

NSIA Announces Audited Financial Results for 2018 Financial Year

Abuja, Nigeria – April 29, 2019: The Nigeria Sovereign Investment Authority (“NSIA” or “The Authority”), manager of Nigeria’s sovereign wealth fund, today announced its results for the 2018 financial year. The results show strong performance in a year when many international markets under-performed and the global economy experienced a moderate pace of expansion.

Despite concerns over international trade flows, slow growth in key economic indicators and increased volatility across financial markets, the Authority’s investment strategy proved robust with headline numbers maintaining a favourable trajectory across the three funds – The Stabilisation Fund, Future Generations Fund and Nigeria Infrastructure Fund. Highlights of NSIA’s activities and performance during the period are as follows:

- Total comprehensive income (including the impact of foreign exchange gains) of ₦44.34 billion (previous year: ₦27.93 billion).
- Total comprehensive income (excluding the impact of foreign exchange gains) of ₦26.29 billion (previous year: ₦26.28 billion).
- Total Assets recorded a growth of 16% to ₦617.70 billion at year end (previous year: ₦533.88 billion):
- Return on Capital Employed (ROCE¹) on the core funds (in Naira):
 - Stabilisation Fund (100% Funds deployment): 7.2%
 - Future Generations Fund (81% fund deployment): 8.3%
 - Nigeria Infrastructure Fund (17% fund deployment): 7.7%
- Increased focus on domestic infrastructure projects specifically in agriculture, healthcare, and infrastructure enabling financial institutions:
 - Healthcare: Reached financial close on three (3) healthcare projects including a Cancer Centre at Lagos University Teaching Hospital (LUTH) and Advanced Diagnostic Centres at Federal Medical Centre Umuahia (FMCU) and Aminu Kano Teaching Hospital (AKTH). We have commissioned the LUTH cancer Centre. The facility will soon be fully open for clinical operations.
 - Presidential Fertiliser Initiative: Increased output with approximately 12 million bags of fertiliser produced to date with a total of 18 blending plants participating.
 - Presidential Infrastructure Development Fund (PIDF): Received US\$ 650million from NEC and commenced capital deployment across three of the major road projects under PIDF including 2nd Niger Bridge, Lagos – Ibadan Expressway and Abuja-Zaria-Kaduna-Kano Road.
 - The joint venture of NSIA and UFF reached financial close on Project Novum, a fully integrated farm located on 3,500 hectares of land in Panda, Nasarawa State.
 - InfraCredit: NSIA having created InfraCredit, attracted other investors to the company and de-recognized it from the book. InfraCredit is poised to

¹ ROCE is based on the Audited Financial Statement as presented in Naira

- transform the infrastructure bond market having facilitated transactions for North South Power and Vitan. New investors in InfraCredit AfDB and KfW.
- Other key infrastructure projects in the pipeline for 2019 include:
 - Commodities Exchange (NCX): Progress has been made and we are in the process of choosing a strategic partner.
 - Investment in Basic Chemicals with OCP Morocco: Basic Chemical Platform to produce ammonia and other fertilizer products.
 - Assets under management:
 - NSIA core capital- US\$1.5 billion
 - Other 3rd party managed funds comprised of:
 - PIDF - US\$650 million
 - DMO - US\$122.60 million (US\$120.95 - Fair value 31 Dec 2017)
 - Nigeria Stab. Fund – ₦13.64 billion
 - Gross sum of US\$417.46 million (US\$350 million principal plus returns) repaid to the Nigeria Bulk Electricity Trading Company Plc ("NBET") following the expiration of the 4-year investment term.

Outlook for 2019

- The global market in 2018 experienced high volatility, however 2019 is expected to return to a relatively stable terrain. According to JP Morgan, there is a deceleration in growth momentum which is expected to end by midyear 2018 on account of policy changes that supports China easing and the Federal Reserve pausing.
- There are no apparent expectations of Recession risks in 2019. However, the Authority continues to monitor the market conditions with the view to leverage the upside risks that avail themselves in the market. We expect that our strategy will continue to deliver positive returns.
- The deployment of the Presidential Infrastructure Development Fund will play a key part of our infrastructure investment strategy for the year.
- Healthcare remains a focus area going forward with the implementation of next phase of diagnostic and treatment centres.
- The Board has also approved Gas industrialisation as an area of focus.
- Increased focus and capital deployment in Infrastructure is likely to affect future returns.

Financial Statement Review

The Authority's performance for 2018 reflected the strength of the Authority's strategy across all the funds as the Authority aggregate performance outstripped most global market indicators in the period.

