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MOBILE MARKET LEADER IN A FAST-GROWING ECONOMY
BANGLADESH AT A GLANCE

**Demographics**

<table>
<thead>
<tr>
<th>Age distribution</th>
<th>0-14 yrs</th>
<th>15-24 yrs</th>
<th>25-54 yrs</th>
<th>55-64 yrs</th>
<th>&gt;64 yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>28%</td>
<td>19%</td>
<td>40%</td>
<td>7%</td>
<td>6%</td>
</tr>
</tbody>
</table>

- Population of 168m, growing by >1% per year
- Young population, 47% below 25 years
- Expanding middle class

**Economics**

<table>
<thead>
<tr>
<th>Real GDP growth (Avg. of last 10 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
</tr>
<tr>
<td>Kenya</td>
</tr>
<tr>
<td>Sri Lanka</td>
</tr>
<tr>
<td>Vietnam</td>
</tr>
<tr>
<td>Bangladesh</td>
</tr>
</tbody>
</table>

- GNI per capita of USD 1,330
- Largely a cash based economy
- Main sectors: Service, manufacturing and agriculture
- Stable inflation and currency performance

Sources: WorldBank, CIA Factbook
24 YEARS OF MOBILE TELECOM SERVICES

1993
Launch of brand name Citycell by PBTL (restructured HBTL)

1996
Commercial operation of HBTL (Hutchison Bangladesh Telecom Ltd.) with AMPS technology

1997
Mobile-Mobile service launch

1998
3 major GSM players currently named GP, Banglalink and Robi came into operation

1999
Mobile-Mobile service launch

2002
Prepaid service launch

2004
Launch of state owned operator Teletalk as the 5th player

2005
New interconnection regime (ICX, IGW & IIG)
Launch of separate Broadband Wireless Access (Wimax) operation

2008

2009
SIM re-registration through NID & Biometric Verification System

2010
100 mn subscribers
Launch of separate Broadband Wireless Access (Wimax) operation
Renewal of 2G spectrum for 15 years

2011

2013
Entry of Airtel Bangladesh by acquiring Warid Telecom

2016
Merger of Robi and Airtel

2018
SIM re-registration through NID & Biometric Verification System

2020
90%+ population coverage
50 Mn subscribers

2023
100 mn subscribers
3G cellular mobile phone services

2026
100 mn subscribers
3G cellular mobile phone services

2029
100 mn subscribers
3G cellular mobile phone services

2032
100 mn subscribers
3G cellular mobile phone services

2035
100 mn subscribers
3G cellular mobile phone services
AN ATTRACTIVE AND GROWING MOBILE MARKET, DOMINATED BY PREPAID

- 145 million subscribers, of which 98% prepaid
- Multi-SIM market with around 55% real mobile penetration
- 36% internet penetration*, rapidly increasing
- ARPU of around USD 2
- Scale benefit drives healthy margin for top 3 players
- Continuously developing regulatory landscape

<table>
<thead>
<tr>
<th>Years</th>
<th>Subscribers (Mn)</th>
<th>Real Penetration (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>114</td>
<td>44%</td>
</tr>
<tr>
<td>2014</td>
<td>120</td>
<td>46%</td>
</tr>
<tr>
<td>2015</td>
<td>134</td>
<td>51%</td>
</tr>
<tr>
<td>2016**</td>
<td>126</td>
<td>51%</td>
</tr>
<tr>
<td>2017</td>
<td>145</td>
<td>55%</td>
</tr>
</tbody>
</table>

*Based on estimation
**Subscriber adjustment due to bio-metric verification during 2016
GRAMEENPHONE IS THE UNDISPUTED MARKET LEADER, WITH SOLID FINANCIAL PERFORMANCE

- 65 million subscribers and #1 brand in Bangladesh
- Largest network: 13,000 2G and 12,300 3G sites
- Widest distribution: More than 366k points of sales

- 7% revenue CAGR and 12% EBITDA CAGR in 4 years
- Growing EBITDA margin with efficiency improvements
- 14% operating cash flow CAGR with margin improvement

**Source: Company Website  
**Airtel got merged with Robi from Q4’2016  
*** EBITDA before other items
IMPORTANT ACHIEVEMENTS DURING 2017

• Celebrated 20 exciting years of telecom services in the country
• 7.4 million new subscribers; 13% growth from 2016
• 6.6 million data subscriber addition, taking the total base to 31.2 million
• 95% of total sites are 3G enabled
• 20% EBITDA growth against revenue growth of 12%
• Strategic ambition in right direction with focus on driving growth with efficiency
4Q2017: HEALTHY GROWTH IN A CHALLENGING QUARTER OF SEASONALITY AND MARKET COMPETITION

