due to an inability to make payment when due.

Engaging with all bondholders

1MDB has and will continue to undertake discussions with all bond and Sukuk holders to explain the background of the dispute; clarify why it has taken the position to not make the interest payment on the Langat Notes; and reiterate that it has a successful rationalisation plan in place that enables it to meet all its existing debt obligations.

1MDB wishes to underline that it is committed to working openly with IPIC to resolve the dispute in order to minimise the impact on all stakeholders and to avoid the need for accelerating bond or Sukuk payments in a way that would pose significant risks to its rationalisation plan.

1MDB welcomes dialogue with all its bond/Sukuk holders and urges them to make contact at investor.relations@1mdb.com.my

Notes:

On 4 June 2015, the International Petroleum Investment Company (“IPIC”) publicly announced it was assuming the Issuer’s obligation to pay the interest due under the Langat Notes in exchange for certain undertakings to transfer assets and cash to IPIC.

Interest was payable on the semi-annual interest payment date of 18 April 2016 in respect of the USD\$1.75 billion 5.75% Notes due 2022 issued by the Issuer.

Rationalisation plan

1MDB's rationalisation plan is centred on three main pillars: first, the sale of the Edra Global Energy power assets; second, the sale of land at Bandar Malaysia; and third the debt-for-asset swap that was agreed with IPIC. Through these pillars, all 1MDB debt would be repaid, transferred or matched, as per current assumptions.

To date, the rationalisation plan has delivered on the sale of Edra Global Energy and the 60% equity stake sale in Bandar Malaysia. Proceeds from the sales have been utilised to repay all bank and short term debt of 1MDB. 1MDB now retains a cash surplus of approximately RM2.3 billion for infrastructure and other debt service requirements.

Future debt obligations are fully matched by the sale of Bandar Malaysia land, the development and sale of TRX lands as well as the eventual monetisation of the Pulau Indah and Air Itam lands.

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