

A photograph of three business professionals walking through a lush, green conservatory. A woman in a blue dress is on the left, a man in a dark suit is in the center, and a woman in a light green blouse and black trousers is on the right. They are all smiling and looking towards the right. The conservatory is filled with various tropical plants and has a modern architectural design with glass and metal elements.

Temasek Review 2018
Highlights

Shaping Tomorrow

TEMASEK

The Temasek Charter

Do well

Temasek is an active investor and shareholder

We deliver sustainable value over the long term

Do right

Temasek is a forward looking institution

We act with integrity and are committed to the pursuit of excellence

Do good

Temasek is a trusted steward

We strive for the advancement of our communities across generations



Discover the Temasek Charter at
temasekreview.com.sg/charter
or scan the QR code



A new day breaks over Bishan-Ang Mo Kio Park.

Ten-year Performance Overview

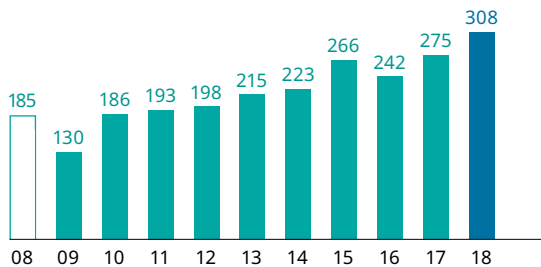
We delivered a net portfolio value of S\$308 billion¹.

(as at 31 March)

Net portfolio value

S\$308b

Net Portfolio Value (S\$b)

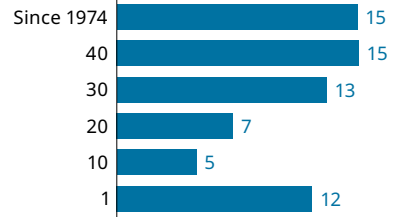


One-year return to shareholder

12%

S\$ Total Shareholder Return (%)

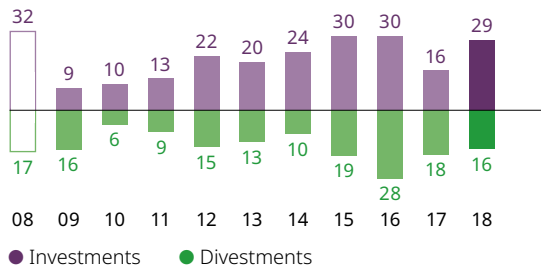
Period in years²



Invested during the decade

S\$203b

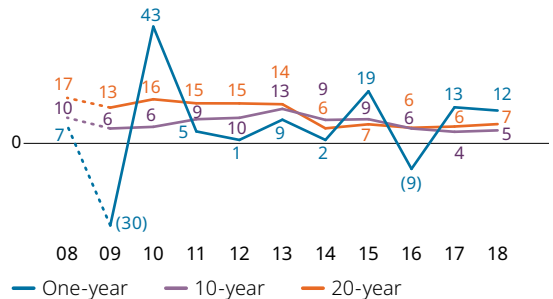
Investments & Divestments (S\$b)



Ten-year return to shareholder

5%

Rolling S\$ Total Shareholder Return (%)



Read our Chairman's message at temasekreview.com.sg/message or scan the QR code

Read about our Total Shareholder Return at temasekreview.com.sg/tsr or scan the QR code

¹ Equivalent to US\$235 billion as at 31 March 2018.

² As at 31 March 2018. TSR in US\$ terms was 20%, 5%, 8%, 15%, 17% and 17% for 1, 10, 20, 30, 40 and 44-year periods respectively.

Portfolio Highlights

We have a 60:40 underlying exposure to mature economies³ and growth regions⁴.

(as at 31 March)

Geography⁵ (%)



	2018	2017	2016
● Singapore	27	29	29
● China	26	25	25
● Rest of Asia	15	14	15
● North America	13	12	10
● Europe	9	8	8
● Australia & New Zealand	7	8	9
● Africa, Central Asia & the Middle East	2	2	2
● Latin America	1	2	2

Sector⁵ (%)



	2018	2017	2016
● Financial Services	26	25	23
● Telecommunications, Media & Technology	21	23	25
● Consumer & Real Estate	16	17	17
● Transportation & Industrials	16	17	18
● Life Sciences & Agribusiness	6	4	4
● Energy & Resources	3	3	3
● Multi-sector Funds	8	8	7
● Others (including Credit)	4	3	3

Liquidity (%)



	2018	2017	2016
● Liquid & sub-20% listed assets ⁷	36	33	31
● Listed large blocs (≥ 20% and < 50% share)	10	9	10
● Listed large blocs (≥ 50% share)	15	18	20
● Unlisted assets	39	40	39

³ Singapore, Japan & Korea, North America, Europe, Australia & New Zealand.

⁴ Asia (excluding Singapore, Japan & Korea), Latin America, Africa, Central Asia & the Middle East.

⁵ Distribution based on underlying assets.

⁶ Exchange rates as at 31 March 2018.

⁷ Mainly cash and cash equivalents, and sub-20% listed assets.

An Active Investor

We build for the future, as an active investor and owner, investing for this and future generations.

