

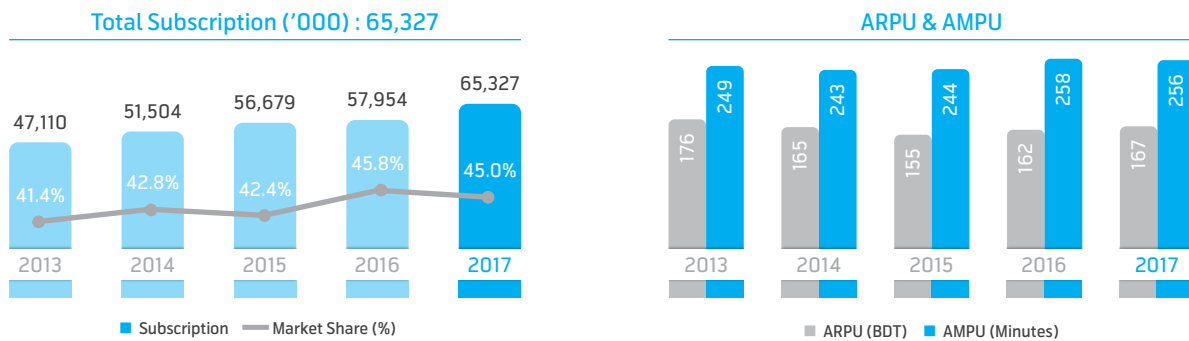
Management Discussion & Analysis

2017 Key Highlights

In 2017 Grameenphone generated BDT 128.4 billion in revenue (2016: BDT 114.9 billion), representing growth of 11.8%, and generated net profit after tax of BDT 27.4 billion (2016: BDT 22.5 billion). Grameenphone ended the year with 65.3 million active subscriptions registering a 12.7% growth in active subscriptions. During the year Grameenphone also acquired 6.6 million internet users increasing the total internet user to 31.2 million at the end of 2017. Grameenphone also invested BDT 14.5 billion mainly for network coverage growth, as a result of which 95.0% of our network is 3G enabled. Our continued focus on Operational Excellence also resulted in a 19.5% growth in EBITDA with a robust margin of 59.2%.

2017 has been an exceptional year for Grameenphone with significant growth in voice, data and bundle supported by a strong focus on OPEX, simplified customer centric offers and services along with strengthening its data positioning through 3G coverage expansion.

Customers and Average Revenue/Minutes per User (ARPU & AMPU)



On an annual basis, the subscription base increased by 7.4 million (2016: 1.3 million). The continued acquisition drive in the market throughout the year resulted in a total subscription base of 65.3 million (2016: 58.0 million) and the subscription market share stood at 45.0% at the end of the year.

In 2017, ARPU increased by 2.9% to BDT 167 (2016: BDT 162), mainly due to growth in data revenue. Although in 2016 we saw a growth in AMPU, this was predominantly due to biometric re-registration, and in 2017 higher subscription acquisition from the low usage segment continues to drive lower AMPU.

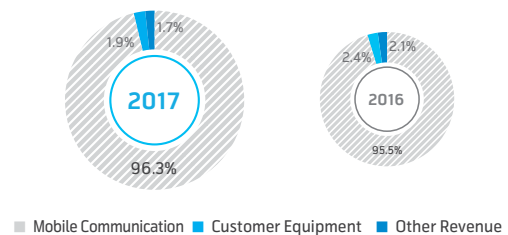
Revenue Performance

Total revenue reached BDT 128.4 billion in 2017 (2016: BDT 114.9 billion), with 11.8% growth over 2016. This was mainly driven by growth in voice, data and bundle revenue.

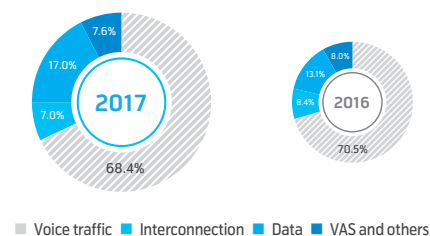
Revenue from mobile communication grew by 12.8% in 2017 to BDT 123.7 billion (2016: BDT 109.7 billion). The growth was mainly driven by Voice and Data and partly offset by interconnection revenue compared to 2016.

