

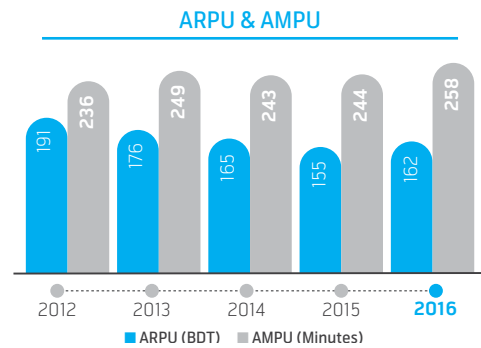
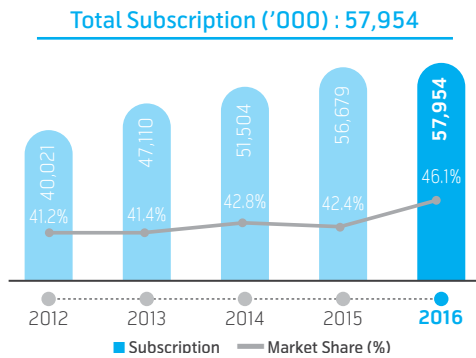
# MANAGEMENT DISCUSSION & ANALYSIS

## 2016 Key Highlights

In 2016, Grameenphone delivered a revenue of BDT 114.9 billion (2015: BDT 104.8 billion) representing growth of 9.6% over 2015, and delivered a net profit of BDT 22.5 billion (2015: BDT 19.7 billion). Grameenphone ended the year with 58.0 million active subscriptions registering a 2.2% growth in active subscribers. During the year, Grameenphone also acquired 8.8 million internet users, increasing the total internet user to 24.5 million at the end of 2016. Grameenphone also invested BDT 21.1 billion mainly for 2G and 3G network coverage growth, as a result of which around 90% of our network is 3G enabled. Our continued focus on Operational Excellence also resulted in a 13.8% growth in EBITDA with a healthy margin of 55.3%.

2016 has been a solid year for Grameenphone with encouraging all-round business performance focusing on simplified customer centric offers and services along with strengthening its data positioning through 3G coverage expansion that is reflected in the revenue performance. During the year, Grameenphone also completed biometric verification of subscribers successfully.

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



Despite the reduction in the subscription base from 56.9 million in June 2016 to 55.0 million in September 2016 as a result of the biometric re-registration, on an annual basis, the subscription base still increased by 1.3 million (2015: 5.2 million). The continued acquisition drive in the market throughout the year resulted in a total subscription base of 58.0 million (2015: 56.7 million) at the end of the year. SIM market share improved to 46.1% at end of October 2016.

In 2016, ARPU increased by 4.3% to BDT 162 (2015: BDT 155), mainly due to growth in data revenue. Higher AMPU resulted from promotional price and bundle offers which led to higher usage.

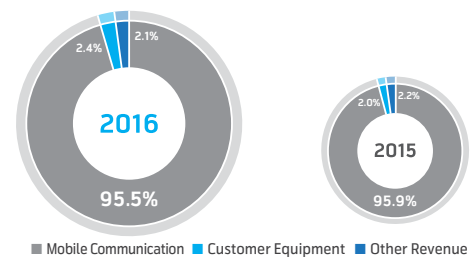
## Revenue Performance

Total revenue reached at BDT 114.9 billion in 2016 (2015: BDT 104.8 billion), with 9.6% growth over 2015. This was mainly driven by growth in data, voice, bundle and device revenue.

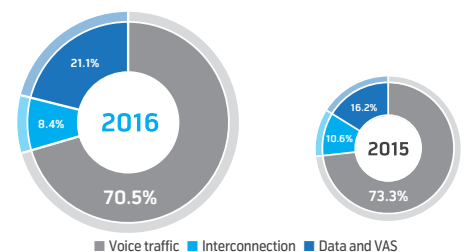
Revenue from mobile communication grew by 9.2% in 2016 to BDT 109.7 billion (2015: BDT 100.4 billion). The growth was mainly driven by Data & VAS and voice and partly offset by interconnection revenue compared to 2015.

Data & VAS revenues increased by BDT 6.9 billion to BDT 23.1 billion (2015: BDT 16.2 billion). At the end of 2016, Data & VAS revenue accounted for 21.1% (2015: 16.2%) of mobile communication revenue. The growth in data revenue is mainly driven by 56.1% increase in internet users with more than double mobile data usage. This was driven by our significant investment in 3G network coverage and increased smartphone penetration in the market, where Grameenphone sold 404,007 smartphones.

## Revenue Composition



## Mobile Communication Revenue Composition



Voice revenue experienced 5.1% increase in 2016 despite 2.2% growth in subscription base. The 1 paisa/sec and voice bundle offers positively contributed to voice revenue growth in 2016 while usage per subscription has increased compared to previous year.

Grameenphone observed decline in interconnection revenue in 2016 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.

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

### Cost and Margin Review

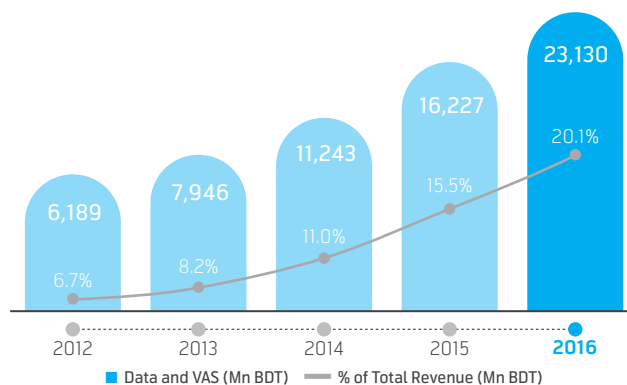
For the year 2016, total cost base of Grameenphone increased by 8.1% to BDT 73.3 billion (2015: BDT 67.8 billion), mainly due to higher depreciation & amortisation on account of higher investment and higher traffic related expenses, partly offset by reduction in operation and maintenance and lower subscriber acquisition costs. Like previous years, Grameenphone continued its focus on Operational Excellence in 2016, which resulted in savings of BDT 2.8 billion.

