Sayed Talat Kamal (Head of External Communications): Assalamualaikum and good afternoon everyone. It is great to see so many faces in the room. Today we are announcing our Quarter-2 results. We have with us our honorable CEO, Mr. Michael Foley. We have with us our CFO Mr. Dilip Pal who will take us through some more details. I will invite Michael to come up front. Before he does that I would like to invite the camera persons of our television channels if they could kindly take pictures of the audiences before the program begins. I would request you to not to come in front while the presentation goes on. However, now you can take pictures from the front side of the audiences if you like.

Michael Patrick Foley (CEO): Okay thank you very much. Bismillahir rahmanir Rahim. Assalamualaikum wa rahmatullahi wa barakatuhu. Shuvo oporanho (Greeting in Bangla) and good afternoon. My name is Michael Foley and it is the first time I meet with you. So, I would say a couple of words about myself before we get into the whole story that we want to present today. I am Canadian, married with three daughters. My family will be moving with me here to Bangladesh. My experience in telecom says mostly focused on emerging or frontier markets in Africa and in Asia and I joined Telenor a little more than three years ago. And during that time I served as a CEO in Pakistan, in Bulgaria and for the last seven or eight weeks here in Bangladesh. It is a fascinating experience. This is an incredible group of companies which I hope over time I get a chance to discuss more fully with you. It is a unique organization and it is worth its attention. There will be two parts of this presentation. In the first part I will give you a highlight of the first half of the second quarter. In the second part of the presentation, Dilip will go through the details of some of the financial results and then we will have a full Q&A for those of you who wish to ask us some questions. This quarter was remarkable in many ways. There were 19 days of heavy rainfall. 12 of those were in April. And cyclone Mora hit us in Chittagong with high winds and rain on the 29th of May. It was quite devastating. Over the last two months, Grameephone has stood beside 5400 families in that area in the south with the assistance with the Red Crescent Society providing support to families in that area. Unfortunate beginning of Quarter-3 is not showing a lot of relief from the rain but that is part of the reality and we are prepared and mobile networks are quite resilient to this kind of situation and we were able to restore services quite quickly in all the areas that were affected. I think it is important to note a few things about this month. First of all, this is the ninth quarter of sequential quarter over quarter growth for our organization in Bangladesh. That is pretty remarkable in itself. We have had double digit revenue growth of 15.5% and the subscription and traffic revenue in the quarter grew by 18%. We have seen a 24% increase in the number of data users and 27% growth year over year in data ARPU and this basically led to almost 60% increase in data revenue in Quarter-2. These kinds of topline results are remarkable but what we are going to try to present to you today is a balanced approach. It would be easy but not very humble for us to take a victory lap and beat our chests and raise our hands in glory and that is not what we
want to do today. These results are a vote of trust by consumers in Bangladesh in this company. It is important to note that our pricing is not lower than everybody else. In fact, it is higher. It is important to note that our net promoter score continues to grow. It is important to know that even in those circumstances the minutes per use grow; the use of data grows; the number of customers grows. And for us, we have to take that with a lot of humility and that is a characteristic of our group Telenor and of this company Grameephone as well. It was a highly competitive quarter. It was very competitive; there was intense competition especially on the acquisition front of customers. We saw extremely aggressive offers in the market including startup offered as much as 18 gigabytes per customer on sign up. These are not, in our view, commercially sustainable offers and while we had an impact on our business while these were running we did not react to that. We saw really generous offers of five gigabits at 98 taka. We saw one gigabit 30 taka, which are really aggressive acquisition. And these promotions have a place in the market. But nevertheless, we were able to hold our fire; give place for our competitors to operate; and even amongst this heightened competition continued to acquire quality subscribers into our network. Our subscribers grew by 3% in the quarter over last quarter up to 61.6 million in this market. That is a fairly significant amount. We expect to continue to be a company that will acquire clients but only good clients. We are not going to be throwing SIM cards out into the market place. We are going to look for quality subscriber acquisition. I think it is also fair to say that post the biometric verification subscriber base continues to generate healthy growth in minutes of usage. We have had 11.4% growth year over year in daily revenue generating base; and a little less than 1% growth quarter over quarter. We have had 5% year over year average minutes per user growth and that is really important because when you see average minutes per user grow