

# MANAGEMENT DISCUSSION & ANALYSIS

Overview

Business Performance

Sustainability

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Financial Analysis

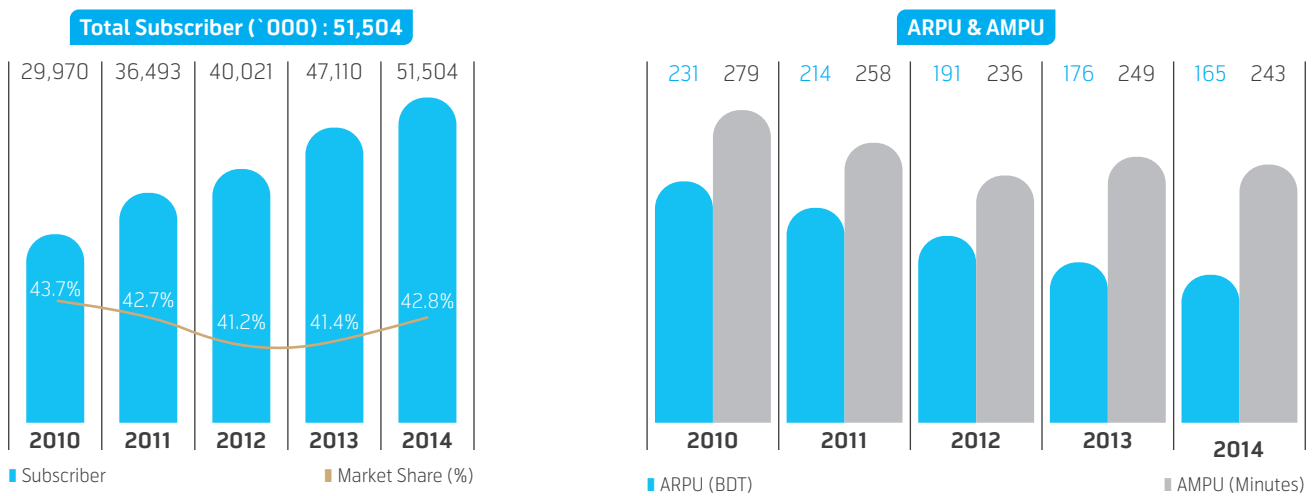
Additional Information

## 2014 Key Highlights

In 2014, Grameenphone (GP) recorded revenue growth of 6.3% over 2013 to BDT 102.7 billion (2013: BDT 96.6 billion), with net profits of BDT 19.8 billion (2013: BDT 14.7 billion). In line with our Internet For All commitment, we continued to attract more mobile internet customers in the year, which totaled 10.8 million at the end of 2014. This increase resulted in higher data revenue contributions, followed by increased VAS revenue, to our total revenues.

After two consecutive quarters of strong growth in Q1 and Q2, GP reported moderate revenue growth in Q3 as a result of bad weather, football World Cup and regulatory directive regarding the reduction in international call termination rate. However, competitive data and VAS offers, along with the accelerated rollout of new 3G sites had a positive impact on revenues in Q4 and throughout the year.

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



GP added 4.4 million (2013: 7.1 million) new customers in 2014, resulting in 1.4 percentage point increase in subscriber market share at 42.8%.

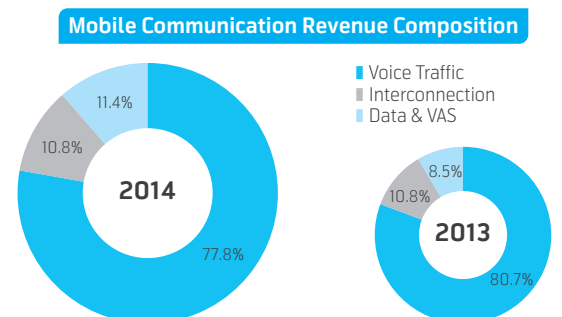
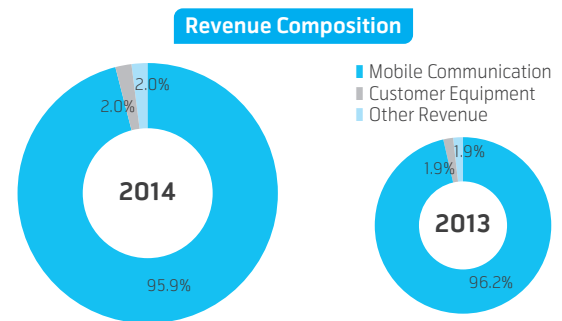
In 2014, ARPU decreased by 6.0% at BDT 165 (2013: BDT 176), mainly due to competitive pressure within domestic voice which was partly offset by data and VAS uplift. With additional focus on new data user acquisition, growth from data and VAS is further expected to continue.

