

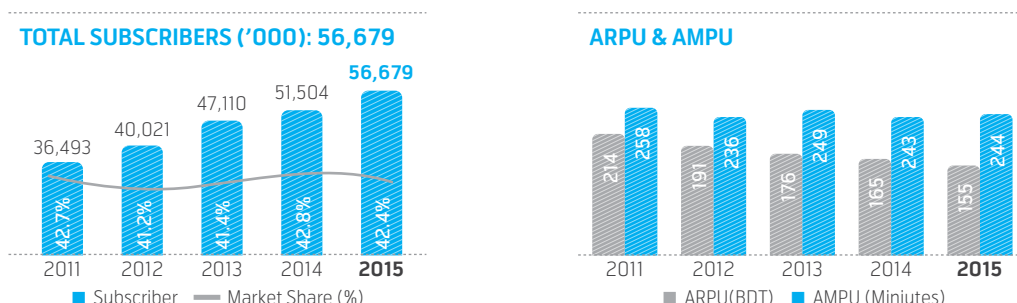
MANAGEMENT DISCUSSION & ANALYSIS

2015 Key Highlights

In 2015, Grameenphone recorded revenue growth of 2.0% over 2014 to BDT 104.8 billion (2014: BDT 102.7 billion), with net profits of BDT 19.7 billion (2014: BDT 19.8 billion). In line with its 'Internet For All' ambition, GP added 4.9 million mobile internet users in the year, increasing the total internet user to 15.7 million at the end of 2015. During the year, Grameenphone has increased its subscription base by 10.0% and invested more than BDT 19 billion in network mainly for 3G and 2G expansion and IT infrastructure enhancement. In addition, granular level monitoring of the operating expenses throughout the year enabled Grameenphone to extract 2.8% growth in EBITDA with healthy margin of 53.4%.

Grameenphone had a challenging start in 2015 with political turmoil and intense price competition. From Q2, Grameenphone observed gradual performance revival followed by gaining momentum in Q3 and onwards. Having comparatively slower performance in the first half of the year, Grameenphone successfully turned around in the second half. Throughout the year, Grameenphone concentrated its focus on simplified customer centric offers and services along with strengthening its data positioning through 3G coverage expansion that was reflected in the revenue performance.

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



Overall industry subscriber acquisition performance was slower during Q1 as impacted by the political turmoil. Afterwards, with the continued acquisition drive in market for the rest of the year, Grameenphone acquired 5.2 million (2014: 4.4 million) new customers in 2015, increasing the total subscriber base by 10.0% to 56.7Mn (2014: 51.5Mn) ensuring 42.4% subscriber market share.

In 2015, ARPU decreased by 6.2% at BDT 155 (2014: BDT 165), mainly due to competitive pressure on domestic voice pricing. With all the major operators playing with the promotional price offers, voice contribution on ARPU continued to be under pressure which was partly compensated by growth from data and VAS.

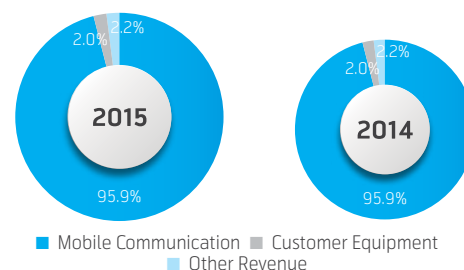
Revenue Performance

Total revenue reached BDT 104.8 billion in 2015 (2014: BDT 102.7 billion), with 2.0% growth over the previous year. This was mainly driven by growth in revenue from mobile communication and other revenues which includes telecom facility sharing and mobile financial services.

