

DIRECTORS' REPORT

For the Year Ended 31 December 2018

Dear Shareholders,

On behalf of the Board of Directors and Management, I welcome you all to the 22nd Annual General Meeting (AGM) of Grameenphone Ltd. We have the pleasure to place herewith the Directors' Report and the Auditor's Report, together with the Audited Financial Statements of the Company, for the year ended 31 December 2018 for your valued consideration, approval and adoption.

2018: A year of Solidifying Market Leadership

In 2018, Grameenphone reached the 72 million subscribers milestone, a true testament of the trust the people of Bangladesh have in the Company. Grameenphone was the first operator to launch a 4G network in 2018. This is a result of Grameenphone's determination to serve its customers in the best possible way, ushering in new avenues for empowering societies by building and strengthening the country's communication and connectivity with the rest of the world. Despite the fiercely competitive market, Grameenphone continued to contribute to its iconic status in the Bangladesh communications industry.

Overall, the year was marked by significant changes in the industry. Among these, Grameenphone closed 2018 with 3.4% year-on-year revenue growth over 2017. Strong drive in all segments of the business recorded consolidated revenue of BDT 132.8 billion for 2018. In the same timeframe, Grameenphone earned a yearly average Daily Subscription & Traffic Revenue of BDT 336.9 million, which is 7.0% up from that of 2017. The Company ended the year with 72.7 million subscribers, which represents a 11.3% sub base growth from last year.

The year 2018 marks another milestone as Grameenphone introduced the new number series "013" in addition to existing "017" series with same portfolio of products and the same quality of services that we are known for.

In the framework of significant investment in new 4G LTE technology, spectrum acquisition and network capacity enhancement, data revenue continued its strong pace during the year to record 21.0% YoY growth. Rapid rollout of 4G data networks, fast proliferating mobile applications along with affordable smartphones in the market enabled internet to enter the customers' everyday lives in newer ways. With more than five thousand LTE sites, Grameenphone received the recognition of the fastest internet network in the country by Ookla, the global leader in internet testing and ended the year with 37.1 million internet subscribers. 2018 also resonates Grameenphone's passion for driving its vision towards inclusive empowerment of communities by leading the growth of technological services that are relevant and affordable to communities.

Telecommunication Industry Scenario

Bangladesh has made significant progress in growing its economy and improving the lives of its people in the last few years. The country is now working to reach upper-middle-income country status by 2021- the year that marks the 50th anniversary of its independence. It has been able to maintain a sustained economic growth rate of 7.86% in the last fiscal year.

Backed by this impressive economic growth, the Telecom sector of the country has made remarkable progress throughout 2018. At the end of 2018, there were 88 million unique mobile subscribers in Bangladesh, making it the fifth largest mobile market in Asia Pacific and ninth largest in the world. With subscribers owning on average 1.8 SIM cards, there were a total of 159 million connections in 2018, representing connection penetration of 94.5%. The Data market has also seen significant growth of around 15% and the total mobile internet connections stood at 87 million. With 45.3% unique mobile internet subscriber, there is still potential for further growth in data services. 2018 was an eventful year for the Telecom Industry in Bangladesh. A lot of initiatives have been taken and implemented by the Government and from the Industry side as well. The Government was very keen to introduce 4G service in Bangladesh and 4G licences were offered in the beginning of 2018. All the Mobile operators launched 4G services in the 1st Quarter of 2018. At the end of the year, the 4G subscriber base reached 5.5 million, with 3G and 2G subscriber base at 61 million and 89 million respectively. The Government released more spectrum through the auction process in the 900,

1800 and 2100 MHz band and the long expected Technology Neutrality was sold to operators across the spectrum band upon payment of a one-time fee. Mobile Number Portability (MNP) was another agenda of Government that has been implemented in the 4th quarter. The country has sent its own satellite into orbit. A test trial of 5G network was also run in 2018.

Telecom Regulatory Environment

Despite tremendous development in the Telecom and ICT sectors in 2018, the licencing regime in Bangladesh remains still unpredictable and highly fragmented. Streamlining the regulations remains a challenge for the overall telecommunication industry. The regulator has revised and introduced many directives sidestepping regulatory modernisation and licence unification.

The regulator has initiated consultations with the industry in many areas including Infrastructure Sharing (Active & Passive Sharing), MVNO (Mobile Virtual Network Operator), ILDTS policy revision, TVAS licencing, Radiation guidelines, Tariff regulation, National Frequency Allocation Plan, and QoS guidelines, to name a few.