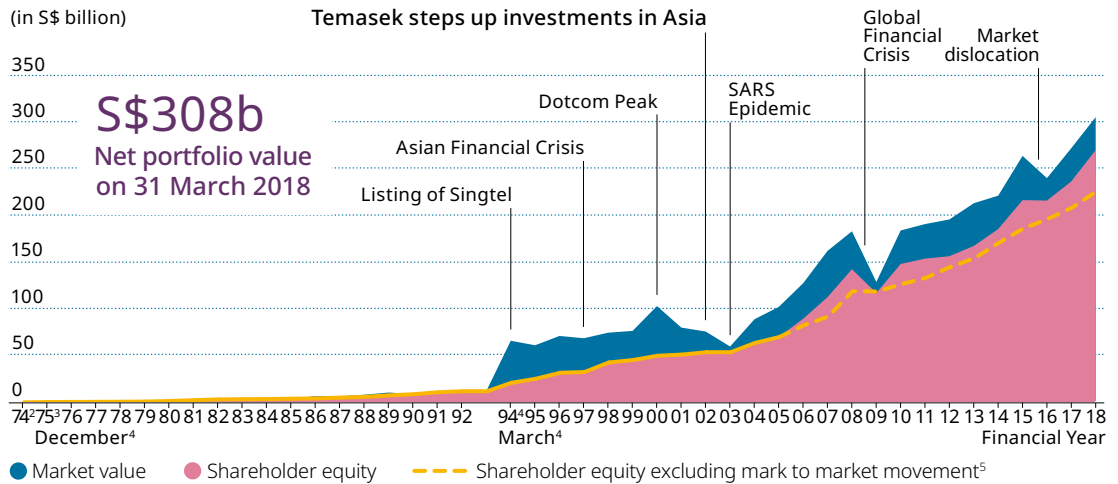
We have evolved over time since our inception – from investing mostly in Singapore, then to Asia, and now in Europe and the Americas. Our investment philosophy has remained unchanged over the last 16 years.

Four overarching themes guide our investments:

- Transforming Economies
- Growing Middle Income Populations
- Deepening Comparative Advantages
- Emerging Champions

As at 31 March 2018, our net portfolio value was a record S\$308 billion¹. S\$1,000 invested in the trough of the SARS epidemic in 2003 would be worth S\$4,665 in March 2018.

Temasek Net Portfolio Value since Inception



¹ Equivalent to US\$235 billion as at 31 March 2018.

² Incorporation of Temasek on 25 June 1974.

³ Financial year 75 began on 25 June 1974 and ended 31 December 1975.

⁴ Financial year-end was changed from 31 December before 1993 to 31 March from 1994 onwards.

⁵ From the financial year ended 31 March 2006, the accounting standards require sub-20% investments to be marked to market.

12-month Returns Outlook

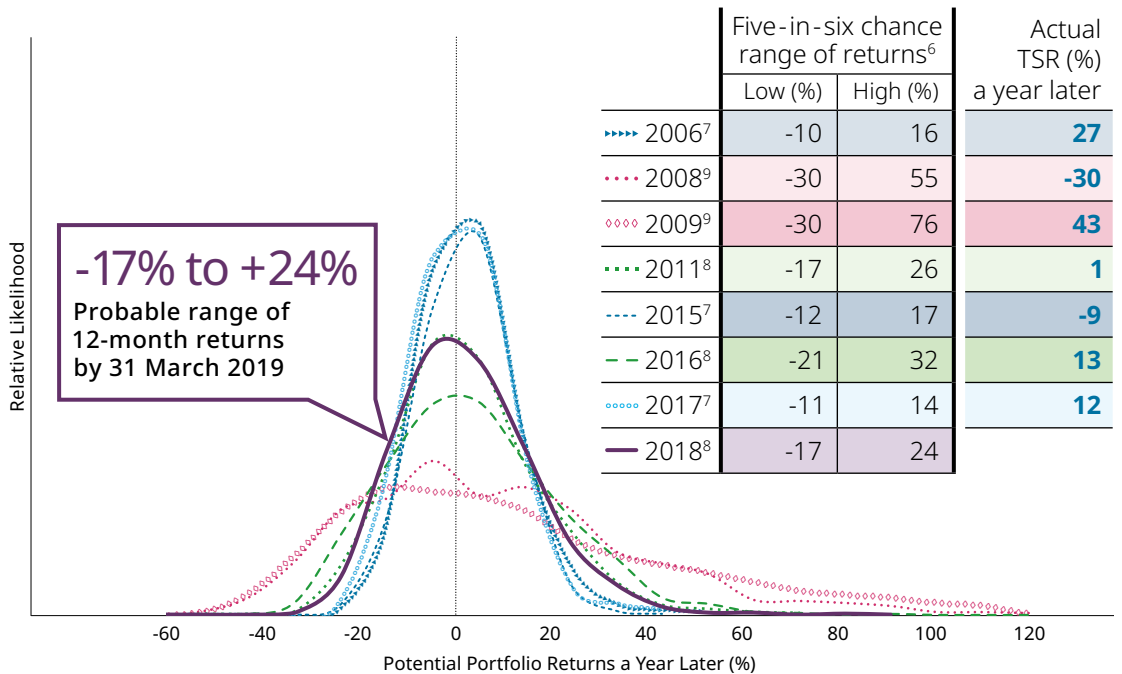
We run 12-month forward looking Monte Carlo simulations of our portfolio to give us a sense of the returns outlook by 31 March 2019.