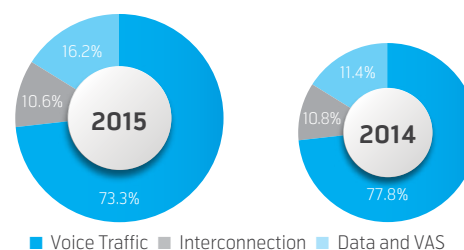
Revenue from mobile communication grew by 2.0% in 2015 to BDT 100.4 billion (2014: BDT 98.5 billion). The growth was mainly driven by data & VAS partly offset by voice. Interconnection revenue remained stable compared to 2014.

Data & VAS revenues increased by BDT 5.0 billion for the year to BDT 16.2 billion (2014: BDT 11.2 billion). At the end of 2015, data & VAS revenue accounted for 16.2% (2014: 11.4%) of mobile communication revenue. The growth in data revenue is mainly driven by 45.0% increase in mobile internet users with doubled mobile data usage. With extensive 3G investment activities along with radical simplification of data portfolio resulted in Grameenphone's widest 3G geographic as well as population coverage in the industry. In addition, Grameenphone sold over 850 thousand of smartphones and internet enabled handsets,

Revenue Composition



Mobile Communication Revenue Composition



which also had a positive impact on new mobile internet user addition and significant growth in data usage. With the continued momentum in data business, VAS revenue also increased in 2015, mainly from content services.

Voice revenue experienced 3.9% decline in 2015 despite 10.0% growth in subscription base. Intense price competition throughout the year characterized by the 1 paisa/sec and voice bundle offers impacted voice revenue growth in 2015 while usage per subscription remained stable compared to previous year.

Grameenphone observed stable interconnection revenue in 2015 compared to last year which was resulted from increase in incoming minutes from international operators, partly counter balanced by decrease in that from local operators.

Growth in other revenues came from telecom infrastructure sharing and mobile financial services.

Cost and Margin Review

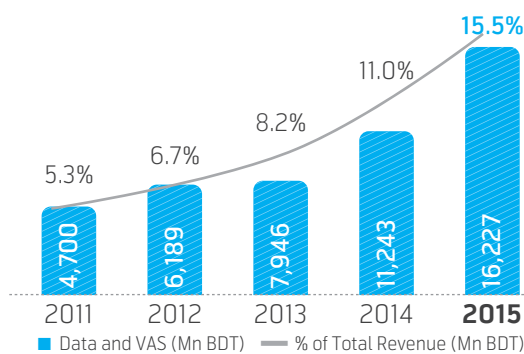
For the year 2015, Grameenphone's total cost base increased by 3.1% to BDT 67.8 billion (2014: BDT 65.8 billion), mainly due to higher depreciation & amortisation on account of higher investment and higher traffic related expenses, partly offset by reduction in operation and maintenance and lower subscriber acquisition cost. Like previous years, Grameenphone continued its focus on operational efficiency in 2015, which resulted in savings of BDT 2.1 billion. SIM tax reduction along with simplified market spending also had a positive impact on the operating expenses. On an underlying basis, operating expenses (excluding depreciation and amortisation) increased by 1.4% in 2015 compared to last year

As a result of the combined effect of revenue growth and efficient opex management initiatives throughout the year, Grameenphone managed to secure 2.8% growth in EBITDA over the previous year to BDT 56.0 billion (2014: BDT 54.5 billion) along with healthy EBITDA margin at 53.4% (2014: 53.0%).

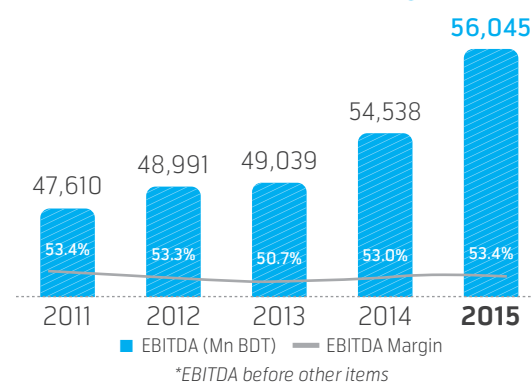
Profit After Tax

Profit after tax for 2015 stood at BDT 19.7 billion (2014: BDT 19.8 billion). Despite 1.5 billion growth in EBITDA, profit after tax marginally decreased by 0.5% from last year due to higher depreciation and amortisation resulted from higher investment during 2015 and higher income taxes resulted from one-off positive adjustments for prior years in 2014. Net profit margin for the 2015 stood at 18.8% (2014: 19.3%).