at the same time as the yield is good, we see that this is an effect of the economy growing in the country and if you look at mobile operators, we are a very good bellwether for what is really happening at the grassroots. We have 61 million censors in the market place that tell us how people behave and as they spend more money on mobile, we basically understand that there is more disposable income in the market place. Outgoing minutes of usage growth is 17.6% year over year. And one of the interesting things that is unusual for Grameephone and for a market which is almost hundred percent prepaid is 13% churn, 13.4% annualized churn rate. That is roughly a percent of month and that is a very low rate. Practically, I think it is a unique level churn. Over the quarter we acquired 1.8 million new data subscribers and that is critically important as well because as data grows 3G and hopefully soon 4G, data is a key tool; is a key indicator and a key enabler of the international economic competitiveness of an economy. And we actually need to continue to grow the number of data subscribers we have in this market because without that we are hampered. We are not as competitive in our education or trade in other aspects of the economy if we do not grow our data subscribers. In Grameephone, our daily connected data subscribers on year over year in Quarter-2 grew by 30%. Again, we have to continue to bring these services to all Bangladeshis. We have in reality about 50% penetration of SIM cards per person if you take out the doubles. If you take the whole population, the potential is probably on this measure 70%-75%. There are significant upside in growth potential in the market for additional people coming into the digital economy using mobile phones and getting digital services. And as those users grow, the economy grows; as those users grow
our competitiveness grows; and that is an important mission for us. We are targeting, there is a significant amount of people who have smart phones in the market place as fashion items and do not use data. And so, we are actually targeting those users to come on board. We have created a large number of targeted offers, which I am not going to go through in a lot of detail here but we have also been able to monetize and be responsible to our shareholders and our stakeholders in actually creating value out of data services for the company and for our shareholders. Eid was very strong for us. It was as strong as ever. And we have even launched co-branded phones now at reasonable prices. Co-branded smart phones from Lava at BDT 2945 and Micromax at BDT 3999 and that is an important piece for us as well. The current smart phone penetration in our base is 27%. So, there is a lot of room as people change their handsets as handsets become more affordable and come down in price, especially smart phones for that to continue to grow. So we see a lot of potential opportunity there. 85% of people with smart phones are using data. So, it is better that we get more smart phones out there; be they imported or be they eventually domestically produced, which is something we would encourage and is starting to happen in this market. I think it is important. So, all in all, I think it has been a very competitive quarter; a tough quarter with Eid. A lot of activity by our competitors but we have maintained an even strain and actually not reacted too much and been able to continue to grow our business to the benefit of our customers and also to the benefit of our shareholders. One of the things that we are particularly proud about is the Accelerator program. And GP Accelerator is one of the things we do for a number of reasons. First of all, creating entrepreneurship is important in all markets but in markets where growth is critically important; where growth comes from the grassroots levels; where small businesses and innovation create value for society, encouraging entrepreneurship is really important. So, that you could call a CSR activity from us but it is much more than that. We are in the process of transforming our own company and we need to become much more agile, much more flexible, faster to react with different kinds of services and different kinds of products for our consumers and our rate of change of launching and tearing down services of improving them has to increase. One of the best ways to do that; one of the best ways to infect a company with that kind of passion and change is by bringing young entrepreneurs in close proximity with the company. In by doing this work in all the activities that we do around Accelerator and all the works that we do around entrepreneurship, we actually change Grameephone and it is really important and by the way it is lots of fun because you get these people who do not know what rules are not allowed to break and they break them and often they are successful and they teach interesting things to people who have worked in large corporate organizations and it is a joy to behold. And across the entire Telenor group, the work done in this area by Grameephone is at the head of the pack and this is a company that spends a lot of time on this. So, GP Accelerator is a platform for digital startups and they find a foothold in the ICT industry and they get an opportunity to explore their ideas freely. We have a corner in our office called White Board where lot of these people work and is the most enthusiastic. People working late at night, creative areas I have ever seen in any business building like the one we have. And if some of you would like to see that let us know. I will be happy to walk you through that area. You will come away energized. In partnership with SD Asia, an organization that is working to create a market for digital entrepreneurs in Bangladesh, we are creating this