Applied to the current Temasek portfolio mix, our simulation shows a five-in-six chance that our one-year portfolio returns may range from -17% to +24%. Actual annual returns range over -30% to +43% during the last decade.

In the chart below, the Monte Carlo simulation curves represent the likelihood of one-year returns for some of the recent financial years. Narrower curves mean less volatility compared to the flatter curves of the 2008/09 Global Financial Crisis years.

(as at 31 March)

Simulation of 12-month Forward Portfolio Returns



⁶ Based on Monte Carlo simulation for 12-month forward portfolio returns distribution, assuming no change in market conditions or portfolio mix.

⁷ Periods of low market volatility.

⁸ Periods of medium market volatility.

⁹ Periods of high market volatility.

20-year Returns Outlook

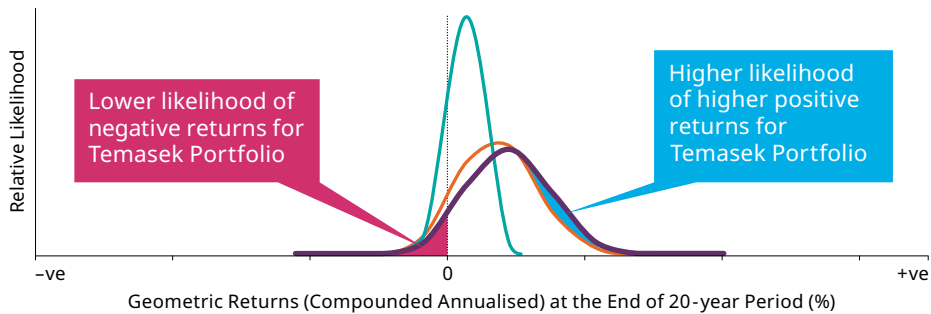
Our T-GEM, or Temasek Geometric Expected Return Model, simulates the range of possible returns for our portfolio over the next 20 years. These simulations are not predictive of actual outcomes.

20-year Expected Returns for Different Portfolio Mix

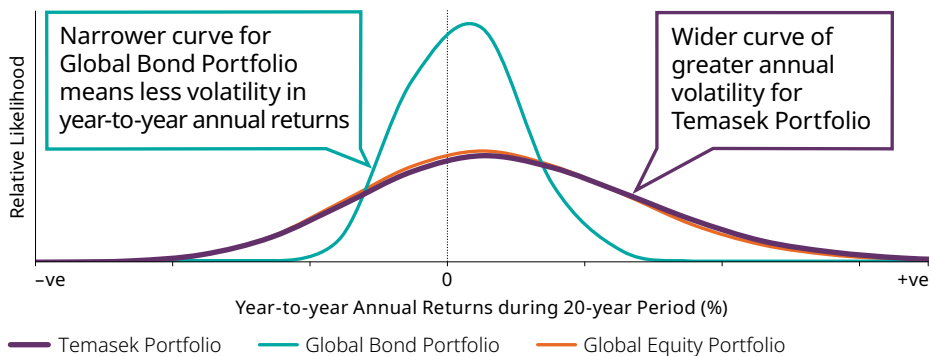
Under our Central Scenario, the Temasek Portfolio has the highest upside potential (see blue shaded), but also the highest volatility, versus a Global Equity or Global Bond Portfolio. The Global Bond Portfolio has the least long term upside potential and the least year-to-year volatility, as shown in the charts below.

(as at 31 March 2018)

Likelihood of Geometric Returns (Compounded Annualised) at the End of 20-year Period, by Portfolio Mix



Likelihood of Year-to-year Annual Returns during 20-year Period, by Portfolio Mix

