Management Discussion and Analysis

CAPITAL MANAGEMENT AND DIVIDEND POLICY

	Financial Year Ended 31 March	
	2018	2017
Group		
Gross debt (S$ million)	**10,345**	10,918
Net debt [(1)] (S$ million)	**9,820**	10,384
Net debt gearing ratio [(2)] (%)	**24.9**	26.9
Net debt to EBITDA and share of associates' pre-tax profits (number of times) [(3)]	**1.3**	1.3
Interest cover [(3)] [(4)] (number of times)	**20.2**	23.4

As at 31 March 2018, the Group's net debt was S$9.8 billion, 5% lower than a year ago.

The Group has one of the strongest credit ratings among telecommunication companies in the Asia Pacific region. Singtel is currently rated A1 by Moody's and A+ by S&P Global Ratings. The Group continues to maintain a healthy capital structure.

Singtel is committed to delivering dividends that increase over time with growth in underlying earnings. Its dividend payout ratio is between 60% and 75% of underlying net profit. The Group is also committed to maintaining an optimal capital structure and investment credit grade ratings.

For the financial year ended 31 March 2018, total ordinary dividend, including the proposed final dividend, was 17.5 cents per share, representing 81% of the Group's underlying net profit. Including a special dividend of 3.0 cents, total dividend per share for the financial year was 20.5 cents.

While continuing competition in India may impact Airtel's profit contribution to the Group in the short term, the impact on the Group's cash flow and hence dividend payment is not expected to be significant. Barring unforeseen circumstances, the Group expects to maintain its ordinary dividends at 17.5 cents per share for the next two financial years and thereafter revert to the payout ratio of between 60% to 75% of its underlying net profit.

Notes:

(1) Net debt is defined as gross debt less cash and bank balances adjusted for related hedging balances.

(2) Net debt gearing ratio is defined as the ratio of net debt to net capitalisation. Net capitalisation is the aggregate of net debt, shareholders' funds and non-controlling interests.

(3) FY 2017 has been restated to reclassify AIS' 3G/4G handset subsidy costs from exceptional items of the Group to share of associates' profits to be consistent with FY 2018.

(4) Interest cover refers to the ratio of EBITDA and share of associates' pre-tax profits to net interest expense.

OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2019

For the Group's outlook for the financial year ending 31 March 2019, please refer to pages 8 to 10 of the Management Discussion and Analysis for the fourth quarter and year ended 31 March 2018 announced on 17 May 2018.