environment. You know there is always this idea of building a billion dollar startup in Bangladesh. So, we work with a range of partners to help that happen including the government and the overall startup eco systems. So, eight startups have graduated already. On an average, these startups have been able to multiply the value of their startups by 3.7 times in the four months that they have participated in the accelerator. National Demo Day which was the first time in Bangladesh was jointly organized by the ICT Division, Venture Capital Association of Bangladesh, UBER and Better Stories during the 22nd to 25th of May. And the fun part about this is you have got one minute to win it. So, it is about being able to condense your idea and your pitch to its absolute essential and being able to pitch it to entrepreneurs, to people like yourselves may have used in the analyst community to actually kind of get some funding. Grameephone as part of the Telenor group is also helping local startups expand to new markets and Grameephone is sending two startups ‘Sheba’ and ‘CramStack’ to Digital Winners Asia in Singapore this year to compete for a very significant amount of startup seed money. So, it is really an exciting part of our company. You see Grameephone as a company that sells minutes and megabytes but we are much more than that. We are becoming a company that minutes and megabytes and moments creating services for customers and creating an infrastructure in an environment where our customers can consume services in a safe and affordable way. I said this would be balanced and I want to talk a little bit about the regulatory landscape as well because again, it would be easy for us to simply say things are all fantastic but there are challenges. And part of our job in dealing with the analyst community is to tell them as it is. And I think what I am going to tell you is not a surprise but the fact that I am telling it to you in this forum might be a little bit unusual because after a quarter like this we should be out here with balloons and cake and we are, but more than that we need to plan for the future. And our ability to reach all the customers in this country to continue to attract foreign direct investment through the telecommunications industry and other industry has to deal with the things that are hard to deal with. So, that is the reason I am going to have this little discussion with you. We have now started to see and it is good that the 4G process has started in earnest. We can see that the regulator and the ministry have started to publish documentation. We need to ensure that there are terms in these arrangements, these auctions, these licenses, and the spectrum neutrality that are conducive to investment. To be honest we are not quite there yet. We believe that the 4G license/the LTE license should be issued at the same time as technology neutrality in the spectrum auction. There are three or four elements here and we want them all done at the same time because it gets very confusing for investors to understand that you are going to buy spectrum but it might not be able to be use here and it might not have a license for 4G. So, this normally is contained in one package. It is a little broken up here. I think we need to kind of find a way to bring this closer together for it to be a reasonable package so that we can attract the appropriate investment, which is very significant in this area. It is not just the license, it is the equipment that we need to buy and deploy across a country of a 160 or 170 million people. So, it is a very significant investment. I am also concerned about regulations around where we can get the money to pay for the licenses. And for those of you who are in the analyst community, you probably would consider us a fairly good risk for a loan. We want to borrow money locally. We want to create and contribute to capital market within Bangladesh. And my two competitors are
hundred percent foreign owned. We are 55.8% foreign owned. And we have to purchase or we have to get money from outside the country to buy these licenses. And we are paying the interest rates and the fees outside the country as well. The insurance industry, the pension funds, the banks, need good borrowers. We are excellent borrowers. We are tough on the deal but we are excellent risk. And we should be able to borrow money locally for this. Now I understand that there was a time when foreign reserve was extremely low and this was a way to bring foreign reserves into the country. But that problem is not as acute or even acute anymore. We should be able to contribute as a good corporate citizen to the building of a strong local capital market by being able to borrow these funds locally in local currency, to pay in local currency to the government. There are some really strange ones too and I am candid when I say this, VAT is being charged on natural resource which is spectrum. It is not value added in itself and we have a problem with that. But worse than that is if VAT is going to be levied by BTRC then they should register so that we get a Chalan back. Otherwise, it is not VAT. It is a fee. This is in the courts already and