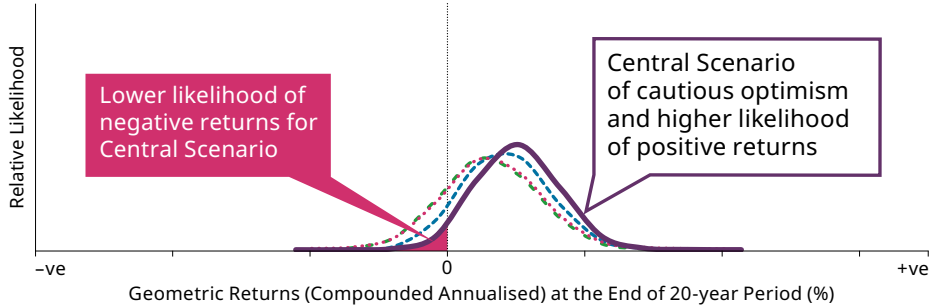


Temasek's 20-year Expected Returns for Various Potential Scenarios

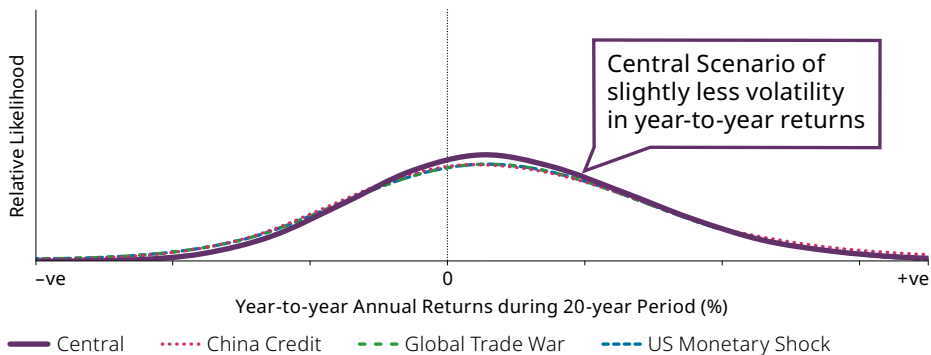
The Central Scenario offers the highest expected 20-year returns, compared to those under three alternate scenarios of China Credit, Global Trade War and US Monetary Shock Scenarios. It also has slightly less volatility in the annual returns in any single year during the 20-year period.

(as at 31 March 2018)

Likelihood of Geometric Returns (Compounded Annualised) at the End of 20-year Period, by Potential Scenario



Likelihood of Year-to-year Annual Returns during 20-year Period, by Potential Scenario



Public Markers

Our *Temasek Review*, Credit Profile and Temasek Bonds serve as public markers to anchor our commitment as a robust and disciplined institution through generations.

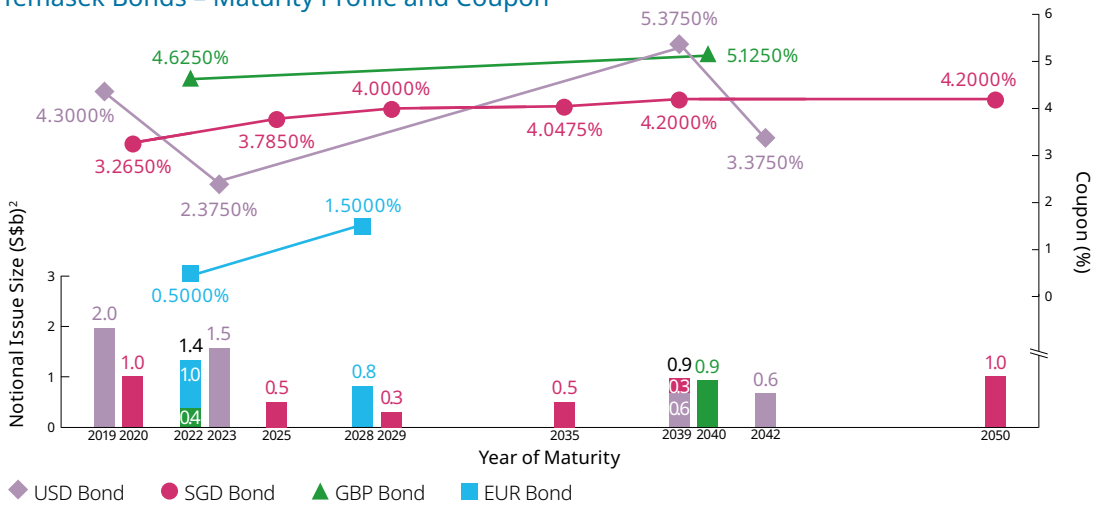
The *Temasek Review* is our annual scorecard to our stakeholders.

Our Credit Profile provides a snapshot of Temasek's key credit parameters¹ across three dimensions – interest coverage, debt service coverage and leverage. Our Credit Profile reflects the fundamental strength of our financial position as an investment company. It facilitates a quantitative assessment of Temasek's credit quality.

We issue Temasek Bonds and Euro-commercial Paper as part of our financial discipline. Their credit spreads in the market act like canaries in coal mines, to dynamically and publicly signal changes in Temasek's credit quality. We have received the top ratings of AAA/Aaa by S&P Global Ratings and Moody's Investors Service respectively since our inaugural ratings in 2004.

Our public markers instil financial discipline, broaden our stakeholder base, and facilitate our communications with the wider community.

Temasek Bonds – Maturity Profile and Coupon



Read more on Temasek's Credit Profile at temasekreview.com.sg/credit or scan the QR code

¹ Based on the financial information of Temasek as an investment company, namely Temasek Holdings (Private) Limited (THPL) and its Investment Holding Companies (IHCs). IHCs are defined as THPL's direct and indirect wholly owned subsidiaries, whose boards of directors or equivalent governing bodies comprise employees or nominees of THPL, wholly owned Temasek Pte. Ltd. (TPL), and/or TPL's wholly owned subsidiaries. The principal activities of THPL and its IHCs are that of investment holding, financing, and/or the provision of investment advisory and consultancy services.

² Exchange rates as at 31 March 2018.

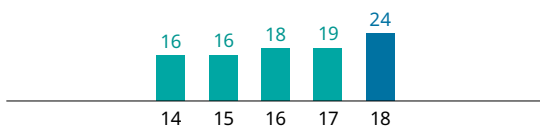
Credit Quality

Our Credit Profile provides a quantitative snapshot of our credit quality and the strength of Temasek's financial position¹.