In 2018, the regulator published a number of new regulations, directives and guidelines such as QoS guidelines, SMP Regulations, TVAS guidelines, Tower Co. licencing guidelines. Additionally, a unified rate (i.e. no difference between on-net and off-net) for tariff on voice and interconnections was introduced. The newly introduced Tower Co. licences, TVAS licences and plan for additional IGW licence have created further unpredictability in the licencing regime. The BTRC Audits, guidelines on Service Quality and Centralised Monitoring System pose significant risks for future demands or penalties on the industry.

The mobile sector is still being treated as a low-hanging fruit for revenue collection. Therefore, the Spectrum price in 2018 auction remained very high even though a long consultation process took place. As a result, only 33% of available spectrum was sold from 900, 1800 and 2100 MHz band. While BTRC introduced Technology Neutrality in the Spectrum Auctions, mobile operators had to pay an additional fee for this feature. The Government earned around BDT 5,268.51 crore from the Spectrum Auction and as Technology Neutrality fees. The Government may consider releasing more spectrum in the near future from the unsold blocks or from other lower bands. Though Bangladesh has one of the lowest ARPU levels in the world, in 2018, BTRC collected BDT 6,445.36 crore in non-tax revenue, up 58.49% from the previous fiscal year. The lion's share of the income in 2018 came from Spectrum Auction in February, 2018 and launch of 4G by mobile operators. Mobile sector taxes, fees and Spectrum prices are considered as quick source of revenue for the national exchequer.

Capital Market Overview 2018

The Bangladesh stock market witnessed a negative year in 2018 following good performances over the previous two years. Total turnover decreased significantly by 36.9% from 2017. The fuel and power, textile and life insurance sectors were among the sectors that posted the highest returns. In 2018, foreign turnover decreased by 13.8% from 2017, witnessing the lowest amount of foreign turnover in the last three years.

On the Dhaka Stock Exchange (DSE), the broad and free float weighted index DSEX dropped by 13.75% driven by financial and large-cap stocks. Daily average turnover value decreased by 37.45% compared to the preceding year.

Grameenphone share price dropped by 29.6%, closing at BDT 361.0 at year-end with a daily average turnover value of BDT 89.2 million (BDT 8.92 crore). During the year, the highest value of Grameenphone share price was BDT 513.1 and the lowest was BDT 350.6. Grameenphone market capitalisation on 26 December 2018 stood at BDT 487.46 billion (BDT 48,746 crore), representing 14.7% of the DSE's total equity market capitalisation.

*Source: Dhaka Stock Exchange

Innovative Product & Services

Grameenphone continued its efforts to develop innovative, useful new products and services to meet customer needs. The core strengths of Grameenphone's products are simplicity and relevance. We offer the most relevant products to our customers and the easiest way for them to manage their mobile needs. As a further boost, the Company continued its focus on digital self-care apps. MyGP, the online self-care app, has taken digitising self-care to new heights and has been downloaded over 13 million times. Our Digital lifestyle app, WowBox, has also crossed 14 million downloads. WowBox allows customers to enjoy telecom products, lifestyle products and benefits, as well as to participate in trending discussions and activities. FlexiPlan; the first app in the industry where users can design their own core product has crossed more than 12 million downloads already.

Since the inception of the industry, there were different voice tariffs for on-net & off-net calls. This voice regime was inherent to Grameenphone's valued subscriber base for the past 15 years. However, in 2018 there was a change to unified floor tariff, executed overnight, where call rates were made equal for both on-net & off-net calls. The industry then saw the onset of Mobile Number Portability (MNP) where customers could switch network carriers with their phone number unchanged. In data, there were statutory changes in Value Added Tax for data which affected the Company's strong data sub base.

Directors' Report

Grameenphone continued to innovate and transform itself to strengthen its leadership as the best digital service provider in Bangladesh, serving the escalating demand for data amongst customers. During the year, Grameenphone made significant investment in new 4G technology and capacity building; capitalising on which, the Company recorded 37.1 million active internet users, which is 51.0% of the total subscriber base, and is 19.0% higher from the number of active internet users in 2017. Grameenphone's journey to simplify digitalisation initiatives and offering relevant products and services have not only driven the financial performance but also strengthened the brand equity.

Customer Experience

Grameenphone always strives to provide better customer experience, emphasising customer value and investing in enhanced quality of services. Grameenphone continued to honour this commitment in 2018 and strove to achieve excellence. Simplifying and digitising the customer facing processes, allowed the customers to enjoy simplified customer journey through self-service over assisted channels. MyGP app, the fastest growing app with a consistent user base, fulfils customer's day-to-day needs. MyGP Enterprise, an automated service aggregator, has made enterprise clients' lives faster and simpler. Throughout the year Grameenphone continues to upgrade service quality by eliminating customer pain points and further simplifying the product portfolio. All these activities have resulted in an industry-leading Net Promoter Score (NPS), along with increasing customer satisfaction rates and the lowest complaint rates.

