

**Rating Action: Moody's assigns Aaa ratings to Temasek's proposed 12-year and 30-year EUR notes**

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13 Nov 2019

Singapore, November 13, 2019 -- Moody's Investors Service has today assigned Aaa ratings to the proposed 12-year & 30-year EUR denominated senior unsecured notes to be issued by Temasek Financial (I) Limited, a wholly owned financing subsidiary of Temasek Holdings (Private) Limited ("Temasek", Aaa stable).

These notes are issued pursuant to USD20 billion Guaranteed Global Medium Term Note (MTN) Program ((P)Aaa) and are irrevocably and unconditionally guaranteed by Temasek. The proceeds will be provided to Temasek and its investment holding companies to fund their ordinary course of business.

The outlook on the rating is stable.

**RATINGS RATIONALE**

'Temasek's Aaa rating reflects its strong fundamental credit profile as an investment company. This strength is supported by its steady and recurring dividend income as well as its large and increasingly diverse investment portfolio. Furthermore, Temasek's largest investee companies and major dividend contributors have strong investment grade credit profiles,' says Vikas Halan, a Moody's Senior Vice President.

Temasek does not guarantee the financial obligations of its portfolio companies. Moody's only assesses the parent and its investment holding companies and special purpose funding vehicles when assigning the ratings. On this basis, Temasek continues to maintain a net cash position as of March 2019.

'We expect the company to maintain net borrowings to market value of portfolio below 5% and FFO interest coverage above 15x,' says Halan who is Moody's Lead Analyst for Temasek.

The rating also reflects Temasek's excellent liquidity profile and is supported by a sizeable reserve of cash and liquid securities which Moody's expect to be maintained. This reserve provides strong debt service coverage to mitigate the risk of any volatility in cash flow and asset value.

As a government-related issuer, Temasek's ratings also benefit from its 100% ownership by the Government of Singapore through the Minister for Finance, although currently its baseline credit assessment -- the measure of its stand-alone credit quality -- is also aaa.

Environmental, social and governance (ESG) risks for Temasek were assessed as below:

Firstly, Temasek has indirect exposure to environmental risk through its investee companies. However, Temasek's portfolio largely consists of companies that have low exposure to environmental risk. Sustainability of returns is integral to Temasek's investment approach. Moody's estimates that as of 31 March 2019, Temasek's exposure to sectors that have elevated or moderate environmental risk accounts for a small portion of its portfolio and dividend income. Its exposure to energy & resources sector is only at about 3% of the portfolio.

Secondly, despite having a single shareholder, the governance risk for Temasek is largely mitigated because of oversight by a board that consists of 11 independent directors out of a total 13 board of directors and Temasek's track record of maintaining an extremely conservative financial profile.

The outlook is stable reflecting our expectation that Temasek's credit metrics will remain strong and that management will retain its prudent and conservative approach to its investment and funding strategy.

The rating is Aaa and cannot be upgraded.

Temasek has a standalone aaa rating. Should its underlying credit fundamentals deteriorate and the fundamental rating be downgraded, our Joint Default Analysis framework would become relevant to the rating analysis.

Downward rating pressure on the standalone credit rating could emerge if (1) Temasek were to make aggressive investments, resulting in a material deterioration in the credit quality of its investment portfolio; (2) the amount and quality of its cash and near-cash resources were to deteriorate significantly; or (3) there were indications of moral hazard behavior - such as providing funding support for non-performing investee companies or channeling financial resources to its government shareholder - that could have an adverse impact on Temasek's financial position.

The methodologies used in these ratings were Investment Holding Companies and Conglomerates published in July 2018, and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

Temasek is an investment company based in Singapore and is 100%-owned by the Minister for Finance, a body corporate under the Singapore Minister for Finance (Incorporation) Act (Chapter 183).

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Vikas Halan  
Senior Vice President  
Corporate Finance Group  
Moody's Investors Service Singapore Pte. Ltd.  
50 Raffles Place #23-06  
Singapore Land Tower  
Singapore 48623  
Singapore  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077

Laura Acres  
MD - Corporate Finance  
Corporate Finance Group  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077

Releasing Office:  
Moody's Investors Service Singapore Pte. Ltd.

50 Raffles Place #23-06  
Singapore Land Tower  
Singapore 48623  
Singapore  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077



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