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Temasek's US\$1.2 Billion Series 12 And US\$500 Million Series 13 Notes Assigned 'AAA' Ratings

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SINGAPORE (Standard & Poor's) July 17, 2012--Standard & Poor's Ratings Services today assigned its 'AAA' issue ratings to the US\$1.2 billion 2.375% Series 12 senior unsecured guaranteed notes due 2023 and the US\$500 million 3.375% Series 13 senior unsecured guaranteed notes due 2042 that Temasek Financial (I) Limited issued under its US\$10 billion guaranteed global medium-term notes program. Temasek Holdings (Private) Limited (Temasek: AAA/Stable/A-1+) unconditionally and irrevocably guarantees these notes.

The 'AAA' long-term corporate credit rating and 'aaa' stand-alone credit profile (SACP) on Temasek reflect the company's highly diversified and liquid investments, and the strong business risk profiles of most of its major investments, which have steady and sustainable cash flows. The rating also reflects our opinion that there is an extremely high likelihood that the government of Singapore (AAA/Stable/A-1+; axAAA/axA-1+) would provide timely and sufficient extraordinary support to Temasek in the event of financial distress. The company's exposure to the banking and financial services sectors and emerging economies temper these strengths.

The benefit from the "extremely high" likelihood of extraordinary government support would only be reflected in the rating on Temasek if the SACP is lowered to the 'a' category, which is currently unlikely, in our view. In our analysis, we rate Temasek, the holding company, and those special purpose vehicles that it guarantees.

Temasek's SACP also reflects: (1) the company's "exceptional" liquidity, which

strong recurring dividends from its investee companies support; (2) steady cash flows from divestments; and (3) the company's net cash position (including short-term investments) for the past nine years. Factoring in the US\$1.75 billion new issues, we expect the company's ratio of unconsolidated gross debt to portfolio value in 2012-2014 to remain well below 30%, which is commensurate with a 'aaa' SACP.

In our view, Temasek has maintained its conservative and prudent financial management. This is reflected in the company's satisfactory financial performance for the fiscal year ended March 31, 2012. Its portfolio value increased to Singapore dollar (S\$) 198 billion from S\$193 billion a year ago. Total shareholder return declined to 1.5% from 4.6% for fiscal year ended March 31, 2011. In our view, the return is fair, reflecting volatile financial markets. The company has taken a more cautious investment strategy since the 2008 financial crisis. In 2009, total shareholder return was negative 30%.

Temasek's dividend inflows, divestment proceeds, and its existing cash and short-term investments should cover potential new investments comfortably, assuming the level of investments is similar to the average of the three fiscal years till fiscal 2012. We believe that, even if the company's cash inflows decrease by 50%, its liquidity sources would likely be enough to cover the assumed investments by an average of 2x over the next two fiscal years.

The stable outlook on the rating on Temasek reflects our opinion of a low likelihood of a significant deterioration in the company's financial risk profile, given its exceptional liquidity. In addition, the outlook factors in Standard & Poor's opinion of ongoing and extraordinary support from the Singapore government to Temasek.

RELATED CRITERIA AND RESEARCH

- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- Rating Methodology For European Investment Holding And Operating Holding Companies, May 28, 2004

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