- 9.2% voice revenue growth
- 29.1% data revenue growth

- Higher opex mainly from revenue driven costs and network rollout
- Net one-off positive effect of BDT 46 Mn

- Net one-off negative adjustment of BDT 2.0 Bn
- Normalized earnings growth of 32.6%
KEY SUCCESS FACTORS FOR 2017

**Superior network experience**
- 1776 3G and 1010 2G sites roll out
- Modernization of telco core, VAS and digital service platforms
- Optimization of Facebook and YouTube experience
- Migration of IT managed services

**Efficient operations**
- Continued simplification of IS/IT platforms
- Efficiency in network operations
- Efficiency in market spending
- Organizational restructuring

**Simplified products and services**
- 40+ products retired or modified
- Reduction of RBT price points from 36 to 3
- Simplification of 121 IVR
- Digitization of top 20 processes

**Strengthened physical and digital distribution**
- Revamp of MyGP app
- 1325 GP express stores rollout
- 2 GP lounges for customer experience of digital services
- Empowerment with digital platforms
SIGNIFICANT GROWTH OPPORTUNITIES
VOICE SEGMENT REMAINS IMPORTANT AND STILL OFFERS ATTRACTIVE GROWTH OPPORTUNITIES

- Real mobile penetration currently at approx. 55%, expected to increase
- Affordability of marginal subscriber improving
- Leverage expanded network and distribution footprint
- Improving price perception and simplicity in offers
- Strengthen position in B2B, postpaid and youth segment
INCREASING DATA USAGE WILL BE THE PRIMARY REVENUE GROWTH DRIVER GOING FORWARD

Average data usage (MB per month)

- Usage driven by video streaming and social media
- 72% of monthly active data users use Facebook
- Flagship ‘Digital Bangladesh’ vision of Government to act as an enabler

Data users and revenue contribution

- 46% total data revenue growth in 2017, 49% contribution of incremental revenue
- Support from 3G network coverage expansion
PROLIFERATION OF AFFORDABLE SMARTPHONES WILL BE KEY FOR ACCELERATED DATA ADOPTION

Smartphone price (USD) and penetration (%)

- Local manufacturing to bring in affordability and quality
- Co-branding and partnerships to complement
- 40% of 2G devices are up for replacement in near future

Usage and ARPU uplift potential

- 3G smartphone users have 34% and 4G smartphone users have 116% higher ARPU than feature phone users
CRITICAL SUCCESS FACTORS

Network leadership
Best distribution
Simplicity in offerings
Efficient operations
INVESTING IN NETWORKS TO CAPTURE DATA GROWTH

• 12,332 no of 3G sites is covering 93% of population
• Strong end-to-end fiber backhaul across the country
• Expansion of indoor coverage to address rapid urbanization and vertical city expansion
• Allocation of additional spectrum and technology neutrality is in discussion
• Constrained fixed broadband market

*Source: Company website and Grameenphone’s internal estimate (Q3 end 2017)
PHYSICAL DISTRIBUTION HAS BEEN A MAJOR STRENGTH
…WHILE PHYSICAL DISTRIBUTION REMAINS THE CORE, DIGITAL DISTRIBUTION IS SHAPING UP

• Convenience is driving recharge through digital channel

• Most digital interaction starts from physical location

• Bridging the digital and physical world with GP Express stores

• Digitization of tools and processes to ensure empowerment and efficiency of channel

Recharge through digital channels (% of sales)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.1%</td>
<td>0.5%</td>
<td>8.2%</td>
<td>10.4%</td>
<td>11.7%</td>
</tr>
</tbody>
</table>
CONTINUATION OF SIMPLIFICATION PROGRAM WITH STRONG RESULTS

- 40+ products retired or modified
- Reduction of RBT price points from 36 to 3
- Established strong oversight over 3rd party VAS

Daily complaints to touch point (Th)

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Q1'16</th>
<th>Q2'16</th>
<th>Q3'16</th>
<th>Q4'16</th>
<th>Q1'17</th>
<th>Q2'17</th>
<th>Q3'17</th>
<th>Q4'17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily complaints</td>
<td>45</td>
<td>38</td>
<td>21</td>
<td>16</td>
<td>12</td>
<td>10</td>
<td>8</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Dec 16 vs. Jan 16</td>
<td></td>
<td>-74%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 17 vs. Dec 16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-74%</td>
</tr>
</tbody>
</table>

Daily call volume to call center (Th)