Data revenue increased by BDT 6.7 billion to BDT 21.1 billion (2016: BDT 14.4 billion). At the end of 2017, Data revenue accounted for 16.4% (2016: 12.5%) of mobile communication revenue. The growth in data revenue is mainly driven by 27.0% increase in internet users and higher contribution from high volume data pack usage. This was driven by our continued investment in 3G network coverage and increased smartphone penetration in our subscriber base, where Grameenphone sold 474,586 smartphones.

Revenue Composition



Mobile Communication Revenue Composition



Voice revenue experienced 9.5% increase in 2017 mainly due to 12.7% growth in subscription base. Rate cutters and voice bundle offers positively contributed to voice revenue growth in 2017 and voice usage per subscription has increased by 4.9% compared to previous year.

Grameenphone observed decline in interconnection revenue in 2017 compared to last year due to a decrease in incoming minutes from international and local operators. In addition, Grameenphone observed an increase in On-net calls which has also contributed to a reduction in interconnection revenue, whilst at the same time contributing to an increase in voice revenue.

Cost and Margin Review

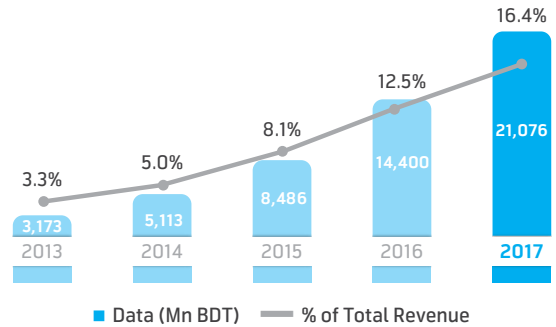
For the year 2017, total cost base of Grameenphone increased by 7.1% to BDT 78.5 billion (2016: BDT 73.3 billion), mainly due to higher depreciation & amortisation, consultancy and regulatory expenses, partly offset by reduction in advertising and promotional expenses. Like previous years, Grameenphone continued its focus on Operational Excellence in 2017 which resulted in savings of BDT 3.1 billion.

The impact of revenue growth and efficient cost management resulted in a 19.5% growth in EBITDA to BDT 76.2 billion (2016: BDT 63.8 billion) and with a robust EBITDA margin of 59.2% (2016: 55.3%).

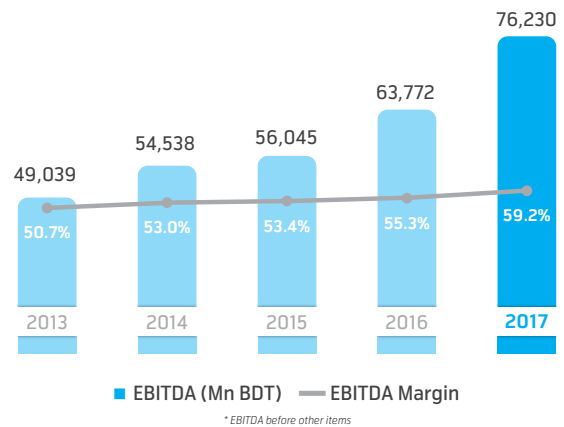
Profit after Tax

Profit after tax for 2017 stood at BDT 27.4 billion (2016: BDT 22.5 billion) which increased by BDT 4.9 billion due to higher EBITDA and lower Finance expense, partly offset by higher tax, depreciation & amortisation, and foreign exchange loss. Net profit margin for 2017 stood at 21.4% (2016: 19.6%).