Technology towards a new era in 2018

In 2018, we launched our high-speed 4G LTE network. Data consumption has almost doubled since 2017 and 20%+ of our data volume is now being carried on the 4G network. 7 million unique users latched onto 4G LTE, which has an average speed of ~10 Mbps.

Grameenphone acquired new spectrum, a 4G licence and Tech neutrality on existing spectra. It was the first to launch 10MHz LTE immediately after licence was awarded by the regulator. By the end of 2018, Grameenphone rolled out ~ 5,009 LTE sites all across the country which has led the rapid growth in data consumption.

Along with the above 4G numbers, 1400+ new 2G sites have been aired this year and 2300+ new 3G sites have been also delivered ensuring the highest number of 3G sites across the country and the widest mobile broadband coverage.

Grameenphone users are now enjoying superior video streaming on the 4G network. This has helped us enhance our very own video streaming service, Bioscope. Other digital services such as MyGP3.0, Tonic, Gpay, Flexiplan, GPMusic, Shoparu etc. are also enriched with different features and capabilities. IT transformation and agile processes have helped in smooth service operations and product delivery. The Information Security uplift program and cyber security awareness/initiatives were promoted to employees and stakeholders.

In accordance with regulatory requirements, we had delivered Mobile Number Portability (MNP) and the Electronic Subscriber Application Form (eSAF). We were also able to secure and introduce our new number series "013" this year.

We are moving many elements of our IT and Telecom infrastructure into virtual or cloud platforms that help reduce our physical footprint and make the network future ready to cope with fast data growth, build network resilience and ensure faster time to market for service incorporation and efficient operations. All our subscriber profiles and 50% of our data core have been migrated to the cloud platform.

The whole telecom industry has faced a significantly higher number of fibre cuts than previous years, which has led to great challenges in maintaining network availability. However, armed with strong surveillance and field teams, the Company has managed to keep the network up and running amidst such severe challenges.

Altogether, 2018 had been a year of strong network growth and great technological advancement, in line with the business success and the changing environment

GP Accelerator: A Major Enabler of Digital Growth

Empowering societies is what Grameenphone believes in and has been working to do over the last two decades in Bangladesh. In this era of digitalisation, it is important for us to step up and be a part of, and a catalyst for, the inevitable change. In that light, Grameenphone has been working closely with the local community of developers, innovators and startups outside through a platform called 'GP Accelerator' and inside, through 'Whiteboard'.



The GP Accelerator initiative is a structured approach to help early stage tech startups through a curriculum-based program that provides seed funding, expert mentors, top-notch training, curated access to Grameenphone assets, investor access and more. The GP Accelerator program, stepping into its third year, is now seen as a credible platform and a source of inspiration for many as we have performed well in empowering the selected startups. The alumni of the program have been able to quadruple the value of their companies in just six months with two of the portfolio companies already crossing the USD 5 million valuation mark. Whiteboard, on the other hand, has been engaging and enabling the innovation community at large and providing Grameenphone access to a huge league of talented coders, designers and ideators.

Staying Relevant with Sharpened Focus and Agility

Grameenphone is on a journey of becoming dynamic digital organisation with continuous innovation, collaboration, and agility. We are continuously upskilling our existing resources and onboarding required skill sets to stay relevant in the market. The ICT and Digital arena continues to be our focus area on our journey to becoming our customers' preferred digital partner. The Agile Way of Work has already been applied into Skitto, Shoparu, Bioscope and in different other projects. The Company also focuses on digital employee experiences by introducing HR self-services.

We have introduced the "4 Behaviours" as part of our continuous cultural initiatives. Gender Diversity has been a top priority agenda in 2018. We ensured female representation in majority of the divisional management teams, along with involving promising females in Company's critical projects. We have continued exploring the best fit operating models across the divisions and we ended 2018 with a regular headcount of 2,313.

Grameenphone has seen one of its best performances in the year 2018. This has only been possible due to the capable and engaged workforce driving clear targets towards achieving our vision of Empowering Societies.

Sustainability Initiatives toward Reducing Inequalities

Bangladesh has entered the digital era and we have just started to reap the benefits of digitalisation and connectivity. At Grameenphone, we want to utilise the internet's role in bridging the digital divide and enabling empowerment of our people. Leveraging on our strength of connectivity, our services have introduced endless opportunities to communities. Our pledge is to reduce inequalities by providing digital services that uplift the many, not just the few. Thus, Grameenphone's vision of empowering societies remains at the core of our Sustainability initiatives. In this light, our efforts continue toward sustainability, with focus on Social Development Goals (UN SGS) and responsible business practices.