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Q1'16</th>
<th>Q2'16</th>
<th>Q3'16</th>
<th>Q4'16</th>
<th>Q1'17</th>
<th>Q2'17</th>
<th>Q3'17</th>
<th>Q4'17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily call volume</td>
<td>137</td>
<td>121</td>
<td>127</td>
<td>111</td>
<td>103</td>
<td>94</td>
<td>82</td>
<td>54</td>
<td>37</td>
</tr>
<tr>
<td>Dec 16 vs. 2015</td>
<td></td>
<td>-25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 17 vs. Dec 16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-64%</td>
</tr>
</tbody>
</table>

- Simplification of 121 IVR
- Digitization of top 20 processes
- Self service hits increased by 85% with 41% customer adoption rate

*Quarterly exit figures
DRIVING RELEVANCE OF DIGITAL SERVICES ALONG WITH DIGITIZING CUSTOMER JOURNEYS

- **MyGP App**: Single digital self-care channel for customers to access all GP services, offers, bonus and rewards
- **Flexi Plan**: Option to make service bundles for talk time, Internet, SMS etc. based on own requirement
- **WowBox**: Lifestyle app providing easy access to internet, intuitive interface and a variety of local contents
- **GP Music**: Country's largest local music library along with the latest international releases
- **Bioscope**: One-stop shop for live TV and video on demand
- **GP Online Shop**: Platform for ordering latest smartphones, gadgets with authentic manufacturer’s warranty
- **Tonic**: Digital healthcare service to drive convenience and access with the help of telecommunications and technology

*As of December 2017
MAU: Monthly Active Users
A TRACK RECORD OF CONTROLLED OPEX DESPITE GROWTH AND SIGNIFICANT NETWORK EXPANSION

**Opex (BDT Bn) and Margin**

- 2013-2017: 1.5% opex growth against 7% revenue growth, 8% base stations growth and 9% sub-base growth
- Opex margin reduced from 41% to 33%
- 3.4% opex growth in 2017 with further margin improvement

**Item wise Opex growth of 2017 (YoY)**

- Continued simplification of IS/IT platforms
- Efficiency in network operations and market spending
- Organizational restructuring

*Revenue sharing with BTRC is included  
** Regulatory cost involves revenue share, WPPF, spectrum charges and license fees  
***Main component is consultancy. Includes one-off items for 2017*
COMMITMENT TO FURTHER EFFICIENCY IMPROVEMENTS

Technology
- Continuation of IT infrastructure simplification
- Further efficiency in power solutions and site maintenance cost
- Rent optimization from consolidation and relocation
- Synergy from Telenor Group initiated projects

Market
- Optimized shift in digital media for market spending
- Sales process digitization

Personnel
- Effect realization of headcount efficiency
- Further exercise ongoing for Head Quarter staff

Support
- Optimization of support and overhead costs
- Control over discretionary costs

SAVINGS
While there are substantial challenges in the business environment, Grameenphone has more than 20 years of experience in successfully managing regulatory and policy risks.

**Government’s Vision of ‘Digital Bangladesh’**
- Realization of Digital Bangladesh remains a political priority and expected to enable growth in the telecom industry.
- Recognition of Telecom and ICT sectors as enablers of economic and socioeconomic development.
- Numerous initiatives undertaken for enabling local ecosystem for software and IT services e.g. e-government, public-private partnerships.

**Regulatory Developments**
- Formulation of new regulations and revision of existing ones through public as well as industry consultation e.g. draft of 4G/LTE licenses and introduction of tech. neutral spectrum.
- Nascent regulations regarding digital services, but so far have been conducive to continued growth i.e. draft VAS guidelines and e-commerce policy.
- Bangladesh Labour Act is under review; anticipation of further clarity for service sector employees.

**Business Environment Management**
- Establishment as a trusted partner of the Government as well as a service provider, value creator and innovator contributing towards Digital Bangladesh vision.
- Aspiration to strengthen sustainability initiatives and role in empowering society.
- Considerable priority towards managing regulatory and policy risks by the company.
- Collaboration with local and international stakeholders.
## DEVELOPING REGULATORY LANDSCAPE