this is going to be an issue in this particular one. And this one to me does not ring true. It is a problem. And there are very broad considerations of a bank guarantee that is beyond the rollout considerations of the license that is basically claimable for anything that the regulator feels it should claim it for, for a very long period of time and it is a very large amount. It is 75 Crore I believe. So, that is a challenge for us that we need to be careful about. We think that this can be dealt with but we need to be honest about them being challenges for us. There is apparently a norm going long torturous saga of SIM Replacement Taxes. And I am not going to bore you with all the details but this one is another one. It creates an overhang in our ability to be able to deal with investment. It comes up and Dilip and I will tell you honestly, we did 18 analyst presentations in the UK during Ramadan. And of the 18, 15/14 brought up this issue. What is this about? And it needs to be closed and it is going to take a little bit of time to get it done and we think that it is a real overhang and a challenge. The cost modeling is starting on data. This is something that we think is okay. It is going to be a little bit of a challenge to get it through as quickly as possible but we have already one of the lowest prices in the world for our services. I think you have probably heard this story before that we have the second lowest pricing for telecommunication service pricing in the world. I think Sri Lanka is the one that is lower than us. As an overall industry, consumer end industry, the second highest taxation in the world for mobile and telecommunication services. And so, those two create a bit of a challenge. So, we look forward to seeing how the modeling of the data service is going to come out. And there are some changes in the budget in which some are welcome, some are less. The postponed Value Added Tax in supplementary Duty Act for the next two years. SIM tax is unchanged but from July 1st I should say. Then there is a 5% supplementary duty on mobile handset. So, it is doubling the duty on handsets. I think some of you mentioned to me a little earlier. Well that is about encouraging local production, which I think is a good idea. But then make local production tax-free. Do not tax everything else but a 5% plus. And it is going to take another 18 months or so before local production other than the kind of partial knock down equipment that has been assembled here actually comes online and we will encourage that. But there needs to be an approach that says that we need to get handsets in the hands of people who can afford them. Increasing taxes on that is probably not a great story. But there is, on the other
hand, a VAT exemption on modems. Okay, fine. So, let me kind of close with one comment. You know, offsetting or affecting the commercial performance of the business are growing concerns that we have relative to the local business environment, in particular, in the regulatory regime and local taxation policy. We think it is a challenge to the industry. We remain strongly committed to, and I mean this and hopeful that, meaningful consultation between industry and government on the 4G license, spectrum neutrality in the auctions, historical SIM tax claims, and consumer consumption taxes amongst other issues can lead to a more predictable environment for investors in a more affordable and widely available set of services for consumers because that will actually impact the economy as a whole. I am not here complaining about the taxes that we pay. My father once told me, “Michael, I want you grow up and pay a lot of taxes because it means that you are successful and honest”. So, that is not the discussion today. The discussion is about making sure that we have an environment that is predictable for investors and that we have an environment that allows for the growth of these services which are critical to the economy of the country into the bottom layer of the economy so that we can raise people out of poverty. Let me be very clear. There is no technology in the last thirty years; there is probably no technology in the last two hundred years that has done more to raise people out of poverty than mobile technology and its offshoots. When mobile comes in somebody’s hands, they have access to commerce and education, and security, and communication, and other things. And we need to continue to grow that and that is the essence of our mission. Yes, but we are one of the best and most sustainable development agencies in Bangladesh. And we are development because of what we do; we are sustainable because we do it smartly and profitably. And our impact is beyond what we do. It is how we do it; openly, honestly, and transparently. And it is about creating a competitive advantage; a competitive leveling for the economy of Bangladesh. The mobile industry is a great FDI success story. It really is. It is about billions and billions of dollars of commitment. But we need to work together with the government and the industry so that this is a continued FDI success story for mobile and telecoms and remains a great example for others who want to come and invest in Bangladesh. And we will be there with them to show them that this is a great place to invest. We believe that and we know that the issues that we have can be resolved. With that and now over to you, I would like to ask Dilip to come and make a quick presentation of our results. Thank you.

