

TEMASEK HOLDINGS

Temasek to fight verdict

Investment firm says critical evidence was ignored

SINGAPORE, 20 November 2007 --- --- Temasek Holdings (Temasek) today reinforced that there is no case to answer, in the decision of the KPPU (Commission for the Supervision of Business Competition) against Temasek.

Mr Simon Israel, Temasek's executive director stated, "The entire case is based on the premise that Temasek has majority shares in both Telkomsel and Indosat. The fact is we have no shares in either company and the KPPU has produced no evidence to support this allegation. We have no direct investment in the telecommunications sector in Indonesia. The investments were made by SingTel and ST Telemedia (STT) and their shareholdings in these companies are both below 50%. We do not direct or control the investment and operational decisions of STT or SingTel, much less those of Indosat and Telkomsel. These companies are directed by their own independent board of directors and management."

Mr Israel added, "Telkomsel is controlled by the Indonesian government which also has a golden share in Indosat. The telecommunications industry in Indonesia is regulated. It is inconceivable that the Indonesian government and the telecommunications regulator would allow the prices to be fixed or cause loss to the consumer."

The Indonesian government approved the investments in Telkomsel and Indosat when they were made several years ago. When asked at that time, the KPPU registered no objection to the investment.

Temasek's Indonesian legal counsel, Todung Mulya Lubis said, "This decision is a backward step for Indonesia and will contribute to a crisis of legal uncertainty for doing business in the country."

“The divestment of Indosat in 2002 was sanctioned by both the Indonesian Government and the parliament. KPPU’s verdict effectively invalidates the decision made in the past. In its decision the KPPU has also gone beyond its legal domain, by imposing conditions on the rights of shareholders. This is clearly not within its legal power. This verdict gives every reason for foreign investors to be concerned, since all investments made by companies may now be under risk. Foreign investors will definitely be watching the development of this case closely.”

Mr Todung continued, “We question the objectivity of the KPPU. Temasek did not receive due process – statements were made about Temasek’s guilt even before they had the chance to present their case; Benny Pasaribu, the KPPU Commissioner who agreed that there is absolutely no case against Temasek was removed from the third and most critical phase of the proceedings; and Temasek was not given the opportunity to cross examine any of the so-called “evidence” KPPU used against them. The whole decision is groundless and ignores the facts.”

The KPPU also found Temasek guilty of abusing a dominant position in the industry, leading to consumer loss in the market.

According to Mr Israel, “Leading competition experts from the EU and US have presented overwhelming evidence that the Indonesian cellular market is highly competitive and have found no evidence of price-fixing or consumer loss. According to a World Bank study on bundle costs comparison, Indonesia’s tariffs are relatively lower than neighbouring countries and other countries at similar stages of development. Unfortunately, the KPPU has also chosen to ignore this compelling evidence.”

He ended by saying, “We will fight the decision and vigorously defend our legal rights at all available legal forums.”

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About Temasek Holdings

Incorporated in 1974, Temasek Holdings is an Asia investment firm headquartered in Singapore. Temasek has a multinational staff of 300 people. Supported by affiliates and offices around Asia, it manages a diversified S\$164 billion (US\$108 billion) portfolio, focused primarily in Asia. Temasek is a shareholder and investor in diverse sectors such as banking & financial services, real estate, transportation & logistics, infrastructure, telecommunications & media, bioscience & healthcare, education, consumer & lifestyle, engineering & technology, as well as energy & resources. Our recent investment strategies centre on four themes:

- Transforming Economies
- Thriving Middle Class
- Deepening Comparative Advantages
- Emerging Champions

Temasek's total shareholder return since inception in 1974 has been more than 18% compounded annually. It has a corporate credit rating of AAA/Aaa by rating agencies Standard & Poor's and Moody's respectively. Further information on Temasek please visit www.temasekholdings.com.sg

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