(for year ended 31 March)

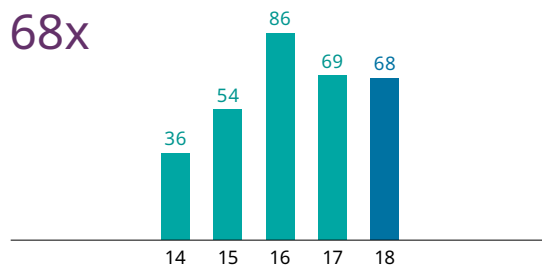
Dividend Income
over Interest Expense (x)

24x



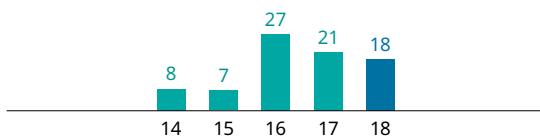
Recurring Income³
over Interest Expense (x)

68x



Recurring Income³
over Total Debt due in One Year (x)

18x



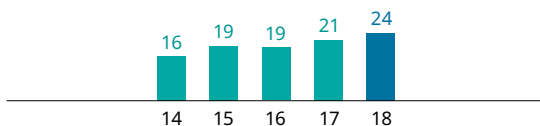
Liquidity Balance⁴
over Total Debt due in next 10 Years (x)

4x



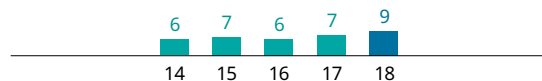
Net Portfolio Value
over Total Debt (x)

24x



Liquid Assets⁵
over Total Debt (x)

9x



³ Divestments, dividend income, income from investments and interest income.

⁴ Cash and cash equivalents, and short term investments.

⁵ Mainly cash and cash equivalents, and sub-20% listed assets.

A Forward Looking Institution

The reputation and character of Temasek are shaped by our values and conduct, as we strive to do right.

Our MERITT values shape our forward looking stance. Integrity and Respect for others form the foundation of our character. Meritocracy and Excellence are our guideposts to bring out the best in our people. Teamwork and Trust enable us to deliver with discipline and agility.

Investing in Our People

We invest in our people to be future ready, beyond the needs of Temasek. Among others, our learning culture has put hundreds of our staff into their neighbourhoods, skilled and ready to restart a heart if the need ever arises.

Investing in Good Governance

We advocate good governance and uphold the Santiago Principles for sovereign investments. We supported the International Monetary Fund initiative to frame these principles in 2008.

Investing in an ABC World

We support the United Nations Sustainable Development Goals and foster dialogues and spur innovative sustainability solutions, as a common good.

We consider environmental, social and governance factors, alongside other issues and risks, when we make decisions.

Investing in Our Wider Community

Our endowment gifts support programmes ranging from education and healthcare, to community building and research; from public service capabilities, to sustainability initiatives.

Investing in Robust Systems and Processes

Apart from financial resilience, we update our policies, systems and processes in line with technological and regulatory changes.

Our Board and Management

Chaired by Mr Lim Boon Heng, our Temasek Board and management ensure compliance with the rules and regulations wherever we have investments or operations.



Read the full description of our Board at temasekreview.com.sg/board or scan the QR code



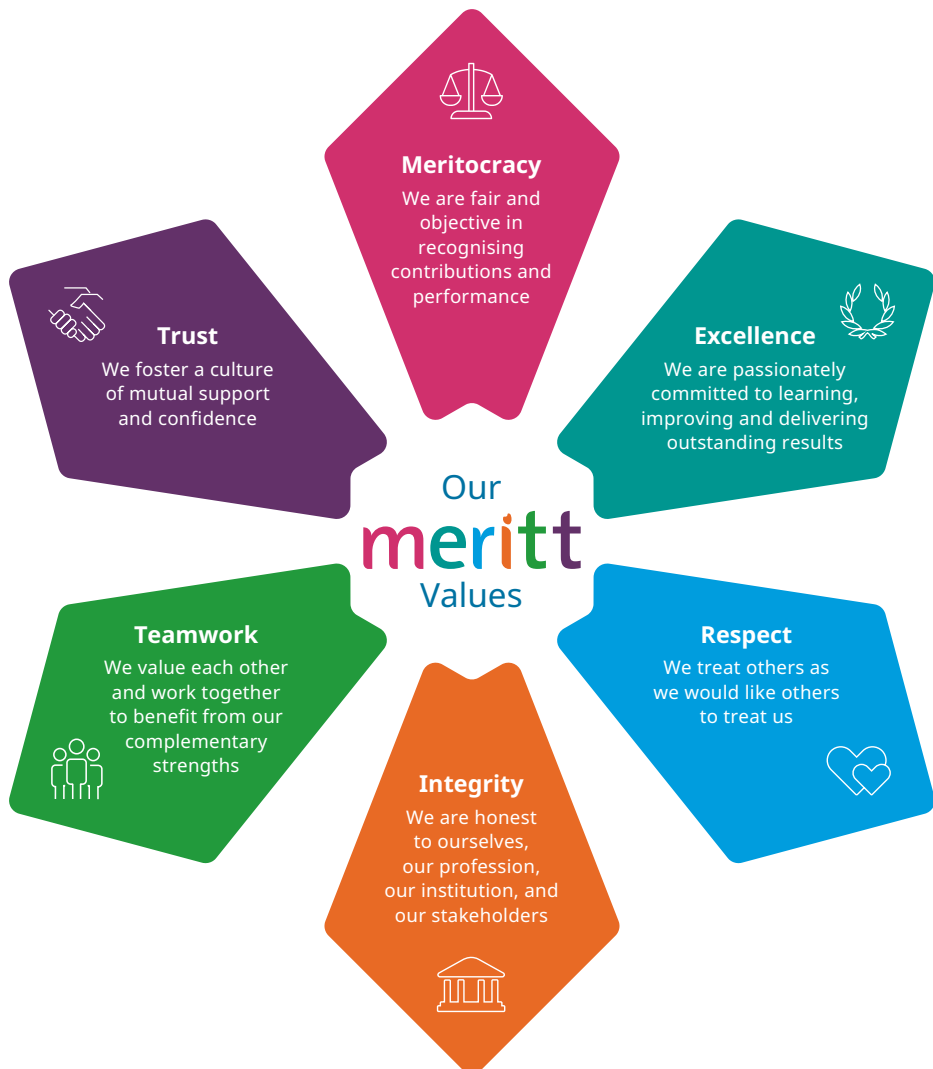
See the list of our senior team at temasekreview.com.sg/team or scan the QR code