<table>
<thead>
<tr>
<th>Topic</th>
<th>Details</th>
</tr>
</thead>
</table>
| **4G License and spectrum auction** | • MNOs applied for 4G operating license and spectrum auction.  
• Bid earnest money was deposited on 5 Feb’18  
• Scheduled auction date is on 13 Feb’18 |
| **Tower Co. licensing guideline** | • Licensing guideline has been approved by the Ministry as per media reports  
• MNOs will not be eligible to participate  
• Industry holds its existing position on legal rights to build, maintain, operate and co-locate towers |
| **BTRC Audit** | • BTRC audit commenced on 3 Aug’2016.  
• Received a summary of the draft audit observations on 11 Dec’17  
• Feedback has been duly submitted on 18 Jan’18.  
• Waiting for further consultation with regulator |
| **Mobile Number Portability Services** | • On 30 Nov’17 BTRC awarded MNP license to Infozillion BD Teletech Consortium Limited (IBTCL)  
• Scheduled to be launched by Mar’18  
• Discussion ongoing amongst BTRC, IBTCL and MNOs for process development and system integration |
| **Cost modeling of Data** | • BTRC initiated cost modeling exercise to review data tariff  
• Appointed a consultant from International Telecommunication Union (ITU)  
• Industry consultation is ongoing |
| **Telecom VAS Guideline** | • BTRC published draft guidelines on Telecom VAS (TVAS) on 22 Aug’17  
• MNOs provided feedback under AMTOB banner during early Sep’17  
• MNOs are entitled to offer VAS service  
• Further review and consultation is ongoing |
• Large Taxpayers Unit (LTU)-VAT by a letter dated 16 May’12 claimed SIM tax of BDT 15.80 Bn including interests of BDT 5.45 Bn for all replacement SIMs issued during the Jul’07 to Dec’11 alleging that GP evaded SIM tax by selling new connections in the name of replacement SIMs.
• On 18 May’15 LTU-VAT has issued a Demand Notice for finalization of the demand letter issued earlier asking GP to deposit BDT 10.23 Bn as evaded SIM Tax.
• After thorough discussion and analysis, management has filed an appeal to the VAT Appellate Tribunal under Section 42(1)(Kha) of the VAT Act 1991 against the demand order.
• The appeal procedure prescribed by the VAT Act requires the appellant to deposit 10% of the disputed claim before filing such appeal. Such amounts are refundable or adjustable against final claim after appeal procedure.
• The decision does not indicate any change in GP’s earlier assessments as to recoverability of the amount being deposited.
• The deposit was considered as contingent asset under (IAS/BAS) 37: Provisions, Contingent Liabilities and Assets.
• The hearing before the Customs, Excise and VAT Appellate Tribunal took place on various occasions. On 5 June 2017, the VAT Appellate Tribunal dismissed the Appeals filed by Grameenphone and other mobile operators. The judgment was communicated to Grameenphone on 18 July 2017.
• Subsequently on 19 July 2017, challenging the said Judgment & Order of the Tribunal, Grameenphone filed a VAT Appeal before the Hon’ble High Court Division.

• In July 2017, without conducting any investigation and based on the assumption that Grameenphone evaded SIM tax by selling new connections in the name of replacement SIMs.
• LTU-VAT issued a show cause notice of BDT 3.8 Bn to Grameenphone for the period July 2012 to June 2015.
• Grameenphone replied to the show cause notice on 23 July 2017. Commissioner of LTU-VAT issued the final demand for BDT 3,789,537,820. Now GP is in process to file appeal before the Hon’ble VAT Appellate Tribunal within the time stipulated by law.
• During November 2017, the commissioner of LTU-VAT issued a separate show-cause notice for the similar issue but for the period of January 2012 to June 2012 amounting BDT 823,342,916. As per provision of the VAT Act-1991, LTU-VAT cannot claim any due beyond 5 years, hence the claim is time barred. Grameenphone has replied to the show cause notice accordingly.

• BTRC carried out an audit of the information system of GP from Apr’11 and issued a letter on 3 Oct’11 claiming BDT 30.34 Bn on various grounds.
• GP during and after the audit clarified to both BTRC and auditors that those observations were framed on wrong basis.
• GP took the issue to the court and obtained a 'status quo' valid till disposal of the rule.
• On a separate writ petition filed by another audit firm, the appointment of the auditor by BTRC was declared illegal by the High Court Division which was later on upheld by the Appellate Division.
### CONTINGENCIES

#### Claim for VAT based on C&AG audit

- Large Taxpayers Unit (LTU)-VAT on 14 May’14 issued a ‘pay or explain’ demand of BDT 16.60 Bn referring an assessment by Local and Revenue Audit Department of Comptroller and Auditor General (C&AG) office. C&AG office made this assessment for the fiscal year 2010-11 and 2011-12.
- GP filed a writ petition challenging this ‘pay or explain’ demand and the High Court issued a rule nisi asking LTU to show cause as to why the demand shall not be declared to have been issued without lawful authority and is of no legal effect, and stayed operation of demand.
- The High Court on 15 Dec’14 heard the case and passed a judgment making the rule absolute without any cost and set aside demand.
- Thereafter, NBR filed a Civil Petition for Leave to Appeal before the Hon'ble Appellate Division and on 5 March 2017 the Hon’ble Appellate Division disposed of the said Civil Petition for Leave to Appeal. Subsequently in connection with the demand-cum-show cause notices dated 14 May 2014 Grameenphone provided information and documentation to the VAT authority which they have reviewed, which we believe should be to their satisfaction.