In 2018, our commitment continues to remain on reducing inequalities by providing a safe digital learning experience for our young minds. In this endeavour, we have educated over 400,000 school children across the country through Online Safety trainings and sensitised more than 70,000 parents, teachers and guardians. The Child Helpline 1098 services have been expanded to provide counselling support for issues related to child online safety. Our social advocacy campaign on online safety reached over 10 million viewers on social media. We have further strengthened our supply chain sustainability by ensuring 100% supplier code endorsement, unannounced inspections and capacity building through training.

Moving toward Green

Grameenphone understands that its business has an impact on the environment and climate. This is why Grameenphone is committed to a long-term sustainable approach to caring for and safeguarding the environment and its climate impact. Grameenphone has been conducting its business in such a way so to prevent pollution, minimise, as far as is appropriate, the adverse impact on the environment by its activities, continually improve its performance against targets associated with its significant environmental aspects and comply with all applicable environmental legislation. The Company has taken a lot of green initiatives to reduce its carbon footprint individually and collectively. Since 2008, successful initiatives have helped Grameenphone reduce its carbon intensity and consumption of valuable resources, such as fuel, paper, and electricity. Detailed information on the initiatives of the Company is provided in the Climate Change section of the Annual Report on page 22.

Health, Safety and Security

Grameenphone focuses on continuous improvement of Health, Safety and Security (HS&S) to establish a safe and healthy work environment. Keeping "People First" in consideration, Grameenphone puts utmost priority on promoting a HS&S culture. Special emphasis is given on designing each establishment and with adequate placement of safe, healthy & secure systems and procedures. Routine risk assessment is conducted to identify workplace hazards, and control mechanisms are enforced as per international guidelines and best practices. Grameenphone aspires to lead in the HS&S area within the country through proactive approach towards implementation of HS&S management systems. In order to drive this agenda, management commitment, line management ownership and employee responsibility are the key contributing factors in embedding a strong HS&S culture in the organisation.

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In the year 2018, extensive focus has been given to road traffic safety through training and awareness, proactive and reactive monitoring, e-communication and campaigns. Safety rules have been incorporated in the policy and in relevant manuals to reinforce road traffic safety. Proactive transport safety awareness is made prior to any business travel and vehicle movements have been monitored. HS&S training and awareness have been carried out with special focus on managerial role-responsibilities to encourage ownership. Apart from employees, in-house contractors too have participated in various training and awareness sessions. Safety rules have been incorporated in local manual and Management Team members have engaged themselves in campaigns. Circle HS&S awareness including training for high risk segments have been being carried out. Emergency evacuation drills have been conducted in all circles. HS&S committee meetings have been conducted and the results have been shared in the monthly business reviews. Risk mapping, risk assessment, vehicle inspection, background verification, hazard report and mitigation have been carried out to uphold the HS&S culture.

Corporate Governance

Our goal has always been to enhance our corporate value, maintain our sustainable long-term development and generate greater returns for our shareholders. In order to achieve the above objectives, the Board of Directors and Management of Grameenphone are pledge bound to continue implementation of the highest standards of Corporate Governance in the Company through a culture of accountability, transparency and well-understood policies and procedures. The Board of Directors of Grameenphone has always played a pivotal role in meeting all stakeholders' interests and is committed to upholding the same in future as well.

In line with the same, the Company has complied with the conditions as stipulated in the Corporate Governance Code issued on 03 June 2018 by BSEC. In this connection, the status of compliance has been annexed to this report as Annexure-I. Further, a certificate of compliance from ACNABIN, Chartered Accountants, confirming compliance of conditions of Corporate Governance Code, as stipulated under condition 9(i) of the BSEC Code is also annexed to this report as Annexure-VI.

Disclosure/Statements Pursuant to the Provisions of the BSEC's Corporate Governance Code 2018

• Industry Outlook and Possible Future Developments

The mobile industry continues to transform the lifestyle of Bangladeshis. Societies become more connected, enabling seamless interaction between all aspects of an individual's digital life. Moreover, rapid expansion of mobile broadband and falling smartphone prices accelerated rapid development of locally relevant digital content, which are vital to the progress of a digital society. The mobile industry dynamic in Bangladesh has also changed significantly over the last decade. The emergence of new digital services, convergence of technologies/IoT, increased financial inclusion, and falling smartphones prices have resulted in a huge appetite for high speed data. The number of mobile internet users in Bangladesh has reached 86 million and is increasing, which already accounts for half of the country's population (median age 27 years).