Equity market experienced a dramatic decline in the last quarter of 2018 as Investors were burdened with rising US central bank interest rates, lower than expected growth in

Asian market particularly China and other political issues including Brexit, Eurozone and the China-US trade conflict, characteristically fueled Investor apathy for most of the year. However, in spite of these market challenges, the Authority's fund performed favorably by generating aggregate returns of 8.2%.

Total income grew by 88.5%, rising from ₦30.62 billion in 2017 to ₦57.73 billion in 2018. Considering the volatile global and generally challenging local investment environment, this performance reflects the strength and capability of Portfolio and risk management within the institution.

Interest income - ₦23.82 billion (a component of Total income) earned in 2018 represents a 9% year-on-year increase from the ₦21.77 billion in 2017. This underscores our commitment to generate fixed income returns from low-risk securities that generate predictable interest, and steady returns including Eurobonds, Treasury bills and other secured deposits.

The Authority rebased its foreign denominated balances to ₦325/\$ from ₦305/\$, to reflect its foreign exchange transactions appropriately in line with its market. Therefore, the Group recognized a foreign exchange gain of ₦18.05 billion.

Fund Review

The Mandate Funds

Within the year, the Authority committed significant capital across all three ring-fenced funds and gained traction within the Nigeria Infrastructure Fund (NIF) as commitments were being made on approved project/investment opportunities. With respect to the other funds, the Authority continued to operate a diverse and global investment portfolio of traditional and alternative assets.

Infrastructure Fund

The year was an eventful year with significant capital deployment in the priority sectors of Agriculture, Healthcare, Motorways and Power. Highlight of activities undertaken across the infrastructure sectors are provided below:

Agriculture

The agriculture sector remains a focus area to the Authority. Key programmes undertaken by the Authority within the period under review included:

- *Presidential Fertiliser Initiative (PFI)*

Continuing its role as programme manager, the NSIA sustained the implementation plans for the PFI. As at year end, an addition 5.5 million bags of NPK 20:10:10 fertilizer had been produced and sold in Nigeria bringing the total project output from inception to date at over 12 million bags. Furthermore, 2 additional blending plants were accredited in Kaduna and Zamfara respectively bringing the number of plants to 18 in total. With PFI, NSIA is helping to reduce input induced food price inflation.



Press Release

29/04/2019

- *Novum Agric Industries Ltd*

Under the UFF-NAIC Fund (a US\$200 million 50-50 co-sponsored agriculture fund with UFF Agric Fund), NSIA acquired a fully integrated farm located in Panda, Nasarawa State. Development of the farm land has commenced. The Authority expect to start farming activities in late 2019 with the completion of irrigation facilities expected to be finalized in H2 2019.

Key National Road Projects

Following NSIA's appointment as the programme manager of the PIDF, the Authority received the sum of US\$650 million from the National Economic Council. Funds have already been disbursed for construction works on; (i) Lagos-Ibadan Expressway, (ii) Second Niger Bridge; and (iii) Abuja-Kaduna-Zaria-Kano Road. To date, NSIA has disbursed ₦77.6 billion under the PIDF programme. Other projects being undertaken under PIDF include Mambilla Hydro-Power Project and East West Road.

NSIA's involvement is principally to ensure an increased inland road stock while creating cross-country arterial roads to catalyze the flow of economic activities. The programme is an initiative of President Muhammadu Buhari which is designed to facilitate the rapid completion of key infrastructure projects that have been stalled for years.

Healthcare

NSIA reach advanced stages in the implementation of 3 healthcare projects in the year. The first is the NSIA – LUTH Cancer Centre which is structured under a public-private partnership (PPP) arrangement between the NSIA and the LUTH. The project was for the rehabilitation, equipping and operation of an existing cancer centre co-located in LUTH. The centre was subsequently commissioned by President Muhammadu Buhari in early 2019. The centre will provide advanced radiotherapy and chemotherapy treatment services.

The other two projects are NSIA-AKTH and NSIA-FMCU diagnostic centres which are scheduled for commissioning H2 2019.

Stabilisation Fund (SF)

Despite market volatility and softening that characterized most markets in the period under review, the Authority's maintained its comprehensive strategy for manager selection which proved effective. At year-end 2018, the SF has been fully invested.

Future Generations Fund (FGF)

The Authority maintained its sophisticated deployment strategy with the FGF remaining evenly apportioned across global public equities, private equity, hedge funds and 'other diversifiers'.

As at December 2018, the Authority had deployed about 81% of its capital across all the strategic asset classes of the FGF.