Our Temasek Heartbeat

We are 730 strong, with 31 diverse nationalities working in 11 offices, connected by our Temasek Heartbeat.

We value our people and are committed to developing them. We seek to strengthen our institution through constant but disciplined experimentation and thoughtful innovation.

Our people are active volunteers, contributing through *T-Touch* to support their communities, with their time, ideas, and donations.



Long Term Alignment

Our ownership ethos puts the institution above the individual, emphasises long term over short term, and aligns employee and shareholder interests over economic cycles.

Our performance incentives may be deferred up to 12 years, and subject to market risks and clawbacks, to account for sustainability of returns over market cycles.

Deferred incentives and clawbacks are integral to our remuneration. In the last decade, we had six clawback pools when Wealth Added (WA) for prior years was negative. Out of these six, there were four instances we had to carry forward clawback balances, because the deferred WA incentives were insufficient to clear the clawback pools from prior years.

We share risks and rewards based on our returns. If our returns are negative, clawbacks will be triggered against bonuses deferred from prior years, and if needed, from future year bonuses too.

Annual Cash Bonuses – Short Term Incentives

Annual cash bonuses are driven by company-wide, team and individual performance, and capped within budgeted limits.

WA Bonus Bank – Medium Term Incentives

Returns above our risk-adjusted cost of capital will see WA bonuses added to individual notional WA bonus bank accounts, with payouts of one third for senior management and two thirds for junior staff. Retained balances are at risk of clawbacks in the future should returns be negative. For the year ended 31 March 2018, our aggregated risk-adjusted cost of capital was 7%, giving us a positive WA of S\$14.0 billion.

Co-ownership Grants – Long Term Incentives

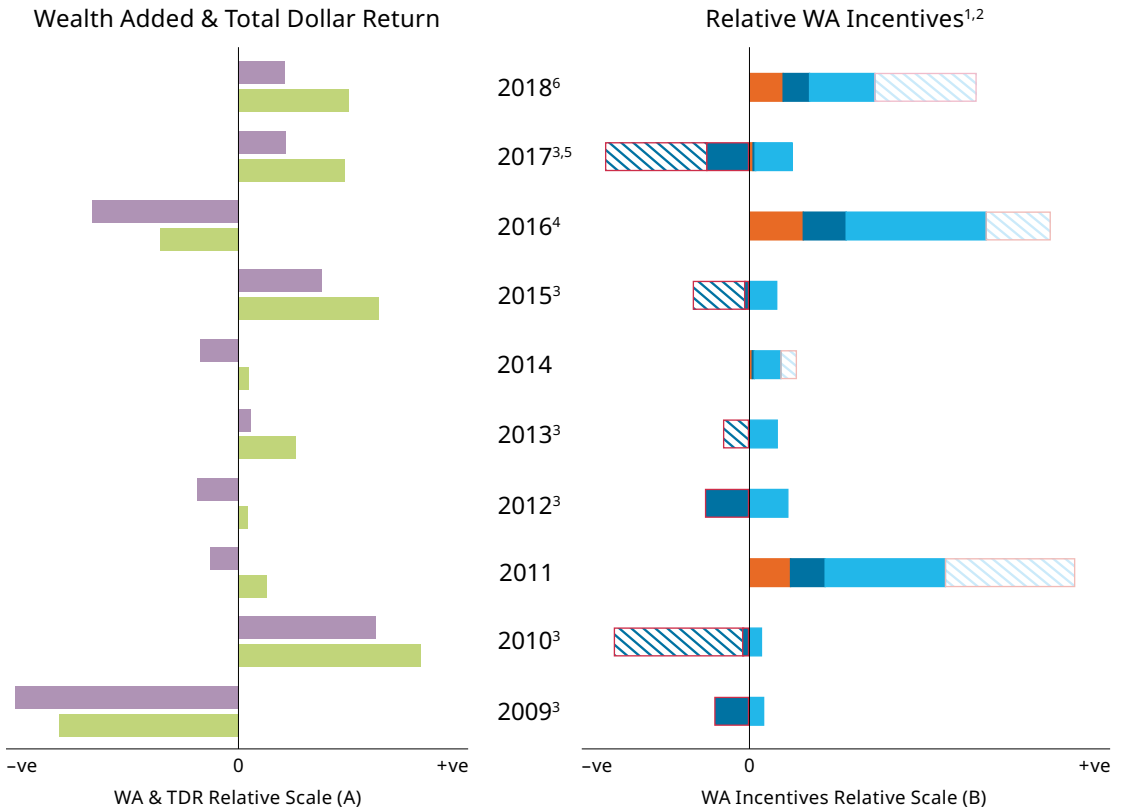
Co-investment grants may be awarded. These vest according to performance or time-based conditions, and lapse after 12 years.