## Revenue Performance

Total revenue reached BDT 102.7 billion in 2014 (2013: BDT 96.6 billion), a growth of 6.3% over the previous year. This was mainly driven by growth in revenue from mobile communication and customer equipment.

Revenue from mobile communication grew by 5.9% in 2014 to BDT 98.5 billion (2013: BDT 92.9 billion) with positive contribution from data & VAS, voice and interconnection.

Data & VAS revenues grew by BDT 3.3 billion for the year to BDT 11.2 billion (2013: BDT 7.9 billion). At the end of 2014, data & VAS revenue accounted for 11.4% (2013: 8.5%) of mobile communication revenue. Growth in data revenue was driven by higher mobile data usage from



higher take-up of 3G smart plans and heavy browsing packages. In 2014, GP sold over 400 thousand of smartphones and internet enabled handsets which also had a positive impact on growth from data & VAS revenue.

Voice revenues grew by 2.1% in 2014, to BDT 76.6 billion (2013: BDT 75.0 billion), mainly driven by subscription growth.

Interconnection revenues increased by BDT 648 million to BDT 10.6 billion (2013: BDT 10.0 billion), from higher domestic and international voice traffic. Regulatory directive regarding the reduction in international call termination rate negatively impacted on the interconnection revenue growth for GP as well as the industry in the second half of the year.

Growth in revenue from customer equipment was driven largely by the strong demand for popular smartphones and internet enabled handsets.

## Cost and Margin Review

For the year 2014, GP's total cost base increased by 3.7% to BDT 65.8 billion (2013: BDT 63.4 billion), mainly due to higher depreciation & amortization, traffic related expenses, and higher revenue sharing. Reduction in consultancy and lower subscriber acquisition cost partly compensated the opex growth. Like previous years, GP continued its focus on operational efficiency in 2014 which resulted in saving of BDT 2.3 billion. As a combined effect, GP managed to maintain its cost base (excluding depreciation and amortization) at last year's level (BDT 48.1 billion).

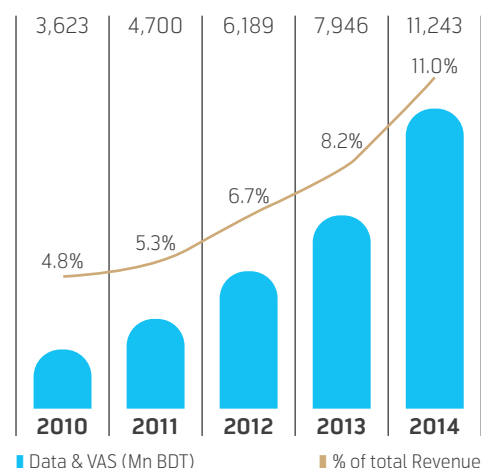
EBITDA\* rose by 11.2% over the previous year to BDT 54.5 billion (2013: BDT 49.0 billion), mainly driven by higher revenue, partly offset by higher cost. With efficient opex management, EBITDA margin improved by 2.3 percentage point at 53.0% (2013: 50.7%).