#### VAT rebate on 2G license renewal fee

- This issue relates to whether or not VAT on 2G license and spectrum cost should be eligible for rebate. The amount involved is BDT 4.88 Bn (15% of the fee).
- 2G license of GP was renewed on 7 Aug’12 for 15 years effective from Nov’11. 100% of the renewal fee has been capitalized based on the assumption (High Court’s verdict in Feb’12) that GP’s VAT exposure will be nil.
- The lawsuit over the VAT rebate mechanism is still pending before the Appellate Division of Supreme Court.

#### Interest on SIM Tax (2006 - 2007)

- Large Tax Payer Unit (LTU), VAT, on 9 May 2016 issued a show cause notice on Grameenphone as to why 2% interest would not be applied for the delay in payment of VAT and Supplementary Duty on sale of SIM (commonly known as SIM tax) during the period 24 August 2006 to 27 March 2007.
- Collection of SIM tax during this period was barred by an order passed by the Hon'ble High Court. Accordingly the mobile operators could not collect SIM Tax from the customers.
- Upon a civil petition filed by the NBR, the judgment of the High Court was initially stayed by the Appellate Division on 27 March 2007 and finally reversed by its judgment passed on 1 August 2012. NBR issued a demand notice after the judgment and BDT 3.5 Bn was paid on 12 September 2012 on protest.
- Grameenphone filed a writ petition before the High Court challenging the show cause notice of 9 May 2016 issued by NBR. The High Court division initially passed a stay order on the show cause notice, which was subsequently vacated by the Appellate Division.
- NBR issued a demand notice on 22 June 2016 asking for payment of BDT 4.5 Bn interest in respect of a period of 65 months.
- Grameenphone has filed an appeal to the VAT Appellate Tribunal under Section 42(1)(Kha) of the VAT Act 1991 against the demand order. Even though the management of Grameenphone believes that the claim against Grameenphone is not likely to be legally enforceable, 10% of the disputed amount had to be deposited at the time of appeal as part of the appeal procedure prescribed by law.
- Grameenphone has considered the deposit as a contingent asset under (IAS/BAS) 37 Provisions, Contingent Liabilities and Contingent Assets.
- The hearing before the Customs, Excise and VAT Appellate Tribunal took place on 28 March 2017. Now, the Tribunal is expected to pass its judgment.

Refer to Annual Report 2016 and 3Q2017 Financial Statements for further details:
[https://www.grameenphone.com/about/investor-relations]
Grameenphone works to maximize the impact of communication services through ‘Reduced Inequalities’ towards a Sustainable Development

### Child Online Safety
Raising awareness amongst school children on how to use internet safely

- In 2017, Child Online Safety School program engaged over 52,000 students in more than 250 schools across the country on how to remain safe on the internet

### Disaster Response
Standing by the distressed in the time of natural disasters

- In 2017, GP supported more than 280,000 individuals during different natural disasters
- The support was in the form of food relief, clean drinking water and medical consultancy and medicine

### Supply Chain Sustainability
Driving responsible business conduct in supply chain

- 100% supplier code signing
- 750+ supply chain inspections for the last three (3) years
- 2,000 Man-Hours of capacity building in supply chain for last two years
SET STANDARD IN BANGLADESH FOR OPERATING UNDER RESPONSIBLE BUSINESS CONDUCT

- Efficient governance procedures to ensure adherence to policies
- Extensive company-wide awareness and training on building conducive culture around governance
- Rigorous monitoring and follow-up to identify and ensure appropriate corrective measures
- Strengthen compliance and supply chain framework further
- Actively promote company stance on responsible business conduct amongst the Bangladeshi society
• Dividend policy states at least 50% dividend payout of NPAT; last three years average payout was 101%
• Total shareholder return of 275% from 2013
• Outperformed local market index (DSEX) by 149%

*Considered closing price of prior trading session of record date
**Including dividend reinvestment and end period of 31 January 2018
***Considered recommended final dividend of BDT 10 for 2017
SUMMARY

• Strong market leader in an attractive growth market
• Investing to maintain superior network and service position
• Growth and operating efficiencies to drive future profitability

*In consideration of the local regulations, Grameenphone Ltd. does not provide any forward looking statements.*
Thank You