Co-ownership Alignment in Practice

Positive WA will enable us to continue to share our successes with our employees, as well as the wider community.

This demanding framework for sharing gains and the associated risks and pains through market cycles has been tested, thereby reaffirming our ownership ethos.

WA Incentives of Key Team



- Wealth Added (WA) in dollars
- Total Shareholder Return in dollars (Total Dollar Return or TDR)
- Paid-out portion of WA Bonus earned for prior year's performance
- Deferred portion of WA Bonus earned for prior year's performance, with future clawback risks
- Co-investment units which grow or shrink with total returns to shareholder, and are subject to performance and time-based conditions
- Clawback of deferred WA Bonus from prior years
- Clawback balances carried forward for future bonus offset
- Part of earned WA Bonus used to offset the clawback balances brought forward from prior year

¹ WA incentives awarded in the year were for WA performance in the prior year.

² Relative WA incentives of key management team which includes CEOs, Presidents, Senior Managing Directors, Managing Directors, as well as management Directors.

³ No new T-Scope pool was generated due to negative WA in the prior year.

⁴ Excludes two tranches of deferred bonus from Alibaba's WA, to be allocated in years ending 31 March 2017 and 2018, subject to sustained performance.

⁵ WA Bonus due to deferred bonus from Alibaba's WA allocated in the year ended 31 March 2017, post clawback for negative return on the investment.

⁶ Includes WA Bonus due to deferred bonus from Alibaba's WA allocated in the year ended 31 March 2018.

A Trusted Steward

Temasek is a Company with a corporate conscience, and a duty towards future generations.

Our Temasek Charter defines who we are and what we do as an investor, institution and steward.

We manage our portfolio as a long term investor and owner, under the guidance of our Board; and as a commercial company registered under the Singapore Companies Act.

We have an added responsibility under the Singapore Constitution to safeguard the past reserves¹ of our Company. Neither the President of Singapore² nor the Singapore Government is involved in our investment or business decisions, except in relation to the protection of our past reserves.

Temasek does not manage Singapore's Central Provident Fund savings nor the budget surpluses or foreign exchange reserves of Singapore.

Relating to the President of Singapore

The Board and CEO of Temasek have a duty to seek the President's approval before any draw on our past reserves. There is no draw on our past reserves if our total reserves equal or exceed our past reserves. Mark to market declines on existing investments are not a draw on past reserves. We have a duty to ensure every disposal of investment is transacted at fair market value. A realised loss arising from such disposals is not a draw on past reserves.

Relating to Our Shareholder

We declare dividends annually to our shareholder, based on our dividend policy. As a commercial investment company, we are the owner of our assets – we are not a fund manager on behalf of our shareholder.

Relating to Our Portfolio Companies

Companies in our portfolio are guided and managed by their respective boards and management. Temasek does not direct their business decisions or operations. We expect companies to abide by sound corporate governance and codes of conduct and ethics.