Both the Government and the mobile telecom industry have exciting opportunities to unlock digital transformation for millions of citizens. Grameenphone has already started enabling future products and operating models with successful launches of new apps, digital services, personalised customer experience, IoT and M2M platforms to capitalise on their future potential. Additionally to support the Digital Bangladesh vision, the Government commenced several schemes like National satellite project, rural fibre access, electronic registration process, building national data center, ICT parks, and an early test launch of 5G service for promoting mobile broadband adoption and accelerating the information technology sector.

• Segment/Product Wise Performance

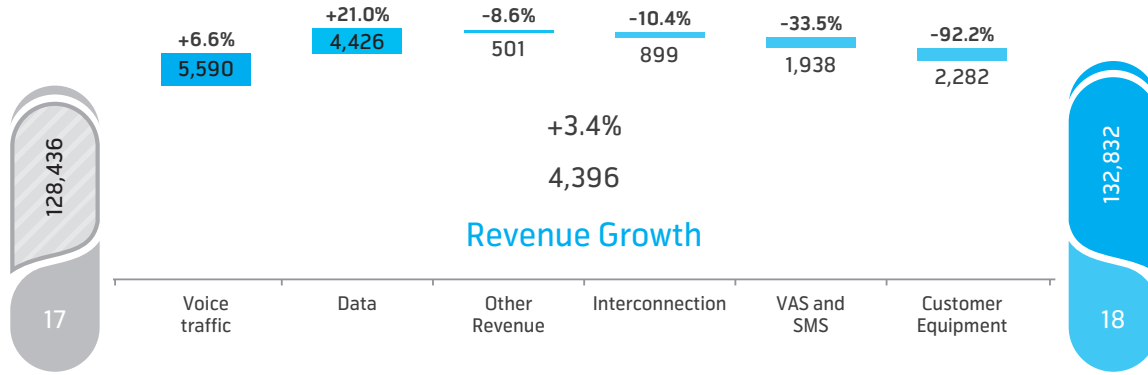
Grameenphone essentially provides similar products and services to customers across the country. Grameenphone reviews revenue performance of different services which have been disclosed under notes to the Financial Statements.

Grameenphone posted BDT 132.8 billion of total revenue for the year 2018 with 3.4% increase compared to the previous year. The growth in revenue was mainly driven by voice and data revenue partly offset by lower revenue from customer equipment and VAS. In 2018, Grameenphone changed the business model for Handset and VAS from gross to net recognition of revenue. Adjusting this effect for the year 2017, the normalised growth for revenue is 6.3%.

Voice revenue has increased by 6.6% from 2017 due to a 2.6% increase in outgoing minutes driven by promotional activities and higher customer acquisition.



Figures in BDT million



Data revenue has increased by 21.0% from 2017 mainly driven by 18.9% growth in the number of data users and 82.9% growth in data usage volume in 2018. This data growth was enabled through introduction of 4G network and coverage expansion by adding 5,009 4G sites and effective campaigns in 2018.

Revenue from customer equipment mainly includes sale of mobile devices, i.e. handsets, branded internet modems and VTS. Customer equipment revenue was lower mainly for net recognition of Handset revenue in 2018.

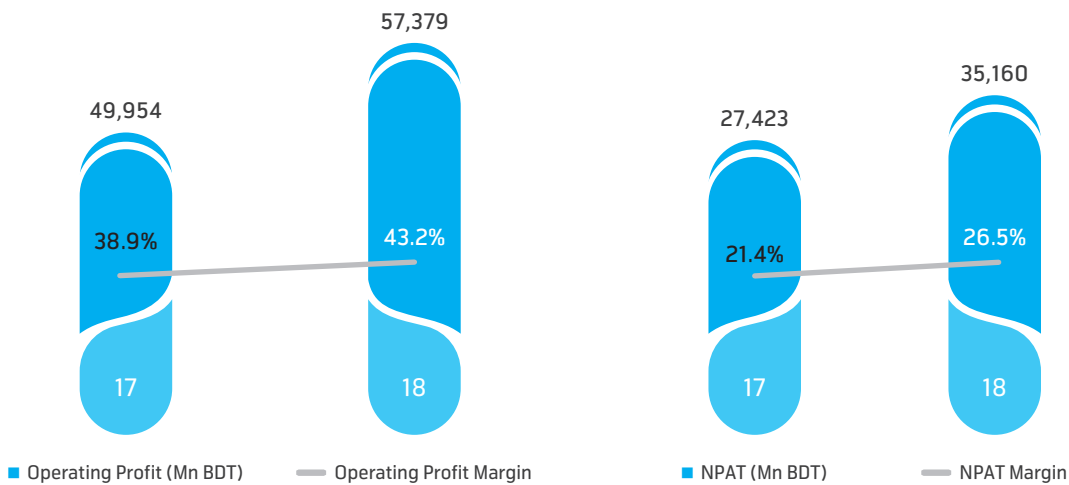
Other mobile revenue includes revenues mainly from telecom infrastructure sharing, commission from mobile financial services etc.