The impact of revenue growth and efficient cost management resulted in a 13.8% growth in EBITDA of BDT 63.8 billion (2015: BDT 56.0 billion) along with healthy EBITDA margin of 55.3% (2015: 53.4%).

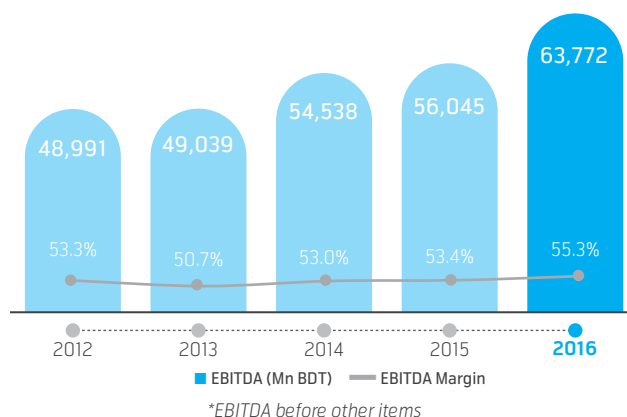
### Profit after Tax

Profit after tax for 2016 stood at BDT 22.5 billion (2015: BDT 19.7 billion). NPAT increased by BDT 2.8 billion due to higher EBITDA, partly offset by increase in depreciation & amortisation, work force reduction cost, loss and impairment of investment in Accenture Communications Infrastructure Solutions Limited (ACISL), formally known as Grameenphone IT, and higher tax. Net profit margin for 2016 stood at 19.6% (2015: 18.8%).

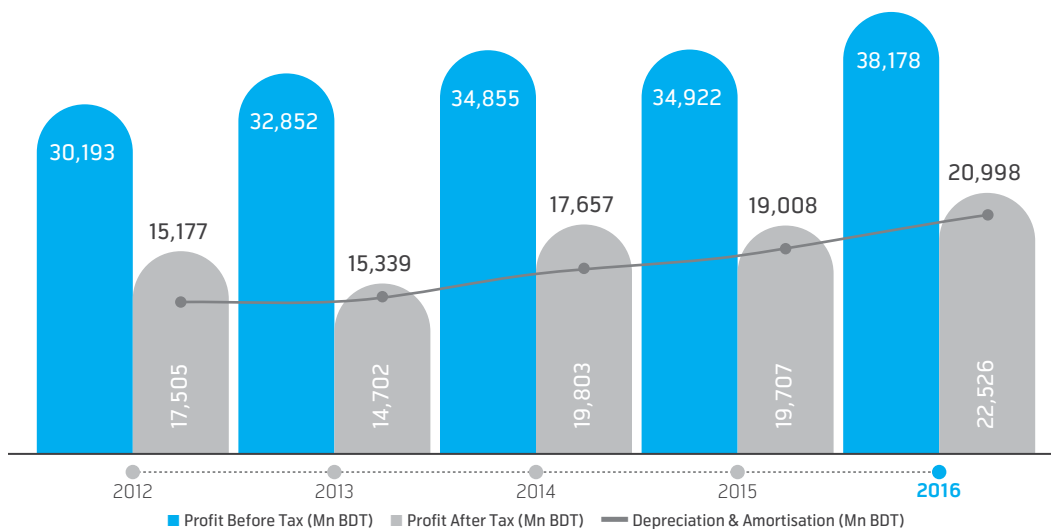
### Data & VAS Revenue Contribution



### EBITDA & EBITDA Margin



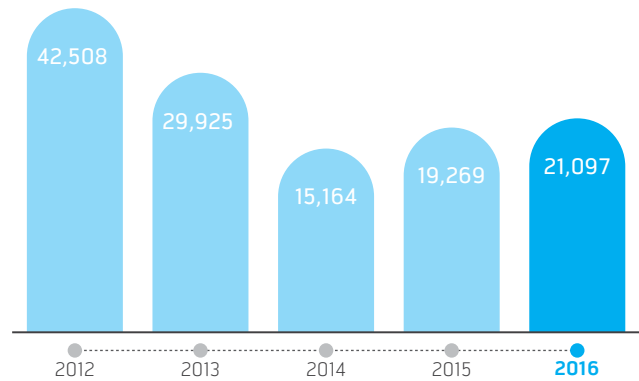
### Profit Before Tax, Profit After Tax and Depreciation & Amortisation



## Capital Expenditure (Capex) and Network Updates

In 2016, Grameenphone invested BDT 21.1 billion (2015: BDT 19.3 billion) with capex to sales at 18.3% (2015: 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 more than 4,700 3G sites along with more than 1,800 2G sites in 2016, increasing the 3G population coverage to 90.2% (2015: 71.0%). With 11,871 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 decreased to BDT 130.5 billion (2015: BDT 132.4 billion) mainly due to depreciation & amortisation and impairment of investment in associates.

Total liabilities decreased during 2016 mainly due to payments of 2<sup>nd</sup> and 3<sup>rd</sup> installment of the long term loan from IFC and short term loans partly offset by higher trade and other payable.

Total equity increased to BDT 33.6 billion (2015: BDT 30.6 billion) due to increased profit. The net profit generated from operations during the year 2016 was BDT 22.5 billion (2015: BDT 19.7 billion), partly offset by payment of final dividend for the year 2015 and interim dividend for the year 2016 along with other comprehensive loss against pension obligations.