*Dilip Pal (CFO):* Thanks Michael. Okay, good afternoon everyone and also welcome to our 2nd quarter’s earnings call and also welcome to those who are on call for this event. I am very pleased to report another quarter of double digit topline growth, healthy EBITDA margin and also improved earnings. 18% service revenue growth excluding interconnect and 15.5% topline growth has been one of the bests in recent past. If you really look at our EBITDA performance, we are reporting 61.2% but I also need to tell you that there are some positive adjustments one-offs. If I take off the one-off adjustments, the underlying EBITDA margin of 57.7% is quite comparable to what we have reported in Quarter-1, which was 58.1%. Capex to sales, this is 12.4% in last four quarter on average. For the Quarter-2, it was slightly lower. We have little underspend in Quarter-2, which I think will be caught up. And the
earnings per share that we are reporting is 5.87. For you to look at these numbers and properly incorporate in your model you have to look at probably to underlying number. Underlying earnings is 5.4 Taka per share in this quarter, which is again the best that we have seen in at least the last five years that I have looked at. Coming to a little bit more detail on the revenue side, we kept talking about a growth, I think it has been as Michael said nine quarters of sequential growth but this also happens to be our four quarters of double digit year on year growth on both data and voice. Data has been a success story; a growth story over a long period of time but what we have also seen is voice accelerating to a double digit growth in this quarter. So, voice growth in this quarter was 11.2%. In terms of year on year contribution of our revenue growth, it is going up from 28.1 billion to 31.4 billion. So, roughly it is about 4.3 billion. 2.2 billion growth is coming from voice and that is a very satisfying development for us. Data is contributing roughly about 1.9 billion out of that 4.3 billion growth that I mentioned. And de-growth in interconnect continues. I think probably over the last six quarters, we are talking about de-growth in interconnect. Although, I would say that the pace of de-growth, which used to be 16%-17% last year has come down to 7.2%. As you are cycling already a de-growth of last year. The de-growth is predominantly in international interconnect. Our assessment is that it is mostly due to more and more adaption of OTT services for the international calling. Other than that what we have seen in the earlier quarters, we have a balanced portfolio growth that has been there and it continued in Quarter-2 as well. Moving on to little bit detail about our data revenue growth. So, we grew 58.6% year on year and you would recall our growth even in 2016 was over 60%. This is coming on the backdrop of healthy addition of new data users. I would talk about price stability and also the growth on the megabytes usage per customer, which is helping our growth on ARPU, to which I will come to a little later. With 1.8 billion data subs, our data sub-base is now 27 million as of end of Quarter-2, which is close to 44% of our sub-base. We actually have seen some slow down, I would not say slow down, a little bit of less growth that we have seen in the past in Quarter-1, but again as I said, the full of Quarter-1 our growth was less than a million, about 700 thousand. Now accelerated to 1.8 million in Quarter-2. Because of all of that and because of the year on year growth on data revenue that we have seen, our data revenue contribution in service revenue has grown from 12% in Quarter-2 last year to 16.5% in this quarter. Michael mentioned about smart phone price. I think you need to keep this in mind that this will be the key success factor going forward. I think we need to do a lot not only from the operator but also from the government to make sure that smart phone price goes down. From our side we are doing a lot. As you know we have spoken about our co-branded handsets that we are pricing less than 3000 taka and this has to go on and I think if there are some price and the duty correction from the government, this will facilitate because the next level of growth has to be really coming on the backdrop of this. The growth which you are seeing about 4%-5% penetration growth year on year may not be enough to see the further growth going forward. On the left side, you see the service ARPU development which is from 157 in Quarter-2 of last year gone up to 171, which is about 8.6%. So, this is coming from the minutes of usage per customer growth close to 4% and also a bit of price stability. As you can see from the graph, average blended realization which used to be 62 paisa in Quarter-1 gone up to 65 paisa in Quarter-2. But what I would also like you to keep in mind is, I would say this is more