Interconnection revenue is generated from the incoming traffic through the calls generated from outside Grameenphone network. Interconnection revenue was lower in 2018 compared to 2017 following a decrease in incoming minutes from international operators. Also, the new interconnection call termination rate introduced by BTRC led to the decrease in interconnection revenue.

VAS and SMS includes Content service, SMS and MMS revenue. VAS and SMS revenue fell by 33.5% from 2017 mainly due to net recognition of VAS revenue in 2018.

• Review on Operating Expense, Operating Profit Margin and Net Profit Margin

Operating expenses consist of cost of material and traffic charges, salaries and personnel cost, operation and maintenance, sales, marketing and commission, revenue sharing, spectrum charges and licence fees, depreciation and amortisation expense, and other expenses. Operating expense for 2018 was BDT 75.4 billion with 3.9% decrease compared to last year. The decrease is mainly due to lower cost of material and traffic charges, other operating expenses, salaries and personnel cost, depreciation and licence fees, and partly offset by higher operation and maintenance expense and sales, marketing and commissions cost.



As an effect of the higher revenue growth along with savings in operating expenses, operating profit for the year 2018 increased by BDT 7.4 billion from last year. Profit before tax for 2018 also increased by BDT 8.3 billion from last year mainly because of lower finance cost of BDT 842 million.

Net profit margin for the year 2018 was 26.5% compared to 21.4% in previous year. Net profit after tax in 2018 increased by 28.2% due to significant saving in operating expenses of BDT 3.0 billion and higher revenue growth in 2018. As a result, Earnings Per Share (EPS) for the year 2018 stood at BDT 26.04 compared to BDT 20.31 of 2017.

• Risks & Concerns

Every business faces uncertainties or risks in its operating environment, which, if not managed and mitigated, would not only disrupt the achievement of its strategic and operational objectives but may also cause losses that could result in financial and reputational loss as well. As with other co-existing companies, Grameenphone's business is also exposed to diverse risks that arise both from internal as well as external fronts. Apart from uncertainties stemming from an unstable regulatory regime, the Company has always been prepared for issues stemming from competing markets, operational issues, legal knots, interest and exchange rate volatilities, and potential changes in policies at the national or global level. However, Grameenphone has a befitting risk management policy and a periodic monitoring system to address the concerns and uncertainties that are likely to hit the Company's business activities, operations, liquidity and financial position for future performances. This aspect is discussed in the "Enterprise Risk Management" section of the Annual Report on page 52.

• Directors' Responsibilities for Financial Statements

The Board is responsible to present a true and fair view of the Company's financial performance and position as a part of good governance; and to that end the Directors confirm to the best of their knowledge that:

- a. The Financial Statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- b. Proper books of account of the Company have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgments;
- d. International Financial Reporting Standards (IFRSs) have been followed in preparation of the Financial Statements and any departure therefrom has been adequately disclosed;
- e. The system of internal control is sound in design and has been effectively implemented and monitored; and
- f. There is no doubt upon the Company's ability to continue as a going concern.

• Declaration of the CEO and the CFO on Financial Statements

As required under BSEC's Corporate Governance Code, the declaration by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) on Financial Statements 2018 to the Board as prescribed is annexed to this report as Annexure-IV on page 86.

• Minority Interest

Grameenphone believes that good Corporate Governance involves open and trusting cooperation between all stakeholders involved in the Company, including the owners of the Company – the Shareholders. The Board of Directors is committed to ensuring the highest standards of governance designed to protect the interests of all stakeholders, including the rights of its minority shareholders while promoting integrity, transparency and accountability. The Board of Directors shall at all times act in a manner that will be in the best interest of the Company.

• Management's Discussion and Analysis

Management's Discussion and Analysis signed by the CEO presenting detailed analysis of the Company's position and operations along with a brief discussion of changes in the financial statements and other requirements of the Corporate Governance Code is disclosed in Annexure-V of this report on page 87.

