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Temasek Holdings Pte. Ltd.

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Temasek Holdings Pte. Ltd.

Major Rating Factors

Strengths:

- Strong market positions in key business segments
- High investment diversity
- Exceptionally strong financial flexibility as a holding company
- Very strong consolidated financial profile
- Government ownership

Corporate Credit Rating

AAA/Stable/--

Weaknesses:

- Increased exposure to the banking and financial services sectors
- Rising exposure to emerging economies
- Potential pressure on future dividend income

Rationale

The 'AAA' rating on Singapore-based Temasek Holdings Pte. Ltd. reflects the following strengths:

- Most of Temasek's major investments have strong market positions, and we expect these businesses to continue to generate steady and sustainable cash flows for the group.
- Temasek's portfolio is highly diversified, with no single investment accounting for more than 20% of the portfolio value.
- At the holding company level, Temasek's cash and cash equivalents slightly exceeded its debt as at the fiscal year ended March 31, 2008. It maintains a very conservative capital structure (the ratio of debt to capitalization remains below 30%) and considerable ability to access the capital markets. Temasek's cash position increased significantly as of the end of December 2008, while its debt remained relatively stable.
- Since December 2008, Temasek fully divested its positions in Bank of America Corp. (A/Stable/A-1) and PowerSeraya.
- Temasek participated in the recapitalization of a number of portfolio companies, including Standard Chartered PLC (A/Negative/A-1), DBS Group Holdings Ltd., CapitaLand Ltd., Chartered Semiconductor Manufacturing Ltd. (BB/Watch Neg/--), and Neptune Orient Lines Ltd..
- At the Temasek group level, we expect Temasek's consolidated cash flow measures to remain strong--despite the debt increase reported as at March 2008 (when the consolidated ratio of net debt to EBITDA rose to 3.8x from 2.9x previously). Temasek does not provide financial guarantees to its portfolio companies, and its ability to meet its non-discretionary cash flow requirements is more than adequately covered by its strong cash flow.
- Standard & Poor's factors potential government support into the rating with the view that this company is relevant to the Singapore government (AAA/Stable/A-1+). While we expect Temasek to operate independently on a commercial basis as an investment company, and the government does not guarantee Temasek's obligations, the strength of its sole shareholder, the constitutional arrangements that protect Temasek's reserves, and the company's shareholding interest in some key/strategic sectors of the Singapore economy provide additional support for the rating. During the fiscal year ended March 2008, the government, as part of its asset allocation

rebalancing, made a net capital injection of Singapore dollar (S\$) 10 billion into Temasek.

These strengths mitigate the following challenges:

- Investments in the financial sector expose Temasek to asset and earnings volatility. Financial investments represented 40% of the portfolio's market value as of March 2008, up from 35% two years earlier. Temasek's ample liquidity, low leverage, and exceptional financial flexibility have so far compensated for this volatility.
- Temasek increased its exposure to emerging Asia over the past few years to 41% of its total investments as of March 2008. This exceeds its former long-term objective of one-third exposure each to the economies of Singapore, the rest of Asia, and the Organization for Economic Co-operation and Development (OECD). Increased exposure to emerging economies exposes Temasek to higher country, legal, and regulatory risks, potential political resistance, and unfamiliar markets. We expect this exposure to continue, in light of the recently announced refinement of its long-term portfolio mix: Asia-ex Singapore (40%), Singapore (30%), OECD (20%), and other geographies such as Latin-America, Russia, and Africa (10%).
- The possible weakening in the margins or rising cash commitments of some operating subsidiaries may reduce their dividend-paying ability and thus cash flows to the holding company level, also lowering the predictability of Temasek's cash flows.

Liquidity

Temasek's liquidity is very strong, both at the company level and on a consolidated basis. At the holding company level, its liquid assets are placed mainly in cash and deposits, equities, government bonds, and corporate bonds. As at March 2008, Temasek's cash and cash equivalents exceed its indebtedness at the holding company level.

On a consolidated level, cash balance and short-term marketable securities of S\$34 billion at March 31, 2008, were more than sufficient to cover the group's short-term debt of S\$20 billion. Temasek does not provide financial guarantees to its portfolio companies.

Outlook

The stable outlook reflects our opinion of the low likelihood of a significant deterioration in the financial profiles of the Temasek group and of the holding company. In addition, the outlook factors in the group's stable and supportive ownership and its focus on revenue-accreting assets. The rating could come under downward pressure if: (1) Temasek deviates from its existing investment strategy by significantly increasing its investments in start-up projects or in companies with weak business and financial profiles; (2) the company significantly increases its financial leverage through debt-financed acquisitions; or (3) the sovereign rating on Singapore is lowered.