Press Release

29/04/2019

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About NSIA

The Nigeria Sovereign Investment Authority, a corporate body established by the Nigeria Sovereign Investment Authority (Establishment, etc.) Act 2011, is mandated to manage funds in excess of budgeted hydrocarbon revenues. Its mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians through building a savings base for the Nigerian people, enhancing the development of Nigeria's infrastructure and providing stabilisation support in times of economic stress. NSIA operates three mandate funds: the Stabilisation Fund, the Future Generations Fund and the Nigeria Infrastructure Fund.

For more information please visit www.nsia.com.ng

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Summary of Consolidated and Statement of Financial Position as at YE Dec 31, 2018

	Group 31-Dec-18 N'000	Group 31-Dec-17 N'000	Authority 31-Dec-18 N'000	Authority 31-Dec-17 N'000
Assets				
Cash and cash equivalents	76,154,290	22,336,959	61,777,335	8,545,297
Investment securities	461,391,586	429,852,525	441,635,909	404,313,672
Other assets	44,189,369	49,134,358	36,082,678	72,310,092
Inventories	20,685,075	13,797,596	-	-
Investment in subsidiaries	-	-	5,116,826	16,085,655
Investments accounted for using the equity method	13,647,879	2,453,380	10,614,990	1,600,490
Property and equipment	1,617,016	16,306,560	272,950	48,503
Intangible assets	12,893	1,201	12,893	63
Total assets	617,698,108	533,882,579	555,513,581	502,903,772
Liabilities				
Other liabilities	48,258,049	29,285,925	18,915,515	7,884,464
Borrowings	26,052,673	3,534,631	-	-
Total liabilities	74,310,722	32,820,556	18,915,515	7,884,464
Equity and reserves				
Contribution by Government	280,662,500	280,662,500	280,662,500	280,662,500
Retained earnings	256,550,342	170,402,086	253,690,496	170,859,498
Fair value reserves	1,786,620	43,190,981	2,245,070	43,497,310
Currency translation reserves	4,382,101	6,801,726	-	-
Total equity and amount attributable to equity contributors (Government)	543,381,563	501,057,293	536,598,066	495,019,308
Non-controlling interest	5,823	4,730	-	-
Total liabilities and equity	617,698,108	533,882,579	555,513,581	502,903,772

Summary of Consolidated and Statement of Comprehensive Income for YE Dec 31, 2018

	Group 31-Dec-18 N'000	Group 31-Dec-17 N'000	Authority 31-Dec-18 N'000	Authority 31-Dec-17 N'000
Interest income	23,818,216	21,766,964	23,512,933	21,339,050
Investment income	3,208,212	2,603,755	1,386,859	362,081
Interest income on financial assets at FVTPL	796,525	-	796,525	-
Net gain on financial assets	245,960	4,153,564	884,039	4,153,564
Net foreign exchange gain	18,052,191	1,652,172	18,901,727	1,703,128
Other income	11,405,258	7,960	1,025,390	7,960
Share of profit of investments accounted for using the equity method	209,300	434,988	-	-
Total income	57,735,662	30,619,403	46,507,473	27,565,783
Investment management and custodian fees	(1,022,393)	(709,082)	(866,720)	(708,811)
Impairment charge on financial assets	(943,923)	-	(321,761)	-
Operating and administrative expenses	(3,762,225)	(4,719,621)	(3,282,523)	(3,170,090)
Interest expense	(2,617,160)	(85,223)	-	-
Loss from infrastructure subsidiaries investment	(3,204,887)	(2,146,165)	-	-
Total expenses	46,185,074	22,959,312	42,036,469	23,686,882
Taxation	(219,461)	(402,038)	-	-
Profit for the year from continuing operations	45,965,613	22,557,274	42,036,469	23,686,882
Profit from discontinued operations	538,816	-	-	-
Profit for the year	46,504,429	22,557,274	42,036,469	23,686,882
Net change in fair value of available-for-sale financial assets	-	6,469,348	-	7,435,016
Net change in fair value of financial assets at FVOCI	191,298	-	(208,616)	-
Share of other comprehensive income of associates and joint ventures	59,960	60,049	-	-
Exchange differences on translating foreign operations	(2,418,579)	(1,156,763)	-	-
Total comprehensive income for the year	44,337,108	27,929,908	41,827,853	31,121,898
Total comprehensive income for the year is attributable to:				
Owners of NSIA	44,336,015	27,929,801	41,827,853	31,121,898
Non-controlling interest	1,093	107	-	-
Total comprehensive income for the year	44,337,108	27,929,908	41,827,853	31,121,898