• Other Disclosure

- No items of income and expense are presented as 'extraordinary gain or loss' in the Financial Statements.
- All transactions with related parties have been made on a commercial basis. Details of related parties and related party transactions have been disclosed in note 41 to the Financial Statements as per the requirements of relevant IFRS.
- The Grameenphone Initial Public Offering (IPO) was made in 2009 and the fund raised thereby has already been utilised by 30 June 2010 as reported to the regulators. No further equity instrument has been issued since then.
- The financial results of the Company have continued to improve since the IPO in 2009 as reflected in the yearly Financial Statements.
- No significant variations have occurred between quarterly and final financial performances of the Company during 2018.

- No remuneration was given to the Directors of the Board apart from attendance fees in connection with Board and Board Sub-Committee meetings. During the year 2018, attendance fees in connection with Board and Board Sub-Committee meetings were BDT 1,325,562 (2017: BDT 1,296,122). However, payments to Foreign Directors, not remitted as yet, have been provided for in the accounts of the relevant year.
- The key operating and financial data for the last five years have been disclosed under Financial Analysis section of this Annual Report on page 58.
- Grameenphone has declared interim dividend and recommended final dividend for the year 2018.
- Grameenphone has not declared Bonus Share as Interim and Final Dividend in 2018.
- During 2018, a total of 14 (fourteen) Board meetings were held, which met the regulatory requirements in this respect. The attendance records of the Directors are shown in Annexure-II to this report.
- Shareholding pattern of the Company as on 31 December 2018 is shown in Annexure-III of this report.

Annual Results and Allocations

The Directors take pleasure in reporting the financial results of the Company for the year ended 31 December 2018 and recommended the appropriation as mentioned in the 'Appropriation of Profit' table below:

Figures in BDT million

	2018	2017
Profit available for Appropriation		
Profit/ (Loss) after Tax	35,160	27,423
Other Comprehensive Income (Loss), Net of Tax	(211)	457
Un-appropriated Profit brought Forward from Previous Year	13,762	12,213
Adjustment on Initial Application of IFRS 15 as at 1 January 2018	2,678	-
Total Amount available for Appropriation	51,389	40,093
Appropriation		
Final Dividend Paid for Previous Year	(13,503)	(12,153)
Interim Dividend Paid for Current Year	(16,879)	(14,178)
Closing Retained Earnings at year end (before Proposed Final Dividend)	21,008	13,762
Proposed Final Dividend for the Year (2018: 155% cash and 2017: 100% cash)	20,930	13,503
Retained Earnings after Proposed Dividend	78	259

Contribution to the National Exchequer

Being one of the largest contributors to the National Exchequer for the last several consecutive years, the collective contribution of Grameenphone from inception up to December 2018 was BDT 669.5 billion. During 2018 alone, the Company contributed BDT 84.2 billion to the national exchequer which represents about 63.4% of Grameenphone's total revenue of 2018. Grameenphone has paid BDT 20.9 billion corporate taxes during 2018.

Dividend

For the year ended 31 December 2018, the Board of Directors of the Company has paid an Interim Cash Dividend @ 125% of the paid-up capital amounting to BDT 16,878,750,275 which was BDT 12.5 per share of BDT 10 each. Now, the Directors are pleased to recommend a Final Cash Dividend @ 155% of the paid-up capital amounting to BDT 20,929,650,341 which is BDT 15.5 per share of BDT 10 each for the year 2018 out of the divisible profits of the Company for consideration and approval of the Shareholders for distribution. Inclusive of the Interim Dividend of 125% paid already, this would make a cumulative total dividend @ 280% of the paid-up capital of the Company which represents 108% of the Profit After Tax for the year 2018 amounting to BDT 37,808,400,616.

The above recommendation of dividend is as per the Board approved dividend policy.

Board of Directors

The composition of the Board of Directors who held office during the year was as below:

1. Mr. M Shahjahan, Grameen Telecom, Director
2. Mr. Md. Ashraful Hassan, Grameen Telecom, Director
3. Mr. Haakon Bruaset Kjoel, Telenor Mobile Communications AS, Director
4. Ms. Parveen Mahmud, Grameen Telecom, Director
5. Mr. Oivind Burdal, Telenor Mobile Communications AS, Director
6. Prof. (Dr.) Jamilur Reza Choudhury, Independent Director
7. Mr. Petter Boerre Furberg, Telenor Mobile Communications AS, Director and Chair
8. Mr. Witold Sitek, Telenor Mobile Communications AS, Director [effective from 30 January 2018]
9. Mr. Gunnar Johan Bertelsen, Telenor Mobile Communications AS, Director [effective from 11 June 2018]
10. Dr. Salehuddin Ahmed, Independent Director [effective from 12 December 2018]

