

Changes in Accounting Standards

Temasek adopted the International Financial Reporting Standards (IFRS) last year. This includes the new IFRS 9: *Financial Instruments* standard, which impacts how we report the accounting profits or losses in our group financials.

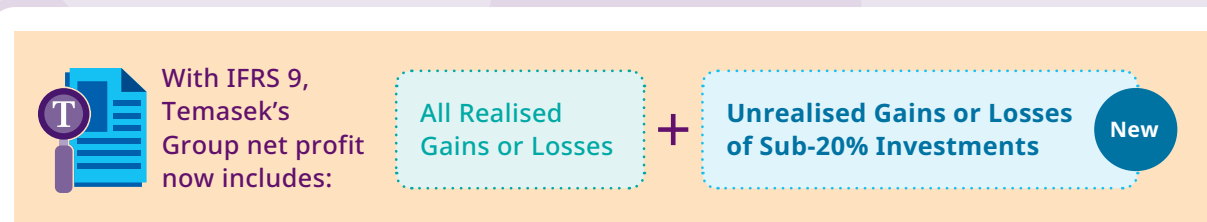
Adopting IFRS 9

The IFRS 9 accounting standard affects investments where we hold stakes of less than 20%.

Prior to IFRS 9, our income statements will account for any realised gains or losses over the life cycle of our investments whenever we sell any of them. Year-to-year changes in market values of our sub-20% investments are captured in our balance sheet, and have no impact on the reported profits or losses in our income statements.

With IFRS 9, year-to-year changes in the market value of all our sub-20% investments are accounted as profits or losses in our income statements, even when no sale has occurred.

Sub-20% stakes comprised about 40% of our portfolio. Thus, the adoption of IFRS 9 will lead to material fluctuations in our reported profits or losses in our income statements due to the year-to-year paper gains or losses. Such market fluctuations do not reflect the potential gains or losses upon a sale.



Did you know?

Unrealised Gains or Losses
Share price movements in the market can result in changes in value. These are also known as paper gains or losses, or mark to market gains or losses.

Sub-20% Investments
These are minority investments where we have less than 20% shareholding.

Providing Additional Disclosures

To facilitate comparisons with past years' Group net profits before the adoption of IFRS 9, we have provided additional disclosures in our Group Financial Summary¹:

- Unrealised gains or losses of sub-20% investments; and
- Group net profit without unrealised gains or losses of sub-20% investments.

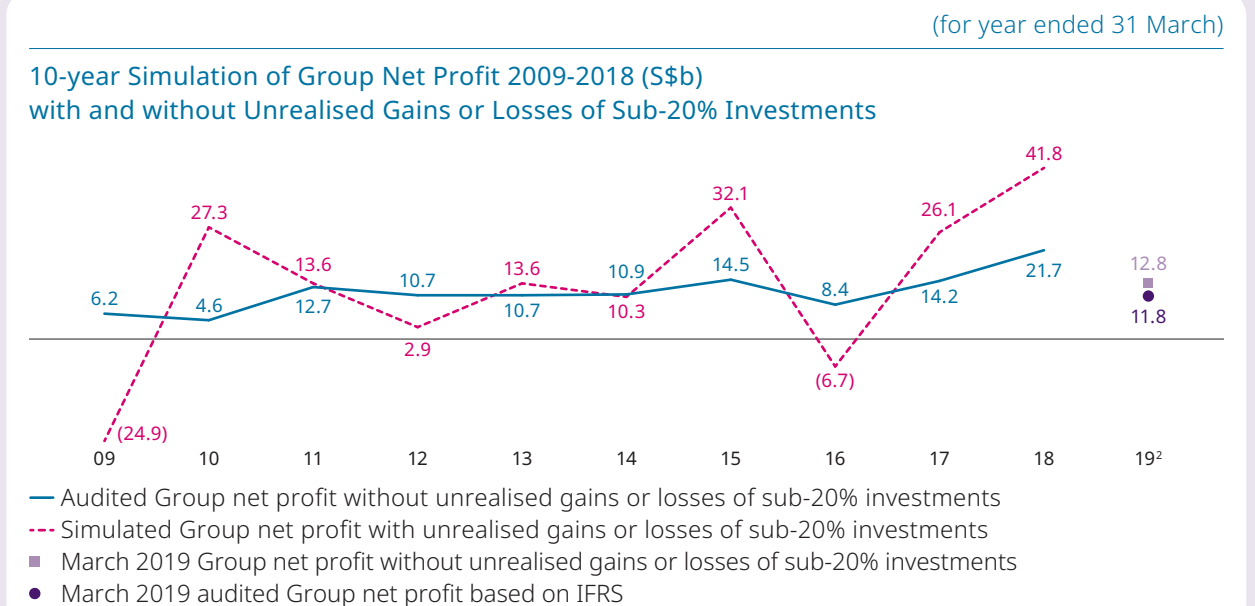
¹ See pages 48 to 53 for our Group Financial Summary.

Simulated Impact on Temasek's Group Financials

The solid blue line in the chart below provides the audited Group net profit for the past 10 years, under the Singapore Financial Reporting Standards which do not include mark to market gains or losses.

The dotted pink line provides the simulated Group net profit to include unrealised gains or losses of our sub-20% investments in a simple way.

The dark purple dot of 2019 audited data includes the unrealised gains or losses of our sub-20% investments, based on the IFRS 9 accounting standard.



No Impact on Other Measures

IFRS 9 does not impact the following:

- Net Portfolio Value
- Total Shareholder Return
- Credit Profile

As an investor, we aim to deliver sustainable value over the long term. Hence, we focus on the performance of our portfolio over the longer time horizon, and the corresponding risk-adjusted cost of capital. We do not manage for year-to-year accounting profitability.

² From financial year ended 31 March 2019, IFRS 9 requires unrealised gains or losses of sub-20% investments to be included in the Group net profit.