Standard & Poor's expects Temasek to maintain strict financial discipline and significant liquidity on its balance sheet as it executes its growth strategy, and to continue to not guarantee the obligations of its portfolio companies. We also expect Temasek to maintain some linkage and parity between its incremental investments and proceeds realized from the monetization of its existing portfolio. In our view, this should moderate debt requirements and the company's leverage, and reduce the compulsion to liquidate investments in adverse market conditions--both resulting in high financial flexibility and further support for the 'AAA' rating.

The rating may face some downward pressure if the predictability and overall quality of the recurring cash flows at the holding company deteriorate in comparison with its debt-servicing obligations. A favorable track record in the ratio of recurring dividends and interest income to interest expense and the ratio of funds from operations (defined

as dividends, interest income, and proceeds from sale of investments) to total debt would support Temasek's overall credit profile. In addition to these indicative financial benchmarks, the rating is also sensitive to the overall credit profile of its portfolio of operating subsidiaries, and their ability to distribute upstream a predictable and consistent level of dividends to the parent company

Table 1

Temasek Group Consolidated Financials					
	--Fiscal year ended March 31--				
	2008	2007	2006	2005	2004
Income statement (bil. S\$)					
Gross revenues	79	70	76	65	54
Depreciation and amortization	8	7	7	8	7
EBITDA	11	11	13	13	11
Net income attributable to equity holder	18	9	13	8	7
Earnings protection					
Pretax interest coverage (x)	6.9	4.8	6.6	5.5	5.6
EBITDA interest coverage (x)	2.8	3.1	4.4	5.1	5.4
OLA debt/EBITDA (x)	6	5	4.2	4.5	4.6
OLA net debt/EBITDA (x)	3.8	2.9	2.2	2.7	2.5
Return on average equity (%)	13.3	9.6	12.1	9.5	8.9
OLA operating income/Sales (%)	16.9	18.5	20.1	23.4	22.7
Balance sheet (bil. S\$)					
Cash and bank balance	26	25	27	25	24
Short-term financial investments	9	13	13	17	14
Total assets	296	242	214	199	181
Short-term debt	20	7	10	12	9
Long-term debt	40	41	34	39	35
Total shareholders funds	170	138	116	96	88
Total capitalization (mil. S\$)	235	191	164	151	136
Balance sheet ratios					
Adjusted debt/Total capitalization (%)	29.3	29.2	32.1	38	36
Adjusted net debt/Net total capitalization (%)	21	19.2	19.7	26.9	23.2
Cash flow adequacy					
Funds from operations (FFO)	22	17	16	15	15
Gross capital expenditures	12	10	10	9	7
Adjusted FFO/Total debt (%)	32.5	31.6	30.6	27.4	31.6
Adjusted FFO/Net debt (%)	50.7	54.8	58.9	45.7	58.7
Adjusted FFO interest coverage (after tax) (x)	6.2	5.6	5.9	6.7	8.3

OLA--Operating lease adjusted.

Table 2

Peer Comparison			
	Temasek Holdings Pte. Ltd.	Investor AB	Industrivarden AB
	AAA/Stable/--	AA-/Stable/A-1+	A/Stable/A-1

Table 2

Peer Comparison (cont.)			
Type of holding company	Operating	Operating	Investment
Country	Singapore	Sweden	Sweden
Year ended (company level)	March	December	December
Date of figures	Mar. 31, 2008	Sept. 30, 2008	Oct. 30, 2008
Investment portfolio (estimated portfolio value) (bil. US\$)	134	17.6	4.7
Investment portfolio (market value of listed holdings) (bil. US\$)	106	12.9	4.6
Number of listed stocks in core holdings	more than 20	8	8
Three largest holdings (% of investment portfolio)	30	44	58
Portfolio diversification	Very strong	Very strong	Strong
Level of liquidity	Very strong	Very strong	Very strong
Net debt/(cash)	Net cash position	(1.0)*	1.4
Net debt/investment portfolio (%)	Net cash position	Net cash position	30%
Net debt/investment portfolio listed holdings (%)	Net cash position	Net cash position	30%
Net debt ceiling as % of investment portfolio (%)	30	25	30
FX rate used (S\$, EUR: US\$)	0.72396	1.44453	1.2783

*Including guarantees. Ratings as at Sept. 5, 2009.

Ratings Detail (As Of September 4, 2009)*

Temasek Holdings Pte. Ltd.

Corporate Credit Rating AAA/Stable/--

Senior Unsecured (2 Issues) AAA

Corporate Credit Ratings History

12-Oct-2004 AAA/Stable/--

Business Risk Profile Strong

Financial Risk Profile Minimal

Related Entities

Singapore (Republic of)

Issuer Credit Rating AAA/Stable/A-1+

ASEAN Regional Scale axAAA/--/axA-1+

Senior Unsecured (18 Issues) AAA

Short-Term Debt (1 Issue) A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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