Relating to Our Communities

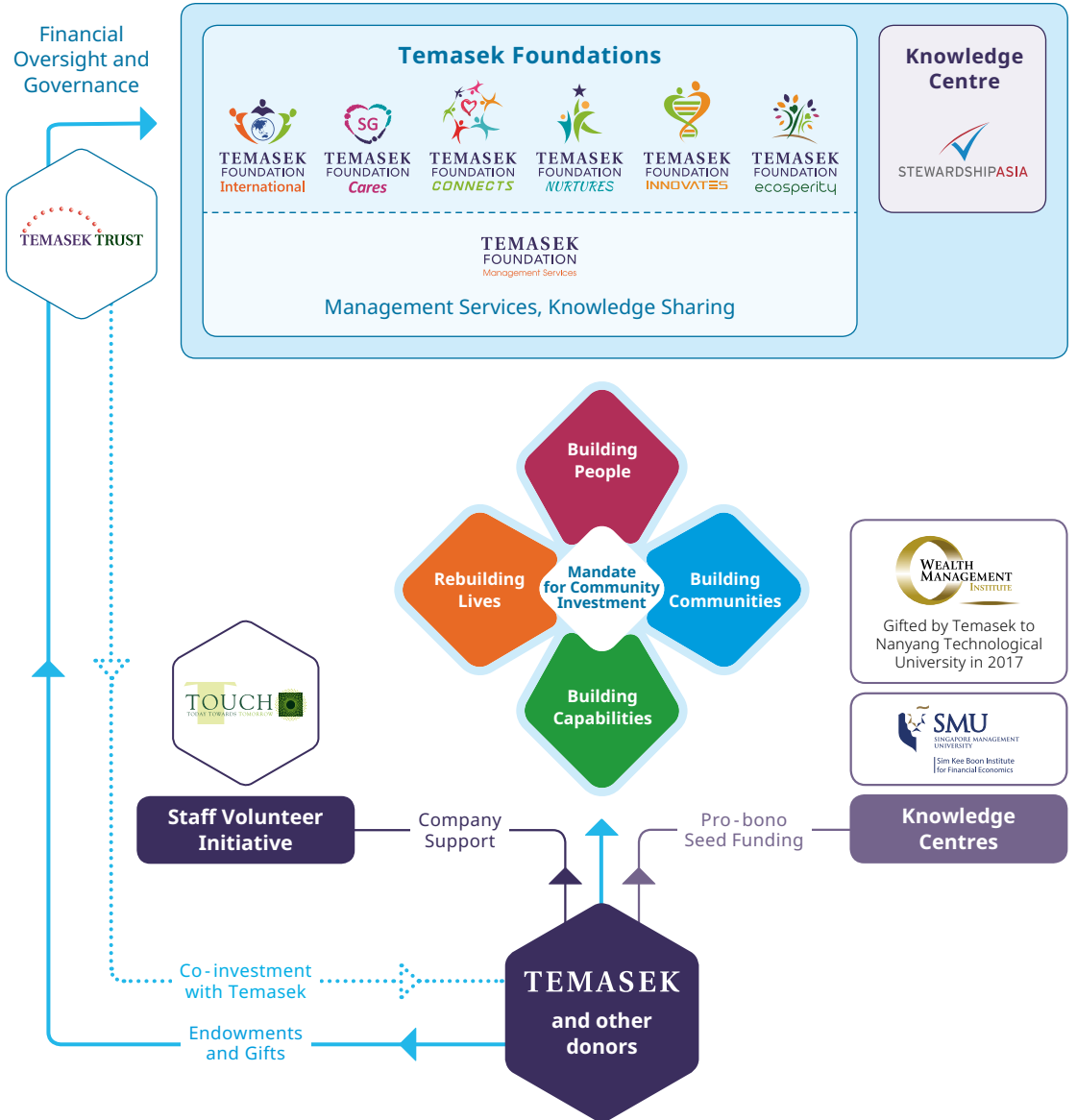
We gift endowments for our communities based on the twin pillars of sustainability and good governance. These support programmes that enable individuals, families and communities to have sustainable improvements and progress in their lives.

¹ Under the Singapore Constitution, Temasek's past reserves are those accumulated by Temasek before the current term of Government.

² The Singapore President has an independent custodial role under the Singapore Constitution to safeguard the respective past reserves of the Singapore Government and the Fifth Schedule entities, including those of Temasek.

Enabling Communities

We invest in people through diverse endowments, to build people, build communities, build capabilities and rebuild lives, in Singapore and beyond.



See how we make a difference at temasekreview.com.sg/makingadifference or scan the QR code



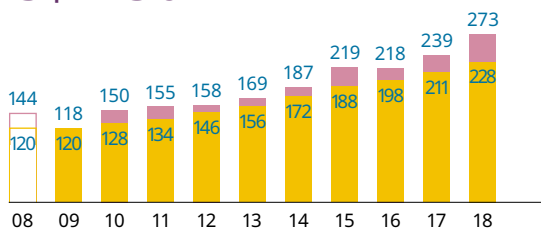
Group Financial Highlights

Our group shareholder equity increased to S\$273 billion, which included S\$45 billion of mark to market gains of sub-20% investments. Group net profit was S\$21 billion.

(as at 31 March)

Group Shareholder Equity (S\$b)

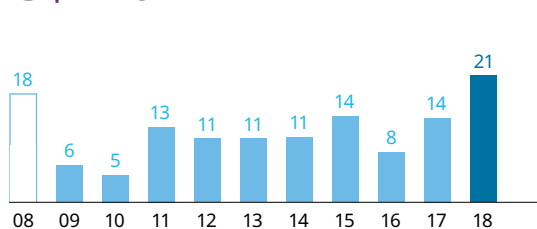
S\$273b



- Mark to market movement of sub-20% investments
- Shareholder equity excluding mark to market movement of sub-20% investments

Group Net Profit (S\$b)

S\$21b



Group Income Statements (in S\$ billion)

For year ended 31 March	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	79.6	76.7	83.5	83.5	94.3	92.4	101.6	101.5	97.0	107.1
Profit before income tax	10.4	8.5	17.8	14.8	16.5	17.5	21.2	14.7	20.3	29.5
Profit attributable to equity holder of the Company	6.2	4.6	12.7	10.7	10.7	10.9	14.5	8.4	14.2	21.3

Group Balance Sheets (in S\$ billion)

As at 31 March	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total assets	247.9	284.8	297.9	302.6	341.5	344.0	405.8	415.8	447.6	491.5
Shareholder equity	118.4	149.7	155.5	158.2	169.2	187.4	218.6	218.1	238.9	272.7
Net debt ¹	22.1	17.8	9.5	16.1	19.6	9.0	32.6	44.4	39.3	49.7

¹ Total debt less cash and cash equivalents.

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or scan the QR code
for our full contact information



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