Changes in the Board and Appointment of New Independent Director

During the period under review, there were a number of changes in the Board. Mr. Witold Sitek joined the Board in January 2018 in place of Mr. Tore Johnsen and Mr. Gunnar Johan Bertelsen joined the Board in June 2018 in place of Mr. Hans Martin Hoegh Henrichsen. In December 2018, one of our Independent Directors Ms. Rokia Afzal Rahman's position fell vacant. The Company was obliged to fill the vacancy within the regulatory timeline and, accordingly, Dr. Salehuddin Ahmed was appointed as Independent Director, with effect from 12 December 2018. The said appointment will be approved by the Shareholder in upcoming Annual General Meeting (AGM). The Board welcomes Mr. Witold Sitek, Mr. Gunnar Johan Bertelsen and Dr. Salehuddin Ahmed to the Board and looks forward for their enriching contribution to the governance of the Company.

The Board of Directors would also like to take this opportunity to deeply thank and bid farewell to three esteemed Board members for their invaluable contribution to the Board over the years and helping the Board discharge its governance responsibilities towards the Company. The Board wishes them the very best for their futures.

Directors' Appointment & Re-Appointment

With regard to the appointment, retirement and re-appointment of Directors, the Company is governed by its Articles of Association, the Companies Act, 1994 and other related legislations. Accordingly, the following Directors of the Board will retire at this Annual General Meeting. They are, however, eligible for re-appointment:

1. Mr. Petter Boerre Furberg
2. Mr. Md. Ashraful Hassan
3. Mr. Witold Sitek

Brief profiles of the Directors being proposed for re-appointment are given on page 32 of the Annual Report, which fulfill condition 1(5)(xxiv) of the Corporate Governance Code of BSEC.

Appointment of Auditors and Corporate Governance Compliance Auditor

As per the Companies Act 1994 and the Articles of Association of Grameenphone, the statutory auditors of the Company, A Qasem & Co, Chartered Accountants, shall retire at this AGM. The Firm, being eligible, has offered their willingness to be re-appointed. The Board recommends their re-appointment for the year 2018 and continuation till the next AGM at the existing fee of BDT 2.5 million plus VAT.

In compliance with the BSEC Corporate Governance Code, the Board appointed ACNABIN, Chartered Accountants as Compliance Auditor of the Company at a fee of BDT 115,000 per year and the said appointment will be approved by the Shareholders in the upcoming 22nd AGM.

Outlook 2019: Creating the Future

In the past few years, the world has witnessed a digital revolution that ushers in huge change at an accelerated speed. The worldwide shift towards digitalisation will continue to transform the way people communicate, conduct business, socialise and receive healthcare, education and other services. Anticipating these transformations, Grameenphone has strategically prepared to meet the challenges of the future, today.

By seizing the opportunities brought about by the digital economy, Grameenphone is well poised to lead Bangladesh into the digital future where data is a powerful growth vehicle and a key focus area for telecommunication services. Pivoting around that, Grameenphone's outlook for the future includes emerging technologies, such as Internet of Things (IoT), Cloud Platform and virtual business solutions, coming together to transform lives and enterprises as Bangladesh enters into 5G era.

In the coming days, the Company will focus on delivering smarter solutions, leaner business processes and more impactful and meaningful experiences to its customers. Achieving growth and profitability in the challenging environment will remain a top priority, and Grameenphone's strategy for this is clear: to digitise the core and then to introduce relevant digital services to its customers, taking leading positions in selected Business segment and adjacent ICT verticals, and stay unwavering in its commitment to operational and financial discipline. To ensure a sustainable growth, Grameenphone will continue to invest to build a stronger mobile ecosystem, in line with our commitment to the country's economic growth and our trust in the Government and people of the country.

Appreciations

The Board of Directors expresses on record its appreciation to the partners of Grameenphone, shareholders, suppliers, customers, bankers, regulators, media and all other well-wishers for their support and patronage to bring the Company to this level. The members of the management team have also shown unstinted commitment in performing their duties, for which we wish to express our gratitude. We do not forget that it is the hard work and contribution of our wide array of staff and the service they provide that has enabled Grameenphone to prosper and grow.

Grameenphone has gone far in its journey over 22 years. It has faced many adverse circumstances and proven its resilience. We are confident that with the strengths and resources we possess, we can overcome any challenges ahead and go forward to play an even greater role in the economy of the country and continue to create greater value for our Shareholders.

For and on behalf of the Board of Directors of Grameenphone Ltd.



Petter Boerre Furberg
Chair

27 January 2019