less, I would say it is a stable price. Because you get to see some price hike during the Eid festival and that is how the 62 to 65, there are inorganic growth as well. So I would say that pricing is more or less stable and with the increased data quality of subs that we are adding and the minutes of usage per customer which is growing that is helping our ARPU growth. On the right side it is also satisfying to see that despite huge growth in our data users, our usage per customer is growing which used to be 517 megabytes in Quarter-2, 2016 has gone up to 660 megabytes in Quarter-2, 2017. And you can also look at the average realization per megabytes. Again, I would say this year it is more or less stable. But what it talks about is the monetization; the volume growth is in line with our revenue growth. There is marginal decline that you can see in decimal in Quarter-2. There is a marginal decline because as Michael mentioned about some of the pricing of the acquisition side and also of the Eid promotion that we have driven in this quarter has brought down price per megabytes a little lower. Now, we will talk about Opex and EBITDA. So, I will talk about Opex first. You see absolute Opex number of 10 billion in Quarter-2, 2017 this year. That is what is reported. Included here is some of the positive adjustments, the accruals that we reviewed and then we have reversed in this quarter is about 800 million. There are two major items. When you see our financials, you will see that one of the developments is in service maintenance that is reflected in Operation and Maintenance line, close to 500 million and our energy cost on BTS, which is roughly about 222 million. Normalizing this, the Opex to sales is still a decline of 2.3% on year on year basis. Reflected is the topline growth that we have seen and Opex which is contained is the EBITDA development. Our margin - we are reporting 61.2% as I mentioned. The underlying margin that you have to read is 57.7% and the year on year growth which is on an absolute EBITDA which is 35% that we are reporting. On a normalized basis itself is also very good which is 21%. In terms of investment as you know, we have pretty much done our 3G investment last year itself. So there are some investments there we continue to do. In this Quarter-2, we have added 225 new 3G sites and 141 2G sites, taking up our site count to 12363. 93% of our 2G sites are now co-located with the 3G sites. And the size of our network continues to be still the largest and we continue to invest to make it even bigger. I mentioned about Capex to sales for the quarters stand alone is 10% but on a four quarter average was 12.4%. Coming to the net profit after tax, last year in Quarter-2, again to refresh your memory, we had one-off, which brought down our earnings. There was one-off for employee separation plan that we took and the payout that we made that was close to a billion BDT, 948 million. Then we paid 452 million, which was 10% of the demand that we got for the interest on SIM tax for a very early period. And we also had some tax benefit. So, we normalized that and we also normalize the one-offs that we have spoken about in the Opex. If I normalize both of these, actually the way to look at it is, the earnings growth for this quarter on a year on year basis is 36.7%. And I spoke about earnings per share 5.87 and on normalize basis the number to look at is 5.4. We spoke about in Quarter-1 about the currency devaluation which was very dramatic but it slowed down but it has not gone completely away. We have seen a big decline in April, after March also. And then in May and June it is actually there was a little bit of gain. So, in this quarter we have reported 192 million of Forex loss and again if I remind you, in Quarter-1 we have reported close to 400 million of Forex loss. So, 600 million of Forex loss. So, operating cash flow, we are reporting 16.6 billion, which is EBITDA minus Capex. So, we
have higher EBITDA and also as I mentioned are the lower Capex that is pushing the operating cash flow margin into 51.2%. And we are on our borrowings and we are at our historical low with only net debt to EBITDA of 0.10. I am also happy to report that Board of Directors in the meeting yesterday have approved 10.5 taka interim dividend, which is 105% of the paid up capital and our payout ratio is around 98%. So, an overall summary is that we have sustained our topline growth over a long period of time backed both by voice and data. As you have seen, our Opex development has been very satisfying. It has been much lower than the revenue development. And what we believe is the strategy and the ambition that we have shared in the past that we will grow but efficiently, which is what we are calling growth efficiency is what we have delivered. I think we are on track to make sure that you know that is what is reflected and I think our financial numbers and everything else that we are doing is helping towards that. So, with that I would like to conclude the formal part of the presentation. But I would also like to inform you that I will be leaving Grameephone but not Telenor, end of August will be the period by which I will leave Grameephone and I will take up a new assignment within Telenor from first of September. But I also wanted to thank you in this forum for all your support and help and a very engaged activities over a long period of time that I have been part of this. So, thank you very much.