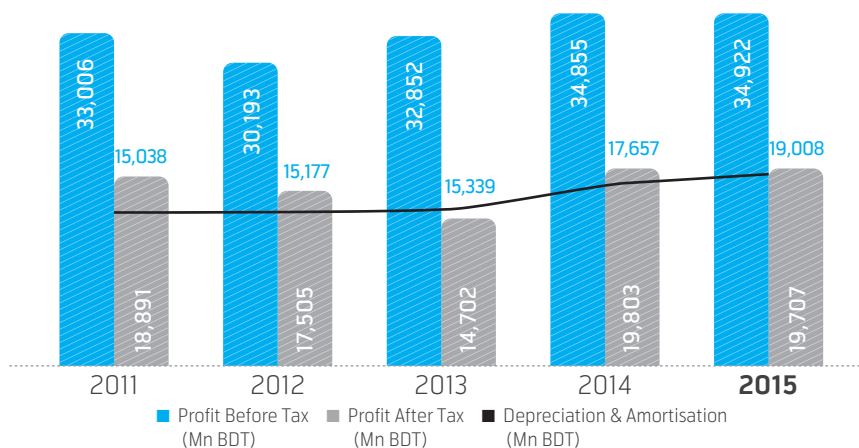
Data & VAS Revenue Contribution



EBITDA & EBITDA Margin

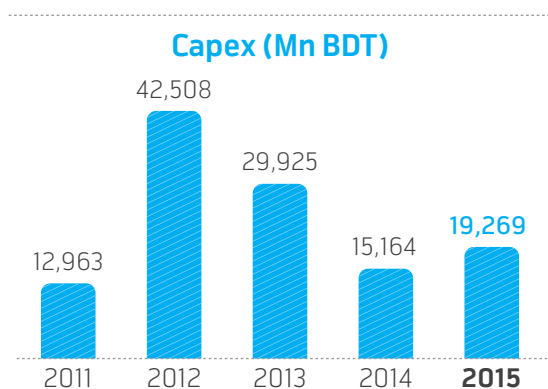


Profit Before Tax & Profit After Tax



Capital Expenditure (Capex) and Network Updates

In 2015, Capex amounted to BDT 19.3 billion (2014: BDT 15.2 billion) with capex to sales at 18.3% (2014: 14.8%). Majority of the investment was for the expansion of 3G and 2G coverage along with capacity up-gradation to cater higher data and voice traffic and also for the enhancement of IS/IT infrastructure to ensure superior customer experience through better products and service offerings. Grameenphone rolled out more than 3,000 3G sites along with more than 900 2G sites in 2015, increasing the 3G population coverage by 21.2 pp to 71.0% (2014: 49.8%). With 10,068 sites across the country, Grameenphone currently provides its telecommunication services across the country covering 99.4% of the total population of the country.



Balance Sheet

Total asset base increased to BDT 132.4 billion (2014: BDT 130.7 billion) mainly due to higher capex addition during 2015, partly offset by depreciation and amortisation.

Total liabilities increased during 2015 mainly due to increased pension obligations resulted from decline in discount rate and higher capex payable, partly offset by payments to vendors and repayment of first installment of long term loan from International Finance Corporation (IFC).

Total equity decreased to BDT 30.6 billion (2014: BDT 31.4 billion) due to payment of final dividend for the year 2014 and interim dividend for the year 2015 along with other comprehensive loss against pension obligations, partly offset by BDT 19.7 billion net profit generated from operations during the year 2015.

Overview

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