

## MESSAGE FROM CHAIRMAN & CEO

### Dear Shareholders,

2016 has been a solid year with exceptional all-round business performance. We made significant progress on a number of fronts throughout the year, despite challenges from a multi-faceted competitive environment. We are happy to report that in 2016, we further consolidated our position as the undisputed leader in the Bangladesh mobile market.

For 2016, Grameenphone's revenue increased by 9.6% year-on-year to BDT 114.9 billion, resulting in the highest level of profit in the company's 20-year history. Subscription and traffic revenue (excluding interconnection) grew by 12.0% with, more importantly, growing contribution from data. Data revenue continued its growth momentum alongside voice revenue. Data revenue grew by 69.7%, supported by a 56.1% growth in the number of users and a 167.9% growth in volume. Voice revenue also increased by 5.1% and we saw a healthy development in minutes of usage.

In 2016, SIM re-registration through the biometric process has been a major development in telecom sector. In terms of performance, Grameenphone was ahead of other operators and 97% of its subscriber base re-registered through the biometric process. Grameenphone ended the year with 58 million active subscribers, registering a 2.2% growth from the previous year. Notably, 100% of the current active subscriber base is registered numbers, after the completion of biometric verification drive. With the addition of 8.8 million new data users, Grameenphone's internet penetration stood at 42.3% at the end of the year.

Net profit after taxes for 2016 stood at BDT 22.5 billion compared to BDT 19.7 billion in 2015. Higher revenue and controlled operating expenditure resulted in a healthy EBITDA (before other items) of BDT 63.8 billion with an improved 55.3% margin. Earnings per Share (EPS) for the year stood at BDT 16.68. Grameenphone secured a strong 14.3% earnings growth from solid top line and operational efficiency initiatives. Operating expenditure grew by 8.1% against a 9.6% revenue growth, despite significant network expansion. EBITDA (before other items) grew by 13.8% with a 2 percentage point margin improvement.

Grameenphone continues to invest in network and technology to improve capability and capacity, and enhance customer experience. Grameenphone has established the country's largest 3G network for superior quality and crossed the 10,000 3G site mark during the year. Since inception, Grameenphone has invested more than BDT 299 billion. In 2016, the Company invested BDT 21.1 billion to rollout 3G sites, improve 2G coverage, enhance capacity to cater for higher volume of data and voice, as well as enhance its IT infrastructure, for better product and service offerings. Meanwhile, Grameenphone, the largest contributor to the National Exchequer, paid out BDT 58.6 billion, comprising of 51% of total revenue, to the National Exchequer during the year in the form of taxes, VAT, duties and license fees.

Grameenphone's sustained underlying performance and strong cash position have ensured consistent attractive returns to the Shareholders with a healthy dividend payout. We are pleased to report that for the financial year 2016, the Board of Directors of Grameenphone has recommended 90% Final Cash Dividend (i.e. BDT 9 per share of BDT 10 each). With this, the total cash dividend stands at 175% of the paid up capital, which represents 105% of Profit After Tax for the year 2016 (including the 85% Interim Cash Dividend paid out earlier in 2016).



**Petter Borre Furberg**  
Chief Executive Officer

**Christopher Adam Laska**  
Chairman

We have seen that easy, affordable access to mobile communication is a catalyst for increased entrepreneurship, innovation and productivity. As the most preferred digital service provider in the digital space, Grameenphone has taken the de facto lead in digitising Bangladesh through the introduction of a vast array of digital services. This leadership advantage is evident from accelerated expansion of the Company's 3G network, improvement of the IT infrastructure, 'go-to-market' structures, expansion of distribution touch points in stores and online, and delivery of the best internet offerings and experience for customers.

Throughout the year, Grameenphone introduced several key initiatives, however, the revision of the prepaid and postpaid product portfolio, layered with a diversified range of digital services, along with hassle-free data access for the customers across all segments is particularly noteworthy. The Grameenphone Online Shop was launched to cater to customer needs as well as to take product delivery to their doorsteps. In the digital space, Grameenphone has introduced several applications that has captured the customers' imagination and gained a foothold on their digital lifestyle choices. Applications such as the WowBox-lifestyle app; the MyGP App; the GP Music platform; low cost branded smartphones - which connects more people onto the 3G network and empower lives through innovative digital solutions, are just a few products and services, which were highly appreciated and accepted by our customers. On a more digital lifestyle solution angle, Tonic was launched, which is providing easy access to better and advanced online health care services. All these services demonstrate that Grameenphone has been consciously moving in the right direction to become the most preferred partner in a customers' digital life.

As a thought leader in the digital space in Bangladesh, Grameenphone will continue to play an enabling role to boost the start-up ecosystem in the country. The Grameenphone Accelerator Program, in partnership with SD Asia, has successfully completed training and boosting of two batches of start-ups in 2016. Our aim is not just to nurture start-ups in Bangladesh but also help them expand to new markets beyond the border.

In 20 years of operations in Bangladesh, Grameenphone has defied all expectations from local and international experts with its success in the market. The reason behind this success is that the Company has been instrumental in uplifting the lives of the people it has served. The Company has literally given the people a voice to express themselves and claim their place in their own worlds. We are seeing that this kind of inclusive progress is finding its place in the digital sphere as well. Going forward, the Company will continue to positively impact the people of Bangladesh both by empowering people digitally to reach their potential as well as being the digital social safety net for children and their families as they venture into the digital space.

Looking ahead, 2017 will be both challenging and exciting on the backdrop of a fast changing landscape brought on by an ongoing digital transformation of the telcom sector as well as the yet unfolding repercussions of the first large scale merger for the industry. These challenges are more so given the history of unpredictable regulatory drives in the market. However, we are confident that our prudent strategy, strong subscriber base, healthy balance sheet and robust underlying performance have put us on solid footing to face the upcoming challenges if and when they materialise.

An aspect of change that has been reinforced in 2016 and taken forward is the company's commitment to anti-corruption. Like the rest of the Telenor Group operations across 12 other markets, the Bangladesh operations too has been indoctrinated to take a hard stand with the Company's 'zero tolerance' on corruption policy. The change has been cascaded down to all those who do business with Grameenphone and all operators in the entire value chain. The Company enters 2017 with a new pledge to uphold the Telenor Way and doing the right thing.

Over the next couple of years leading to 2020, we will work to leverage growth opportunities as best as we can. We believe the potential growth and operating efficiencies will help us drive future profitability for the Company. Our investments in our high-speed data network will continue as well as our efforts to deliver new and even more relevant digital services to our customers. We will continue to maintain our relentless focus on ensuring efficiency in our investments and operating costs in order to maximise business output as best as possible without affecting customer experience and business processes.

In 2017, we will be entering the new phase of our journey, making bold moves and embracing new business models towards strengthening our mobile data leadership, paving the way to become the most preferred partner in our customers' digital life.

Grameenphone will also press to create new jobs in this digital era, both within the Company and in the communities it serves to bring in the higher levels of digital integration and efficiency required for a digital nation. The Company's efforts to nurture and further build on the digital ecosystem through empowerment programs like Grameenphone Accelerator and the 'White Board' initiative will also see escalation through 2017 and beyond to 2020.

As always, we thank our shareholders, customers and other stakeholders for their continued support and trust. We would also like to take this opportunity to thank all our employees for the significant achievements in 2016. Our success would never have been possible without their commitment, determination and professionalism in their relentless pursuit for operational excellence and raising the bar for the competition.

We look forward to welcoming you at our 20<sup>th</sup> Annual General Meeting (AGM).

31 January 2017