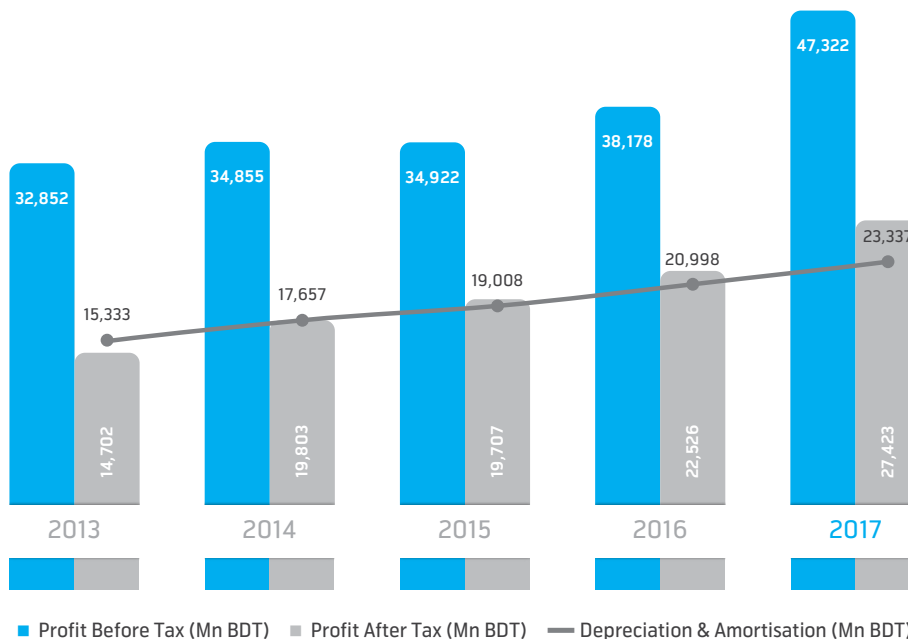
Data Revenue Contribution



EBITDA & EBITDA Margin



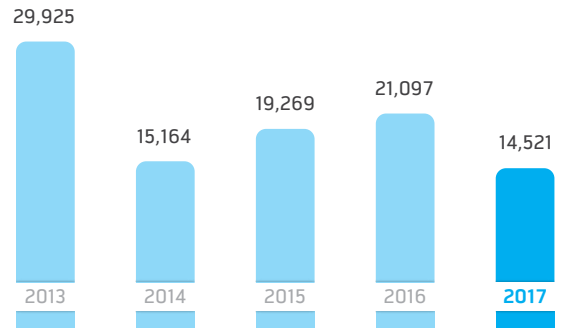
Profit Before Tax, Profit After Tax and Depreciation & Amortisation



Capital Expenditure (Capex) and Network Updates

In 2017, Grameenphone invested BDT 14.5 billion (2016: BDT 21.1 billion) with capex to sales at 11.3% (2016: 18.3%). The majority of the investment was for the expansion of 2G and 3G coverage along with capacity up-gradation to support higher data and voice traffic and to drive superior customer experience. Grameenphone rolled out 1,776 3G sites and 1,010 2G sites in 2017, increasing the 3G population coverage to 92.6% (2016: 90.2%). With 12,994 sites across the country, Grameenphone currently provides its telecommunication services covering 99.5% of the total population of the country.

Capex (Mn BDT)



Balance Sheet

Total asset base remained stable at BDT 130.2 billion (2016: BDT 130.5 billion). However non-current assets decreased mainly due to depreciation & amortisation which was offset by increase in current assets from cash and cash equivalents.

Total liabilities decreased during 2017 mainly due to payments of 4th and 5th installment of long term loan from IFC and short term loans partly offset by higher current tax payable.

Total equity increased to BDT 35.1 billion (2016: BDT 33.6 billion) due to increased profit. The net profit generated from operations during the year 2017 was BDT 27.4 billion (2016: BDT 22.5 billion), partly offset by payment of final dividend for the year 2016 and interim dividend for the year 2017 along with a net reduction of BDT 0.5 billion from re-measurement of Defined Benefit Obligations reported in Other Comprehensive Income.