\*EBITDA before other items

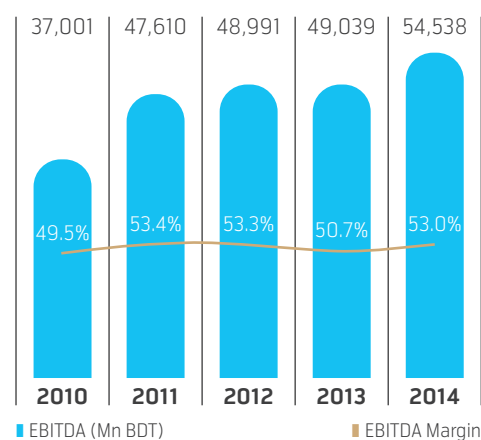
## Profit After Tax

Profit after tax for 2014 increased by 34.7% at BDT 19.8 billion (2013: BDT 14.7 billion) driven by higher profit before tax and lower income tax expense. Increase in profit before tax resulted from higher operating income, partly offset lower foreign exchange gain and gain on sale of Grameenphone IT Ltd. (GPIT) last year. Lower income tax in 2014 was mainly due to one-off tax adjustment for increased corporate tax rate from 35% to 40% last year, partly offset by higher profit before tax. Normalizing the gain on GPIT sale and one-off tax adjustment, GP achieved 12% growth in profit after tax over the previous year.

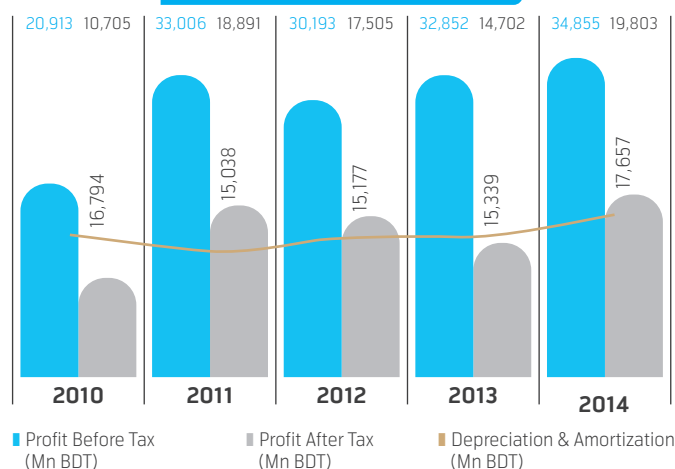
### Data & VAS Revenue Contribution



### EBITDA & EBITDA Margin

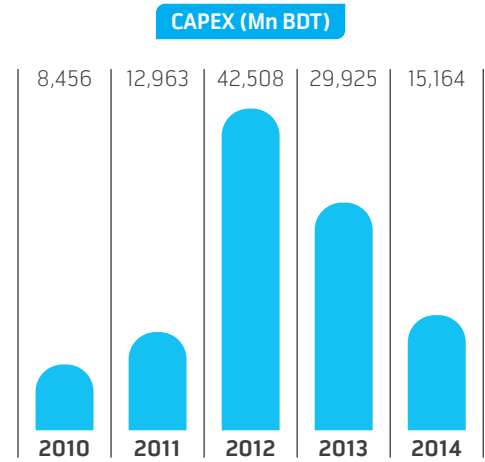


### Profit Before Tax & Profit After Tax



### Capital Expenditure (Capex) and Network Updates

In 2014, Capex amounted to BDT 15.2 billion (2013: BDT 29.9 billion). Majority of the capital expenditure was spent for 2G coverage & capacity upgradation, 3G expansion and overall network operational efficiency. As a result of accelerated roll-out of 3G sites, GP's 3G coverage increased to 49.8% of the populated areas. With 9,163 sites across the country, GP currently provides its telecommunication services across the country covering 99.24% of the total population.



### Balance Sheet

Total asset base decreased to BDT 130.7 billion (2013: BDT 135.2 billion) mainly due to higher depreciation & amortization and lower trade & other receivables, partly offset by Capex addition during the year.

Total liabilities decreased during 2014 due to higher payments to suppliers, repayment of short term borrowings, partly offset by final drawdown of long term loan from IFC.

Total equity increased to BDT 31.4 billion (2013: BDT 31.1 billion) due to BDT 19.8 billion net profit generated from operations during the year 2014, partly offset by the payment of final dividend for the year 2013 and interim dividend for the year 2014.

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